

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**PHARMACY HEALTH PROFESSIONS
STUDENT LOANS PROGRAM AT THE
MASSACHUSETTS COLLEGE
OF PHARMACY**

BOSTON, MASSACHUSETTS



**JUNE GIBBS BROWN
Inspector General**

**NOVEMBER 1998
A-05-98-00044**



DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V
105 W. ADAMS ST.
CHICAGO, ILLINOIS 60603-6201

OFFICE OF
INSPECTOR GENERAL

November 6, 1998

Common Identification No. A-05-98-00044

Sophie Lee
Associate Vice President for Finance
and Comptroller
Massachusetts College of Pharmacy
179 Longwood Avenue
Boston, MA 02115-5896

Dear Ms. Lee:

This letter report provides the results of our audit of the Pharmacy Health Professions Student Loans (HPSL) Program at the Massachusetts College of Pharmacy (the College). The HPSL program was implemented through the Public Health Service Act. The Health Resources and Services Administration (HRSA) has overall management responsibilities for the program at the Federal level.

We determined that the College was generally in compliance with regulations concerning the administration of loans. However, our audit revealed that the College was carrying uncollectible loans in their accounting records.

We are recommending that the College reimburse the HPSL fund \$18,273 for loans that were not referred to HRSA for write-off approval in accordance with HRSA's Student Financial Aid Guidelines and the Code of Federal Regulations 42 CFR Part 57.210.

In a letter dated October 8, 1998, Massachusetts College of Pharmacy concurred with our recommendations to reimburse the HPSL fund \$18,273 for loans that were not referred to HRSA for write-off approval. 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.

The Pharmacy program at the College has received more than \$2 million in Federal funding. The program has provided HPSL loans to more than 1,900 students. The total dollar amount of loans provided to students exceeds \$7 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, and (iii) the college was not carrying uncollectible loans in its accounting records. To achieve our audit objectives, we interviewed college officials, researched applicable laws and program regulations, reviewed accounting data and student files, 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 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 random sample of 100 HPSL borrowers was drawn for a review of uncollectible accounts. Additional reviews included 65 loans that were past due for more than 120 days, nine accounts which were classified as pending bankruptcy or discharged in bankruptcy, and one loan written off under provisions precluding a penalty. Public Law 100-607 allows schools to write-off all HPSL loans determined to be uncollectible prior to August 1, 1985, without penalty.

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 the extent of uncollectible loans was August 1, 1985 through December 31, 1997.

We conducted our field work at the College's Business Office in Boston, MA. Field work was performed during the month of May 1998.

RESULTS OF AUDIT

With the exception of uncollectible loan write-offs, the Pharmacy HPSL Program at the College was generally in compliance with program regulations. The College 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. The loan retired under Public Law 100-607 was eligible for write-off. However, the College was carrying uncollectible loans in their accounting records that were not submitted to HRSA for write-off approval.

Investment Income

Interest earned from HPSL invested funds is currently being reinvested into the HPSL program. During FY 1997, \$3,522 was recorded as investment income on the Annual Operating Report.

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 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, the College has refunded \$37,000 of investment income to the HPSL program.

Excess Cash

The College 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 College reported a negative amount of excess cash.

Uncollectible Loans

The College was carrying uncollectible loans in their accounting records that should have been submitted to HRSA for write-off approval. HRSA's Student Financial Aid Guidelines and 42 CFR Part 57.210 requires schools to request permission to write-off uncollectible loans within 30 days of the determination that the loan is uncollectible or reimburse the fund in the full amount of the principal, interest and penalty charges that remain uncollectible. We identified ten uncollectible loans that the College should have requested write-off approval.

The ten loans totaling \$18,273 should have been submitted to HRSA for write-off approval as the College became aware that the loans were uncollectible. One loan exceeding the ten-year period, one loan pending bankruptcy and eight loans discharged in bankruptcy had outstanding balances of \$2,471, \$1,007, and \$14,795, respectively. Since the 30 day period to request write-off approval had lapsed, the College is responsible for reimbursing the HPSL fund the outstanding balance of the loans.

Recommendations

We recommend that the College reimburse the HPSL fund \$18,273 for loans that were not referred to HRSA for write-off approval within the required 30 day period.

College Comments

In a letter dated October 8, 1998, Massachusetts College of Pharmacy concurred with our recommendations to reimburse the HPSL fund \$18,273 for loans that were not referred to HRSA

for write-off approval. The full text of the University's comments is attached as an appendix to this report.

Final determination as to actions 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 therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.) To facilitate identification, please refer to Common Identification Number A-05-98-00044 in all correspondence to this report.



Paul Swanson
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:
Chief, Cost Advisory and Audit Resolution Branch
Division of Grants and Acquisition Management
Health Resources and Services Administration
Parklawn Building, Room 13A-27
5600 Fishers Lane
Rockville, MD 20857

APPENDIX



Massachusetts College of Pharmacy
and Allied Health Sciences

October 8, 1998

Mr. Mike Barton
Senior Auditor
DHHS/OIG/Audit Services
280 North High Street, Room 710
Columbus, Ohio 43215

Re: Draft Report – Common Identification No A-05-98-00044

Dear Mike,

We have reviewed the draft report of the audit of the Pharmacy Health Professions Student Loans Program at the Massachusetts College of Pharmacy and Allied Health Sciences.

We concur with the findings and will reimburse the HPSL fund \$18,273 as specified in the audit letter. Please let us know the appropriate procedures to follow in order to complete this obligation.

Sincerely,

A handwritten signature in cursive script that reads "Sophie Lee".

Sophie Lee
Associate Vice President
And Comptroller