



Tab 21

Overview of Recent Audit Reports

Coordinating Board for Higher Education
June 5, 2019

BACKGROUND

MDHE undergoes routine annual audits by the following entities:

- 1) State Auditor's Office (SAO) – The SAO determines which state funds have the most significant amount of activity and tests transactions from those funds during its audit of the statewide financial statements. Both the loan program and the state financial aid funds typically have activity at a level that the SAO considers significant and those funds are included in test work for the comprehensive annual financial report (CAFR).
- 2) United States Department of Education (USDE) – The USDE performs on-site reviews of the Missouri Student Loan Program (MSLP) information security controls on a periodic basis, as well as requires the department to submit self-assessments of information security controls each year.
- 3) RubinBrown – Through a contract awarded by the Office of Administration, RubinBrown audits the MSLP's annual comparative financial statements. An independent audit is required by the USDE of all guaranty agencies; the department must submit a copy of its audited financial statements to the USDE each year.

CURRENT STATUS

MDHE staff continue to work with Office of Administration-Information Technology Services Department to perform monthly vulnerability scans related to the Security Control Review issued by the USDE in January of 2019. In the January report, USDE identified 1,600 vulnerabilities. By February 2019, OA-ITSD lowered that amount to 56. The most recent report in April identified 55 vulnerabilities affecting 50 assets.

The USDE is now conducting a Security Control Review at eight guaranty agencies per year, instead of reviewing all guaranty agencies each year. Missouri is in the first round of reviews. USDE staff will be on site May 20-24, 2019, for another Security Control Review. MDHE will likely not have a final report by the time of the board's June 2019 meeting.

USDE conducted its Guaranty Agency Private Collection Agency Review of MDHE February 4-8, 2019. The final report is attached for review. There are no findings in the report.

USDE held a conference call with MDHE on the annual Business and Financial Overview on March 7, 2019. USDE asked MDHE staff follow-up questions but had no concerns.

NEXT STEPS

MDHE will provide the CBHE with the USDE Security Control Review final report at the first public meeting following receipt of the final report.

The State Auditor's Office will conduct its annual Statewide Financial Statements Audit sometime before September 2019.

The USDE is scheduled to be on site at Ascendium to review MDHE files July 15-19, 2019. MDHE staff are working with Ascendium to assist in preparing for the audit.

RubinBrown will conduct its interim field work in September 2019.

RECOMMENDATION

This is an information item only.

ATTACHMENT

- USDE Guaranty Agency Private Collection Agency Review Final Report



March 8, 2019

Lisa Im
Chief Executive Officer
Performant Recovery, Inc.
333 North Canyons Parkway, Suite 100
Livermore, CA 94551

UPS Tracking: 1ZA879643595225126

RE: Final Program Review Determination

OPE ID: 75008400
PRCN: 20192065003

Dear Ms. Im:

The U.S. Department of Education (Department), Financial Institution Oversight Service – Southern Division conducted a review of Performant Recovery, Inc.’s (Performant) participation in the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §1071 (HEA). The Department’s authority to conduct a program review is 34 CFR §682.414(c). The review was conducted from February 4, 2019, through February 9, 2019.

Final determinations have been made concerning all documentation provided and reviewed during the program review. The purpose of this letter and attached report is to close the review.

Protection of Personally Identifiable Information (PII)

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, any finding(s) in the attached report do not contain borrower PII. Borrower PII will be provided in a separate appendix following the Department’s security requirements using encrypted email format.

Record Retention

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims, or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 CFR §682.414.

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

Financial Institution Oversight Service – Southern Division
Hardwood Center - 1999 Bryan Street, Suite 1610, Dallas, TX 75201-6817

Lisa Im
Chief Executive Officer
Performant Recovery, Inc.
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correspondence relating to this report. If you have any questions concerning this report, please contact Teresa Napier at (214) 661-9682 or Teresa.Napier@ed.gov.

Sincerely,



Susan C. Ferraiolo
Acting Director, Southern Division

Enclosure

cc Christine Heady
Senior Client Service Account Manager Representative

Zora Milligan
Commissioner, Missouri Department of Higher Education

Prepared for:
Performant Recovery, Inc. (Performant)
OPE ID: 75008400
PRCN: 20192065003

Prepared by:
U.S. Department of Education
Federal Student Aid
Financial Institution Oversight Service – Southern Division

FINAL PROGRAM REVIEW DETERMINATION

March 8, 2019

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Performant Recovery, Inc.
OPE ID: 75008400
PRCN: 20192065003

A. Institutional Information

OPE ID Number: 75008400
Program Review Control Number (PRCN): 20192065003

Name and Address:

Performant Recovery, Inc.
333 North Canyons Parkway, Suite 100
Livermore, CA 94551

Dates of Review: February 4, 2019 through February 8, 2019
Review Period: October 1, 2017 through September 30, 2018

Institutional Information:

Total Federal Family Education Loan Program (FFEL) portfolio as of September 30, 2018:
1,614 borrower accounts totaling \$34,232,304 (MDHE)

Systems Used: Proprietary Collection System

Background Information:

Performant Recovery, Inc. (Performant) was formerly known as Diversified Collection Services, Inc. and changed its name to Performant Recovery, Inc. in August 2012. The company was founded in 1976, and is based in Livermore, California. Performant focuses on audit and recovery services for commercial and government clients. Performant offers a wide variety of national debt-collection services for defaulted student loans, delinquent corporate and personal state income taxes, consumer and commercial medical receivables, and non-tax receivables. Performant has branch offices in Lathrop, California; Grants Pass, Oregon; and San Angelo, Texas; and has 1,475 employees.

The Missouri Department of Higher Education (MDHE) provided the universe of loans with borrower default collections for the Performant review. MDHE contracted directly with Great Lakes Higher Education Corporation (Ascendium) as a guaranty agency servicer. Prior to September 1, 2017, Ascendium contracted directly with Performant; however, after this date, Ascendium entered into a Master Servicing Agreement to subcontract servicing to Navient. Navient then sub-contracted collection activities to Performant.

B. Scope of Review

The U.S. Department of Education (Department) conducted a program review of Performant's collection activities on the behalf of MDHE from February 4, 2019 through February 8, 2019. The period reviewed was from October 1, 2017 through September 30, 2018.

The focus of the review was to evaluate Performant's compliance with the statutes and federal regulations as they pertain to the agency's administration of the FFEL Program. The following specific areas were included in the review:

- Borrower Collections
- Private collection agency (PCA) Controls

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in this report concerning Performant's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those practices and procedures. Furthermore, it does not relieve Performant of its obligation to comply with all of the statutory and regulatory provisions governing the FFEL Programs.

C. Findings and Final Determinations

The Department has reviewed all documentation and has made a final program review determination. Based on the review of the documentation and information gathered during interviews, there were no findings or observations.

D. Review Status

This program review is closed.