

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ALLOPATHIC MEDICINE HEALTH
PROFESSIONS STUDENT LOANS
PROGRAM AT THE UNIVERSITY OF
FLORIDA
GAINESVILLE, FLORIDA**



JUNE GIBBS BROWN
Inspector General

SEPTEMBER 1998
A-05-98-00035



DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V

105 W. ADAMS ST.

CHICAGO, ILLINOIS 60603-620 1

September 3, 1998

Common Identification No. A-05-98-00035

OFFICE OF
INSPECTOR-GENERAL

John P. Kruczek
University Controller
University of Florida
111 Tigert Hall
P.O. Box 113200
Gainesville, FL 326 11-3200

Dear Mr. Kruczek:

This letter report provides the results of our audit of the Allopathic Medicine Health Professions Student Loans (HPSL) Program at the University of Florida. 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 University was appropriately using HPSL funds to provide loans to eligible medical students and was appropriately administering the HPSL funds. However, we identified one account which should have been classified as an uncollectible loan. We are recommending that the University reimburse the HPSL fund an amount of \$8,226 for the uncollectible HPSL loan.

In a letter dated August 14, 1998, the University of Florida responded that they had addressed the audit recommendation through the submission of documentation and subsequent approval from HRSA to cancel the loan based on a permanent and total disability of the borrower. 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 HPSL 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 the University of Florida has received more than \$1.6 million in

Federal funding. The program has provided HPSL loans to more than 1,200 students. The total dollar amount of loans provided to students exceeds \$5 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 files, and performed other auditing procedures as considered necessary.

We reviewed accounting records 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.

We selected all 17 primary care loan accounts to review for the dollar amount of the loan, the use of third and fourth year student loans to repay outstanding medical school loans, and the compliance with the primary care service obligation. A separate random sample of current HPSL accounts and a judgmental selection of closed HPSL accounts, totaling 108 accounts, were obtained to review for uncollectible accounts. Additional reviews included seven loans that were past due for more than two years, and seven loans 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 primary care loans was July 1, 1993 through December 31, 1997, while our review of the extent of uncollectible loans covered the period August 1, 1985 through December 31, 1997.

We conducted our field work at the University's Financial Services Office in Gainesville, FL. Field work was performed during the months of March and April 1998.

RESULTS OF AUDIT

Based on the results of our audit, the HPSL program at the University of Florida was generally in compliance with program regulations. 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. The primary care loan amounts were appropriate, and the recipients were complying with

their primary care service obligations. Loans retired under Public Law 100-607 were eligible for write-off. The University did not have any loans in their accounting records that should be classified as uncollectible, with the exception of one account canceled due to a permanent and total disability.

Investment Income

Interest earned from HPSL invested funds is currently being reinvested into the HPSL program. During FY 1997, \$12,258 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 dollar amount of loans and the use of loans provided to primary care borrowers were allowable.

Primary Care Loans--Compliance

Medical students who received primary care loans were complying with their primary care service obligations.

Uncollectible Loans

The University was not carrying uncollectible loans in their accounting records, with the exception of one loan. HRSA Policy Memorandum Number Six states that medical information supporting the borrower's permanent and total disability must be submitted to HRSA for review by the HHS Surgeon General's Medical Review Board. Our review of selected HPSL accounts revealed one account which was canceled due to a permanent and total disability, but not submitted to HRSA for disability cancellation approval. The review of loans that were more than two years past due did not reveal any loans that were uncollectible.

Recommendations

The University should reimburse the HPSL fund an amount of \$8,226 for the HPSL loan which did not receive cancellation approval.

University Comments

In a letter dated August 14, 1998, the University of Florida responded that they had addressed the audit recommendation through the submission of documentation and subsequent approval from

HRSA to cancel the loan based on a permanent and total disability of the borrower. The university provided a copy of the July 13, 1998 HRSA letter approving cancellation of the loan. The full text of the University's comments is attached as an appendix to this report.

OIG Comments

Based on our draft report recommendation, the University submitted to HRSA documentation supporting permanent and total disability. HRSA's approval of the loan cancellation resolves our recommendation. No reimbursement to the HPSL fund is necessary; however we recommend that, in the future, the University adhere to HRSA regulations regarding loan cancellations.

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-05-98-00035 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



UNIVERSITY OF FLORIDA

**Administrative Affairs
Finance and Accounting
University Controller's Office**

August 14, 1998

**111 Tigert Hall
PO Box 113200
Gainesville, FL 32611-3200
(352) 392-1321
Fax (352) 392-4760**

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

RE: Common ID No. A-05-98-00035

Dear Mr. Barton:

This letter is in response to the draft audit report of the Allopathic Medicine Health Professions Student Loans (HPSL) Program. A recommendation was made to have the University of Florida reimburse the HPSL fund in the amount of \$8,226.00 for one account

. This loan was canceled due to permanent and total disability, **but** not submitted to HRSA for disability cancellation approval.

Since the initial audit, we have submitted documentation to HRSA for review of the above account by the HHS Surgeon General's Medical Review Board. Per the letter enclosed, approval for cancellation was granted on July 13, 1998. Will you please modify your draft report to incorporate this action approved by the HHS Surgeon General Medical Review Board.

Thank you for your assistance. Should you require additional information, please contact Ruth Harris at (352) 392-0779 or e-mail rharris@ufl.edu.

Sincerely,

A handwritten signature in black ink, appearing to read "John P. Kruczek".

John P. Kruczek
University Controller

jpk/DE

Enclosure

cc: Ruth Harris
Patrick Piper



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

~~Bureau of Health Professions~~

Health Resources and
Services Administration
Rockville MD 20857

July 13, 1998

Mr. Patrick Piper
Administrative Services Coordinator
Financial Services/Collection Department
University of Florida
S113 Criser Hall
P.O. Box 114050
Gainesville, Florida

Re: --
SS# --

Dear Mr. Piper:

This is in response to your recent request regarding cancellation of Health Professions Student Loan (HPSL) based on permanent and total disability on behalf of the borrowers identified above. This cancellation was reported on your 1996-97 Annual Operating Report (AOR).

Based on documentation provided, this claim was submitted to the Medical Review Board and has been approved for cancellation based on permanent and total disability.

May we remind you that schools do not have the authority to cancel HPSLs based on permanent and total disability. This authority remains with the Department of Health and Human Services. Please refer to your Student Financial Aid Guidelines for further direction. We are returning all medical documentation to you for disposition.

Should you require additional assistance with claims for permanent and total disability, please call me at 301-443-0785; or e-mail: LEVANS@HRSA.DHHS.GOV.

Sincerely,

Lorraine E. Evans
Program Analyst
Office for Campus Based Programs
Division of Student Assistance

Enclosure