



September 29, 2014

Dr. Forrest E. Harris, Sr.
President
American Baptist College Theological Seminary
1800 Baptist World Center Drive
Nashville, TN 37207

UPS Tracking # 1Z A87 964 02 9561 8942

RE: Final Program Review Determination

OPE ID: 01046000

PRCN: 201120727532

Dear Dr. Harris:

The U.S. Department of Education's (Department's) School Participation Division—Kansas City issued a program review report on April 3, 2012, covering American Baptist Theological Seminary's (ABC) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2009-2010 and 2010-2012 award years. ABC's final response was received on August 4, 2012. A copy of the program review report (and related attachments) and ABC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by ABC upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) notify ABC of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal. Please note that the appeal instructions contained herein apply only to the appeal of the financial liabilities established in this final program review determination.

Federal Student Aid

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

School Participation Division—Kansas City

1010 Walnut Street, Suite 336, Kansas City, MO 64106-2147

StudentAid.gov

This FPRD contains one or more findings regarding ABC's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41 and 668.46. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed.

The total liabilities due from the institution from this program review are **\$129,516.19**.

This final program review determination contains detailed information about the liability determination for all findings.

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, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample with additional students identified by the file reconstructions being addressed in Appendix B.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the April 3, 2012, program review report. If ABC wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date ABC receives this FPRD. An original and four copies of the information ABC submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

ABC's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file

review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and

(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to ABC's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

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 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Kathy Feith at (816) 268-0406. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Ralph A. LoBosco
Division Director

Enclosure:

Protection of Personally Identifiable Information

Program Review Report (and appendices)

Final Program Review Determination Report (and appendices)

cc: Ms. Sharonda Campbell, Director of Financial Aid
Tennessee Higher Education Commission
Dr. Ron Kroll, Association for Biblical Higher Education

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. 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).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for
American Baptist Theological
Seminary

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

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OPE ID: 01046000
PRCN: 201120727532

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division – Kansas City

Final Program Review Determination September 29, 2014

Table of Contents

A. Institutional Information.....	4
B. Scope of Review.....	5
C. Findings and Final Determinations.....	6
Resolved Findings	6
Resolved Findings with Comments	6
Finding 11: Inaccurate Recordkeeping and Information in Student Files Missing/Inconsistent.....	6
Finding 15: Federal Supplemental Educational Opportunity Grant (FSEOG) Matching Requirement Not Met	8
Finding 17: Federal Work Study (FWS) Matching Requirement Not Met	10
Finding 18: Improper Payments for the Federal Work Study Program (FWS) Students.....	11
Finding 19: Failure to Meet Federal Work Study (FWS) Community Service Allocation.....	12
Finding 22: Fiscal Operations Report and Application to Participate (FISAP) Income Grid—Not Documented.....	14
Finding 24: Crime Awareness Requirements Not Met.....	15
Finding 25: Failure to Comply with the Drug and Alcohol Prevention Regulations.	25
Findings with Final Determinations	30
Finding 1: Failure to Perform Return of Title IV Funds Calculations.....	30
Finding 3: Incomplete/Inaccurate Verification Documentation.....	32
Finding 4: No Method to Determine Unofficial Withdrawals.....	36
Finding 5: Failure to Document One Day of Attendance in a Payment Period.....	38
Finding 10: Ineligible Student—Failure to Establish Selective Service Registration.	41
D. Summary of Liabilities.....	44
E. Payment Instructions.....	46
F. Appendices	52
Appendix A: Student Sample.....	53

Appendix B: Student Level Liabilities Identified From File Reviews.....	54
Appendix C: Program Review Report.....	61
Appendix D: Estimated Actual Loss Formula Description.....	110
Appendix E: Estimated Actual Loss Formula Calculation.....	113
Appendix F: Cost of Funds Calculation.....	116
Appendix G: FEDWIRE.....	123
Appendix H: Institution's Response to the Program Review Report.....	125

A. Institutional Information

American Baptist College Theological Seminary
1800 Baptist World Center Drive
Nashville, TN 37207

Type:	Private, non-profit
Highest Level of Offering:	Masters of Arts Degree
Accrediting Agencies:	Association for Biblical Higher Education (ABHE) Council for Higher Education Accreditation (CHEA)
Current Student Enrollment:	100 (2009-10)
Percentage of Students Receiving Title IV, HEA funds:	62% (2009-10)
Title IV, HEA Program Participation (G5 and Postsecondary Education participants Systems (PEPS))	

2010-2011

Federal Pell Grant	\$332,308.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 4,600.00
Federal Work Study (FWS)	\$ 6,724.00
William D. Ford Federal Direct Loan (Direct Loan)	\$412,610.00

Default Rate FFEL/DL:	2010	0%
	2009	0%
	2008	0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at American Baptist Theological Seminary (ABC) from March 14, 2011 to March 18, 2011. The review was conducted by Mr. Charles E. Glasper and Ms. Rhonda Puffer.

The focus of the review was to determine ABC's compliance with the statues and federal regulations as they pertain to the institution's administration of Title IV, HEA programs. The review consisted of, but was not limited to, an examination of ABC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2009/10 and 2010/11 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, four files were selected to examine ABC's compliance with administering its Federal Work Study Program. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on April 3, 2012.

Disclaimer:

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

C. Findings and Final Determinations

Resolved Findings

Findings 2, 6-9, 12-14, 16, 20, 21, 23, and 26

ABC has taken the corrective actions necessary to resolve findings 2, 6-9, 12-14, 16, 20, 21, 23, and 26 of the program review report. Therefore, these findings may be considered closed. ABC's written response related to the resolved findings is provided in Appendix H. Findings which were closed with comments or those requiring further action by ABC are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution and may be considered closed. These findings are included solely for the purpose of discussing resolution of the finding.

Finding 11. Inaccurate Recordkeeping and Information in Student Files Missing/Inconsistent

Noncompliance: In addition to program and fiscal records, an institution must keep records that substantiate the eligibility of its students for Title IV, HEA Student Financial Assistance (SFA). For each student who receives SFA funds, an institution must maintain records of:

- (1) The student's admission to and enrollment status at the school;
- (2) The student's program of study and the courses he or she is taking;
- (3) Documentation (all academic grades) verifying that the student is making satisfactory academic progress;
- (4) All financial aid and type the student receives;
- (5) All refunds due or paid to the student and the SFA programs;
- (6) Verification information on the student aid application;
- (7) Any required certifications (authorization to hold credit balance refunds, tax forms, leave of absence form, etc.), signed by the student, and any document used to document the student's registration status.

34 C.F.R. §§ 668.24, 674.19(d), 675.19(b), 676.19(b), 682.610, 690.82

In five instances, ABC's records disclosed frequent inaccuracies in the academic records and financial aid program records, and all transactions and documents were not recorded or maintained in the students' files cited below. In addition, ABC did not identify on the

students' account statement and award letter whether or not the Federal Direct Stafford Loan is Subsidized, Unsubsidized or PLUS.

Student 13: The student's registration form and student official transcript show that the student enrolled in the course #NT 490 (Epistles of Paul) for the 2010 summer session and earned a B+. However, the grade was not recorded on the student's student official transcript. This student is also cited in Finding 3.

Student 16: The student's financial aid file has multiple discrepancies for the 2010/11 award year: (1) enrollment status in NSLDS shows full-time, rather than withdrawn; (2) the amount of U.S. income tax paid on ISIR shows \$355, while IRS 1040 tax form shows \$2,571; and (3) the award letter and student account statement do not identify FDL-Subsidized and FDL-Unsubsidized loan. For the fall 2010 semester, the student received \$1,650 in Federal Pell Grant, \$2,000 in FDL-Subsidized, and \$1,000 in FDL-Unsubsidized funds. This student is also cited in Findings 3, 12, and 13.

Student 20: The student's registration form and student account statement show that the student enrolled in the course #GS203 (Integrated Math) for the fall 2010 semester and earned a B+. However, the final grade was not recorded on the student's student official transcript. In addition, the type of FDL is not identified on the award letter and student account statement. For the fall 2010 semester, the student received \$2,775 in Federal Pell Grant, \$1,750 in FDL-Subsidized, and \$1,750 in FDL-Unsubsidized funds. This student is also cited in Findings 2 and 5.

Student 27: According to the student's academic record and program planning worksheet, the student transferred credits from the Kentucky Community and Technical College System for the fall 2010 semester. The credits have not been posted to ABC's student official transcripts. In addition, the type of FDL is not identified on the award letter and student account statement. For the fall 2010 semester, the student received \$1,750 in FDL-Subsidized and \$1,750 in FDL-Unsubsidized funds. This student is also cited in Findings 6 and 13.

Student 29: The student's account statement shows that the student received \$4,479 in FDSL funds on 09/21/10 and \$4,479 in FDL funds on 03/04/11 for the 2010/11 award year. However, NSLDS shows that the student only received \$1,750 in FDL-Unsubsidized funds for the 2010/11 award year. In addition, the type of FDL is not identified on the award letter and student account statement. This student is also cited in Finding 3.

Directives From Program Review Report: In response to this finding, ABC was required to submit corrections for the discrepancies in the records for the students cited above. ABC was instructed to identify the type of FDL disbursements on each student account statement and award letter in the future. ABC was also required to develop and submit procedures to ensure that all students' records are maintained and consistent with the statutory and regulatory provisions with its response to this finding.

ABC's Response: ABC informed reviewers they had addressed the discrepancies in the records of the students cited in the program review report and submitted the required corrections. ABC provided documentation they believe substantiates Title IV, HEA funds paid to students. ABC reviewed its policies and procedures and made the necessary revisions to ensure student records are maintained and consistent with the statutory and regulatory provisions in the future.

Final Determination: Although the results of ABC's file review of the students cited in the program review report revealed no liabilities associated with this finding, ABC is reminded that all Title IV, HEA awards, including Direct Loan awards, must be properly identified on each student's financial aid award letter and account statement.

Finding 15. Federal Supplemental Educational Opportunity Grant (FSEOG) Matching Requirement Not Met

Noncompliance: All institutions participating in the FSEOG Program are required to match FSEOG funds with their own resources prior to, or at the same time, the federal funds are disbursed. The institutional match may include institutional grants and scholarships, tuition or fee waivers, state scholarships, or foundation or other charitable organization funds. This match may be accomplished on an individual recipient basis, an aggregate basis, or a fund-specific basis. Beginning the 1993/94 award year and subsequent years, the Federal share of the FSEOG awards made by an institution may not exceed 75 percent of the amount of FSEOG awards made by that institution. 34 C.F.R. § 676.21(a)

The reviewers found that ABC does not have a policy regarding the institutional FSEOG Federal matching share as required in the regulations. In five instances, ABC did not provide the required institutional 25 percent nonfederal share match for FSEOG program disbursements during the 2009/10 and 2010/11 award years. There was no documentation showing that the institutional matching share was by ledger entries or corresponding payments. Furthermore, the federal share match was not reported on the FISAP for the 2009/10 award year.

Issues were found for the following students:

Student 2: The student's account statement shows that the student received two \$200 disbursements in FSEOG funds on 10/06/09 and 01/21/10 respectively for the 2009/10 award year. This student is also cited in Finding 13.

Student 3: The student's account statement shows that the student received two \$200 disbursements in FSEOG funds on 10/06/09 and 01/21/10 respectively for the 2009/10 award year. This student is also cited in Finding 3.

Student 5: The student's account statement shows that the student received two \$200 disbursements in FSEOG funds on 10/06/09 and 01/21/10 respectively for the 2009/10 award year.

Student 19: The student's account statement shows that the student received two \$200 disbursements in FSEOG funds on 10/06/09 and 01/21/10 respectively for the 2009/10 award year. This student is also cited in Findings 3, 7, and 18.

Student 21: The student's account statement shows that the student received \$200 in FSEOG funds on 09/21/10 for the fall 2010 semester. This student is also cited in Finding 5.

Directives From Program Review Report: In response to this finding, ABC was required to match the FSEOG disbursements for the students cited above and provide a copy of the student's account statement verifying the matching funds. ABC was also required to review the accounts of all FSEOG recipients for the 2007/08, 2008/09, 2009/10, and 2010/11 award years, and identify all FSEOG recipients who received FSEOG funds and for whom ABC failed to provide the 25 percent nonfederal share.

Additionally, ABC was required to review and revise its internal policies and procedures to ensure that all FSEOG disbursements are matched with the 25 percent nonfederal share in a timely manner in the future. A copy of the revised procedures was required to accompany ABC's response.

ABC's Response: In its response, ABC indicated to reviewers it had identified all FSEOG recipients for the 2007/08, 2008/09, 2009/10, and 2010/11 award years and the amount of FSEOG funds disbursed to each recipient. Additionally, ABC assured reviewers they had reviewed all policies and procedures in relation to FSEOG disbursements and made revisions to ensure all FSEOG federal disbursements are appropriately matched timely by the institution with the appropriate 25 percent nonfederal share in the future.

Final Determination: Although ABC did not appropriately apportion FSEOG match-designated funds as prescribed by Department guidelines, program reviewers determined an appropriate amount of State resources were received to satisfy the match requirement.

To ensure ABC understands how to appropriately administer its campus-based programs and accurately complete the FISAP in the future, program reviewers are referring ABC to the Campus Based Team for additional instructions on the FISAP completion process and to the Special Initiative Services Team to receive additional technical support, guidance, and instruction. Consequently, the Kansas City School Participation Division considers this finding closed.

Finding 17. Federal Work Study (FWS) Matching Requirement Not Met

Noncompliance: All institutions participating in the FWS Program are required to match FWS wages at the same time it pays the Federal share. An institution may use any resource available to pay its share of FWS compensation to its students except Federal funds allocated under the FWS program. The institution's share may also be paid as a non-cash contribution of services and equipment – for example, tuition or fee waivers, room and board, and books and supplies. If the institution's share for the award period is paid by non-cash contributions, it must be paid before the end of the student's final payroll period. The institution must document all amounts claimed as a non-cash contribution. Beginning the 1993/94 and subsequent years, the Federal share may not exceed 75 percent. 34 C.F.R. § 675.26

Reviewers found that ABC failed to match FWS program wages paid to students for the 2009/10 and 2010/11 award years. There was no documentation of the institutional match by ledger entries and/or corresponding payments from institutional or other resources.

Directives From Program Review Report: ABC was directed to match FWS program wages by the mandatory 25 percent for the required award years. Additionally, ABC was directed to develop and implement policies and procedures to ensure that all FWS wages are matched with the 25 percent nonfederal share in a timely manner in the future. A copy of the policies and procedures, and proof wages were matched were to accompany the report.

ABC's Response: ABC acknowledged that it failed to match FWS program wages with the mandatory 25% institutional match for the 2007/08 through 2010/11 award years as required by Federal regulations. As part of its response, ABC reviewed its FWS policies and procedures in relation to appropriate FWS program administration and revised its institutional policies and procedures accordingly to ensure all institutional matching requirements are appropriately addressed and monitored.

Final Determination: Although ABC did not appropriately apportion FWS match-designated funds as prescribed by Department guidelines, program reviewers were able to determine an appropriate amount of institutional resources were applied towards the institutional match.

To ensure ABC understands how to administer its campus-based programs and accurately complete the FISAP in the future, program reviewers are referring ABC to the Campus Based Team for additional instructions on the FISAP completion process and to the Special Initiative Services Team to receive additional technical support, guidance, and instruction. As such, the Kansas City School Participation Division considers this finding closed.

Finding 18. Improper Payments for the Federal Work Study Program (FWS) Students

Noncompliance: The institution must be certain that its certification of FWS time sheet entries is, in fact, an accurate representation of student work activity. An institution must compute FWS compensation on an hourly basis for actual time on the job and pay an undergraduate student the established rate set by the institution for all work performed. A graduate student may be paid a salary or an hourly wage. In addition, an institution must establish and maintain program and fiscal records that include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for a student paid on an hourly basis, a time record showing the hours each student worked in clock time sequence or the total hours worked per day. 34 C.F.R. §§ 675.16, 675.19, 675.24

The Department found that ABC did not verify the accuracy of the FWS hours worked by the students cited below and overpaid or underpaid FWS funds to students.

Student 19: The student had several errors noted on his FWS time sheets. On the 12/17/10 pay period time sheet, the student was consistently paid for four hours worked per day, when he actually worked three hours per day. The total amount earned should have been \$145.00, rather than \$210.25. Likewise, for the 11/29/10 time sheet, the student was consistently paid four hours per day for working from 9:00 a.m. to 12 noon, when the hours worked should have been three hours per day, which the total amount earned should be \$420.50, rather than \$551.00. On the 10/27/10 time sheet, the student was paid for four or five hours worked per day, when he actually worked three or four hours per day. The total amount earned should have been \$464.00, rather than \$529.25. Finally, the same errors were committed on the 09/15/10 time sheet, which the student was paid \$398.75, when the actual payment should have been \$366.12. This student is also cited in Findings 3, 7, and 15.

Student 31: The student had several errors noted on his FWS time sheets. On the 09/28/09 time sheet, the student was paid for six hours worked per day from 08/03/09 to 08/06/09, when the student actually worked five hours per day. Consequently, the total amount earned should have been \$560.00, rather than \$588.00. Furthermore, the student was erroneously paid \$630.00, check #19531, when the actual amount should have been \$591.50. During the same pay period, the student was paid for six hours worked on 09/19/09, when he actually worked five hours. Finally, the student was paid for more hours than worked on January 16, 22-27, and 30, 2010.

Student 32: The student had several errors noted on his FWS time sheets. The student was paid \$645.25, check #19685, of which \$343.64 was charged to the FWS program. Furthermore, the student was paid \$434.00, check #19475 on 08/28/09. However, ABC failed to submit a time sheet for each payment. In addition, the student was paid \$591.00, check #19532 on 09/29/09, rather than \$630.00. The difference was paid to Student 31.

Directives From Program Review Report: ABC was required to make the corrections cited in the program review report to each student's FWS time sheets. If the corrections reflected a student was underpaid for actual hours worked, the institution was required to immediately issue a check to the student and provide proof of its action in ABC's response to the program review report (front and back of canceled check).

ABC was also required to revise its FWS payroll procedures to ensure the discrepancies cited in the program review report are eliminated in the future and assure the Department that adequate checks and balances are included in its system of internal controls. A copy of the revised procedures was required to accompany ABC's response to the program review report.

ABC's Response: ABC concurred with the deficiencies identified by the Department regarding the inaccurate timesheets. ABC determined Students 19 and 31 were overpaid based on the time the students worked in comparison to payroll records. In the case of Student 32, ABC determined the student was underpaid \$39.00. ABC indicated to reviewers the institution reviewed its FWS payroll policies and procedures and made revisions to ensure discrepancies are eliminated in the future while simultaneously implementing checks and balances in its system of internal controls.

Final Determination: Although ABC did not appropriately ensure FWS program funds were monitored on a regular basis, ABC provided assurances that it understands the importance of disbursing funds based on actual time worked by eligible FWS recipients.

To ensure ABC understands how to administer its FWS program funds and its administration in the future, program reviewers are referring ABC to the Special Initiative Services Team to receive additional technical support in the efficient administration of the FWS program. As such, the Kansas City School Participation Division considers this finding closed.

Finding 19. Failure to Meet Federal Work Study (FWS) Community Service Allocation

Noncompliance: An institution must use at least seven percent of the sum of its initial and supplemental Federal Work Study (FWS) allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one—

1. Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
2. Family literacy project that employs one or more FWS students in family literacy activities.

To the extent practical, in providing reading tutors for children, an institution must—

1. Give priority to the employment of students to tutor in reading in schools that are participating in a reading reform project that is designed to train teachers how to teach

reading on the basis of scientifically-based research on reading, and is funded under the Elementary and Secondary Education Act of 1965; and

2. Ensure that any student who is employed in a school participating in a reading reform project receives training from the employing school in the instructional practices used by the school.

In meeting the seven percent community service expenditure requirement, students may be employed to perform civic education and participation activities in projects that—

1. Teach civics in schools;
2. Raise awareness of government functions or resources; or
3. Increase civic participation.

To the extent practical, in providing civic education and participation activities, an institution must—

1. Give priority to the employment of students in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and
2. Ensure that the students receive appropriate training to carry out the educational services required. 34 C.F.R. § 675.18(g)

The Secretary may waive the FWS community service requirements if the Secretary determines that an institution has demonstrated that enforcing the requirements would cause a hardship for students at the institution. 34 C.F.R. § 675.18(g)(2)

As noted above, an institution is required to use at least seven percent of its FWS allocation for an award year to compensate students who are employed in community service activities, or it must submit a waiver to the Secretary and receive approval. In examining ABC's Fiscal Operations Report and Application to Participate (FISAP) for the 2009/10 and 2010/11 award years, the reviewers determined that the institution has an FWS Community Service Waiver on file for the 2009/10 award year, but the institution did not have a waiver on file for the 2010/11 award year. In a discussion with ABC's Chief Financial Officer, she stated that at the time ABC prepared the 2010/11 FISAP report, the report referenced ABC exempt. Therefore, ABC presumed that such response was made based on their approved 2009/10 waiver on file.

Directives From Program Review Report: ABC was required to contact the Campus-Based Programs Office and obtain a copy of the FWS community service waiver for the 2010/11 award year and include a copy with its response to this finding.

ABC was also required to review its procedures to ensure that an FWS waiver is requested by the deadline date each award year. If ABC opts not to request a waiver, its policies and procedures were required to show how at least seven percent of its FWS allocation for the award year would be used to compensate students employed in community service activities.

A copy of the procedures and revisions, if any, were required to accompany ABC's response to the program review report.

ABC's Response: ABC officials informed reviewers they were unable to obtain a copy of the FWS Community Service Waiver for the 2010/11 award year or to provide assurances the institution had a waiver on file with the Campus-Based Programs Office; however, the institution indicated waivers were on file for subsequent years as well as the 2009/10 award year. ABC officials indicated they became aware during the program review the institution was not in compliance with the FWS Community Service requirements for the designated award year and made an attempt to obtain the required document retroactively but were advised this was not possible as the timeframe to apply for a waiver had expired.

Final Determination: Although ABC did not properly operate its FWS program and ensure all components were in compliance, the institution provided assurances it is able to do so and will engage the necessary resources to ensure the institution operates within applicable guidelines. To ensure ABC understands how to administer its FWS program and accurately complete the FISAP in the future, program reviewers are referring ABC to the Campus Based Team for additional instruction as well as the Special Initiative Services Team to receive additional technical support. As such, the Kansas City School Participation Division considers this finding closed.

Finding 22. Fiscal Operations Report and Application to Participate (FISAP) Income Grid – Not Documented

Noncompliance: An institution that participates in the Title IV, Campus-Based programs must annually file an application on the Department's form containing the necessary information to determine the institution's allocation or reallocation of FWS or FSEOG funds. Further, the institution must ensure that information submitted on the FISAP is accurate. 34 C.F.R. §§ 673.3, 675.19(b)(3), 676.19(b)(3)

The Department found that there was no supporting documentation for the income grid information reported by ABC for the 2008/09 and 2009/10 award years. Furthermore, institutional officials stated that the school did not have the documentation to support the numbers reported on the FISAP.

Directives From Program Review Report: In response to this report, ABC was required to submit income grid supporting documentation to ensure that the 2008/09 and 2009/10 FISAPs were properly filed and that ABC's fair share funds were properly calculated. This documentation included copies of the ISIR page listing the income supporting the figure listed on the income grid documentation chart. In addition, ABC was required to submit a copy of its policy and procedures regarding how the income grid information is gathered, documented, and retained in the future for each financial aid recipient listed in the grid.

ABC's Response: ABC submitted its income grid supporting documentation to the Department. The grid represented the proper filing of the 2008/09 and 2009/10 FISAP, providing affirmation that ABC's fair share calculation was properly calculated. The documentation provided included copies of the ISIR page listing the income supporting the figure listed on the income grid documentation chart. Additionally, ABC submitted a copy of policy and procedures regarding how the income grid information will be gathered, documented, and how that documentation will be retained, in the future, for each financial aid recipient listed in the income grid.

Final Determination: Because the corrections were made after the December 15th deadline to submit FISAP corrections, ABC is required to work with the Special Initiative Services team to ensure the FISAPs submitted as part of the program review report, as well as subsequent FISAPs submitted since the review, are correct and make any changes based on the instructions below.

- Log into eCB, make change(s) to the Working Copy, click on submit and choose "Change Request". Provide the justification for the changes in the comments box, including that the changes are a result of a program review or audit (include PRCN/ACN). The request is received by Campus-Based staff. A response will be provided to the school. If the request to make a change is approved, the system will be unlocked to allow submission of the change. The school will have five days to complete the submission. Changes to the FISAP may make it necessary to submit changes to subsequent FISAPs, the institution should contact the eCB call center for assistance.
- Once changes to the FISAP are made, if the recalculation of the school's funding results in an unprocessed de-obligation (negative balance), the school must return those funds via G5 according to the notification received from eCB.

As ABC has been referred to the Special Initiative Services Team to receive additional technical support in the accurate completion of the FISAP, the Kansas City School Participation Division considers this finding closed

Finding 24. Crime Awareness Requirements Not Met

Noncompliance: The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) and the Department's regulations require that institutions receiving Title IV, HEA funds publish and disseminate an annual security report (ASR) that describes policies and statistics relating to campus crime. 34 C.F.R. § 668.46. The Annual Security Report (ASR) must be distributed to all enrolled students and current employees by October 1st of each year. 34 C.F.R. § 668.41(e)(1). Among the policies that must be included in the annual security report are:

- (1) Policies for making timely warnings to members of the campus community regarding the occurrence of those crimes required to be reported in the crime statistics section of the annual report. 34 C.F.R. § 668.46(b)(2)(i);
- (2) Policies for preparing the annual disclosure of crime statistics. 34 C.F.R. § 668.46(b)(2)(ii);
- (3) A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others. 34 C.F.R. § 668.46(b)(5);
- (4) A description of programs designed to inform students and employees about the prevention of crimes. 34 C.F.R. § 668.46(b)(6);
- (5) A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws. 34 C.F.R. § 668.46(b)(8);
- (6) A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws. 34 C.F.R. § 668.46(b)(9);
- (7) A description of any drug or alcohol-abuse education programs. 34 C.F.R. § 668.46(b)(10);
- (8) A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include:
 - (i) A description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses;
 - (ii) Procedures students should follow if a sex offense occurs, including procedures concerning who should be contacted, the importance of preserving evidence for the proof of a criminal offense, and to whom the alleged offense should be reported;
 - (iii) Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that institutional personnel will assist the student in notifying these authorities, if the student requests the assistance of these personnel;
 - (iv) Notification to students of existing on-and off-campus counseling, mental health, or other student services for victims of sex offenses;
 - (v) Procedures for campus disciplinary action in cases of an alleged sexual offense, including a clear statement that the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary hearing and that both the accuser and the accused must be informed of

- the outcome of any institutional disciplinary proceeding brought alleging a sex offense; and
- (vi) Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses. 34 C.F.R. § 668.46(b)(11);
- (9) A statement advising the campus community where law enforcement agency information concerning registered sex offenders may be obtained, such as a local law enforcement agency with jurisdiction for the campus or a computer network address. 34 C.F.R. § 668.46(b)(12);
 - (10) Statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following that are reported to local police agencies or to a campus security authority.
 - (a) Criminal homicide
 - (b) Murder and non-negligent manslaughter
 - (c) Negligent manslaughter
 - (d) Sex offenses:
 - Forcible sex offenses
 - Non-forcible sex offenses
 - (e) Robbery
 - (f) Aggravated assault
 - (g) Burglary
 - (h) Motor vehicle theft
 - (i) Arson
 - (j) Arrests for liquor law violations, drug law violations, and illegal weapons possession. 34 C.F.R. § 668.46(c)(1); and
 - (11) The institution must provide a geographic breakdown of the statistics reported under paragraphs (c)(1) and (3) of 34 C.F.R. § 668.46 by crimes that occur (1) on campus; (2) residential facilities for students that are located on campus; (3) non-campus buildings or property; and (4) public property. 34 C.F.R. § 668.46(c)(4)

The Department found that although ABC compiled the statistics yearly, the information was not distributed to all enrolled students and current employees. Information was prepared for distribution; however, no mechanism was in place to notify the campus community of its availability. Additionally, it appears that ABC did not disclose all categories of crime statistics in its annual security reports or incorporate all required policy statements in its materials available for students and staff, even though ABC reported the categorical information to the Department yearly as required. The missing categories include non-campus and public property criminal offenses (ABC holds classes at other locations which would require this disclosure), disciplinary actions for referrals of violations that occur on-campus and off-

campus regarding weapon, drug, and liquor law violations, and information regarding hate crime violations.

Directives From Program Review Report: ABC was required to review its policies and procedures regarding Clery Act reporting to ensure all categories are appropriately reported and disclosed. Additionally, ABC was required to ensure notification is done yearly to all enrolled students and employees and that a notice is provided for prospective students and prospective employees. In its review, ABC was required to provide copies of updated policies and procedures to the Department to ensure compliance in all areas and describe its mechanism for complying with the notification requirement of its annual security report's availability. In addition, ABC was required to provide a copy of its 2011 Annual Security Report, submitted October 1, 2011, as well as copies of the notification materials provided to enrolled students and current employees.

ABC's Response: In its response, ABC stated its concurrence with the finding. ABC also provided copies of its new and revised policies and procedures regarding the preparation, publication, and distribution of the ASR. In addition, ABC submitted a copy of its revised 2010 ASR and stated that the report was actively distributed to current students and employees in January 2011. The College also claimed that structures are being put in place to ensure that ASRs will be "made available" to all required recipients. In another section of the response however, ABC stated that the ASR will indeed be actively distributed to current students and employees and that active notifications will be provided to prospective students and employees, as opposed to merely making the report available.

Final Determination: Finding #24 of the program review report cited ABC for multiple violations of the *Clery Act*. Specifically, the review team found that the College failed to include all required statistical and policy disclosures in its 2010 ASR and failed to distribute the report to current students and employees. The Department has determined that a 2010 ASR was prepared for distribution; however, there was no mechanism to actively notify the campus community of its availability. In addition, the statistical grids in the 2010 ASR were not formatted in a manner that clearly indicated the offense classification and geographical breakdown of campus crimes. As a result of these violations, ABC was required to review and enhance its policies and procedures for preparing and distributing the ASR. Moreover, the institution was directed to take all necessary corrective action to ensure that all deficiencies noted in the 2010 ASR were corrected in advance of the publication and distribution of the 2011 report. In its response, ABC stated its concurrence with the violations. ABC provided its revised policies and procedures as well as a revised copy of the 2010 ASR. The response stated that the revised 2010 ASR was distributed in January 2011; however, no documentation was submitted to substantiate that claim. ABC also claimed that the ASR would be "made available" at the beginning of each semester.

During the preparation of this FPRD, the Department identified additional serious deficiencies related to the policies and statistical information that was included in the original 2010 ASR.

In addition, it must be noted that ABC never submitted a copy of its 2011 ASR to the Department despite repeated requests. The Department was also unable to obtain a copy of an ASR for 2012 or even determine if such a report was published.

Because ABC's response did not adequately address the 2010 and 2011 deficiencies, the Department requested additional information. On February 14, 2014, ABC provided Department officials a document entitled, "*Campus Security and Safety Policy, Updated 2014/2015*," which the institution referred to as their 2013 ASR. This document represented the institution's cumulative effort to finally address the deficiencies that had persisted at least since the initial program review site visit in 2011. In this publication, ABC stated, "*American Baptist College is committed to providing an environment that provides security for persons and property without the need for burdensome policies and practices.*" The Department's review of this new report resulted in the identification of several repeat violations that indicate that the College is unable or unwilling to implement that corrective action. Specifically, the review team found disclosure violations in the following areas:

1. A statement of current policies concerning campus law enforcement that -
 - Addresses the enforcement authority of security personnel, including their relationship with State and local police agencies and whether those security personnel have the authority to arrest individuals.
 - Describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics. *34 C.F.R. § 668.46(b)(4)*;
2. A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities. *34 C.F.R. § 668.46(b)(7)*;
3. A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HEA. For the purpose of meeting this requirement, an institution may cross-reference the materials the institution uses to comply with section 120(a) through (d) of the HEA. *34 C.F.R. § 668.46(b)(10)*;
4. A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include -
 - Notification to students that the institution will change a victim's academic and living situations after an alleged sex offense and of the options for those changes, if those changes are requested by the victim and are reasonably available; *34 C.F.R. § 668.46(b)(11)*;

5. A statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14071(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address. *34 C.F.R. § 668.46(b)(12)*;
6. A statement of policy regarding emergency response and evacuation procedures including a clear notice that the institution will, without delay, and taking into account the safety of the community, determine the content of the notification and initiate the notification system, unless issuing a notification will, in the professional judgment of responsible authorities, compromise efforts to assist a victim or to contain, respond to, or otherwise mitigate the emergency, as described in paragraph (g) of this section. *34 C.F.R. § 668.46(b)(13)*;
7. Publication of the College's emergency response and evacuation procedures. An institution must include a statement of policy regarding its emergency response and evacuation procedures in the annual security report. This statement must include -
 - A description of the process the institution will use to—
 - Confirm that there is a significant emergency or dangerous situation;
 - Determine the appropriate segment or segments of the campus community to receive a notification;
 - Determine the content of the notification;
 - Initiate the notification system;
 - A list of the titles of the person or persons or organization or organizations responsible for carrying out the actions; and
 - The institution's procedures for disseminating emergency information to the larger community. *34 C.F.R. § 668.46(g)*
8. The institution's procedures to test the emergency response and evacuation procedures on at least an annual basis, including –
 - Tests that may be announced or unannounced;
 - Publicizing its emergency response and evacuation procedures in conjunction with at least one test per calendar year; and
 - Documenting, for each test, a description of the exercise, the date, time, and whether it was announced or unannounced. *34 C.F.R. § 668.46(g)(6)*;
9. Missing student notification policies and procedures. An institution that provides any on-campus student housing facility must include a statement of policy regarding missing student notification procedures for students who reside in on-campus student housing facilities in its annual security report. This statement must -

- Indicate a list of titles of the persons or organizations to which students, employees, or other individuals should report that a student has been missing for 24 hours;
- Require that any missing student report must be referred immediately to the institution's police or campus security department, or, in the absence of an institutional police or campus security department, to the local law enforcement agency that has jurisdiction in the area;
- Contain an option for each student to identify a contact person or persons whom the institution shall notify within 24 hours of the determination that the student is missing, if the student has been determined missing by the institutional police or campus security department, or the local law enforcement agency;
- Advise students that their contact information will be registered confidentially, that this information will be accessible only to authorized campus officials, and that it may not be disclosed, except to law enforcement personnel in furtherance of a missing person investigation;
- Advise students that if they are under 18 years of age and not emancipated, the institution must notify a custodial parent or guardian within 24 hours of the determination that the student is missing, in addition to notifying any additional contact person designated by the student; and,
- Advise students that, the institution will notify the local law enforcement agency within 24 hours of the determination that the student is missing, unless the local law enforcement agency was the entity that made the determination that the student is missing.
- The procedures that the institution must follow when a student who resides in an on-campus student housing facility is determined to have been missing for 24 hours include -
 - If the student has designated a contact person, notifying that contact person within 24 hours that the student is missing;
 - If the student is under 18 years of age and is not emancipated, notifying the student's custodial parent or guardian and any other designated contact person within 24 hours that the student is missing; and
 - Regardless of whether the student has identified a contact person, is above the age of 18, or is an emancipated minor, informing the local law enforcement agency that has jurisdiction in the area within 24 hours that the student is missing. *34 C.F.R. § 668.46(h)*

As noted above, ABC provided a copy of its 2013 ASR on February 14, 2014, pursuant to the Department's request for additional information. A thorough review of this report revealed ABC's continuance to fail to take corrective action even after the serious and persistent violations identified previously were brought to the institution's attention. In addition to the list of policy infractions above, ABC's 2013 ASR did not include actual statistics for incidents of crimes that were reported during the three most-recent calendar years of 2010, 2011, and 2012 in the institution's 2013 ASR. In addition, the 2013 ASR did not provide hate crime

statistics for this same reporting period. Instead, the 2013 ASR stated there were no reportable offenses “for 2010, 2011, 2012, and 2013”. Because no statistical grids were published, the 2013 ASR did not include the required geographical breakdown for crime statistics. Moreover, there is a discrepancy in the data included in the 2013 ASR and the statistics that were submitted to the Department’s Campus Safety and Security Data Analysis Cutting Tool (CSSDACT). As noted above, the 2013 ASR indicated that no reportable crimes occurred during the 2010-2013 time period; however, the CSSDACT data indicated that two burglaries occurred in 2012, one of which occurred in a student residential facility. The Department also notes that ABC was unable to document that it made a reasonable, good faith effort to obtain statistics for incidents of campus crimes that were reported to State or local law enforcement agencies and was similarly unable to demonstrate that the Campus Security Office maintained a publicly-accessible, daily crime log.

Finally, ABC failed to publish an Annual Fire Safety Report (AFSR) and to actively distribute such a report to enrolled students and current employees. As of October 1, 2010, Federal regulations at *34 C.F.R. § 668.49* required each institution that maintains any on-campus student housing facility to publish and distribute an AFSR. The AFSR may be published concurrently with the ASR or each report may be published separately. Federal regulations require institutions to clearly label these reports and to indicate if either or both reports are incorporated into a larger publication, such as a student handbook or catalog. The 2013 ASR does not contain any fire statistics or fire safety information. Multiple ABC publications were reviewed and the required AFSR content was not identified in any of them. Minimal references to general fire safety were located in certain publications; however, the Department has determined that the College failed to publish an accurate and complete AFSR that includes all of the following required content:

1. Annual fire statistics. *34 C.F.R. § 668.49(b)(1)*;
2. A description of each on-campus student housing facility fire safety system. *34 C.F.R. § 668.49(b)(2)*;
3. The number of fire drills held during the previous calendar year. *34 C.F.R. § 668.49(b)(3)*;
4. The institution's policies or rules on portable electrical appliances, smoking, and open flames in a student housing facility. *34 C.F.R. § 668.49(b)(4)*;
5. The institution's procedures for student housing evacuation in the case of a fire. *34 C.F.R. § 668.49(b)(5)*;
6. The policies regarding fire safety education and training programs provided to the students and employees. In these policies, the institution must describe the procedures that students and employees should follow in the case of a fire. *34 C.F.R. § 668.49(b)(6)*;

7. For purposes of including a fire in the statistics in the annual fire safety report, a list of the titles of each person or organization to which students and employees should report that a fire occurred. *34 C.F.R. § 668.49(b)(7)*; and
8. Plans for future improvements in fire safety, if determined necessary by the institution. *34 C.F.R. § 668.49(b)(8)*

ABC also failed to maintain a written, easily understood fire log that records the nature, date, time, and general location of each fire. *34 C.F.R. § 668.49(d)(1)*

The Department carefully reviewed all available information, including ABC's initial response as well as the additional information requested during the post-response analysis. Based on that review, the Department has determined that this finding of violation is sustained. Moreover, the Department's analysis shows that ABC has continued to violate the *Clery Act* in the ways that were described in the initial finding through calendar year 2013 as a result of its failure to adequately address the deficiencies noted in program review report.

The Kansas City School Participation Division has made a concerted, good-faith effort to assist ABC toward full compliance with the *Clery Act*; however, the record demonstrates that these efforts were not successful. For these reasons, the Department has determined that this program review finding will be closed and this matter will be referred to the Department's Clery Act Compliance Division (CACD) for additional action. As part of that referral ABC is required to take immediate action to finally and fully address these violations and must submit the material requested below to document its efforts.

To facilitate the CACD's evaluation, ABC must review and further enhance its policies and procedures regarding the preparation, publication, and distribution of the ASR and AFSR in accordance with *Clery Act* requirements. These enhanced policies and procedures must specifically articulate how the revised 2013 ASR and the new AFSR will be published and actively distributed to enrolled students and current employees as well as how prospective students and employees will be notified of the availability of these reports.

Using its new policy as a guide, ABC must review and enhance its 2013 ASR and publish an initial 2013 AFSR that include all of the statistical disclosures and policy, procedure and programmatic information required by *34 C.F.R. § 668.46(b)* and *34 C.F.R. § 668.49(b)*, respectively. The College must then actively distribute both reports to all enrolled students and current employees in accordance with *34 C.F.R. § 668.41*. A copy of ABC's new and revised policies and procedures, its revised 2013 ASR, new AFSR, and documentation showing that both reports were distributed, as required must be submitted to the CACD. Copies of the new notifications that will be provided to prospective students and employees must be provided along with an explanation of how the notification will be provided to persons that seek information on enrollment or employment. Finally, ABC must submit copies of all ASRs and AFSRs that were published and distributed in 2010 through 2012 with proof of distribution. If any of the requested documents are not available or do not exist, ABC must

clearly state that fact and to the extent possible explain with particularity the circumstances related to the failure to produce these records. In this context, ABC is specifically advised that it must not produce or reproduce any new documents for past periods for the purpose of complying with this document production.

ABC must submit all materials specified above to the CACD at: clery@ed.gov within **60** days of the institution's receipt of this FPRD. ABC's submission must reference the Program Review Control Number (PRCN) that appears on the cover letter of this report in the subject line of its e-mail message. Please note that this referral will **not** be closed unless and until ABC submits the requested materials and the CACD has had a reasonable amount of time to review the material. ABC is advised that any failure to respond to the CACD's request for production will result in a referral for the imposition of adverse administrative actions in addition to any such referral that may be made to address the original violations identified in Finding #24 of the program review report.

Although the program review finding is now closed, ABC is reminded that the exceptions identified above constitute very serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" violations of this type once they occur. The requirement to develop meaningful campus safety policies, procedures, and programs and to disclose them in the ASR is fundamental to the goals of the *Clery Act*. Access to this information permits campus community members and their families to make well-informed decisions about where to study and work and empowers individuals to play a more active role in their own safety. Similarly, compliance with the *Clery Act's* fire safety requirements ensures that students, employees, parents, and other stakeholders, especially persons living in campus housing, are fully-informed about the College's approach to fire safety and the adequacy of fire suppression equipment and procedures for orderly evacuations and safety drills.

ABC was required to initiate comprehensive corrective actions to address all violations cited in the initial finding as well as all deficiencies identified during the preparation of the response. As noted throughout this Final Determination, the College has failed to do so. The College has taken minimal remedial action but those efforts were not adequate to address the identified violations. As part of the referral described above, the institution must demonstrate a concerted effort to comply with the *Clery Act*, as required by its Program Participation Agreement (PPA). Per the referral, the CACD will oversee the development and implementation of ABC's corrective actions. Nevertheless, ABC officials must understand that these serious and persistent compliance failures have deprived students and employees of access to important campus security information to which they are entitled and call the College's ability and/or willingness to properly administer the Title IV, HEA Programs into serious question. For these reasons, ABC is advised that its remedial efforts, whether already completed or planned for the future, cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or additional corrective measures as a result.

In light of the serious consequences associated with compliance failures of this type, the Department strongly recommends that ABC re-examine its campus security, drug and alcohol, and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with Federal regulations. As part of these periodic reviews, ABC officials are encouraged to consult the Department's "Handbook for Campus Safety and Security Reporting" (2011) as a reference guide for *Clery Act* compliance. The Handbook is online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The Department also provides a number of other *Clery Act* training resources. ABC can access these materials at: www2.ed.gov/admins/lead/safety/campus.html. The regulations governing the *Clery Act* can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

Finding 25. Failure to Comply with the Drug and Alcohol Prevention Regulations

Noncompliance: The Department's regulations and the Drug-Free Schools and Communities Act require participating institutions of higher education to conduct a biennial review of its program to (1) determine its effectiveness and implement changes to the program if they are needed; and (2) ensure that the disciplinary sanctions described in paragraph (a)(5) of this section are consistently enforced. 34 C.F.R. § 86.100(b)(1)(2)

In addition, an institution's drug prevention program must include an annual distribution in writing to each employee and to each student who is taking one or more classes for any type of academic credit. 34 C.F.R. § 86.100(a)

The Department found that ABC's drug and alcohol prevention program did not include a biennial review. Although ABC does have a policy which discusses disciplinary sanctions for drug and/or alcohol offenses, ABC does not do further review to ensure the policies are effective and disciplinary sanctions described for law violations are consistently enforced. In addition, ABC does not distribute information annually to staff which discusses the institution's policies and the disciplinary sanctions which occur based on the severity of the offense.

Directives From Program Review Report: ABC was required to immediately begin reviewing its drug and alcohol prevention program to ensure it included all regulatory components. Additionally, ABC was required to distribute these policies to all staff and students, even those who were taking reduced coursework to ensure the entire campus body is aware of the policies and consequences which follow breaches. ABC was required to conduct a biennial review of its drug prevention program and provide a copy of that review to the Department to show its compliance with implementing the regulations. As part of its response to the program review report, ABC was required to provide evidence of distribution of the drug and alcohol policies to all applicable parties. The distribution of the materials was required to occur by December 31, 2011 with copies of the documents submitted to the Department as part of its program review response.

ABC's Response: In its response, ABC concurred with the finding and stated that the institution "is seriously committed to implementing all necessary corrective actions to rectify this violation" and claimed that ABC officials researched the statutory and regulatory requirements and have developed a process to implement a comprehensive drug and alcohol program.

ABC also indicated that its first biennial review would be completed by March 31, 2014, and that it will include a substantive analysis of the effectiveness of ABC's drug and alcohol programs.

Final Determination: Finding # 25 cited ABC for multiple violations of the Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations. Specifically, the College failed to develop and implement a substantive drug and alcohol abuse prevention program (DAAPP) and also failed to publish an accurate and complete DAAPP disclosure that summarized the program. As a result of these violations, ABC also failed to actively distribute program information to current employees and all students enrolled for academic credit. In addition, ABC failed to conduct a biennial review of the DAAPP's effectiveness. These violations necessarily follow from each other because the biennial review is primarily a study of the DAAPP's effectiveness. Therefore, an institution cannot conduct a proper biennial review until it has a fully-functional DAAPP in place. As a result of these violations, ABC was required to distribute its DAAPP in the manner prescribed by Federal regulations and to conduct a biennial review and prepare a report of findings. ABC was also required to submit supporting documents showing that the DAAPP was distributed along with a copy of its biennial review report. As with all findings of violation, ABC also was directed to take all necessary corrective action to ensure that all *DFSCA* deficiencies identified during the program review do not recur and to otherwise ensure that the DAAPP is materially-complete and that it accurately reflects current law and institutional policy.

In its response, ABC stated its concurrence with the violations identified in the finding. In addition, institution officials stated they have developed and are in the process of implementing its new DAAPP. The College also represented that new policies and procedures are being developed to ensure that the new DAAPP disclosure distributed to all employees and student who are enrolled for academic credit in the prescribed manner. Finally, ABC stated that suitable documentation will be submitted to the Department to prove that the distribution was carried out as required.

On February 14, 2014, the Department received ABC's updated *Alcohol and Drug Prevention Program* and determined that the new program materials not did address the following requirements:

1. Standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities; *34 C.F.R. § 86.100(a)(1)*

2. A description of the applicable legal sanctions under local, State, or Federal law for the unlawful possession or distribution of illicit drugs and alcohol; *34 C.F.R. § 86.100(a)(2)*
3. A description of the health risks associated with the use of illicit drugs and the abuse of alcohol; *34 C.F.R. § 86.100(a)(3)*
4. A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; *34 C.F.R. § 86.100(a)(4)* and;
5. A clear statement that the IHE will impose disciplinary sanctions on students and employees (consistent with local, State, and Federal law), and a description of those sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct required by paragraph (a)(1) of this section. For the purpose of this section, a disciplinary sanction may include the completion of an appropriate rehabilitation program. *34 C.F.R. § 86.100(a)(5)*
6. ABC did not develop a procedure for ensuring compliance with the annual distribution requirement and did not provide documentation that showed that program materials were actually distributed to each employee, and to each student who is taking one or more classes for any type of academic credit except for continuing education units, regardless of the length of the student's program of study; *34 C.F.R. § 86.100(a)* and
7. ABC did not conduct a biennial review by the IHE of its program to determine its effectiveness and implement changes to the program if they are needed and to ensure that the College's disciplinary sanctions are consistently enforced. *34 C.F.R. § 86.100(b)(1)* and *(2)*

The Department carefully reviewed all available information including ABC's initial response as well as the additional information requested during the post-response analysis. Based on that review, the Department has determined that this finding of violation is sustained. Moreover, the Department's analysis shows that ABC has continued to violate the *DFSCA* in the ways that were described in the initial finding through calendar year 2013 as a result of its failure to adequately address the deficiencies noted in program review report.

The Kansas City School Participation Division has made a concerted, good-faith effort to assist ABC toward full compliance with the *DFSCA*; however, the record demonstrates that these efforts were not successful. For these reasons, the Department has determined that this program review finding will be closed and this matter will be referred to the CACD for additional action. As part of that referral ABC is required to take immediate action to finally and fully address these violations and must submit the material requested below to document its remedial efforts.

As noted above, ABC's response was not adequate because the College did not develop and implement a comprehensive DAAPP and further failed to distribute a materially-complete DAAPP disclosure, as required. Moreover, ABC failed to take immediate action to conduct a comprehensive biennial review and prepare a substantive report of findings. The College's August 27, 2012 response indicated that the biennial review would not be completed until March 31, 2014. This plan demonstrates a failure to ascertain the gravity of the violation and the need to initiate immediate remedial measures. Such a failure may indicate an inability or unwillingness on the part of ABC to properly administer the Title IV, Federal Student Aid programs in accordance with its PPA.

As of the receipt date of this FPRD, ABC will have 15 days to distribute its new DAAPP disclosure in the manner required by the *DFSCA*. Within 10 days of said distribution, the College must also submit credible documentation substantiating this distribution to Ms. Feith of the KCSPD via electronic mail at: kathy.feith@ed.gov. Furthermore, ABC must conduct a substantive biennial review to measure the effectiveness of its DAAPP; the consistency of its enforcement process, and to identify necessary improvements. As noted in the program review report, ABC's biennial review report must describe the research methods and data analysis tools that were used in the conduct of the review and do so with specificity. The report must also identify the official(s) who conducted the review. The biennial review report must also address how the College analyzed whether or not its disciplinary standards and codes of conduct regarding illegal drug use and alcohol abuse were consistently enforced. Finally, the biennial review report must indicate that it was approved by ABC's President and/or its board. The institution's biennial review must be completed by October 30, 2014, and the biennial review report must be submitted to the CACD's clery@ed.gov e-mail box by November 15, 2014. If any of the requested documents are not available or do not exist, ABC must clearly state that fact and to the extent possible explain with particularity the circumstances related to the failure to produce these records. In this context, ABC is specifically advised to not create any new documents for past periods for the purpose of complying with this document production.

Once these materials are submitted, reviewed, and determined to be at least minimally adequate, the referral will be closed. Nevertheless, ABC is reminded that the exceptions identified above constitute very serious and persistent violations of the *DFSCA* that by their nature cannot be cured. ABC will be required to finally initiate substantive corrective actions and in so doing, will start to remediate the conditions that led to these violations. The College has stated its intention to finally comply with the *DFSCA* as required by its PPA. While this is an important first step, ABC officials must understand that compliance with the *DFSCA* and the *Clery Act* are essential to maintaining a safe and healthy learning environment. These compliance failures deprive students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use. ABC's failure to conduct a comprehensive biennial review has deprived the institution of important information about the effectiveness of any drug and alcohol programs that were in place. The extent and persistence of these violations calls the institution's ability and/or willingness to properly administer the Title IV, HEA Programs into serious question. For these

reasons, ABC is advised that any remedial measures, whether already completed or planned for the future, cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or additional corrective measures as a result.

In light of the serious consequences associated with compliance failures of this type, the Department strongly recommends that ABC re-examine its drug and alcohol policies, procedures, and programs on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with the *DFSCA*. Please be advised that the Department may request information on a periodic basis to test the effectiveness of the College's new policies and procedures.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of ABC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on April 3, 2012, is attached as Appendix C.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are discussed in individual findings as well as in the Summary of Liabilities Table in Section D of the report.

Finding 1. Failure to Perform Return of Title IV Funds Calculations

Noncompliance: When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including FWS or the non-Federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date. 34 C.F.R. § 668.22(a)(1). If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV programs. 34 C.F.R. § 668.22(a)(3)

If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. 34 C.F.R. § 668.22(a)(4)

For the purposes of the Return of Title IV Funds calculation, in each payment period or period of enrollment a pro rata schedule is used, up through the 60 percent point, to determine the amount of Title IV funds the student has earned at the time of withdrawal. After the 60 percent point in the payment period or period of enrollment, a student has earned 100 percent of the Title IV funds he or she was scheduled to receive during the period. For a student who withdraws after the 60 percent point-in-time, there are no unearned funds. However, a school must still complete a Return of Title IV Funds calculation to determine whether the student is eligible for a post-withdrawal disbursement. 2009/10 and 2010/11 Federal Student Aid Handbook, Volume 5, Chapter 2, Withdrawals and the Return of Title IV Funds.

The Department found that in three instances, ABC failed to perform Return of Title IV Funds calculations.

Student 1: The financial aid file and student transcript show that the student was administratively withdrawn from all courses on an undetermined date for the fall 2009 semester. The student's financial aid file and COD show that she received \$2,675 in Federal Pell Grant funds during the semester. There is no evidence in the student's financial aid file that a Return of Title IV Funds calculation was performed. This student is also cited in Findings 4, 5, and 13.

Student 14: The student's official transcript shows that he was enrolled in four courses (12 credit hours) for the fall 2009 semester and withdrew from all courses on an undetermined date. While on site, the reviewers requested a copy of the student's attendance records and withdrawal form. This information was not provided. The student's financial aid file and COD show that he received \$2,675 in Federal Pell Grant funds during the semester. There is no evidence in the student's financial aid file that a Return of Title IV Funds calculation was performed. This student is also cited in Findings 3 and 4.

Student 24: The student's official transcript shows that he withdrew from all courses for the spring 2011 semester on or before 02/13/11 due to medical reasons. In addition, six emails were sent from the Registrar's Office to the student's instructors requesting verification of his class attendance. The instructors reported that the student had not turned in assignments, had not attended all class meetings, or had called in stating that he was in too much pain to report to class. For the spring 2011 semester, the student's financial aid file and COD show that he received \$2,775 in Federal Pell Grant, \$1,750 in FDL-Subsidized loan, and \$1,750 in FDL-Unsubsidized loan during the semester. There was no evidence in the student's financial aid file that a Return of Title IV Funds calculation was performed. This student is also cited in Findings 10 and 12.

Directives From Program Review Report: In response to this finding, ABC was required to conduct a file review of all Title IV, HEA recipients who withdrew during the 2007/08, 2008/09, 2009/10, and 2010/11 award years to determine if all required Return of Title IV Funds calculations were performed. ABC was also required to review and revise its internal policies and procedures to ensure that Returns of Title IV Funds calculations and returns of funds are performed in a timely manner in the future. A copy of these procedures was required to accompany ABC's response to this finding.

ABC's Response: In its response, ABC stated that it had completed a comprehensive review of all Title IV recipients who withdrew from ABC to determine if Return calculations were properly performed during the years cited in the program review report. ABC provided copies of all documents related to the Return calculations as part of the required action for this finding in the report.

Additionally, ABC reviewed its internal policies and procedures to ensure Return calculations and the return of any required funds are performed for all students who withdraw in a timely

manner in the future and provided a copy of the revised policies and procedures to the Department as part of the required action for Finding 1.

Final Determination: Although ABC provided Return calculations for Students 1 and 24 cited in the program review report, the institution was unable to provide documentation to substantiate that Students 1 and 24 began attendance in any course during the term. As attendance could not be established, all liabilities related to Finding 1 have been established in the final determination for Finding 5 for these two students. ABC was able to substantiate Student 14 began attendance in two courses and provided a Return calculation which indicated the student withdrew on 10/21/2009. Although ABC provided a return calculation, ABC failed to recalculate the Federal Pell Grant funds disbursed based on full-time attendance to return \$1337.00 prior to the calculation being performed. As the failure to recalculate Pell Grant funds based on verified attendance created a liability related to Student 14, the Pell Grant funds liability will be addressed in Finding 5 along with the liabilities for Students 1 and 24.

Overall, ABC must return **\$532.00** in Federal Pell Grant funds to the Department on behalf of Student 14 based on the revised Return completed as part of the reconstruction. Additionally, ABC is liable for the cost of funds associated with the improper use of Title IV, HEA funds. The total cost of funds liability due to the Department as a result of the failure to return Federal Pell Grant funds based on improper return calculations is **\$37.00** (\$37.17 in Pell Grant interest, *rounded*). The interest charges were computed using the cost of funds for Pell Grants and published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about this cost of funds liability determination may be found in Appendix F.

ABC must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

Liabilities of \$2,675.00 and \$1,387.50 were established for Students 1 and 24 in Finding 5 and were not included in the liability established for this finding or included in the summary of liabilities table for this finding.

Due to the number of unpaid and late refunds, the institution was required as of the Program Review to have on file with the Department an irrevocable Letter of Credit equal to 25% of the total refunds the institution made or should have made during the most recently closed fiscal year. 34 C.F.R. § 668.173(d). The institution has an existing Letter of Credit in the amount of \$76,212.00 with an expiration date of March 31, 2015; therefore, no further action on the Letter of Credit is required at this time.

Finding 3. Incomplete/Inaccurate Verification Documentation

Noncompliance: The purpose of verification is to ensure accuracy in determining a student's eligibility for Title IV, HEA program funds. When a student is selected for verification, an

institution is responsible for confirming information reported on the student's application for Federal student aid, as well as resolving any conflicting information that presents itself regarding the application. See 34 C.F.R. §§ 668.16(f), 668.54. During the award years in question, the five required data elements that had to be verified were: (1) household size; (2) number enrolled in college; (3) adjusted gross income (AGI); (4) U.S. income tax paid; and (5) other untaxed income and benefits. 34 C.F.R. § 668.56 (2010-2011). Supporting documentation collected from the student or parents is compared to the information that was reported on the student's Institutional Student Information Record (ISIR). An institution must retain, in the student's file, any verification documentation it collects to serve as evidence that it completed the verification process. See 34 C.F.R. § 668.24(c)(1)(i) Department of Education 2009-10 Application and Verification Guide.

The Department found that ABC failed to verify correctly ten students' ISIRs who were selected for verification during the 2009/10 and 2010/11 award years.

Student 3: The student's 2009/10 ISIR was selected for verification. The ISIR showed an AGI of \$46,200 and income taxes paid of \$5,899. There was no documentation in the student's file to verify the data reported on the ISIR. In addition, the student reported his marital status as unmarried and three dependents in household size. The student also reported \$10,600 in child support paid. This discrepancy was not resolved. For the 2009/10 award year, the student received \$5,350 in Federal Pell Grant and \$400 in FSEOG funds. This student is also cited in Finding 15.

Student 4: The student's 2009/10 ISIR was selected for verification. The ISIR shows that the student did not file a tax return for the 2008 tax year. However, the student indicated on the ISIR that he earned \$6,000 from work, while the verification worksheet shows zero income. ABC is required to verify the student's earned income from work, and there was no documentation in the file to resolve the discrepancy. For the 2009/10 award year, the student received \$5,350 in Federal Pell Grant funds. This student is also cited in Finding 10.

Student 6: The student's 2009/10 ISIR was selected for verification. The ISIR shows zero for AGI; while the student's 2008 Internal Revenue Service (IRS) tax return form shows \$3,354 in AGI. There was no documentation in the file to resolve this discrepancy. For the 2009-10 award year, the student received \$5,350 in Federal Pell Grant funds.

Student 12: The student's 2009/10 ISIR was selected for verification. The ISIR shows \$24,000 in AGI and zero income tax paid; while the student's 2008 IRS tax return form shows \$22,818 in AGI and zero income tax paid. There was no documentation in the student's file to resolve this income discrepancy. For the 2009/10 award year, the student received \$5,350 in Federal Pell Grant funds.

Student 13: The student's 2009/10 ISIR was selected for verification. The ISIR shows \$3,902 in U.S. income taxes paid, while the student's 2008 IRS tax return form shows \$264 in U.S. income taxes paid. There was no documentation in the student's file to resolve this

discrepancy. For the 2009/10 award year, the student received \$5,350 in Federal Pell Grant funds. This student is also cited in Finding 11.

Student 14: The student's 2009/10 ISIR was selected for verification. The student indicated on his ISIR and verification worksheet two family members in household size, two family members in college, and one exemption claimed on his 2008 IRS 1040A income tax return. However, school officials stated that the student erroneously reported his roommate as a family member and enrolled in college for the taxable year. At the time of the program review, the error had not been corrected. For the 2009/10 award year, the student received \$2,675 in Federal Pell Grant funds. This student is also cited in Findings 1 and 4.

Student 16: The student's 2010/11 ISIR was selected for verification. The ISIR shows \$355 in U.S. income taxes paid, while the student's 2009 IRS tax return form shows \$2,571 in U.S. income taxes. There was no documentation in the file to resolve this discrepancy. For the 2010/11 award year, the student received \$1,650 in Federal Pell Grant funds. This student is also cited in Findings 11, 12, and 13.

Student 19: The student's 2010/11 ISIR was selected for verification. The student indicated on his ISIR two family members in household size, mother's earned income of \$9,888, and no for filing a tax return, while the verification worksheet has two in household size and the mother's social security income of \$7,248. There was no documentation in the student's file to verify the earned income of \$9,888. For the 2010/11 award year, the student received \$5,550 in Federal Pell Grant funds. This student is also cited in Findings 7, 15, and 18.

Student 22: The student's 2010/11 ISIR was selected for verification. The student indicated on his ISIR six family members in household size, zero income, and no for filing a tax return, while on the verification worksheet there was four in household size and zero income. There was no documentation in the student's file to verify the family's income or any means of financial support in the family's household, nor was there any documentation to resolve the discrepancy in household size. For the 2010/11 award year, the student received \$2,081.50 in Federal Pell Grant funds. This student is also cited in Findings 4 and 5.

Student 29: The student's 2010/11 ISIR was selected for verification. The student indicated marital status as separated, four in household size, and \$2,808 in child support paid on the ISIR. On the verification worksheet, the student indicated a spouse and two children in household size. In addition, the student indicated single as the filing status on his 2009 IRS tax return. All three documents are conflicting. ABC is required to resolve the conflicting information. For the 2010-11 award year, the student received \$5,550 in Federal Pell Grant and \$1,750 in FDL-Unsubsidized funds. This student is also cited in Finding 11.

Directives From Program Review Report: In response to this finding, ABC was required to correct and complete the verification process for the students cited above. In addition, ABC was required to conduct a file review and verify at least 30 percent of all students who were

selected for verification by the Central Processing System (CPS) for the 2007/08, 2008/09, 2009/10, and 2010/11 award years and confirm that the process was complete.

ABC was also required to review its policies and procedures to ensure that all information is received and evaluated for students selected for verification. A statement verifying that the policies and procedures were reviewed was required to accompany ABC's response to the program review report.

ABC's Response: In its response, ABC indicated it had reviewed the students discussed in the program review report as required and provided all documents available for the students referenced in the report. ABC also submitted the required file review. For those whose information was unavailable, ABC acknowledges a potential liability may result which the institution is prepared to remit.

ABC informed the review team they had reviewed their policies and procedures as required in the program review and made revisions to its policies and procedures as needed to ensure that all required information related to verification is evaluated for each student. ABC acknowledged they understood the importance of accurate verification and provided assurances to the Department verification will be performed accurately in the future.

Final Determination: The Department reviewed the results of the file reconstruction information, including the information provided for the students cited in the report. For some students, the Department needed to perform hand calculations to determine the exact liability owed. The hand calculations were based on the supporting documentation submitted by the school.

Based on the results of the file review, and the additional hand calculations performed by the Department, ABC is responsible for returning **\$51,829.98** in Federal Pell Grant funds to the Department on behalf of the students referenced above and in Appendix B as having improper verification completed for the 2007/08, 2008/09, 2009/10, and 2010/11 award years.

Additionally, ABC is liable for the cost of funds associated with the improper use of Federal Pell Grant funds. The total cost of funds liability due to the Department as a result of the failure to return Federal Pell Grant funds drawn for incorrect verification is **\$2,752.00** (\$2,751.51 in Federal Pell Grant interest, *rounded*). The interest charges were computed using the cost of funds for Federal Pell Grants published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about this cost of funds liability determination may be found in Appendices B and F.

Additionally, ABC incorrectly provided Federal Direct Subsidized loan funds to Student 39 and Student 62 who did not complete verification. The total amount of Federal Direct Loan funds improperly disbursed to these students during the 2010-2011 award year is **\$23,500.00**. The estimated actual loss to the Department that has resulted or will result from those ineligible

loans is based on the most recent cohort default rate available for ABC. As a result, the estimated actual loss that ABC must pay to the Department for the ineligible loans is **\$960.00** (\$959.87, rounded). A copy of the results of that calculation is included as Appendix E.

ABC must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments

Finding 4. No Method to Determine Unofficial Withdrawals

Noncompliance: Institutions participating in the Title IV, HEA programs must determine the amount of Title IV assistance earned by a student as of the date of a student's withdrawal from the institution during a payment period or period of enrollment. If an institution, such as ABC, is not required to take attendance, and the student ceases attendance without providing official notification, the institution must either use the midpoint of the payment period as the student's withdrawal date, or the student's last documented date of attendance at an academically related activity. 34 C.F.R. §§ 668.22(c)(1)(iii),(3). If a student who began attendance, and who did not officially withdraw, fails to earn a passing grade in at least one course offered in that payment period, the institution must assume, for Title IV, HEA purposes, that the student unofficially withdrew, unless the institution can document that the student completed the payment period. Dear Colleague Letter GEN-04-12 (November 2004).

An institution's determination date for a student who did not provide notification is the date that the institution becomes aware that the student ceased attendance. 34 C.F.R. § 668.22(l)(3)(ii). An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the payment period. 34 C.F.R. § 668.22(j)(2)

The Department found that ABC does not have a policy to determine the last date of attendance (LDA) for unofficial withdrawals, nor attendance at an academically-related activity for students who end a term with all F's or a combination of all F and W grades. During the program review, ABC failed to either document LDA at an academically-related activity or perform a Return calculation using the midpoint of the payment period for the students cited below.

Student 1: The student's official transcript shows that the student received WD or UWD grades in all classes for the fall 2009 semester. There was no documentation in the student's file showing that ABC completed a Return calculation worksheet using at least the midpoint of the payment period for the student's withdrawal status. For the fall 2009 semester, the student received \$2,675 in Federal Pell Grant funds. This student is also cited in Findings 1, 5, and 13.

Student 14: The student's official transcript shows that the student received WD grades in all classes for the fall 2009 semester. There was no documentation in the student's file showing that ABC completed a Return calculation worksheet using at least the midpoint of the

payment period for the student's withdrawal status. For the fall 2009 semester, the student received \$2,675 in Federal Pell Grant funds. This student is also cited in Findings 1 and 3.

Student 22: The student's official transcript shows that the student received two WD's and one F grade for the fall 2010 semester. There was no documentation in the student's file showing that ABC completed a Return calculation worksheet using at least the midpoint of the payment period for the student's withdrawal status. For the fall 2010 semester, the student received \$2,081.50 in Federal Pell Grant funds. This student is also cited in Findings 3 and 5.

Student 26 (9): The student's official transcript shows that the student received WD grades in all classes for the summer 2010 session. There was no documentation in the student's file showing that ABC completed a Return calculation worksheet using at least the midpoint of the payment period for the student's withdrawal status. For the summer 2010 session, the student received \$669 in Federal Pell Grant funds.

Directives From Program Review Report: ABC was directed to conduct a file review to determine the full extent of the issue. As part of the file review, ABC was required to provide proof that the student attended at least one class session in each course in the payment period identified. As an alternative, ABC could provide documentation from the school (not a student self-certification) that indicated the student was in attendance at an academically-related activity for each course beyond the 60% point in the term. Examples of an academically-related activity that could be supported by school documentation was provided in the PRR. If neither of those alternatives was possible, ABC was required to determine that the student unofficially withdrew from that term. In those cases, ABC was required to complete a Return calculation for the student using a withdrawal date of 50% of the term. For each student reported in the file review spreadsheet, ABC was required to provide the hard copy documentation requested in the PRR.

ABC was also required to include a copy of its revised policy and procedures with its response that either allows institutional officials to determine that a student has unofficially withdrawn based on the grade he or she received in a course or demonstrates how ABC will identify students who unofficially withdraw from the institution, including the process for performing Return calculations for those students.

ABC's Response: ABC stated that they reviewed the students discussed in the finding above to determine if the students had unofficially withdrawn from the semester in question and attempted to provide documented proof that students had attended at least one class session in each course in the payment period identified. In instances when this was not possible, ABC told reviewers they performed return calculations using the midpoint of the semester based on the notion the student had unofficially withdrawn. As part of the file reconstruction for this finding, ABC informed reviewers they were able to identify students who should have been considered to be unofficial withdrawals and provided that information as part of the institution's response to the program review report.

As an additional requirement for the finding, ABC indicated to reviewers it had reviewed policies and procedures in relation to how the institution determines unofficial withdrawals. ABC provided a copy of revised policies and procedures that demonstrate how institutional officials will determine the basis on which ABC certifies that a student has unofficially withdrawn, including the process for completing return calculations.

Final Determination: Program reviewers examined the records provided as documentation of the file reconstruction. Liabilities are being assessed where ABC was unable to substantiate students began attendance in any course, and therefore, must be considered an unofficial withdrawal. These liabilities total **\$4,284.21** in Federal Pell Grant funds as well as **\$1,471.00** in Direct Unsubsidized loan funds to the Department.

Additionally, ABC is liable for the cost of funds associated with the improper use of Title IV, HEA funds. The total cost of funds liability due to the Department as a result of the failure to return Federal Pell Grant and Direct Loan funds due to unofficial withdrawals is **\$155.00** (\$137.90 in Federal Pell Grant interest, *rounded* and \$17.00 in Direct Loan interest), to be paid to the Department. The interest charges were computed using the cost of funds for Federal Pell Grants and published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about this cost of funds liability determination may be found in Appendices B and F.

Liabilities for students duplicated in other findings are included in the total above, but have been removed in the summary of liabilities table.

ABC must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments

Finding 5. Failure to Document One Day of Attendance in a Payment Period

Noncompliance: To disburse Title IV, HEA funds, an institution must have procedures in place to determine that the student attended at least one day of classes and was disbursed funds based on the appropriate enrollment status. If the institution does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV, HEA program funds that were credited to the student's account for that payment period. 34 C.F.R. §§ 668.21(a); 685.303(b)(3). With respect to the Pell Grant and Campus Based programs, the institution must also return any funds disbursed directly to the student. 34 C.F.R. § 668.21(a)(1). If a student begins some but not all classes in a term, the institution must determine if the enrollment status has changed and recalculate the student's Title IV awards accordingly. 34 C.F.R. § 690.80(b)(2)(ii); see generally 34 C.F.R. § 685.303(b)(2)

In seven instances, ABC disbursed Pell Grant and Direct Loan funds to students without verifying at least one day of attendance in courses dropped, which changed the students'

enrollment status. In addition, ABC failed to verify at least one day of attendance for students who received an F grade in 50 percent or more of courses attempted.

Student 1: The student's official transcript shows that the student enrolled in five courses (15 credit hours) for the 2009/10 fall semester. The student received a WD grade in two courses (six credit hours) and no grades in the remaining two courses (six credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in each course enrolled. For the 2010 summer session, the student received \$669 in Federal Pell Grant funds. This student is also cited in Findings 1, 4, and 13.

Student 7: The student's official transcript shows that the student enrolled in three courses (seven credit hours) for the fall 2009 semester. The student received an I/F grade in the course #PS303, Christian Worship (three credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in this course. For the 2009 fall semester, the student received \$1,337.50 in Federal Pell Grant funds. This student is also cited in Finding 13.

Student 9(26): The student's official transcript shows that the student enrolled in four courses (12 credit hours) for the 2009/10 summer session. The student received a WD grade in two courses (six credit hours) and no grades in the remaining two courses (six credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in each course enrolled. For the 2010 summer session, the student received \$669 in Federal Pell Grant funds. This student is also cited in Finding 13.

Student 11: The student's official transcript shows that the student enrolled in four courses (12 credit hours) for the 2010 spring semester. On 03/15/10, ABC administratively dropped course #CS112, Issues in Science & Religion (three credit hours), and #SO112, Introduction to Sociology (three credit hours), which reduced the student's enrollment status to six credit hours or half-time status. ABC failed to provide documentation to verify that the student had at least one day of attendance in each course dropped. The student's Federal Pell Grant funds disbursement should have been prorated to half-time status. For the 2010 spring semester, the student received \$2,400 in Federal Pell Grant funds. This student is also cited in Findings 2, 7, and 8.

Student 20: The student's official transcript shows that the student enrolled in four courses (12 credit hours) for the 2009 fall semester. The student did not receive a grade in the course #GS203, Integrated Math (three credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in this course. For the 2009 fall semester, the student received \$2,775 Federal Pell Grant, \$1,750 in FDL-Subsidized, and \$1,750 in FDL-Unsubsidized funds. The student is also cited in Findings 2 and 11.

Student 21: The student's official transcript shows that the student enrolled in five courses (12 credit hours) for the fall 2010 semester. The student received a WD grade in six credit hours and a F grade in three credit hours. During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in each course. For the 2010 fall semester, the student received \$2,081.50 in Federal Pell Grant funds. This student is also cited in Finding 15.

Student 22: The student's official transcript shows that the student enrolled in three courses (nine credit hours) for the fall 2010 semester. The student received an I grade in two courses (six credit hours) and a F grade in one course (three credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in each course. For the 2010 fall semester, the student received \$2,775 in Federal Pell Grant funds. The student is also cited in Findings 3 and 4.

Directives From Program Review Report: ABC was required to recalculate the Title IV, HEA fund disbursements for the students cited in this finding who received WD, I, or F grades in 50 percent or more of the classes enrolled during the payment period and failed to attend at least one day of class in each course. For any payment period that ABC could not document at least one day of attendance and the student's enrollment status changed (e.g., from full-time to three-quarter-time, etc.), ABC was required to make a downward adjustment, if required, to the student's award to reflect the student's actual enrollment status.

For the 2007/08, 2008/09, 2009/10, and 2010/11 award years, ABC was required to conduct a file review and identify each recipient who received WD, I, or F grades in 50 percent or more of the classes enrolled during the payment period and failed to attend at least one day of class in each course. The information resulting from the file review was required to be submitted in an Excel spreadsheet or similar format.

ABC was also required to review its policies and procedures to ensure that one day of class attendance was verified for all Title IV, HEA recipients dropping courses or receiving W, WD, I, or F grades in 50 percent or more in classes during a payment period in the future. A copy of a statement confirming that the one day of class attendance will be verified was required to accompany ABC's response to the program review report.

ABC's Response: For the 2007/08, 2008/09, 2009/10, and 2010/11 award years, ABC conducted the required file review and identified each Title IV, HEA recipient who received W, WD, I, or F grades in enrolled courses during the payment period and failed to attend at least one day of class in each course. ABC informed reviewers it had identified in the file reconstruction students whose attendance could not be substantiated in all courses the student was enrolled in for the appropriate award year and provided this information in its response to the program review report.

ABC told program reviewers the institution had reviewed and revised its policies and procedures to ensure that class attendance is verified for all Title IV, HEA recipients dropping courses who fail to establish attendance during each payment period in the future.

Final Determination: Program reviewers examined the documentation submitted by ABC for all students who were identified based on the criteria established in the required action for Finding 5. Based on this review, the Department has determined that ABC is required to repay **\$38,706.50** in Federal Pell Grant funds to the Department. Student-level liabilities established based on the file reconstruction are identified in Appendices A, B, and F. Liabilities duplicated in other findings have been removed in the summary of liabilities table.

Additionally, ABC is liable for the cost of funds associated with the improper use of Federal Pell Grant funds. The total cost of funds liability due to the Department as a result of the failure to return Federal Pell Grant funds drawn for incorrect verification of student attendance in all scheduled coursework is **\$2,655.00** (\$2,654.53 in Federal Pell Grant interest, *rounded*), all to be paid to the Department. The interest charges were computed using the cost of funds for Federal Pell Grants and published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about this cost of funds liability determination may be found in Appendices A, B, and F

ABC must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments

Finding 10. Ineligible Student - Failure to Establish Selective Service Registration Exemption

Noncompliance: In order to be eligible for Title IV, HEA assistance, a male student who is subject to registration with the Selective Service (SS) must register with the SS. A male student does not have to register with the SS if the student—

- A. Is below the age of 18, or was born before January 1, 1960; or
- B. Is enrolled in an office procurement program of which has been approved by the Secretary of Defense at certain institutions; or
- C. Is a commissioned officer of the Public Health Service or a member of the Reserve of the Public Health service who is on active duty as provided in section 6(a)(2) of the Military Selective Service Act.

An institution may determine that a student, who was required to, but did not register with the SS, is eligible to receive Title IV, HEA assistance for that reason, if the student can demonstrate by submitting clear and unambiguous evidence to the institution that—

1. He was unable to present himself for registration for reasons beyond his control such as hospitalization, incarceration, or institutionalization; or
2. He is over 26 and when he was between 18 and 26 and required to register—
 - a. He did not knowingly and willfully fail to register with the Selective Service; or,
 - b. He served as a member of one of the U.S. Armed Forces on active duty and received a DD Form 214, "Certificate of Release or Discharge from Active Duty," showing military service with other than the reserve forces and National Guard.

34 C.F.R. §§ 668.32(j), 668.37

In two instances, ABC failed to establish that a student was exempted from the SS registration requirement.

Student 17: The student's 2010/11 ISIR and the SS website show that the student did not register with the SS. There was no evidence in the student's file to support SS registration or a statement verifying why the student was unable to present himself for SS registration for reasons beyond his control. For the 2010/11 award year, the student received \$4,900 in Federal Pell Grant, \$3,500 in FDL-Subsidized, and \$3,500 in FDL-Unsubsidized funds.

Student 24: The student's 2010/11 ISIR and the SS website indicate that the student did not register with the SS. There was no evidence in the student's file to support SS registration or a statement verifying why the student was unable to present himself for SS registration for reasons beyond his control. For the 2010/11 award year, the student received \$5,500 in Federal Pell Grant, \$3,500 in FDL-Subsidized, and \$3,500 in FDL-Unsubsidized funds. This student is also cited in Findings 1 and 12.

Directives From Program Review Report: ABC was required to provide evidence to support that the students cited above met the SS registration requirements. In addition, ABC was required to conduct a file review for the 2009/10 and 2010/11 award years and identify all male students who had not registered with the SS. The information resulting from the file review was required to be submitted in an Excel spreadsheet or similar format.

Additionally, ABC was also required to develop policies and procedures which will ensure that in the future the institution will verify SS registration for all male students. A copy of the policies and procedures were required to accompany ABC's response to the program review report.

ABC's Response: ABC submitted evidence to document that the students cited in the program review report met the SS registration requirements. As part of the finding requirements, ABC conducted a file review for the 2009/10 and 2010/11 award years to ensure all male students had complied with the selective service registration requirements. As part of this review, ABC identified three male students who had not registered with the SS.

ABC reviewed its policies and procedures in relation to resolving eligibility issues, including selective service-related issues, and strengthened its policies and procedures to ensure in the future, the institution will verify selective service registration for all male students and resolve any caution flags which arise.

Final Determination: Program reviewers reviewed the documents ABC submitted as part of the program review response that demonstrated the students cited in the program review report met the SS registration requirements; therefore, no additional documentation is required for these students. Program reviewers, in analyzing the file reconstruction data supplied by ABC, determined the three students identified by ABC as receiving Title IV disbursements without properly registered with the Selective Service were ineligible to receive Title IV, HEA funds for the 2009/10 and 2010/11 award years. One of the students identified by ABC also improperly received Title IV, HEA funds for the 2011/12 award year. ABC must return **\$24,775.50** in Federal Pell Grant funds to the Department on behalf of the ineligible students identified and addressed in Appendix B.

Additionally, ABC is liable for the cost of funds associated with the improper use of Federal Pell Grant funds. The total cost of funds liability due to the Department as a result of the improperly disbursements for ineligible students is **\$485.00** (\$485.32 in Federal Pell Grant interest, *rounded*) to be paid to the Department. The interest charges were computed using the cost of funds for Federal Pell Grants published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about this cost of funds liability determination may be found in Appendices B and F.

In addition to Federal Pell Grant funds, ABC also improperly provided Federal Direct Subsidized and Unsubsidized Loan funds to the students referenced above. The total amount of Federal Direct Loan funds (Subsidized and Unsubsidized) improperly disbursed to students during the 2009/10, 2010/11 and 2011/12 award years is **\$23,750.00**. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on the most recent cohort default rate available for ABC. As a result, the estimated actual loss that ABC must pay to the Department for the ineligible loans is **\$873.00** (\$872.61, *rounded*). A copy of the results of that calculation is included as Appendix E.

ABC must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows. The liability amount in the first chart below reflects duplicated **and unduplicated** liabilities because some students appear in more than one finding. This information is provided so that the institution understands the liabilities associated with each finding. Duplicate liabilities have been removed in the second chart. The payment instructions in Section E have been adjusted to reflect the unduplicated liabilities

Duplicated and Unduplicated Liabilities

Liabilities	Pell (Closed Award Year)	Direct Loan	EALF DL	
Finding 1	\$532.00			
Finding 3	\$51,829.98		\$960.00	
Finding 4	\$9,831.96	\$1,471.00		
Finding 5	\$42,768.50			
Finding 10	\$24,775.50		\$873.00	

Unduplicated Liabilities

Liabilities	Pell (Closed Award Year)	Direct Loan	EALF DL	
Finding 1	\$532.00			
Finding 3	\$51,829.98		\$960.00	
Finding 4	\$4,284.21	\$1,471.00		
Finding 5	\$38,706.50			
Finding 10	\$24,775.50		\$873.00	
Subtotal 1	\$120,128.19	\$1,471.00	\$1,833.00	
Interest/SA	\$6,067.00	\$17.00		
Subtotal 2				
TOTAL	\$126,195.19	\$1,488.00	\$1,833.00	
Payable To:				Totals
Department	\$126,195.19	\$1,488.00	\$1,833.00	\$129,516.19
COD Adjustments	\$92,140.61	\$1,471.00		
Current Year (funds returned via G5)	\$0.00			

Duplicate Liabilities:

The Actual Liabilities table above contains duplicate liabilities. The Established Liabilities table reflects adjustments made to remove all duplicate liabilities as described in the final determinations for Findings 4 and 5. Appendices B and F contain a detailed accounting of the determination of unduplicated liability for each finding.

Estimated Actual Loss (EAL):

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on ABC's most recent cohort default rate.

The total amount of Direct Loan that ABC improperly disbursed during the 2010-2011 and 2011-2012 award years for Findings 3 and 10 is **\$47,250.00**. The total estimated actual loss that ABC must pay to the Department for the ineligible loans is **\$1,833.00**. Copies of the results of those calculations are included in Appendix E

E. Payment Instructions

Liabilities Owed to the Department \$100,000 or More

ABC owes to the Department \$129,516.19. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. ABC must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If ABC's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable findings and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form.

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. ABC is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to ABC's account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, ABC has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due ABC from the Federal Government. **ABC may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, ABC must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

Liabilities Owed to the Department in the case of Direct Loans

William D. Ford Federal Direct Loan (Direct Loan) Liabilities:

Direct Loan Closed Award Years (Request Extended Processing)

Finding: 4

Appendices: A, B and F

ABC must repay the following Direct Loan liabilities:

Direct Loan Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$1,471.00	\$17.00	2010-2011
Total Principal	Total Interest	
\$1,471.00	\$17.00	

The disbursement record for each student identified in the appendix listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the/these appendix/appendices. A copy of the adjustment to each student's COD record must be sent to Kathy Feith **within 45 days of the date of this letter.**

Request Extended Processing

COD adjustments are necessary for the closed award year(s) listed above. Before any student level adjustments can be processed, ABC must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

Direct Loan Estimated Actual Loss

Findings: 3 and 10

Appendices: A, B, and E

DL Estimated Actual Loss	
Amount	Award Year
\$ 1,833.00	2010-2011
\$0.00	2011-2012
Total	
\$1,833.00	

ABC must pay the amount reflected above in Direct Loan estimated loss liabilities for the award years reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in Section 1 above.

4. Liabilities Owed to the Department in the case of Title IV Grants

Pell- Closed Award Year

Findings: 1, 3, 4, 5, and 10

Appendices: A, B, and F

ABC must repay:

Federal Pell Grant Funds—Closed Award Year (Interest Rounded By Year)			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$40,367.63	\$1,653.00	Pell Grant Program	2009-2010
\$48,303.98	\$646.00	Pell Grant Program	2010-2011
\$3,469.00	\$14.00	Pell Grant Program	2011-2012
Total Principal	Total Interest		
\$92,140.61	\$2,313.00		

The disbursement record for each student identified in the appendices to the applicable finding(s) must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendices.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student’s COD record must be sent to Kathy Feith **within 45 days of the date of this letter.**

Pell – Cancelled Award Year

Findings: 3, 5

Appendices: A, B, and F

ABC must repay:

Pell Cancelled Award Year (Interest Rounded by year)			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$10,814.00	\$2,061.00	Federal Pell Grant	2007-2008
\$17,173.58	\$1,693.00	Federal Pell Grant	2008-2009
Total Principal	Total Interest		
\$27,987.58	\$3,754.00		

The liability above is for award years 5 years or older and student adjustments in the Common Origination and Disbursement (COD) system are no longer possible. Instead, the funds will be returned to the general program fund for the applicable Title IV program. In lieu of providing an updated COD record for the students referenced above, ABC should update the student's ledger card to notate the adjustment and ensure there is a note in the student's file which demonstrates ABC's compliance with the required return of funds. An updated ledger card which denotes the returned funds should be provided to Kathy Feith **within 45 days of this letter**.

Final Program Review Determination
PRCN #: 201120727532

Appendix C

Program Review Report

American Baptist Theological Seminary

OPEID: 01046000

PRCN: 2011 207 27532



START HERE. 
GO FURTHER. 
FEDERAL STUDENT AID

Prepared for

**American Baptist Theological
Seminary**

OPE ID 01046000

PRCN 201120727532

Prepared by

U.S. Department of Education

Federal Student Aid

Institution Participation Team – Kansas City

Program Review Report

April 3, 2012

Federal Student Aid, Institution Participation Team-Kansas City
8930 Ward Parkway, Suite 2028, Kansas City, MO 64114-3392
www.FederalStudentAid.ed.gov

American Baptist Theological Seminary

OPE ID 01046000

PRCN 201120727532

Page 2

Finding 19: Failure to Meet Federal Work Study (FWS) Community Service Allocation	38
Finding 20: Account Credited without Student/Parent's Permission	39
Finding 21: Account Records Not Reconciled	40
Finding 22: Fiscal Operations Report and Application to Participate (FISAP) Income Grid-Not Documented	40
Finding 23: Consumer Information Requirements Not Met.....	41
Finding 24: Failure to Publish and Distribute Annual Campus Security Report.....	42
Finding 25: Failure to Develop and Implement a Drug and Alcohol Abuse Prevention Program	44
Finding 26: Insufficient Personnel / Impaired Administrative Capability.....	46
D. Appendix	50
Appendix A, Student Sample.....	50

Institutional Information

American Baptist Theological Seminary
 1800 Baptist World Center Drive
 Nashville, TN 37207

Type: Private, non-profit

Highest Level of Offering: Master of Arts Degree

Accrediting Agencies: Association for Biblical Higher Education (ABHE)
 Council for Higher Education Accreditation (CHEA)

Current Student Enrollment: 100 (2009-2010)

Percentage of Students Receiving Title IV: 62%

Title IV Participation (Source: G5 and Postsecondary Education Participants Systems (PEPS) :

	<u>Award Year</u>	
	2009-10	2010-11
Federal Pell Grant	\$285,508.00	\$320,801.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$5,566.00	\$4,600.00
Federal Work Study (FWS)	\$6,741.00	6,741.00
Federal Direct Stafford Loan (FDSL)	\$	\$385,612.00
Default Rate FFELIFDSL:	2008	0%
	2007	0%
	2006	0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at American Baptist Theological Seminary (ABC) from March 14, 2011 to March 18, 2011. The review was conducted by Mr. Charles E. Glasper and Ms. Rhonda Puffer.

The focus of the review was to determine ABC's compliance with the statues and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of ABC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2009/10 and 2010/11 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, four files were selected to examine ABC's compliance with administering its Federal Work Study Program. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by ABC to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Failure to Perform Return of Title IV Funds Calculations

Citation: Federal regulations stipulate that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including FWS or the non-Federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date. If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV programs. If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement.

34 C.F.R. § 668.22(a)

For the purposes of the Return of Title IV Funds calculation, in each payment period or period of enrollment a pro rata schedule is used, up through the 60 percent point, to determine the amount of Title IV funds the student has earned at the time of withdrawal. After the 60 percent point in the payment period or period of enrollment, a student has earned 100 percent of the Title IV funds he or she was scheduled to receive during the period. For a student who withdraws after the 60 percent point-in-time, there are no unearned funds. However, a school must still complete a Return of Title IV Funds calculation to determine whether the student is eligible for a post-withdrawal disbursement. *2009/10 and 2010/11--Federal Student Aid Handbook, Volume 5, Chapter 2, Withdrawals and the Return of Title IV Funds.*

Noncompliance: In three instances, ABC failed to perform Return of Title IV Funds calculations.

Student 1: The financial aid file and student transcript show that the student was administratively withdrawn from all courses on an undetermined date for the fall 2009 semester. The student's financial aid file and COD show that she received \$2,675 in

Federal Pell Grant funds during the semester. There is no evidence in the student's financial aid file that a Return of Title IV Funds calculation was performed.

This student is also cited in Findings 4, 5, and 13.

Student 14: The student's academic transcript shows that he was enrolled in four courses (12 credit hours) for the fall2009 semester and withdrew from all courses on an undetermined date. While on site, the reviewers requested a copy of the student's attendance records and withdrawal form. This information was not provided. The student's financial aid file and COD show that he received \$2,675 in Federal Pell Grant funds during the semester. There is no evidence in the student's financial aid file that a Return of Title IV Funds calculation was performed.

This student is also cited in Findings 3 and 4.

Student 24: The student's academic transcript shows that he withdrew from all courses for the spring 2011 semester on or before 02113111 due to medical reasons. In addition, six emails were sent from the Registrar's Office to the student's instructors requesting verification of his class attendance. The instructors reported that the student had not turned in assignments, had not attended all class meetings, or had called in stating that he was in too much pain to report to class. For the spring 2011 semester, the student's financial aid file and COD show that he received \$2,775 in Federal Pell Grant, \$1,750 in FDSL-Subsidized loan, and \$1,750 in FDSL-Unsubsidized loan during the semester. There was no evidence in the student's financial aid file that a Return of Title IV Funds calculation was performed.

This student is also cited in Findings 10 and 12.

Required Action: In response to this finding, ABC must provide comprehensive information pertaining to Return of Title IV Funds calculations that were performed or should have been performed during the 2007/08, 2008/09, 2009/10, and 2010/11 award years for all Title IV recipients who withdrew. The materials requested must include:

- (1) A spreadsheet that contains the following information: Award year, student's name, last four digits of social security number, last date of attendance, student's withdrawal date, the date that the institution determined that the student withdrew, the date that the Return of Title IV Funds was calculated, the amount of Title IV funds returned, if applicable (organized by Title IV program), and the date the Return was made to the program. The spreadsheet should be organized first by award year, and then by the individual student. The spreadsheet should be compiled in an Excel spreadsheet and submitted in CD-ROM format;

- (2) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew during the 2007/08, 2008/09, 2009/10, and 2010/11 award years (the copies must reflect the date the actual Return was calculated, even if the Return was not calculated until ABC responded to this finding);
- (3) A copy of all pertinent student account statements for the Returns identified above. The account statement should reflect the disbursements included in the Return calculation as well as the return of the Title IV funds, if applicable;
- (4) Legible copies of all canceled checks (front and back), or other documentation (e.g., wire transfer records or screen prints of COD screens with pertinent detail information) to support the return of the funds to the Title IV accounts; and
- (5) A copy of ABC's official withdrawal form for each Title IV recipient who officially withdrew, with the official date of withdrawal annotated.

The Return of Title IV Funds spreadsheet discussed above should be compiled in the following format:

Award Year	Student's Name	Last Four Digits of SSN	Last Date of Attendance	Student's Withdrawal Date	Date Institution Determined the Student Withdrew	Date Returned of Title IV Refund was Calculated	Amount of Title IV Funds Returned	Program	Date Return Was Made to Program
2009/10	Aldridge, Carolyn	7956	Unknown	Unknown	Unknown	Unknown	0	Pell	Unknown

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Additionally, ABC must review and revise its internal policies and procedures to ensure that Returns of Title IV Funds calculations and returns of funds are performed in a timely manner in the future. A copy of these procedures must accompany ABC's response to this finding. Instructions for repayment of any liabilities will be provided in the FPRD letter.

Finding 2. Ineligible Federal Direct Stafford Loan Disbursements

Citation: Federal regulations state that a student is eligible to receive a Federal Direct Stafford Subsidized Loan, a Federal Direct Stafford Unsubsidized Loan, or a combination of

these loans, if the student meets the following requirements:

- (1) The student is enrolled, or accepted for enrollment, on at least a half- time basis in a school that participates in the Federal Direct Stafford Loan Program.
- (2) The student meets the requirements for an eligible student required by general provisions regulations.
- (3) For an undergraduate student who seeks a Federal Direct Stafford Subsidized Loan or a Federal Direct Stafford Unsubsidized Loan at a school that participates in the Federal Pell Grant Program, the student has received a determination of Federal Pell Grant eligibility for the period of enrollment for which the loan is sought. *34 C.F.R. § 685.200(a)(1)*

A school participating in the FDSL Program must ensure that any information it provides to the Department in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements as mandated by general provisions regulations. The school must provide borrower information to the Department that includes but is not limited to the borrower's eligibility for a loan in accordance with student eligibility requirements and Direct Loan Program limits; the student's loan amount; and the anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds. *34 C.F.R. § 685.301 (a)(1)(2)(4)*

Noncompliance: In three instances, ABC made ineligible FDSL disbursements to undergraduate students, which exceeded the maximum loan limit and created an over award.

Student 11: Transferred to ABC at the beginning of the spring 2010 semester. As of December 2009, NSLDS shows that the student had received \$22,875 in FDSL- Subsidized loan as an undergraduate student. During the 201011 award year, the student had a remaining FDSL-Subsidized loan limit of \$125. ABC disbursed \$2,250 in FDSL-Subsidized loan, which exceeded his remaining undergraduate Subsidized loan limit and created an over award of \$2,125.

This student is also cited in Findings 5, 7, and 8.

Student 20: For the 2010/11 award year, the student was classified as a first-year dependent undergraduate and was eligible to receive a maximum of \$3,500 in FDSL- Subsidized loan and \$2,000 in FDSL-Unsubsidized loan. ABC disbursed \$3,500 in FDSL-Unsubsidized loan, which caused an over award of \$1,500 in FDSL- Unsubsidized loan for the award year.

This student is also cited in Findings 5 and 11.

Student 25: At the beginning of the 2010/11 award year, the student had earned 53 credit hours and was correctly classified as a second-year dependent undergraduate student. The

student was eligible to receive a maximum of \$4,500 in FDSL- Subsidized loan and \$2,000 in FDSL-Unsubsidized loan. ABC disbursed \$5,500 in FDSL-Subsidized loan and \$4,500 in FDSL-Unsubsidized loan. The student was over awarded \$2,000 in FDSL-Subsidized loan and \$1,000 in FDSL-Unsubsidized loan for the award year.

Required Action: ABC is required to return to the FDSL program the over awards disbursed to the students cited above. In addition, ABC must conduct a file review of all students who received FDSL program funds for the 2007/08, 2008/09, 2009/10, and 2010/11 award years to determine if each student was properly classified by grade level and disbursed FDSL funds within the regulatory annual loan limit. Any student's disbursement exceeding the annual loan limit, the data below must be submitted in a spreadsheet format:

- (1) Award year;
- (2) Student's name;
- (3) Last four digits of SS#;
- (4) Cumulative credit hours earned at the end of the previous award year;
- (5) Grade level;
- (6) Amount of FDSL funds disbursed;
- (7) Amount of FDSL funds over awarded;
- (8) Furthermore, a copy of each FDSL recipient's academic transcript must be included with this finding.

The spreadsheet should be compiled in an Excel spreadsheet and submitted in CD- ROM format as shown below:

Award Year	Student's Name	Last Four Digits of SSN	Cumulative Credit Hours Earned at the End of Previous Award Year	Grade level	Amount of FDSL Funds Disbursed			Amount of FDSL Funds Over Awarded		
					FDSL-Sub	FDSL-Unsub	PLUS	FDSL-Sub	FDSL-Unsub	PLUS
2010/11	(b)(6)		59	2	\$2,250	0	0	\$2,125	0	0

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Furthermore, ABC must review and revise its policies and procedures to ensure that all students receiving FDSL funds are properly classified and disbursed within the annual loan limit. A copy of these procedures must accompany ABC's response to this finding. Instructions for repayment of any liabilities will be provided in the FPRD letter.

The FPRD letter will provide ABC with repayment instructions for any identified liabilities. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 3. Incomplete/Inaccurate Verification Documentation

Citation: The purpose of verification is to ensure accuracy in determining a student's eligibility for Title IV, HEA program funds. When a student is selected for verification, an institution is responsible for confirming information reported on the student's application for Federal student aid, as well as resolving any conflicting information that presents itself regarding the application. The five required data elements that must be verified are: (1) household size; (2) number enrolled in college;

(3) adjusted gross income (AGI); (4) U.S. income tax paid; and (5) other untaxed income and benefits. Supporting documentation collected from the student or parents is compared to the information that was reported on the student's Institutional Student information Record (ISIR). An institution must retain, in the student's file, any verification documentation it collects to serve as evidence that it completed the verification process. *34 C.F.R. §§ 668.16(f), 668.24(c)(1)(i), and 668.56; the Department's 2009110 Application and Verification Guide.*

Noncompliance: ABC failed to correctly verify ten students' ISIRs who were selected for verification during the 2009/10 and 2010/11 award years.

Student 3: The student's 2009110 ISIR was selected for verification. The ISIR shows an AGI of \$46,200 and income taxes paid of \$5,899. There was no documentation in the student's file to verify the data reported on the ISIR. In addition, the student reported his marital status as unmarried and three dependents in household size. The student also reported \$10,600 in child support paid. For the 2009110 award year, the student received \$5,350 in Federal Pell Grant and \$400 in FSEOG funds.

This student is also cited in Finding 15.

Student 4: The student's 2009/10 ISIR was selected for verification. The ISIR shows that the student did not file a tax return for the 2008 tax year. However, the student indicated on the ISIR that he earned \$6,000 from work, while the verification worksheet shows zero income. ABC is required to verify the student's earned income from work. For the 2009/10 award year, the student received \$5,350 in Federal Pell Grant funds.

This student is also cited in Finding 10.

Student 6: The student's 2009/10 ISIR was selected for verification. The ISIR shows zero for AGI; while the student's 2008 IRS tax return form shows \$3,354 in AGI. For the 2009/10 award year, the student received \$5,350 in Federal Pell Grant funds.

Student 12: The student's 2009/10 ISIR was selected for verification. The ISIR shows \$24,000 in AGI and zero income tax paid; while the student's 2008 IRS tax return form shows \$22,818 in AGI and zero income tax paid. For the 2009/10 award year, the student received \$5,350 in Federal Pell Grant funds.

Student 13: The student's 2009/10 ISIR was selected for verification. The ISIR shows \$3,902 in U.S. income taxes paid, while the student's 2008 IRS tax return form shows \$264 in U.S. income taxes paid. For the 2009/10 award year, the student received \$5,350 in Federal Pell Grant funds.

This student is also cited in Finding 11.

Student 14: The student's 2009/10 ISIR was selected for verification. The student indicated on his ISIR and verification worksheet two family members in household size, two family members in college, and one exemption claimed on his 2008 IRS 1040A income tax return. However, school officials stated that the student erroneously reported his roommate as a family member and enrolled in college for the taxable year. At the time of the program review, the error had not been corrected. For the 2009/10 award year, the student received \$2,675 in Federal Pell Grant funds.

This student is also cited in Findings 1 and 4.

Student 16: The student's 2010/11 ISIR was selected for verification. The ISIR shows \$355 in U.S. income taxes paid, while the student's 2009 IRS tax return form shows \$2,571 in U.S. income taxes. For the 2010/11 award year, the student received \$1,650 in Federal Pell Grant funds.

This student is also cited in Findings 11, 12, and 13.

Student 19: The student's 2010/11 ISIR was selected for verification. The student indicated on his ISIR two family members in household size; mother's earned income of \$9,888, and no for filing a tax return, while the verification worksheet has two in household size and only the mother's social security income of \$7,248. There was no documentation in the student's file to verify the earned income of \$9,888. For the 2010/11 award year, the student received \$5,550 in Federal Pell Grant funds.

This student is also cited in Findings 7, 15, and 18.

Student 22: The student's 2010/11 ISIR was selected for verification. The student indicated on his ISIR six family members in household size, zero income, and no for filing a tax return, while

the verification worksheet has four in household size and zero income. There was no documentation in the student's file to verify the family's income or any means of financial support in the family's household. For the 2010/11 award year, the student received \$2,081.50 in Federal Pell Grant funds.

This student is also cited in Findings 4 and 5.

Student 29: The student's 2010/11 ISIR was selected for verification. The student indicated marital status as separated, four in household size, and \$2,808 in child support paid on the ISIR. On the verification worksheet, the student indicated a spouse and two children in household size. In addition, the student indicated single as the filing status on his 2009 IRS tax return. All three documents are conflicting. ABC is required to resolve the conflicting information. For the 2010/11 award year, the student received \$5,550 in Federal Pell Grant and \$1,750 in FDSL-Unsubsidized funds.

This student is also cited in Finding 11.

Required Action: In response to this finding, ABC is required to correct and complete the verification process for the students cited above. In addition, ABC must conduct a file review and verify at least 30 percent of all students who were selected for verification by the Central Processing System (CPS) for the 2007/08, 2008/09, 2009/10, and 2010/11 award years and confirm that the process was complete. ABC's failure to correct and complete the verification process of students selected by the CPS will result in a liability. Instructions for repayment of any liabilities will be provided in the FPRD letter.

The file review must be submitted in spreadsheet format and include:

- (1) Award year, student's name, last four digits of SS#, selected by the CPS, verification documentation in the student's file, and liability to program for incomplete verification. The spreadsheet should be compiled in an Excel spreadsheet and submitted in CD-ROM format;
- (2) A complete copy of pertinent verification documentation must be submitted for each student;
- (3) A copy of each student's account statement showing the adjustment of Title IV disbursement, if any. A student who received FWS funds, a copy of the student's payroll check; and,
- (4) A copy of each student's COD screen showing that the adjustment was made to the Title IV program, if any.

The spreadsheet discussed above should be compiled in the following format:

Award Year	Student's Name	last Four Digits of SSN	Selected by the Central Processing System Yes or No	Complete Verification Documentation in the Student's File (Yes or NO)	Liability To Title IV Program					
					Pell	FSEOG	FWS	FDSL-Sub	FDSL-Unsub	PLUS
2009/10	(b)(6)		Yes	No	\$5,350	\$400				

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Additionally, ABC must review its policies and procedures to ensure that all information is received and evaluated for students selected for verification. A statement verifying that the policies and procedures were reviewed must accompany the response to this finding.

Finding 4. No Method to Determine Unofficial Withdrawals

Citation: Institutions participating in the Title IV, HEA programs must determine the amount of Title IV assistance earned by a student as of the date of a student's withdrawal from the institution during a payment period or period of enrollment [34 C.F.R. § 668.22(a)(J)]. As required under 34 C.F.R. § 668.22(c)(1)(iii), if, at an institution, such as ABC, that is not required to take attendance, a student ceases attendance without providing official notification, the institution must determine the student's withdrawal date as the midpoint of the payment period.

As required by 34 C.F.R. § 668.22(l)(3)(ii), a student who does not provide notification of his or her withdrawal, the institution's date of determination that the student withdrew is the date that the institution becomes aware that the student ceased attendance. An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution, no later than 30 days after the end of the payment period. 34 C.F.R. § 668.220(2)

Dear Colleague Letter GEN-04-12 (November 2004) stipulates that if a student who began attendance, and who did not officially withdraw, fails to earn a passing grade in at least one course offered in that payment period, the institution must assume, for Title IV purposes, that the student unofficially withdrew, unless the institution can document that the student completed the payment period. Therefore, under the requirements of 34 C.F.R. § 668.22(c), a student who unofficially withdraws from an institution not required to take attendance; the student's withdrawal date is either the last date of attendance at an academically-related activity or the midpoint of the payment period.

Noncompliance: ABC does not have a policy to determine the last date of attendance (LDA) for unofficial withdrawals, nor attendance at an academically-related activity for students who end a term with all F's or a combination of all F's and W's grades. During the program review, ABC failed to either document LDA at an academically-related activity or calculate a Return to Title IV (R2T4) using the midpoint of the payment period for the students cited below.

Student 1: The academic transcript shows that the student received WD or UWD grades in all classes for the fall 2009 semester. There was no documentation in the student's file showing that ABC completed an R2T4 worksheet using at least the midpoint of the payment period for the student's withdrawal status. For the fall 2009 semester, the student received \$2,675 in Federal Pell Grant funds.

This student is also cited in Findings 1, 5, and 13.

Student 14: The academic transcript shows that the student received WD grades in all classes for the fall 2009 semester. There was no documentation in the student's file showing that ABC completed an R2T4 worksheet using at least the midpoint of the payment period for the student's withdrawal status. For the fall 2009 semester, the student received \$2,675 in Federal Pell Grant funds.

This student is also cited in Findings 1 and 3.

Student 22: The academic transcript shows that the student received two WD's and one F grade for the fall 2010 semester. There was no documentation in the student's file showing that ABC completed an R2T4 worksheet using at least the midpoint of the payment period for the student's withdrawal status. For the fall 2010 semester, the student received \$2,081.50 in Federal Pell Grant funds.

This student is also cited in Findings 3 and 5.

Student 26: The academic transcript shows that the student received WD grades in all classes for the summer 2010 session. There was no documentation in the student's file showing that ABC completed an R2T4 worksheet using at least the midpoint of the payment period for the student's withdrawal status. For the summer 2010 session, the student received \$669 in Federal Pell Grant funds.

Required Action: For each of the students listed above and identified as part of the file review requirement outlined below, ABC must provide proof that the student attended at least one class session in each course in the payment period identified. As an alternative, ABC may provide documentation from the school (not a student self-certification) that shows the student was in attendance at an academically-related activity for each course beyond the 60% point in the term. Examples of an academically-related activity that must be supported by school documentation,

not a student's self-certification, include:

- Examinations or quizzes;
- Tutorials;
- Computer-assisted instruction;
- Academic advising or counseling;
- Academic conferences;
- Completing an academic assignment, paper, or project; and
- Attending a study group required by the institution.

If neither of those alternatives is possible, ABC must determine that the student unofficially withdrew from that term. In those cases, ABC must complete an R2T4 calculation for the student using a withdrawal date of 50% of the term at issue.

The information resulting from the file review must be reported in an electronic spreadsheet format, along with the required hard copy documentation listed below:

- (1) Award year;
- (2) Student's name;
- (3) Social security number (last four digits only);
- (4) Date student withdrew or unofficially withdrew;
- (5) R2T4 calculation at 50% required (yes or no);
- (6) Liability to Federal Pell Grant;
- (7) Liability to FSEOG;
- (8) Liability to FDSL-sub;
- (9) Liability to FDSL-unsub; and
- (10) Liability to Federal PLUS.

Award Year	Student's Name	Last Four Digits of SSN	Date Student Withdrew or Unofficially Withdrew	R2T4 Calculation at 50% Required (Yes or NO)	Liability To Title IV Program				
					FPell	FSEOG	FDSL-Sub	FDSL-Unsub	PLUS
2009/10	(b)(6)		Unknown	Unknown					

For each student reported in the file review spreadsheet, ABC must provide the following hard copy documentation: (1) a cumulative student account statement; (2) an academic transcript; (3) a copy of ABC's R2T4 calculation using the midpoint of the payment period at

issue (if required), (4) proof of the student's attendance of at least one class in the course during the term, and/or (5) proof of the student's LDA at an academically-related activity.

As noted in the cover letter to this report, ABC must protect PII when submitting student information, as required by the enclosure, Protection of Personally Identifiable Information.

ABC's response must also include a copy of its revised policy and procedures that either allows institutional officials to determine that a student has unofficially withdrawn based on the grade he or she receives in a course or demonstrates how ABC will identify students who unofficially withdraw from the institution, including the process for calculating R2T4 for those students. The FPRD letter will provide ABC with repayment instructions for any funds determined to be due to the Department.

Finding 5. Failure to Document One Day of Attendance in a Payment Period

Citation: To disburse Title IV, HEA Student Financial Aid funds, an institution must have procedures in place to determine that the student attended at least one day of classes and was disbursed funds based on the appropriate enrollment status. If a student does not begin classes in all his or her classes within a term, resulting in a change in the student's enrollment status, the institution must recalculate the student's award based on the lower enrollment status. A student is considered to have begun attendance in all his or her classes if the student attends at least one day of class for each course in which that student's enrollment status was determined for Federal Pell Grant, Federal Perkins Loan, FSEOG, Academic Competitiveness Grant (ACG), and National Grant eligibility. The institution must have a procedure in place to know whether a student has begun attendance in all classes for purposes of disbursing Title IV, HEA funds. In the event a student fails to begin class in all his or her classes within a term –

- (1) The institution must return all Title IV, HEA program funds that were credited to the student's account at the institution or disbursed directly to the student for that payment period for all classes the student did not attend at least one day; and
- (2) For FFEL and Direct Loan funds: (a) the institution must return all FFEL and Direct Loan funds that were credited to the student's account at the institution for that payment period; and (b) the institution must return the amount paid directly by or on behalf of the student to the institution for that payment period, up to the total amount of the loan funds disbursed. *34 C.F.R. §§ 668.21 and 690.80(b)(2)(ii)*

Noncompliance: In seven instances, ABC disbursed Federal Pell Grant and Federal Stafford Loan Program funds to students without verifying at least one day of attendance in courses dropped, which changed the students' enrollment status. In addition, ABC failed to verify at least one day of attendance for students who received the grade of F in 50% or more of

courses attempted.

Student 1: The academic transcript shows that the student enrolled in five courses (15 credit hours) for the 2009/10 fall semester. The student received the grade of WD in two courses (six credit hours) and no grades in the remaining two courses (six credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in each course enrolled. For the 2010 summer session, the student received \$669 in Federal Pell Grant funds.

This student is also cited in Findings 1, 4, and 13.

Student 7: The academic transcript shows that the student enrolled in three courses (seven credit hours) for the fall2009 semester. The student received the grade of I/F in the course #PS303, Christian Worship (three credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in this course. For the 2009 fall semester, the student received \$1,337.50 in Federal Pell Grant funds.

This student is also cited in Finding 13.

Student 9: The academic transcript shows that the student enrolled in four courses (12 credit hours) for the 2009/10 summer session. The student received the grade of WD in two courses (six credit hours) and no grades in the remaining two courses (six credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in each course enrolled. For the 2010 summer session, the student received \$669 in Federal Pell Grant funds.

This student is also cited in Finding 13.

Student 11: The academic transcript shows that the student enrolled in four courses (12 credit hours) for the 2010 spring semester. On 03/15/10, ABC administratively dropped course #CS 112, Issues in Science & Religion (three credit hours), and #S0112, Introduction to Sociology (three credit hours), which reduced the student's enrollment status to six credit hours or half-time status. ABC failed to provide documentation to verify that the student had at least one day of attendance in each course dropped. The student's Federal Pell Grant disbursement should have been prorated to half-time status. For the 2010 spring semester, the student received \$2,400 in Federal Pell Grant funds.

This student is also cited in Findings 2, 7, and 8.

Student 20: The academic transcript shows that the student enrolled in four courses (12 credit hours) for the 2009 fall semester. The student did not receive a grade in the course #GS203, Integrated Math (three credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in this course. For

the 2009 fall semester, the student received \$2,775 Federal Pell Grant, \$1,750 in FDSL-Sub, and \$1,750 in FDSL-Unsub funds.

The student is also cited in Findings 2 and 11.

Student 21: The academic transcript shows that the student enrolled in five courses (12 credit hours) for the fall2010 semester. The student received the grade of WD in six credit hours and the grade of F in three credit hours. During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in each course. For the 2010 fall semester, the student received \$2,081.50 in Federal Pell Grant funds.

This student is also cited in Finding 15.

Student 22: The academic transcript shows that the student enrolled in three courses (nine credit hours) for the fall 2010 semester. The student received the grade of I in two courses (six credit hours) and the grade of F in one course (three credit hours). During the program review, ABC failed to provide documentation to verify that the student had at least one day of attendance in each course. For the 2010 fall semester, the student received \$2,775 in Federal Pell Grant funds.

The student is also cited in Findings 3 and 4.

Required Action: ABC must recalculate the Title IV disbursements for the students cited in this finding who received the grades of WD, I, or F in 50% or more of the classes enrolled during the payment period and failed to attend at least one day of class in each course. For any payment period that ABC cannot document at least one day of attendance and the student's enrollment status changed (e.g., from full-time to three-quarter-time, etc.), ABC must make a downward adjustment, if required, to the student's award to reflect the student's actual enrollment status. Any overpayment as a result of the calculations will be a liability to the institution. Instructions for repayment of any liabilities will be provided in the FPRD letter.

For the 2007/08, 2008/09, 2009/10, and 2010/11 award years, ABC must conduct a file review and identify each recipient who received the grades of WD, I, or F in 50% or more of the classes enrolled during the payment period and failed to attend at least one day of class in each course. The information resulting from the file review is required to be submitted in an Excel spreadsheet or similar format. The required format for submission of the results of the file review should include the following elements:

- 1) Award year;
- 2) Student's name;
- 3) Last four digits of the student's social security number;
- 4) Original credit hours registered for the payment period;

- 5) Credit hours dropped or received the grade of WD, I, or F during the payment period without one day class attendance;
- 6) Date of Title IV Refund;
- 7) Amount of Title IV Refund;
- 8) Title IV Program; and
- 9) Date the Title IV Refund was returned to the program.

Attach copy of student account statements showing the date the Title IV Refund was returned to the program.

The Title IV, HEA refund spreadsheet discussed above should be compiled as indicated below and submitted in CD-ROM format in the following manner:

Award Year	Student's Name	Last Four Digits of SSN	Original Credit Hours Registered for the Payment Period	Credit Hours Dropped Without One Day Class Attendance	Date of Title IV Refund	Amount of Title IV Refund	Title IV Program	Date Title IV Refund Returned To Program
2009/10	(b)(6)		12	12	Unknown	Unknown	Pell	Unknown

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of liabilities will be provided in the FPRD letter.

Furthermore, ABC is required to review its policies and procedures to ensure that one day class attendance will be verified for all Title IV, HEA recipients dropping courses or receiving the grade of W, WD, I, or Fin 50% or more in classes during a payment period in the future. A copy of a statement confirming that the one day class attendance will be verified must accompany this report.

Finding 6. Cost of Attendance Not Documented for Federal Stafford Loan Program

Citation: Federal regulations require an institution to maintain data used to construct a Federal Stafford Loan Program (FSLP) individual student budget or its itemized standard budget used in calculating the student's estimated cost of attendance (COA) for an enrollment period. The COA is an estimate of the student's educational expenses for the award year based on the correct number of months in the period of enrollment and the student's enrollment status (e.g.; full-time, three quarter-time or half-time). The COA for the FSLP is

comprised of tuition and fees; a minimum standard allowance for room and board; books, supplies, transportation and miscellaneous personal expenses; dependent care; and handicap-related expenses, if necessary. *34 C.F.R. §§ 682.201, 682.603(b) and 682.6JO(b)*

Noncompliance: In two instances, ABC disbursed Federal Direct Stafford Loan funds to students without determining the student's cost of attendance budget.

Student 27: The student enrolled half-time (six credit hours for the fall 2010 semester) and three quarter-time (nine credit hours for the spring 2011 semester). The student's expected family contribution (EFC) for full-time enrollment status was 26518, while the COA was 31,924. ABC used a full-time COA budget and failed to make the appropriate adjustments based on the student's enrollment status for each semester. For the 2010/11 award year, the student received \$3,500 in FDSL-Subsidized and \$3,500 in FDSL-unsubsidized funds.

This student is also cited in Findings 11 and 13.

Student 30: The financial aid file shows that the student is an independent graduate student with an EFC of 16299 for the 2010/11 award year. In addition, the file shows that the student received \$8,500 in FDSL-Subsidized and \$3,500 in FDSL-PLUS funds for the award year. However, there was no data in the student's file to verify the COA budget used in determining the student's eligibility for FDSL funds. Furthermore, the regulation states that before a borrower is eligible to receive a PLUS loan, the borrower must have received a determination of his or her annual loan maximum eligibility under the FDSL-Subsidized and Unsubsidized loan, as applicable. There was no evidence to verify the borrower's eligibility.

Required Action: With its response to this finding, ABC must provide documentation of the individual COA budgets for the students cited above. If the students were ineligible to receive FDSL funds or over awarded, ABC will be required to return the funds and make the appropriate adjustments in the COD system. Instructions for the repayment of funds will be provided in the FPRD letter. In addition, ABC must revise its procedures to ensure that, in the future, the correct COA will be used based on a student's enrollment status, and COA documentation is maintained in the student's file. A copy of the revised procedures must accompany this report.

Finding 7. Late/Unmade Student Credit Balance Deficiencies

Citation: Federal regulations stipulate that whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible, but no later than 14 days after the balance occurred. *34 C.F.R. § 668.164(e)*

An institution may hold on behalf of a student any Title IV funds that would otherwise be paid

directly to the student, if the institution obtains a written authorization from the student. 34 C.F.R. § 668.165(b)(1)(ii) In obtaining such authorization, the institution (1) may not require or coerce the student to provide the authorization; (2) must allow the student to cancel or modify the authorization at any time; and (3) must clearly explain how it will hold those funds on behalf of the student. 34 C.F. R. § 668.165(b)(2)

If an institution holds excess student funds, the institution must (1) identify the amount of funds it holds for each student in a subsidiary ledger account designed for that purpose; (2) maintain cash in its bank account at all times at least equal to the amount of funds the institution holds for the student; and (3) notwithstanding any authorization, must pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. §668.15(b)(5)

Noncompliance: In two instances, ABC paid a credit balance late resulting from Title IV, HEA Program disbursements or failed to pay a credit balance within 14 days after the balance occurred.

Student 11: According to the student's account statement, the student had a credit balance for \$950 at the beginning of the fall 2010 semester. The institution had not obtained written authorization to hold the credit balance. Charges were eventually added to the student's account statement, which reduced the credit balance to zero on 08/13/10.

This student is also cited in Findings 5 and 8.

Student 19: The student had a credit balance for \$765 as of 03/03/11 for the spring 2011 semester. The institution had not obtained written authorization to hold the credit balance. According to the student's account statement, the credit balance has not been paid.

This student is also cited in Findings 3, 15, and 18.

Required Action: In response to this finding, ABC is required to pay the overdue Title IV, HEA credit balance for *Student 19* cited above and provide proof that payment was made to the student, including a copy of the canceled check (front/back).

Additionally, ABC must review and, as necessary, revise its policies and procedures for monitoring Title IV, HEA credit balances to ensure that all such credit balances are disbursed in a timely manner in the future. A copy of the revised procedures must accompany ABC's response.

Finding 8. Late Return of Title IV Funds

Citation: When a recipient of Title IV, HEA grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. The timeframe for the return of the funds must be as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew. For Return of Title IV Funds calculations, the date of the institution's determination that the student withdrew varies depending of the type of withdrawal. For example:

- 1) A student who provides notification to the institution of his or her withdrawal, the student's withdrawal date is determined by the date the student began the withdrawal process; or
- 2) A student who did not provide notification of his or her withdrawal to the institution, the date that the institution becomes aware that the student ceased attendance; or
- 3) A student who does not return from a leave of absence (LOA), the earlier of the date of the end of the LOA or the date the student notifies the institution that he or she will not be returning to the institution; or
- 4) A student who takes an unapproved LOA, the date that the student begins the LOA; or
- 5) A student whose rescission is negated, the date the institution becomes aware that the student did not, or will not, complete the payment period or period of enrollment. 34
C.F.R. § 668.22(a)(j)(1)(3)

Noncompliance: In one instance, ABC failed to Return Title IV, HEA funds to the program within the required time frame.

Student 11: The student enrolled in 12 credit hours for the fall 2010 semester and was disbursed \$1,950 in Federal Pell Grant funds. On 10/01/10, ABC administratively dropped one course (three credit hours), which reduced the student's enrollment status from full-time to three-quarter time and created an overpayment. According to COD, ABC did not return the \$562.50 overpayment to the Pell Grant Program until 12/20/10, at least 50 days late.

This student is also cited in Findings 5 and 7.

Required Action: ABC is reminded that the Department incurs unnecessary costs due to late or unmade refunds and requires institutions to reimburse the Department for unnecessary charges. ABC is required to review its current policies and procedures to ensure that refunds are processed and returned within the regulatory time frame. A statement confirming the review and changes, if any, must accompany this report.

Finding 9. Satisfactory Academic Progress (SAP) Policy Not Adequately Developed or Monitored

Citation: In order to be eligible to receive Title IV, HEA program aid, a student must maintain satisfactory academic progress (SAP) in accordance with the institution's published standards of satisfactory progress [34 C.F.R. § 668.32(l)]. An institution's policy must be the same or stricter than the satisfactory academic progress standards applied to a student who is not receiving Title IV, HEA program aid [34 C.F.R. § 668.16(e)(1)}. The policy must have both a qualitative component, such as grades, that are measureable against a norm and a quantitative component that consists of a maximum timeframe in which the student must complete the educational program. For an undergraduate program, the maximum timeframe must be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, etc., as appropriate. In addition, the quantitative component must be divided into increments not to exceed one academic year and must include a schedule designating the amount of work that a student must successfully complete at the end of each increment to complete the educational program within the maximum timeframe. Furthermore, the policy must define the affect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on SAP. 34 C.F.R. § 668.16(e)(2)

Noncompliance: In ABC's 2010111 College Catalog, page 44, first paragraph, the policy states, "If a student on financial aid receives a letter grade of I (Incomplete), the financial aid office is not able to assess properly the student's GPA for Satisfactory Academic Progress which is essential in determining the student's eligibility for the following semester. Thus, the college will not be able to process the student's financial aid request for funds, and the student will not be able to receive financial aid for the following semester until the I grade is removed." In contrast, on page 45, "the SAP policy states that increment in determining maintenance of SAP consist of two semesters. Students will be evaluated after two semesters of attendance."

Furthermore, on page 36, under the title, Repeating Courses, 2nd paragraph, it states that a student has no later than the end of the next semester or summer term to remove an I grade.

Based on the procedures written on pages 44 and 45, ABC is evaluating SAP standards for some students on a semester basis, while evaluating other students after two semesters. Furthermore, ABC is not allowing students adequate time to remove I grades before determining their SAP status.

In addition, there is a conflict in the SAP evaluation procedures. During the program review, ABC officials advised the reviewers that a student's grade point average for transfer courses is computed in his or her cumulative grade point average at ABC. This statement conflicts with the information printed on page 21, in the 51 Paragraph of the 2010/11 College Catalog, which states, "A tentative evaluation of credits for transfer, which should be made before one's enrollment, becomes official after one semester of satisfactory study. The grades for

courses transferred do not become part of the student's cumulative grade point average."

Required Action: In response to this finding, ABC must remove the conflicting SAP information written in the 2010/11 College Catalog on pages 44 and 45. Once this information is removed, ABC is required to revise its SAP to comply with the regulatory standards. A copy of the revised policy must accompany ABC's response to this finding.

Finding 10. Ineligible Student- Failure to Establish Selective Service Registration Exemption.

Citation: Federal regulations, *34 C.F.R. §§ 668.320) and 668.37*, state that to be able to receive Title IV, HEA program funds, a male student who is subject to registration with the Selective Service (SS) must register with the SS. A male student does not have to register with the SS if the student-

- A. Is below the age of 18, or was born before January 1, 1960; or
- B. Is enrolled in an office procurement program of which has been approved by the Secretary of Defense at certain institutions; or
- C. Is a commissioned officer of the Public Health Service or a member of the Reserve of the Public Health service who is on active duty as provided in section 6(a)(2) of the Military Selective Service Act.

An institution may determine that a student, who was required to, but did not register with the SS, is eligible to receive Title IV, HEA assistance for that reason, if the student can demonstrate by submitting clear and unambiguous evidence to the institution that-

1. He was unable to present himself for registration for reasons beyond his control such as hospitalization, incarceration, or institutionalization; or
2. He is over 26 and when he was between 18 and 26 and required to register-
 - a. He did not knowingly and willfully fail to register with the Selective Service; or,
 - b. He served as a member of one of the U.S. Armed Forces on active duty and received a DD Form 214, "Certificate of Release or Discharge from Active Duty," showing military service with other than the reserve forces and National Guard.

Noncompliance: In two instances, ABC failed to establish that a student was exempted from the SS registration requirement.

Student 17: The student's 2010/11 ISIR and the SS website show that the student did not

register with the SS. There was no evidence in the student's file to support SS registration or a statement verifying why the student was unable to present himself for SS registration for reasons beyond his control. For the 2010/11 award year, the student received \$4,900 in Federal Pell Grant, \$3,500 in FDSL-Subsidized, and \$3,500 in FDSL-Unsubsidized funds.

Student 24: The student's 2010111 ISIR and the SS website indicate that the student did not register with the SS. There was no evidence in the student's file to support SS registration or a statement verifying why the student was unable to present himself for SS registration for reasons beyond his control. For the 2010/11 award year, the student received \$5,500 in Federal Pell Grant, \$3,500 in FDSL-Subsidized, and \$3,500 in FDSL-Unsubsidized funds. This student is also cited in Finding #'s 1 and 12.

Required Action: ABC must provide evidence to support that the students cited above have met the SS registration requirements. In addition, ABC must conduct a file review for the 2009/10 and 2010/11 award years and identify all male students who have not registered with the SS. The information resulting from the file review is required to be submitted in an Excel spreadsheet or similar format. The required format for submission of the results of the file review should include the following elements:

- 1) Award year;
- 2) Student's name;
- 3) Last four digits of the student's social security number;
- 4) Date SS registration requirements were met; and
- 5) Amount disbursed by Title IV program.

Award Year	Student's Name	Last Four Digits of SSN	Date SS Registration Requirements Were Met	Amount Disbursed By Title IV Program					
				Pell	FSEOG	FWS	Direct-Sub	Direct-Unsub	Direct PLUS
2010/11	(b)(6)		Unknown	\$4,900	0	0	\$3,500	\$3,500	0

If ABC fails to obtain the appropriate documentation for each student's SS registration, it will be liable for all Title IV, HEA funds disbursed to each student.

Additionally, ABC must develop policies and procedures which will ensure that in the future the institution will verify SS registration for all male students. A copy of the policies and procedures must accompany this report.

Finding 11. Inaccurate Recordkeeping and Information in Student Files Missing/Inconsistent

Citation: In addition to program and fiscal records, an institution must keep records that substantiate the eligibility of its students for Title IV, HEA Student Financial Assistance (SFA). For each student who receives SFA funds, an institution must maintain records of:

- (1) The student's admission to and enrollment status at the school;
- (2) The student's program of study and the courses he or she is taking;
- (3) Documentation (all academic grades) verifying that the student is making satisfactory academic progress;
- (4) All financial aid and type the student receives;
- (5) All refunds due or paid to the student and the SFA programs;
- (6) Verification information on the student aid application;
- (7) Any required certifications (authorization to hold credit balance refunds, tax forms, leave of absence form, etc.), signed by the student, and any document used to document the student's registration status. 34 C.F.R. §§ 668.24, 674.19(d), 675.19(b), 676.19(b), 682.610, and 690.82

Noncompliance: In five instances, ABC's records disclosed frequent inaccuracies in the academic records and financial aid program records, and all transactions and document were not recorded or maintained in the students' files cited below. In addition, ABC did not identify on the students' account statement and award letter whether or not the Federal Direct Stafford Loan is Subsidized, Unsubsidized or PLUS.

Student #13: The student's registration form and academic transcript show that the student enrolled in the course #NT 490 (Epistles of Paul) for the 2010 summer session and earned the grade of B+. However, the grade was not recorded on the student's academic transcript.

This student is also cited in Finding 3.

Student 16: The student's financial aid file has multiple discrepancies for the 2010/11 award year: (1) enrollment status in NSLDS shows full-time, rather than withdrawn; (2) the amount of U.S. income tax paid on ISIR shows \$355, while IRS 1040 tax form shows \$2,571; and (3) the award letter and student account statement do not identify FDSL-Subsidized and FDSL-Unsubsidized loan. For the fall 2010/11 semester, the student received \$1,650 in Federal Pell Grant, \$2,000 in FDSL- Subsidized, and \$1,000 in FDSL-Unsubsidized funds.

This student is also cited in Findings 3, 12, and 13.

Student #20: The student's registration form and student account statement show that the student enrolled in the course #GS203 (Integrated Math) for the 2010 fall semester and earned the grade of B+. However, the final grade was not recorded on the student's academic transcript. In addition, the type of FDSL is not identified on the award letter and student

account statement. For the fall2010111 semester, the student received \$2,775 in Federal Pell Grant, \$1,750 in FDSL-Subsidized, and \$1,750 in FDSL-Unsubsidized funds.

This student is also cited in Findings 2 and 5.

Student #27: According to the student's academic record and program planning worksheet, the student transferred credits from the Kentucky Community and Technical College System for the fall 2010 semester. The credits have not been posted to ABC's academic transcripts. In addition, the type of FDSL is not identified on the award letter and student account statement. For the fall 2010/11 semester, the student received \$1,750 in FDSL-sub and \$1,750 in FDSL-unsub funds.

This student is also cited in Findings 6 and 13.

Student #29: The student's account statement shows that the student received \$4,479 in FDSL funds on 09/21/10 and \$4,479 in FDSL funds on 03/04/11 for the 2010/11 award year. However, NSLDS shows that the student only received \$1,750 in FDSL-unsub funds for the 2010/11 award year. In addition, the type of FDSL is not identified on the award letter and student account statement.

This student is also cited in Finding 3.

Required Action: In response to this finding, ABC must submit corrections for the discrepancies in the records for the students cited above. If any correction causes a Title IV, HEA over payment, the excess funds disbursed to the student will become an institutional liability and instructions for repayment will be provided in the FPRD. Furthermore, ABC must identify the type of all FDSL disbursements on each student account statement and award letter in the future.

In addition, ABC must develop and submit procedures to ensure that all students' records are maintained and consistent with the statutory and regulatory provisions. A copy of the procedures must accompany this finding.

Finding 12. Entrance/Exit Loan Counseling Not Documented or Performed

Citation: Federal regulations require a school to ensure that initial entrance counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means prior to its release of the first disbursement, unless the student borrower has received a prior Federal Stafford, Federal Supplemental Loans for Students (SLS), or Direct Subsidized or Unsubsidized loan. A school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions regarding those programs. As an alternative, in the case of a student borrower enrolled in a correspondence program or a student borrower enrolled in a study-abroad program that the home institution approves for

credit, the counseling may be provided through written materials, prior to releasing those loan proceeds. A school must maintain documentation substantiating the school's compliance with the requirement for each student borrower. *34 C.F.R. § 682.604(f)*

Federal regulations also require a school ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program. If a student borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required. *34 C.F.R. § 682.604(g)*

Noncompliance: In two instances; ABC failed to maintain documentation in the student's file verifying that Federal Direct Stafford Loan Program Entrance/Exit Counseling had been performed.

Student 16: The financial aid file and COD show that the student received \$2,000 in FDSL-Subsidized loan and \$1,000 in FDSL-Unsubsidized loan for 2010/11 award year. The student's registration form shows that he was administratively withdrawn on 01/12/10. There is no documentation in the student's financial aid file verifying that he received exit loan counseling.

This student is also cited in Findings 3, 11, and 13.

Student 24: The documents in the Registrar's Office show that the student withdrew from all classes on or before 02/13/11 for medical reasons. The financial aid file and COD show that the student received \$3,500 in FDSL-Subsidized loan and \$3,500 in FDSL-Unsubsidized loan for the 2010/11 award year. There is no documentation in the student's financial aid file verifying that he received entrance and exit loan counseling.

This student is also cited in Findings 1 and 10.

Required Action: ABC must perform the necessary FDSL Program entrance/exit loan counseling for the students cited above. In addition, ABC must review its current procedures to ensure that, in the future, all FDSL Program recipients receive the required entrance/exit loan counseling. A statement verifying that the entrance/exit loan counseling was performed

for the above students and the current procedures were reviewed must accompany the response to this finding.

Finding 13. Student Status- Untimely/Inaccurate National Student Loan Data System (NSLDS) Reporting

Citation: Federal regulations stipulate that an institution shall-

- (1) Upon receipt of a student status confirmation report form from the Secretary or a similar Student Status Confirmation Report (SSCR) form from any guaranty agency, complete and return that repayment within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and
- (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days-
 - a. If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis;
 - b. If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;
 - c. If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or
 - d. If it discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address. *34 C.F.R. § 682.610(c)*

At scheduled times during the year, not less than semiannually, the National Student Loan Database System (NSLDS) sends roster files electronically to the institution (or its designated servicer) through its Student Aid Internet Gateway (SAIG) mailbox. The file includes all the institution's students who are identified in NSLDS as Stafford (Direct and FFEL) borrowers or the beneficiaries of a PLUS Loan. The file is not necessarily connected to loans made at the institution-the institution must also report information for students who received some or all of their Title IV, HEA loan funds at other institutions but are currently attending the reporting institution. The institution (or servicer) must certify the information and return the roster file within 30 days of receiving it. The institution may also go to www.nslsdp.ed.gov, and update information for students online. The institution is

required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half time, graduated, or withdrawn must be reported within 30 days. However, if a roster file is expected within 60 days, the institution may provide the data on that roster file. *2009/10 and 2010/11 Federal Student Aid Handbook*

Noncompliance: Upon a student's separation from an institution, the institution is required to update and submit a Student Status Confirmation Report (SSCR) to the Secretary or guaranty agency within the regulatory time frame, or the institution may update the student's enrollment status online. In seven instances, ABC failed to submit an SSCR to the Secretary or guaranty agency, or did not report changes on the student's enrollment status in NSLDS within the 30-60 day timeframe.

Student 1: The student has been continuously enrolled in six or more credit hours since fall 2007 and enrolled in 12 credit hours for the spring 2011 semester. NSLDS shows that the student's status has not been updated since 01/08/07.

This student is also cited in Findings 1, 4, and 5.

Student 2: The student has been continuously enrolled in six or more credit hours since fall 2007 and enrolled in 12 credit hours for the spring 2011 semester. NSLDS shows that the student's status has not been updated since 01/08/07.

This student is also cited in Finding 15.

Student 7: The student has been continuously enrolled in six or more credit hours since fall 2009 and enrolled in six credit hours for the fall 2010 semester. The student failed to enroll for the spring 2011 semester. NSLDS shows that the student's status has not been updated since 04/01/09.

This student is also cited in Finding 5.

Student 9: The student has been continuously enrolled in six or more credit hours since fall 2009 and enrolled in 12 credit hours for the spring 2011 semester. NSLDS shows that the student's status has not been updated since 08/16/10.

This student is also cited in Finding 5.

Student 10: The student has been continuously enrolled in six or more credit hours since fall 2007 and enrolled in six credit hours for the spring 2011 semester. NSLDS shows that the student's status has not been updated since 08/16/07.

Student 16: The student's status in NSLDS shows full-time on 03/07/11. However, the student was administratively withdrawn on 01/12/10. NSLDS shows that the

student's status is full-time and has not been updated since 12/21/10.

This student is also cited in Findings 3, 11, and 12.

Student 27: The student's status in NSLDS was incorrectly updated on 12/21/10 as full-time, when the student's enrollment status was actually half-time.

This student is also cited in Findings 6 and 11.

Required Action: In response to this finding, ABC is required to update NSLDS Enrollment Summary for the borrowers cited above and review the current enrollment status of all Federal Loan borrowers at the institution to ensure that the proper enrollment status has been reported for each borrower. Additionally, ABC must review and revise its current procedures to ensure that enrollment status changes will be reported timely and accurately in the future. Furthermore, ABC must provide a statement confirming that all current enrolled borrowers have been reported to NSLDS. A statement verifying ABC's compliance with the above requirements must accompany this report.

Finding 14. Federal Supplemental Educational Opportunity Grant (FSEOG) Selection Policy Inadequate/Not Made Reasonably Available

Citation: Federal regulations state that in selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contributions (EFC) who will also receive Federal Pell Grants in that year. If the institution has FSEOG funds remaining after awarding FSEOG funds to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest expected EFC, who will not receive Federal Pell Grant awards. In addition, if an institution's allocation of FSEOG funds is directly or indirectly based in part on the financial need demonstrated by students attending the institution as less-than-full-time or independent students, a reasonable portion of the allocation must be offered to those students. Furthermore, the institution's selection practices should be applied in a manner that would assure a reasonable consistency over the entire award year. *34 C.F.R. § 676.10; Dear Colleague Letter CB-91-8*

Noncompliance: ABC does not have an FSEOG selection policy on file. Students are arbitrarily disbursed FSEOG funds on a first come, first served basis.

Required Action: In response to this finding, ABC must develop written selection procedures to ensure that FSEOG recipients are selected on the basis of the lowest EFC and Federal Pell Grant priority requirements over the entire award year in accordance with the selection provisions found in the references cited above. A copy of the new procedures must accompany the response to this report.

Finding 15. Federal Supplemental Educational Opportunity Grant (FSEOG)
Matching Requirement Not Met

Citation: Federal regulation states that all institutions participating in the FSEOG Program are required to match FSEOG funds with its own resources prior to or at the same time the federal funds are disbursed. The institutional match may include institutional grants and scholarships, tuition or fee waivers, state scholarships, or foundation or other charitable organization funds. This match may be accomplished on an individual recipient basis, an aggregate basis, or a fund-specific basis. Beginning the 1993-94 and subsequent years, the Federal share of the FSEOG awards made by an institution may not exceed 75 percent of the amount of FSEOG awards made by that institution. *34 C.F.R. § 676.21 (a)*

Noncompliance: ABC does not have a policy regarding the institutional FSEOG Federal matching share as required in the regulations. In five instances, ABC did not provide the required institutional 25 percent non-federal share match for FSEOG program disbursements during the 2009/10 and 2010/11 award years. There was no documentation showing that the institutional matching share was by ledger entries or corresponding payments. Furthermore, the federal share match is not reported on the FISAP for the 2009/10 award year.

Student 2: The student's account statement shows that the student received two \$200 disbursements in FSEOG funds on 10/06/09 and 01/21/10 respectively for the 2009/10 award year.

This student is also cited in Finding 13.

Student 3: The student's account statement shows that the student received two \$200 disbursements in FSEOG funds on 10/06/09 and 01/21/10 respectively for the 2009/10 award year.

This student is also cited in Finding 3.

Student 5: The student's account statement shows that the student received two \$200 disbursements in FSEOG funds on 10/06/09 and 01/12/10 respectively for the 2009/10 award year.

Student 19: The student's account statement shows that the student received two \$200 disbursements in FSEOG funds on 10/06/09 and 01/21/10 respectively for the 2009/10 award year.

This student is also cited in Findings 3, 7, and 18.

Student 21: The student's account statement shows that the student received \$200 in FSEOG funds on 09/21/10 for the fall 2010/11 semester.

This student is also cited in Finding 5.

Required Action: In response to this finding, ABC is required to match the FSEOG disbursements for the students cited above and provide a copy of the student's account statement verifying the matching funds. In addition, ABC must review the accounts of all FSEOG recipients for the 2007/08, 2008/09, 2009/10, and 2010/11 award years, and identify all FSEOG recipients who received FSEOG funds and ABC failed to provide the 25 percent non-federal share.

The information resulting from the file review is required to be submitted in an Excel spreadsheet or similar format. The required format for submission of the results of the file review should include the following elements:

- 1) Award year;
- 2) Student's name;
- 3) Last four digits of the student's social security number;
- 4) Amount of FSEOG funds disbursed;
- 5) Date FSEOG funds disbursed;
- 6) Amount of matching FSEOG funds (25% non-federal share);
- 7) Date FSEOG funds were matched; and
- 8) A copy of each student account statement showing the date the FSEOG matching funds were posted on the student account statement.

The Title IV, HEA FSEOG Matching Funds spreadsheet discussed above should be compiled as indicated below and submitted in CD-ROM format in the following manner:

Award Year	Student's Name	Last Four Digits of SSN	Amount of FSEOG Funds Disbursed	Date FSEOG Funds Disbursed	Amount of Matching FSEOG Funds	Date FSEOG Funds Were Matched
2009/10	(b)(6)		\$200 \$200	10/06/09 01/21/10		

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of liabilities will be provided in the FPRD letter.

Additionally, ABC must review and revise its internal policies and procedures to ensure that all FSEOG disbursements are matched with the 25 percent non-federal share in a timely manner in the future. A copy of the revised procedures must accompany ABC's response.

Finding 16. Federal Work-Study (FWS) Selection Policy Not Available

Citation: Federal regulation states that an institution must make employment under the FWS program reasonably available, to the extent of available funds, to all eligible students. The selection procedures must be in writing, uniformly applied, and maintained in the institution's file. In addition, if an institution's allocation of FWS funds is directly or indirectly based in part on the financial need demonstrated by students attending the institution as less-than-full-time or independent students, a reasonable portion of the allocation must be offered to those students. *34 C.F.R. § 675.10*

Noncompliance: ABC did not have written FWS selection procedures. The financial aid office packages a student's financial aid award to include FWS on a first come, first served basis.

Required Action: In response to this finding, ABC must develop and implement written FWS selection procedures, so that it is in compliance with the above regulation. A copy of these procedures, in addition to written assurance that the institution will uniformly apply its policy and make FWS funds reasonably available to eligible students, must be provided with this report.

Finding 17. Federal Work Study (FWS) Matching Requirement Not Met

Citation: Federal regulation states that all institutions participating in the FWS Program are required to match FWS wages at the same time it pays the Federal share. An institution may use any resource available to pay its share of FWS compensation to its students except Federal funds allocated under the FWS program. The institution's share may also be paid in the form of a non-cash contribution of services and equipment- for example, tuition or fee waivers, room and board, and books and supplies. If the institution's share for the award period is paid by non-cash contributions, it must be paid before the end of the student's final payroll period. The institution must document all amounts claimed as a non-cash contribution. Beginning the 1993-94 and subsequent years, the Federal share may not exceed 75 percent. *34 C.F.R. § 675.26*

Noncompliance: ABC failed to match FWS program wages paid to students for the 2009/10 and 2010/11 award years. There was no documentation of the institutional match by ledger entries and/or corresponding payments from institutional or other resources.

Required Action: In response to this finding, ABC must match FWS program wages by the mandatory 25 percent for the above award years and for the 2007/08 and 2008/09 award years. Additionally, ABC must develop and implement policies and procedures to ensure that all FWS wages are matched with the 25 percent non-federal share in a timely manner in the future. A copy of the policies and procedures, and proof that the wages were matched must accompany this report.

Finding 18. Improper Payments for the Federal Work Study Program (FWS) Students

Citation: The institution must be certain that its certification of FWS time sheet entries is, in fact, an accurate representation of student work activity. An institution must compute FWS compensation on an hourly basis for actual time on the job and pay an undergraduate student the established rate set by the institution for all work performed. A graduate student may be paid a salary or an hourly wage. In addition, an institution must establish and maintain program and fiscal records that include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for a student paid on an hourly basis, a time record showing the hours each student worked in clock time sequence or the total hours worked per day. *34 C.F.R. §§ 675.16 and 675.19*

Noncompliance: ABC did not verify the accuracy of the FWS hours worked by the students cited below and overpaid or underpaid FWS funds to students.

Student 19: The student had several errors noted on his FWS time sheets. On the 12/17/10 pay period time sheet, the student was consistently paid for four hours worked per day, when he actually worked three hours per day. The total amount earned should have been \$145.00, rather than \$210.25. Likewise, for the 11/29/10 time sheet, the student was consistently paid four hours per day for working from 9:00 a.m. to 12 noon, when the hours worked should have been three hours per day, which the total amount earned should be \$420.50, rather than \$551.00. On the 10/27/10 time sheet, the student was paid for four or five hours worked per day, when he actually worked three or four hours per day. The total amount earned should have been \$464.00, rather than \$529.25. Finally, the same errors were committed on the 09/15/10 time sheet, which the student was paid \$398.75, when the actual payment should have been \$366.12.

This student is also cited in Findings 3, 7, and 15.

Student 31: The student had several errors noted on his FWS time sheets. On the 09/28/09 time sheet, the student was paid for six hours worked per day from 08/03/09 to 08/06/09, when the student actually worked five hours per day. Consequently, the total amount earned should have been \$560.00, rather than \$588.00. Furthermore, the student was erroneously paid \$630.00, check #19531, when the actual amount should have been \$591.50. During the same pay period, the student was paid for six hours worked on 09/19/09, when he actually worked five hours. Finally, the student was paid for more hours worked on January 16, 22-27, and 30, 2010.

Student 32: The student had several errors noted on his FWS time sheets. The student was paid \$645.25, check #19685, of which \$343.64 was charged to the FWS program. Furthermore, the student was paid \$434.00, check #19475 on 08/28/09. However, ABC failed to submit a time sheet for each payment. In addition, the student was paid \$591.00, check #19532 on 09/29/09, rather than \$630.00. The difference was paid to *Student 31*.

Required Action: ABC must make the above corrections to each student's FWS time sheets. If the corrections show that a student was underpaid for actual hours worked, the institution must immediately issue a check to the student and provide proof of its action to this office (front and back of canceled check). If the corrections show that the institution overpaid a given student, the institution will be liable to the Department for that amount. Repayment instructions, if any, will be provided in the FPRD letter.

In addition, ABC must revise its FWS payroll procedures to ensure that the above discrepancies are eliminated in the future and adequate checks and balances are included in its system of internal controls. A copy of the revised procedures must accompany the report.

Finding 19. Failure to Meet Federal Work Study (FWS) Community Service Allocation

Citation: Federal regulations state that an institution must use at least seven percent of the sum of its initial and supplemental Federal Work Study (FWS) allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one-

1. Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
2. Family literacy project that employs one or more FWS students in family literacy activities.

The Secretary may waive the FWS community service requirements if the Secretary determines that an institution has demonstrated that enforcing the requirements would cause a hardship for students at the institution.

To the extent practicable, in providing reading tutors for children, an institution must-

1. Give priority to the employment of students to tutor in reading in schools that are participating in a reading reform project that is designed to train teachers how to teach reading on the basis of scientifically-based research on reading, and is funded under the Elementary and Secondary Education Act of 1965; and
2. Ensure that any student who is employed in a school participating in a reading reform project receives training from the employing school in the instructional practices used by the school.

In meeting the seven percent community service expenditure requirement, students may be employed to perform civic education and participation activities in projects that-

1. Teach civics in schools;
2. Raise awareness of government functions or resources; or
3. Increase civic participation.

To the extent practicable, in providing civic education and participation activities, an

institution must-

1. Give priority to the employment of students in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and
2. Ensure that the students receive appropriate training to carry out the educational services required. *34 C.F.R. § 675.18(g)*

Noncompliance: An institution is required to use at least seven percent of its FWS allocation for an award year to compensate students who are employed in community service activities. If an institution does not allocate and use seven percent of its FWS allocation, the institution must submit a waiver to the Secretary and receive approval. In examining ABC's Fiscal Operations Report and Application to Participate (FISAP) for the 2009/10 and 2010/11 award years, the reviewers determined that the institution has an FWS Community Service Waiver on file for the 2009/10 award year, but the institution did not have a waiver on file for the 2010/11 award year. In a discussion with ABC's Chief Financial Officer, she stated that at the time ABC prepared the 2010/11 FISAP report, the report referenced ABC exempt. Therefore, ABC presumed that such response was made based on their approved 2009/10 waiver on file.

Required Action: ABC is required to contact the Campus-Based Programs Office and obtain a copy of the FWS community service waiver for the 2010/11 award year and include a copy with its response to this finding. In case ABC does not have a waiver on file and is not in compliance with one or both of the FWS community service requirements for the award year, the institution must return the FWS funds in an amount that represents the difference between the amount that the institution should have spent for community service and the amount that was actually spent during the award year. Instructions for returning any funds will be reflected in the Final Program Review Determination Letter.

ABC must also review its procedures to ensure that an FWS waiver is requested by the deadline date each award year. If ABC opts not to request a waiver, its policies and procedures must show how at least seven percent of its FWS allocation for the award year will be used to compensate students who are employed in community service activities. A copy of the procedures and revisions, if any, must accompany this report.

Finding 20. Account Credited Without Student/Parent's Permission

Citation: An institution may use Title IV, HEA funds to credit a student's account to satisfy allowable charges only if:

1. Current charges include tuition fees, as defined in the regulations, and room and board (if the student contracts with the school); and

2. Other current charges that a student has incurred for educationally-related activities if the school obtains the student's written authorization or the parent's written authorization-in the case of PLUS loan funds.

If an educationally related charge does not meet the definition of an allowable charge, the school must obtain the student's permission (or parent's, if applicable) to use FSA program funds to pay for the charge. *34 C.F.R. §§ 668.164(d) and 668.165(b)*

Noncompliance: ABC does not have written authorization or any document granting the institution permission to credit the student's (or parent's, if applicable) account with FSA program funds for allowable charges.

Required Action: ABC is required to develop and implement procedures to obtain the student's (or parent's, if applicable) written permission to credit FSA program funds to the student's account. A copy of the procedures must accompany this report.

Finding 21. Account Records Not Reconciled

Citation: Federal regulations require an institution to establish and maintain, on a current basis, financial records that reflect all Title IV, HEA program transactions, and general ledger control accounts, and related subsidiary accounts that identify each Title IV program transaction and separate those transactions from all other institutional financial activity. An institution shall account for the receipt and expenditure of Title IV program funds in accordance with generally accepted accounting principles and reconcile its oversight of Title IV funds on at least a monthly basis. *34 C.F.R. §§ 668.24(a)(b), 674.19(d)(1), 675.19(b)(2)(iv), 676.19(b)(2), 690.81(a); and The Blue Book, October 2005, Chapter 12*

Noncompliance: The Financial Aid and Fiscal Offices did not have a system to reconcile regularly student financial aid awards and disbursements.

Required Action: ABC must reconcile its financial aid records to COD and the G5 payment system for the 2009/10 and 2010/11 award years, and submit a copy of the reconciliation with all reconciling items in response to this finding.

In addition, ABC must develop policies and procedures to accomplish the foregoing on at least a monthly basis. A copy of these procedures must also be included with the response. The institution will be liable for any Title IV funds received for which it cannot substantiate. Instructions for repayment of any liability will be issued in the FPRD letter.

Finding 22. Fiscal Operations Report and Application to Participate (FISAP) Income Grid - Not Documented

Citation: An institution that participates in the Title IV, Campus-Based programs must annually file an application on the Department's form containing the necessary information to determine the institution's allocation or reallocation of FWS or FSEOG funds. Further, the institution must ensure that information submitted on the FISAP is accurate. *34 C.F.R. §§ 673.3; 675.19(b)(3); and 676.19(b)(3)*

Noncompliance: There was no supporting documentation for the income grid information reported by ABC for the 2008/09 and 2009/10 award years. Furthermore, institutional officials stated that the school did not have the documentation to support the numbers reported on the FISAP.

Required Action: In response to this report, ABC must submit income grid supporting documentation to ensure that the 2008/09 and 2009/10 FISAP was properly filed and that ABC's fair share funds were properly calculated. This must include copies of the ISIR page listing the income supporting the figure listed on the income grid documentation chart.

In addition, ABC must submit a copy of its policy and procedures regarding how the income grid information will be gathered, documented, and that documentation retained in the future for each financial aid recipient listed in the grid.

The FPRD letter will notify ABC if income grid documentation errors affected ABC's fair share fund calculation.

Finding 23. Consumer Information Requirements Not Met

Citation: Federal regulation, *34 C.F.R. § 668.41(c)(1)*, states that an institution must annually distribute to all enrolled students a notice of the availability of certain consumer information that is required to be disclosed pursuant to paragraphs (d), (e), and (g) of this section, and pursuant to *34 C.F.R. § 99.7* sets forth the notification requirements of the Family Educational Rights and Privacy Act of 1974). Paragraphs (d), (e), and (g) refer to:

1. General disclosures for enrolled or prospective students;
2. Annual security report and annual fire safety report; and
3. Enrolled student, prospective students, and the public-report on athletic program participation rates and financial support data.

Such notices may be provided to each student via the U.S. Postal Service, direct mail, or directly to student e-mail addresses. This notice must summarize the information required to be disclosed, provide an electronic web address where the information can be found, inform

that the student is entitled to a paper copy of the information, and inform the student how to request a paper copy. *34 C.F.R. § 668.41(c)(2)*

In addition, the notice must be sufficiently detailed to allow students to understand the nature of the disclosures and make an informed decision whether to request the full reports. Posting on an Internet website or an Intranet website does not constitute a notice. *34 C.F.R. § 668.41(a)*

Noncompliance: ABC does not include and distribute a notice of all consumer information to its students on an annual basis.

Required Action: ABC must add and distribute the following consumer information to its annual notice:

1. Financial assistance available to students enrolled in the institution (pursuant to *34 C.F.R. §§ 668.42 and 668.43*);
2. The institution's completion or graduation rate; and
3. Athletic participation rates and financial support data.

ABC must also submit documentation that this notice has been updated with its response to this report.

Finding 24. Failure to Publish and Distribute Annual Campus Security Report

Citation: By October 1st of each year, an institution must publish and distribute its annual Campus Security Report. [*See 34 C.F.R. § 668.46(b)*] It must be distributed to all enrolled students and current employees directly by publications and mailings. If an institution chooses to fulfill this requirement by posting the crime report on an Internet or Intranet Web site, an individual notice of such posting must be distributed to each student and current employee. On request, an institution must provide its annual campus security report to a prospective student or prospective employee. As required by Federal regulations, an annual security report must contain, at a minimum:

- (1) Crime statistics, as defined in *34 C.F.R. § 668.46(c)* of the Federal regulations;
- (2) A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus;
- (3) A statement of current policies concerning security of and access to campus facilities, including campus residences, and security considerations used in the maintenance of campus facilities;
- (4) A statement of current policies concerning campus law enforcement that addresses the enforcement authority of security personnel, encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police

agencies, and describes procedures, if any, that encourage pastoral counselors and professional counselors, if they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics;

- (5) A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others;
- (6) A description of programs designed to inform students and employees about the prevention of crimes;
- (7) A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities;
- (8) A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws;
- (9) A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws;
- (10) A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HEA. For the purpose of meeting this requirement, an institution may cross-reference the materials the institution uses to comply with section 120(a) through (d) of the HEA; and,
- (11) A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.

When compiling the Campus Security Report an institution must, among other requirements, report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following that is reported to local police agencies or to a campus security authority:

- (1) Criminal homicide:
 - a. Murder and non-negligent manslaughter
 - b. Negligent manslaughter
- (2) Sex offenses:
 - a. Forcible sex offenses
 - b. Non-forcible sex offenses
- (3) Robbery
- (4) Aggravated assault
- (5) Burglary
- (6) Motor vehicle theft
- (7) Arson
- (8) Arrests for liquor law violations, drug law violations, and illegal weapons possession

- (9) Persons not included in (8) who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession.

An institution must record a crime statistic in its annual security report for the calendar year in which the crime was reported to a campus security authority. An institution must also, among other factors, provide a geographic breakdown of the crime statistics according to the following categories: (1) on campus; (2) in or on a non-campus building or property; (3) on public property. Further, the required statistics may not include the identification of the victim or the person accused of committing the crime.

Noncompliance: ABC did not properly publish nor distribute an annual Campus Security Report to its students and employees for the 2006/07, 2007/08, 2008/09, and 2009/10 academic years. In addition, ABC did not provide its annual Campus Security Report to prospective students and prospective employees.

Required Action: In response to this report, ABC must publish and disseminate a Campus Security Report that includes campus crime statistics for the 2007, 2008, and 2009 calendar years, in accordance with current Federal regulations and the guidance found in the 2006/07 Federal Student Aid Handbook concerning the October 1, 2006 Campus Security Report. A copy of this Campus Security Report, as well as institutional assurances that it has been disseminated to all students and employees and made available to all prospective students and employees, must be included with ABC's response.

In addition, ABC must develop and provide written procedures to ensure that an appropriate Campus Security Report will be produced and disseminated on an annual basis to all current students and employees as well as requesting prospective students and employees. As part of this process, ABC must review in their entirety the Federal regulations at *34 C.F.R. § 668.46* to ensure that it has made provisions to meet all the requirements. A copy of the revised procedures must accompany ABC's response to this report.

Finding 25. Failure to Develop and Implement a Drug and Alcohol Abuse Prevention Program

Citation: The Drug-Free Schools and Communities Act and the Department's regulations requires each participating institutions of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.

On an annual basis, each IHE must provide the following information in writing to each student (enrolled for any type of academic credit except for continuing education units) and each employee:

- the institution's standards of conduct prohibiting the possession, use, and distribution of alcohol and other drugs (AOD);
- possible sanctions for violations of Federal, state, and local drug and alcohol laws as well as sanctions for violation of institutional policies;
- health risks associated with the use of AOD;
- information on counseling, rehabilitation, and treatment programs; and,
- a clear statement that the IHE will impose sanctions on students and employees who violate alcohol and other drug laws, ordinances, and/or institutional policies.

In addition, each IHE must conduct a biennial review to determine the effectiveness of its AOD program and to ensure consistent enforcement of applicable laws, ordinances, and institutional policies for violators. The biennial review materials must be maintained by the IHE and made available to the Department upon request. *34 C.F.R. § 86.100*

Noncompliance: ABC has failed to develop and implement a Drug and Alcohol Abuse Prevention Program that is in keeping with Federal regulations. A review of ABC's consumer information, student handbooks, and other pertinent publications disclosed no indication that a Drug and Alcohol Abuse Prevention Program is or has ever been in place for ABC students.

Required Action: ABC is required to take all necessary corrective actions to rectify this violation. In response to this report, ABC must develop and implement a Drug and Alcohol Abuse Prevention Program that conforms with Federal regulations and guidance. ABC's response must include:

- Development and implementation of a substantive drug and alcohol abuse prevention program. The program materials must include all of the required elements set forth in the Drug-Free School Act;
- Developing procedures for ensuring that the required materials are distributed to every enrolled student who is matriculating toward a credential and every employee of ABC; and
- Conducting a biennial review to measure the effectiveness of its AOD education and prevention programs. ABC must describe the methods and data analysis tools that will be used to determine the effectiveness of the program as well as the responsible official or office that will conduct the review. Drug-Free Schools Act went into effect in 1990; longstanding practice dictates that the biennial review is normally conducted in even-numbered years. Based on ABC's failure to develop and implement programs and to measure the effectiveness of the programs, ABC must conduct a new review. The new biennial review must be completed by March 31, 2014.

A copy of the newly developed policies and procedures should accompany ABC's response to this report.

Finding 26. Insufficient Personnel/Impaired Administrative Capability

Citation: To continue to participate in any Title IV, HEA program, an institution must demonstrate to the Secretary that the institution is capable of adequately administering that program in accordance with standards established by the Secretary. The Secretary considers an institution to have that administrative capability if the institution-

1. Administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered under the authority of statutes applicable to Title IV of the HEA;
2. Communicates to the individual designated to be responsible for administering Title IV, HEA programs, all the information received by any institutional office that bears on a student's eligibility for Title IV, HEA program assistance;
3. Has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance and the preparation and submission of reports to the Secretary (a current Policies and Procedures Manual);
4. Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls;
5. Divides the functions of authorizing payments and disbursing or delivering funds so that no office has the responsibility for both functions with respect to any particular student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any particular student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, or who do not together exercise substantial control over the institution;
6. Establishes and maintains records required under this part and the individual Title IV, HEA program regulations;
7. For purposes of determining student eligibility for assistance under a Title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program;
8. Develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs;
9. Provides adequate financial aid counseling to eligible students who apply for Title IV, HEA program assistance. In determining whether an institution provides adequate counseling, the Secretary considers whether its counseling includes information regarding-

- The source and amount of each type of Title IV, HEA funds offered;
 - The method by which financial aid is determined and disbursed, delivered, or applied to a student's account; and
 - The rights and responsibilities of the student with respect to enrollment at the institution and receipt of financial aid. This information includes the institution's refund policy, the requirements for the treatment of Title IV, HEA program funds when a student withdraws under 34 C.F.R. §668.22, its standards of satisfactory progress, and other conditions that may alter the student's aid package;
10. Has an adequate number of qualified persons to administer the Title IV, HEA Programs;
11. Has provided all program and fiscal reports and financial statements required for compliance with the provisions of this part and the individual program regulations in a timely manner;
- Shows no evidence of significant problems that affect, as determined by the Secretary, the institution's ability to administer a Title IV, HEA program and that are identified in
 - Reviews of the institution conducted by the Secretary, the Department of Education's Office of Inspector General, nationally recognized accrediting agencies, guaranty agencies as defined in 34 C.F.R. part 682, the State agency or official by whose authority the institution is legally authorized to provide postsecondary education, or any other law enforcement agency; or any findings made in any criminal, civil, or administrative proceeding. 34 C.F.R. § 668.16

Noncompliance: ABC is not in compliance with the Federal regulations pertaining to the administrative capability of an institution. As illustrated by the findings in this report, the institution failed to administer the Title IV regulations in accordance with all statutory and regulatory provisions governing the administration of Title IV, HEA programs.

- (1) The institution failed to hire an adequate number of qualified staff and communicate to the individual designated to be responsible for administering Title IV, HEA programs.
- (2) The institution failed to administer Title IV, HEA programs with adequate checks and balances in its system of internal controls. ABC personnel failed to implement and enforce adequate policies and procedures to ensure Title IV, HEA funds were only paid to eligible students. ABC did not collect sufficient documentation to ensure students had met student eligibility requirements before disbursing Title IV, HEA funds. ABC failed to reconcile student accounts with the Department's records of funds disbursed to students in the COD and G5 systems. This issue is addressed in *Finding #20* of this report.
- (3) ABC failed to establish and maintain records as required by Title IV, HEA

program regulations. This issue is addressed in *Finding #'s 10, 11, and 12.*

- (4) ABC failed to apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. Although ABC has a published policy that partially meets the standards required by regulation, inaccurate academic transcripts prevent the institution from applying the standards to determine a student's compliance with the policy. This issue is addressed in *Finding #9.*
- (5) ABC failed to develop and apply an adequate system to identify and resolve discrepancies in the information received from various sources with respect to a student's application for financial aid under Title IV, HEA programs. This issue is discussed in *Finding #3.*
- (6) ABC failed to verify that a male student had registered for the selective service before disbursing Title IV, HEA program assistance. This issue is discussed in *Finding #10.*
- (7) ABC failed to provide data for the FISAP income Grid in order for the Department to determine the institution's annually allocation or reallocation of FWS and FSEOG funds. This issue is discussed in *Finding #21.*
- (8) The institution failed to demonstrate that its administrative capabilities are free of significant problems during the program review process.
- (9) The institution failed to demonstrate an adequate Federal student aid packaging module to ensure that the maximum grants and other need based aid are considered in the unmet need before certifying an unsubsidized Stafford Loan for students.

For example, *Student #16* was eligible to receive a maximum annual Stafford Loan-subsidized for \$5,500. However, the student's financial aid package consisted of \$4,000 in Stafford Loan-subsidized and \$2,000 in Stafford Loan- unsubsidized. ABC should have packaged the student with the maximum subsidized loan before certifying the unsubsidized loan. This regulation can be found in 34 C.F.R. §§ 682.201 and 685.200 and the 2009/10 Federal Student Aid Handbook, Volume 3, Chapter 8.

Required Action: In response to this finding, the institution must specifically describe the steps that it will take to improve the quality of its administration to a level consistent with the requirements of the regulatory procedures. Programmatic liabilities associated with issues identified in this finding are specifically addressed elsewhere in this report. Although, ABC hired a Financial Aid Administrator (FAA) three weeks prior to the program review, the new FAA is still without sufficient support personnel. Without sufficient, adequately trained personnel to administer the Title IV, HEA programs, the institution's administrative capability is impaired; which may result in the institution disbursing Title IV, HEA funds to ineligible students.

ABC must also review and revise, if necessary, its Federal student financial assistance packaging philosophies to ensure that the best combination of aid is awarded to meet the financial need of its students and no unsubsidized Stafford Loan is certified without determining the student's maximum need for a subsidized Stafford Loan.

Furthermore, ABC is required to develop a written financial aid policies and procedures manual integrating all financial aid processes with the admissions, registrar, academic, and business offices. A copy of the manual must accompany this report.

Appendix D: Estimated Actual Loss Description

The Estimated Actual Loss Formula (EALF) is used for only certain types of findings on ineligible Direct Loan liabilities. The EALF estimates (1) the principal amount that has or will default; and (2) the interest and special allowance on the entire ineligible loan amount.

The EALF uses an institution's applicable cohort default rate (CDR) to estimate the amount of defaults from the ineligible principal amount. This is usually the institution's latest published CDR. Draft CDRs are not used unless there is no prior CDR.

Example: Ineligible Principal Loan Amount \$100,000
 Cohort Default Rate 10.0%
 Estimated Default Amount Due \$10,000

The EALF calculates interest and special allowance (SA), where applicable, on the entire amount of ineligible loan principal. The number of days used to calculate interest and special allowance is based on average historical data for various time periods for different types of schools.

Period	School Type	One-Year	Two-Year	Four-Year	Rate Types
Disbursement to Repayment		584	774	969	Interest & SA
Repayment to Default		418	498	619	SA
Repayment to Paid In Full		1659	1580	1712	SA

The EALF uses the actual interest rates in effect when the ineligible loans were disbursed and an annualized average of the quarterly special allowance rates in effect. The EALF divides the number of days in each time period so that changes in interest and special allowance rates are considered. The EALF also assumes that the ineligible loans were made in two disbursements after a 30-day delay.

Example for the Disbursement to Repayment Period for a Two-Year Institution (2004-05)
 Variable Rate Ineligible Loans: \$40,000 subsidized and \$60,000 unsubsidized
 Interest Rates: 04-05 (2.77), 05-06 (4.70), 06-07 (6.54)
 SA Rates: 04-05 (1.45), 05-06 (1.55), 06-07 (0.53)

Subsidized Loan Amount (Interest and Special Allowance)

$$\begin{aligned}
 & \$40,000/2 \times (451 \times (.0422/365)) \\
 & + \$40,000/2 \times (730 \times (.0625/365)) \\
 & + \$40,000/2 \times (367 \times (.0707/365)) = \$4,964.61
 \end{aligned}$$

Unsubsidized Loan Amount (Special Allowance Only)

$$\begin{aligned}
 & \$60,000/2 \times (451 \times (.0145/365)) \\
 & + \$60,000/2 \times (730 \times (.0155/365)) \\
 & + \$60,000/2 \times (367 \times (.0053/365)) = \$1,627.36
 \end{aligned}$$

NOTE: The number of days of 774 for this time period is doubled to 1548 (451+730+367) because the principal amount is divided by two.

Similar calculations are made for the other two periods. The total liability is the sum of the default amount with the interest and special allowance calculations for all three periods.

Appendix E: Estimated Actual Loss Formula Calculation

Estimated Loss Formula

Enter Institution Name American Baptist Theological Seminary
 Finding 3: Incomplete/Inaccurate Verification Documentation
 Select Institution Type 4 Yr

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans. The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 DL Subsidized	2010-2011	\$ 11,000.00	0.00%	8.73%	\$ 959.87
2 DL Unsubsidized	2010-2011	\$ 12,500.00	0.00%	-21.88%	\$ -
3					
Description		\$ 23,500.00			\$ 959.87
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 23,500.00	Total Estimated Loss		\$ 959.87

A	B	C	D	E	F	G	H	I	J
School CDR	Sector CDR*	Ratio**	DSR***	Adjusted DSR	OSR***	Avg Cons Prepay Year	Cons %	Cons DSR***	Cons OS***
1 0.00%	7.30%	-	1.69%	0.00%	8.10%	2017	31.8%	2.95%	-1.02%
2 0.00%	7.30%	-	2.34%	0.00%	-21.73%	2017	40.1%	3.16%	-3.54%
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), (A/B = C) against the Budget Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J). The total subsidy rate for the ineligible Stafford and PLUS Loans is ((E*F) + ((I+J)*H)). The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

FEDWIRE Form

DEPARTMENT OF EDUCATION FED-WIRE EFT MESSAGE FORMAT & INSTRUCTIONS		
ABA Number 021030004	Type/Sub-Type	
Sender No.:	Sender Ref. No.	Amount ①
Sender Name (Automatically inserted by the Federal Reserve Bank)		
Treasury Department Name/CTR/ TREAS NYC / CTR /		
BNF=ED / AC - 91020001 OBI=		
Name / City / State: ②		
DUNS / TIN: ③		
FOR: ④		
INSTRUCTIONS		
A. Complete circled items 1-4 above as follows:		
① Indicate amount including cents digits.		
② Indicate Name, City, and State.		
③ Indicate DUNS Number and Taxpayer Identification Number (TIN).		
④ Enter the reason for the remittance: Bill Number / Document Number / Other.		
B. Provide the sending bank with a copy of the completed form. This form contains other information the bank will need to transmit the FEDWIRE message.		