



February 26, 2013

Carlton E. Brown, President
Clark Atlanta University
223 James P. Brawley Drive
Atlanta, GA 30314

UPS Next Day Air
1ZA5467Y0197185346

RE: Final Program Review Determination
OPE ID: 00155900
PRCN: 201220427790

Dear Dr. Brown:

The U.S. Department of Education's (Department's) School Participation Division – Atlanta issued a program review report on March 21, 2012 covering Clark Atlanta University's (CAU's) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2010-2011 and 2011-2012 award years. CAU's final response was received on September 27, 2012. A copy of the program review report (Appendix A) and CAU's responses are attached (Appendix B and C). Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by CAU 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) to close the review.

The total liabilities due from the institution from this program review are \$590,618. This FPRD contains detailed information about the liability determination for all findings.

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
Atlanta School Participation Division
61 Forsyth St., SW, Room 18T40
Atlanta, GA 30303-8918

Protection of Personally Identifiable Information (PII):

Personally Identifiable Information (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 report do not contain any student PII. Instead, each finding references students by the Appendices attached to this report.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the findings identified from the March 21, 2012 program review report. If CAU wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date of this FPRD. An original and four copies of the information CAU 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/SESG
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

CAU'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. 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 CAU'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 Lisa Lancaster at (404) 974-9296. 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); (b)(7)(C); (b)(7)(C)

Charles Engstrom
Director
School Participation Division - Atlanta

cc: Nigel Edwards, Financial Aid Director
Southern Association of Colleges and Schools (SACS), Commission on Colleges
GA Non-Public Postsecondary Education Commission (EXEMPT)

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).

If applicable, 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.

FEDWIRE 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)

EIN/PIN: AGENCY CODE:
(3) 60

FOR:
(4)

INSTRUCTIONS

A. Complete items 1-4 in parentheses above as follows:

- (1) Indicate amount including cents digits.
- (2) Indicate Name, City and State.
- (3) Indicate DUNS and EIN.
- (4) Enter the reason for the remittance. (ACN or PRC)

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.

Clark Atlanta University
OPE ID: 00155900
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Page 1

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

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Prepared for
Clark Atlanta University

OPE ID: 00155900
PRCN: 201220427790

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division - Atlanta

Final Program Review Determination
February 26, 2013

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A. Institutional Information

Clark Atlanta University
223 James P. Brawley Drive
Atlanta, GA 30314

Type: Private, Nonprofit

Highest Level of Offering: Doctor's Degree

Accrediting Agency: Southern Association of Colleges and Schools Commission on Colleges

Current Student Enrollment: 3,843 (2011-2012)

% of Students Receiving Title IV: 89% (2011-2012)

Title IV Participation

<u>Program</u>	<u>2010-2011</u>
Federal Direct Loan (FDL)	\$58,335,028
Federal Family Education Loan (FFEL)	\$ 51,818
Federal Pell Grant (Pell)	\$11,175,511
Federal Supplemental Education Grant (FSEOG)	\$ 511,015
Federal Work Study (FWS)	\$ 934,468
Federal Perkins Loan (Perkins)	\$ 364,647
Federal Academic Competitiveness Grant (ACG)	\$ 207,435
Science & Mathematics Access to Retain Talent Grant (SMART)	\$ 50,000
National Teach Grant Program	\$ 133,000

Default Rate FDL:	2010	7.9%
	2009	9.1%
	2008	7.4%

Default Rate Perkins:	2012	46.4%
	2011	10.2%
	2010	5.9%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Clark Atlanta University (CAU) from February 7 – February 10, 2012. The review was conducted by Lisa Lancaster and Jon Finkelstein.

The focus of the review was to determine CAU's compliance with the statutes and Federal regulations as they pertain to the institution's administration of the Title IV programs. The review consisted of, but was not limited to, an examination of CAU'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 34 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population of students receiving Title IV, HEA program funds for each award year. Enrollment status of eight additional students was reviewed for the 2010-2011 year. Appendix A of the March 21, 2012 program review report listed the names and social security numbers of the students whose files were examined during the program review.

Personally Identifiable Information (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 report do not contain any student PII. Instead, each finding references students by the Appendices attached to this report.

Disclaimer:

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

C. Findings and Final Determinations

Resolved Findings

CAU has taken the corrective actions necessary to resolve Findings 2 - 4¹ and 8 - 10 of the program review report. Therefore, these findings may be considered closed. Findings 1 and 5 - 7, requiring further action by CAU, are discussed below.

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 CAU's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on March 21, 2012 is attached as **Appendix A**.

Copies of the institution's responses are attached as **Appendix B and Appendix C**. Documents to support CAU's response (e.g., spreadsheets, revisions, corrections) will be furnished upon request.

Finding 1: Verification and Discrepant Applicant Data

Citation Summary: *An institution must establish procedures to request, receive, and verify applicant data for students selected by the Central Processing System (CPS) each award year. The purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount. (34 C.F.R. §§ 668.16 (f), 668.51 through 668.61, and the Department's Application and Verification Guide.) Students are selected for verification on the basis of application edits specified by the Secretary.*

Supporting documentation obtained from the student (and parents or spouse) is compared to the information reported on the Institutional Student Information Record (ISIR). This documentation must be retained in the student's file as evidence that the verification process was completed.

In addition to reviewing applications selected for verification by the CPS, a school must have an adequate internal system to identify conflicting information—regardless of the source and regardless of whether the student is selected for verification—that would affect a student's eligibility, such as information from the financial aid, admissions, or any other office. A school must resolve all such conflicting information, except when a student dies during the award year.

Noncompliance Summary: *The reviewers noted errors for the following students during the 2010-2011 and 2011-2012 (current) award years:*

¹ Finding 3 is considered closed but CAU should correct the typographical error in Step 4 of the Loan Counseling Notification letter attached to its July 2, 2012 response.

Student 10: *The 2010-2011 ISIR reported that the student's parents were married and that there were four members in the household. The verification worksheet also reported a household size of four, but the student's father was not included. Instead, the student's grandfather was included as part of the household. It was unclear whether the household size should have been four or five. This discrepant data was not resolved by institutional officials before aid was disbursed.*

Student 11: *The student's ISIR reported the household size as three but the verification worksheet reported two (the student and her son). The ISIR also reported that the student earned \$5151 in 2009, but her non-filer statement states that the student's 2009 income was \$7050. This independent student was selected for verification but the institution did not resolve the discrepancy in the student's household size or income before disbursing Title IV aid.*

Student 13: *This dependent student was selected for verification. However, the student completed an Independent Verification Worksheet which may have been the reason the parent's (required) signature on the worksheet was not obtained. Additionally, the ISIR reported that there were two family members in college, but the Verification Worksheet reported there were three in college. This discrepant data was not resolved by institutional officials before aid was disbursed.*

Student 15: *The ISIR reported that the student's mother did not have untaxed income, but she did earn \$2400 in untaxed unemployment compensation during 2009. Although the IRS allowed filers to waive reporting this income in 2009, it was required to be included in the calculation of financial need.*

Student 29: *The 2011-2012 student was selected for verification. The file showed that two discrepancies (the student's 2010 income and the number of family members in college) were identified by CAU officials. However, it did not appear that the student's Expected Family Contribution (EFC) was recalculated as required.*

Required Action Summary: *Of the 17 student files tested for the 2010-2011 award year, eight were selected by the CPS for verification. Of those, four contained discrepant applicant data. Due to the high percentage of error, CAU was required to review, identify, and correct conflicting applicant data for all students who received need-based Title IV funds from the 2010-2011 award year, as well as the five students with conflicting data noted above.*

CAU's Response: *The institution corrected the discrepant applicant data for four of the five students. There was no change to the EFC for the four students. The resolution of applicant data for student 11 was not provided in response to this finding; however, using*

the higher income and household size data contained in the file, a recalculation of the student's financial need showed no change to her EFC.

In lieu of performing a file review for the entire population of CAU's 2010-2011 Title IV recipients to determine actual liabilities, CAU chose the option to review only the remainder of the statistical sample not tested by the Department during the program review. The Department projected liabilities based on the results of a review of a valid statistical sample completed by CAU. (Please refer to **Appendix C** for these results submitted to our office on September 27, 2012.) An average liability was calculated for the statistical sample for each Title IV program with liabilities, and this average was multiplied against the population being reviewed.

Final Determination: CAU's response indicates that the total amount of Federal Pell Grant liabilities in the statistical sample for this finding is \$50,553. An average liability of \$144.44 was calculated by dividing \$50,553 by the number of students in the statistical sample (350). This average liability was then multiplied by the total number of students in the population (3882) from which the statistical sample was derived. (Refer to the Projection Matrix attached as **Appendix D**.)

CAU's response indicates that the total amount of Subsidized Federal Direct Loan (FDL) liabilities in the statistical sample for this finding is \$9,750. An average liability of \$27.86 was calculated by dividing \$9,750 by the number of students in the statistical sample (350). This average liability was then multiplied by the total number of students in the population (3882) from which the statistical sample was derived. (Refer to the Projection Matrix attached as **Appendix D**.)

Rather than identifying a liability for the entire projected FDL amounts, CAU is required to pay **\$19,041** in estimated actual or potential loss that the Department may incur with respect to the ineligible loans. The *Estimated Actual Loss* (EAL) to the Department that has resulted, or will result from the interest and special allowance on the ineligible loans, is based on CAU's most recent cohort default rate available (7.9%). A copy of the EAL calculation is attached as **Appendix E**.

The institution must also pay **\$10,861** for the cost of funds on the ineligible Title IV Pell Grant expenditures. The *Cost of Funds* (COF) is the expense the Department incurred as a result of the institution retaining ineligible funds. The rate of interest is based on when the funds should have been returned to the Department. A copy of the COF calculation is attached as **Appendix F**.

The total liability amount for this finding that CAU must pay to the Department is \$590,618 as follows:

Finding 1 Liabilities	
Pell Grant	\$560,716
EAL (on Sub FDL)	\$ 19,041
COF	\$ 10,861
Total	\$590,618

Please refer to the Payment Section of this letter for instructions regarding the electronic transmittal of these funds.

CAU reported that its financial aid counselors have attended verification training in order to improve the verification process in the future.

Finding 5: Interest Earnings on Federal Perkins Loan Funds

Citation Summary: Per 34 C.F.R. § 668.163, an institution must maintain Federal Perkins Loan funds in an interest-bearing bank account or investment account consisting predominately of low-risk, income-producing securities, such as obligations issued or guaranteed by the United States. Interest or income earned on Fund proceeds are retained by the institution as part of the Fund.

An institution shall notify any bank in which it deposits Federal funds of the accounts into which those funds are deposited by—

- Ensuring that the name of the account clearly discloses the fact that Federal funds are deposited in the account; or*
- Notifying the bank, in writing, of the names of the accounts in which it deposits Federal funds. The institution shall retain a copy of this notice in its files.*

Noncompliance Summary: CAU maintains its Federal Perkins Loan Fund balance in an account referred to as an Advantage Interest Checking Account. However, through a review of bank statement balances dating back to July 2010, it did not appear that this account was earning interest. The only deposits into the Fund were described as "Automated Credit Campus Partners", or collections from borrowers in repayment.

Required Action Summary: The institution was required to calculate an estimate of interest the Fund should have earned over the past three years and deposit that amount into the Fund.

CAU's Response: The institution's response provided a letter from its financial institution (dated September 17, 2012) explaining that the Federal Perkins Loan account qualifies as an interest checking account. However, the account does not post interest and service charges *separately*, so the bank provided a spreadsheet listing historical rate information on the Perkins account.

With the exception of three months (October 2011-December 2011), the service charges exceeded the interest earned, therefore the account did not gain interest.

Final Determination: A school may deduct service charges from interest earned on a Perkins Loan bank account, but the service charges may not exceed the interest.

CAU is required to reestablish its Perkins Loan account in an interest-bearing account (or a low-risk investment account) that does not charge bank fees that exceed the interest earned. The school must maintain sufficient liquidity in its Perkins Fund to cover all transactions.

In the next non-Federal audit, the auditor must confirm that such an account has been established for purposes of maintaining CAU's Perkins Loan Fund.

Finding 6: Federal Perkins Loan Excess Cash and Default Rate (finding added)

Citation Summary: With respect to the Perkins Fund balance, if a school is holding a large cash balance on hand, it must return the excess funds to the Department. A school has excess cash (or liquid capital) if the balance of the Fund exceeds projected amounts required for loans or otherwise in the foreseeable future (per Section 466 of the Higher Education Amendments of 1965, Distribution of Assets From Student Loan Funds).

Noncompliance Summary: It appeared that the Perkins Fund contained more assets than necessary. For example, the account balance on July 1, 2011 was \$605,531. As of December 31, 2011 the balance was \$1,027,513. And despite a sufficient Level of Expenditure (LOE) for the past two years, CAU awarded \$364,647 in Perkins Loan funds to students for the 2010-2011 award year, and only \$319,836 for the 2011-2012 award year (to date). The cash balance in the Fund exceeded amounts required for loans.

Required Action Summary: CAU officials were required to analyze and project Perkins Loan expenses and collections for the 2011-2012 and 2012-2013 award years in order to determine the excess cash amount in the Fund.

CAU's Response: The response explained that in FY 2010, loans given to students exceeded the amount that was available in the account by \$487,490, therefore CAU funded the shortage. However, the Fiscal Operations Report and Application to Participate (FISAP) did not report any loans to the Fund. The response also stated that Perkins funds due back to CAU were transferred to the general operating account in FY 2012.

Final Determination: CAU's FISAP reporting Perkins Loan activity through October 2012 reported that the balance in the Fund (as of October 31, 2012) was \$1,037,335. CAU awarded \$305,208 to Perkins Loan recipients in the 2011-2012 award year; therefore it appears that the balance of the Fund continues to exceed the institution's needs. *If CAU still has more cash than it plans to loan in the current award year, it should return the excess cash to the Department.*

CAU will be referred to the Department's Campus Based Programs office for further assessment of this deficiency.

The FISAP also reports that CAU's Perkins Loan default rate as of June 30, 2012 is 46.4%. This default rate represents a 30% increase since June 30, 2011.

Federal Perkins Loan due diligence procedures (34 C.F.R. §§ 674.41 through 674.50) require all institutions to maintain borrower contact and disclose information in a written statement either shortly before the borrower ceases at least half-time study, or during the exit interview.

The exit interview must also discuss:

- Debt-management strategies that would facilitate repayment;
- The availability of loan information on the National Student Loan Database System (NSLDS); and,
- How to contact the Department's Ombudsman's office with an explanation of the services that office provides.

As part of the exit information, a school must collect the name and address of the borrower's expected employer. Loan counseling must emphasize the seriousness and importance of the repayment obligation the borrower is assuming, describing the likely consequences of default, including adverse credit reports, litigation, and referral to a collection agency. A loan counselor must further emphasize that the borrower is obligated to repay the full amount of the loan even if the borrower has not completed the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with the school's educational or other services.

A school must contact the borrower during both initial and post-deferment grace periods to remind him or her when repayment will begin or resume.

CAU must refer to the above regulations and the Federal Student Aid Handbook for steps it must follow with respect to due diligence in servicing Perkins Loans in order to prevent default. CAU is reminded to also follow procedures for billing and collecting on late and defaulted Perkins Loans.

Finding 7: Cash Reconciliation Needs Improvement

Citation Summary: 34 C.F.R. § 668.24 states that an institution must account for the receipt and expenditures of Title IV funds in accordance with generally accepted accounting principles. Records must be established and maintained on a current basis; reflect each program transaction; and, be supported by general ledger (GL) control accounts and related subsidiary accounts that identify each transaction and all other institutional financial activity.

Schools are required to reconcile funds they receive (and return) for each Title IV program with actual disbursements to students. An institution must maintain records to support funds requested, such as the date and amount of each disbursement by payment period. Schools must also maintain records of the date and amount of each payment of Federal Work Study (FWS) wages and Federal Perkins Loan transactions.

Reconciliation should take place on a monthly basis, with a final reconciliation that is conducted after the award year ends (June 30).

Noncompliance Summary: *CAU's 2010-2011 award year expenditures were not finalized at the time of the February 2012 program review. There were unreconciled differences between CAU's financial aid office; the GL; and the Department's payment system (known as G-5) for FDL, Pell Grant, and Academic Competitiveness Grant (ACG) programs.*

Required Action Summary: *The institution was required to provide an update on the status of its 2010-2011 reconciliation, and its procedures to reconcile regularly.*

CAU's Response: The school's response provided an assurance that reconciliation for the 2010-2011 award year was completed. The 2010-2011 GL (provided with the school's response) reported the final expenditures for the FDL; Pell Grant; and ACG programs.

Final Determination: As of January 10, 2013, the Department's G5 system reported that CAU drew down \$49,538 less than accepted and posted Pell Grant disbursements for the 2011-2012 award year.

CAU must complete the reconciliation for the 2011-2012 year upon receipt of this final determination letter by contacting the Department's Common and Origination Disbursement (COD) and G5 systems. In order to reconcile this unresolved balance, the institution must either report downward adjustments to actual disbursements and/or draw down funds.

In the next non-Federal audit, the auditor must comment on the institution's ability to reconcile Title IV authorizations; draws; returns; *and*, disbursement records in an efficient and timely manner.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows:

Finding 1 Liabilities	
Pell Grant	\$560,716
COF	\$ 10,861
EAL (on Sub FDL)	\$ 19,041
Total	\$590,618

E. Payment Instructions

Liabilities Owed to the Department

CAU owes **\$590,618** to the Department. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. CAU 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 CAU'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.

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

Payments and/or adjustments made via G5 will not be accepted as payment of this liability.

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. CAU 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 CAU'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 6111
Washington, DC 20202-4461
Attn: Cindy Dixon, Acting Supervisor, Accounts Receivable Group

If within **45** days of the date of this letter, CAU 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 the institution from the Federal Government. **CAU may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt CAU 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.

FEDWIRE 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)

EIN/PIN: AGENCY CODE:
(3) 60

FOR:
(4)

INSTRUCTIONS

A. Complete items 1-4 in parentheses above as follows:

- (1) Indicate amount including cents digits.
- (2) Indicate Name, City and State.
- (3) Indicate DUNS and EIN.
- (4) Enter the reason for the remittance. (ACN or PRC)

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.

APPENDIX G

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

The EAL 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 EAL 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 EAL 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 EAL divides the number of days in each time period so that changes in interest and special allowance rates are considered. The EAL 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 (2004-2005)

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 A

Prepared for
Clark Atlanta University



START HERE: 
GO FURTHER: 
FEDERAL STUDENT AID

OPE ID: 00155900
PRCN: 20120427790

Prepared by
**U.S. Department of Education
Federal Student Aid
School Participation Team - Atlanta**

**Clark Atlanta University
March 21, 2012**

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A. Institutional Information

Clark Atlanta University
223 James P. Brawley Drive
Atlanta, GA 30314

Type: Private, Nonprofit

Highest Level of Offering: Doctor's Degree

Accrediting Agency: Southern Association of Colleges and Schools Commission on Colleges

Current Student Enrollment: 3,843 (2011-2012)

% of Students Receiving Title IV: 89% (2011-2012)

Title IV Participation

<u>Program</u>	<u>2010-2011</u>
Federal Direct Loan (FDL)	\$58,335,028
Federal Family Education Loan (FFEL)	\$ 51,818
Federal Pell Grant (Pell)	\$11,175,511
Federal Supplemental Education Grant (FSEOG)	\$ 511,015
Federal Work Study (FWS)	\$ 934,468
Federal Perkins Loan (Perkins)	\$ 364,647
Federal Academic Competitiveness Grant (ACG)	\$ 207,435
Science & Mathematics Access to Retain Talent Grant (SMART)	\$ 50,000
National Teach Grant Program	\$ 133,000

Default Rate FDL:	2009	9.1%
	2008	7.4%
	2007	8.5%

Default Rate Perkins:	2011	10.2%
	2010	6.0%
	2009	9.2%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Clark Atlanta University (CAU) from February 7 – February 10, 2012. The review was conducted by Lisa Lancaster and Jon Finkelstein.

The focus of the review was to determine CAU's compliance with the statutes 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 CAU'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 34 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population of students receiving Title IV, HEA program funds for each award year. Enrollment status of eight additional students was reviewed for the 2010-2011 year. **Appendix A** lists the names and 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 CAU's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, the program review does not relieve CAU of its obligation to comply with all of 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 CAU to bring operations of the financial aid programs into compliance with the statutes and regulations.

D. Appendices

Appendix A (Student Sample) is attached to this report. **Appendix B** lists the students that were chosen as the Statistical Sample for this program review. Both appendices contain personally identifiable information (PII). Also attached, **Appendix C** contains instructions for the submission of PII to the Department.

Finding 1: Verification and Discrepant Applicant Data

Citation: An institution must establish procedures to request, receive, and verify applicant data for students selected by the Central Processing System (CPS) each award year. The purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount (34 C.F.R. §§ 668.16 [f], 668.51 through 668.61, and the Department's Application and Verification Guide). Students are selected for verification on the basis of application edits specified by the Secretary. There are five required data elements that must be verified. These five items are:

- Household size (HHS);
- Number enrolled in college;
- Adjusted Gross Income (AGI);
- U.S. income tax paid; and,
- Certain untaxed income and benefits.

Supporting documentation obtained from the student (and parents or spouse) is compared to the information reported on the Institutional Student Information Record (ISIR). Documentation must be retained in the student's file as evidence that the verification process was completed.

In addition to reviewing applications selected for verification by the CPS, a school must have an adequate system to identify conflicting information - regardless of the source and regardless of whether the student is selected for verification - that would affect a student's eligibility, such as information from the financial aid, admissions, or any other office. The school must resolve all such conflicting information, except when a student dies during the award year.

If a school has conflicting applicant information, it must resolve the discrepancies before disbursing funds. If an institution discovers discrepancies *after* disbursing funds, it must still reconcile the conflicting information and take appropriate action under the specific program requirements.

Regardless of whether the CPS or the school selects an application for verification, all other verification requirements such as deadlines, allowable tolerances, and interim disbursement rules apply. *Note:* The income tolerance is \$400. If the total difference between the incorrect and correct values for certain items is more than \$400, the information must be corrected.

Noncompliance: The reviewers noted errors for the following students during the 2010-2011 and 2011-2012 (current) award years:

Student 10: The 2010-2011 ISIR reported that the student's parents were married and that there were four members in the household. The verification

worksheet also reported a HHS of four, but the student's father was not included. Instead, the student's grandfather was included as part of the household. It is unclear whether the HHS should have been **four or five**. This discrepant data was not resolved by institutional officials before aid was disbursed. Basing a student's eligibility for Title IV aid on incorrect applicant data could result in an underpayment or overpayment to a student. The student's Expected Family Contribution (EFC) was 396. She was awarded and paid a Federal Pell Grant (Pell) of \$5200 for the award year. The student also received a \$3500 Subsidized (Sub) Federal Direct Loan (FDL) for the year.

Student 11: This independent student was selected for verification but the institution did not resolve the discrepancy in the student's HHS or income before disbursing Title IV aid. The ISIR reported the HHS as **three** but the verification worksheet reported **two** (the student and her son). The ISIR also reported that the student earned **\$5151** in 2009, but her non-filer statement states that the student's 2009 income was **\$7050**. The applicant's discrepancies should have been resolved by the institution before Title IV aid was disbursed. The student's need-based aid for 2010-2011 included a \$5550 Pell Grant and a \$4500 Sub FDL.

Student 13: This dependent student was selected for verification. However, the student completed an Independent Verification Worksheet which may have been the reason the parent's (required) signature on the worksheet was not obtained. Additionally, the ISIR reported that there were **two** family members in college, but the Verification Worksheet reported there were **three** in college. This discrepant data was not resolved by institutional officials before aid was disbursed. The student's EFC was 0 therefore he qualified for the maximum Pell Grant. Although the amount of Title IV aid the student received is not expected to change in this case, institutions are required to obtain appropriate signatures in order for verification to be considered as complete.

Student 15: The ISIR reported that the student's mother did not have untaxed income, but she earned \$2400 in untaxed unemployment compensation during 2009. Although the IRS allowed filers to waive reporting this amount of income in 2009, it was required to be included in the calculation of financial need.

Student 29: The 2011-2012 student was selected for verification. The file showed that two discrepancies (the student's 2010 income and the number of family members in college) were identified by CAU officials. However, it does not appear that the student's EFC was recalculated as required. Basing the student's eligibility for Title IV aid on incorrect applicant data may have resulted in an underpayment for this student. The student's EFC was 5354, and he received no Pell Grant funds.

Required Action: Of the 17 student files tested for the 2010-2011 award year, eight were selected by the CPS for verification. Of those, four contained discrepant applicant data. Due to the high percentage of error, CAU is required to review, identify, and correct conflicting applicant data for all students who received need-based Title IV funds from the 2010-2011 award year.

The institution must resolve any incomplete or conflicting data. If applicant information (e.g., verification worksheet, statement of non-filing, etc.) varies from data reported on the student's ISIR, corrected information must be obtained from the student (and/or parents or spouse) and the 2010-2011 EFC must be recalculated for that student. If the revised EFC results in a change to the amount of Federal Pell Grant, Federal Supplemental Education Opportunity Grant (FSEOG), Academic Competitiveness Grant (ACG), National Science and Mathematics Access to Retain Talent Grant (SMART)¹, and/or Sub loan funds disbursed to the student, CAU must report the difference between the correct and incorrect amount for each student. If CAU is unable to obtain a student's required verification documentation (to resolve discrepant data), CAU must report the total amount of Pell, FSEOG, ACG, SMART, and/or Sub loan amounts disbursed to each student. These funds are considered to be ineligible.

CAU must provide the following data in a spreadsheet or similar format for each Title IV program by term, including summer. The results must include the following data:

FALL 2010 Federal Pell Grant							
Name	SSN	Original EFC	Correct EFC	Date of Disbursement	Incorrect Pell Paid	Corrected Pell	Difference / Overaward
Sample	111111111	0	850	9/10/2010	\$2775	\$2350	\$425
Sample	222222222	0	unknown	9/15/2010	\$2775	unknown	\$2775

SPRING 2011 Subsidized FDL							
Name	SSN	Original EFC	Correct EFC	Date of Disbursement	Incorrect Sub Paid	Corrected Sub	Difference / Overaward
Sample	333333333	0	850	1/27/2011	\$1750	\$1600	\$150
Sample	444444444	0	unknown	2/12/2011	\$2250	unknown	\$2250

There must be a separate spreadsheet for each need-based program in which an overaward exists.

¹Should any recipients become ineligible for Pell Grant funds due to this finding, the applicable amount of ACG or SMART funds must also be included in this spreadsheet.

In lieu of performing a file review for the entire population of CAU's 2010-2011 Title IV recipients to determine actual liabilities, CAU has the option of performing this file review for only the remainder of the statistical sample not tested by the Department during the program review. There were 350 students in the statistical sample and 17 were tested during the program review, therefore, 333 remain. The results from this file review using the statistical sample will be used to project liabilities for the entire population of 3882 students (e.g., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to reduce the burden on the institution of conducting a full file review. The four students noted above for the 2010-2011 award year (students 10, 11, 13 and 15) must be included in CAU's review/correction.

If CAU wishes to select the projection option, please use the statistical sample listing for the 2010-2011 award year. This list is attached as **Appendix B**.

If CAU elects to do the full file review, it is recommended that the institution first review the remainder of the students in the statistical sample. At that point, CAU may decide to accept liability projection instead of continuing with a full file review.

Regardless of whether CAU chooses the projection option to determine the error rate for the 2010-2011 students, it must resolve the discrepant applicant data for **student 29** (current year student) and include the results of that review with the response to this finding.

All other verification errors for the current year must be corrected. Any ineligible funds must be returned to the applicable Title IV program.

Please send the file review summary report (spreadsheet) to Lisa Lancaster by e-mail at lisa.lancaster@ed.gov. See the enclosure Protection of Personally Identifiable Information for instructions regarding electronic submissions to the Department for data containing PII. Separate from the institution's spreadsheet, CAU must email an access password to Ms. Lancaster.

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.

CAU's response to this finding must also explain corrective actions the institution will take to complete verification and resolve applicant discrepancies in the future.

Finding 2: Satisfactory Academic Progress Policy Inaccurate

Citation: General Provisions 34 C.F.R. §§ 668.16 (e), 668.32, and 668.34 require institutions to establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress (SAP) in his or her educational program. The Secretary considers an institution's standards to be reasonable if they are at least as strict as that for students who are not receiving Title IV funds, and are applied consistently to all educational programs and to all students within categories (e.g., full-time, part-time, undergraduate and graduate students).

The Department published amendments to SAP on October 29, 2010, which became effective on July 1, 2011. Among those changes, one significant modification is that the policy provides that a student's academic progress is evaluated—

- At the end of each payment period if the educational program is either one academic year in length or shorter than an academic year; or
- For all other educational programs, at the end of each payment period or at least annually to correspond with the end of a payment period.

All SAP policies for Title IV purposes must specify the qualitative standard (grade point average or GPA) that a student must have at each evaluation or, if GPA is not an appropriate qualitative measure, a comparable measure against a norm. Students enrolled in a program of more than two academic years must have a GPA of at least a "C" or its equivalent or must have an academic standing consistent with the school's graduation requirements.

An institution's SAP policy must specify the quantitative standard (pace) at which students must progress through their program to ensure that they will graduate within the maximum timeframe. Each academic progress check must measure this.

An SAP policy must explain how GPA and pace of completion are affected by course incompletes, withdrawals, repetitions and transfer credits from other schools. At a minimum, transfer credits that count toward the student's current program must count as both attempted and completed hours. An SAP policy cannot exclude courses in which a student remained beyond the Add/Drop period and earned a grade of "W" (or its equivalent), nor can it routinely exclude certain hours attempted, such as those taken during a summer session.

If an SAP check shows that a student does not have the required GPA or is not maintaining the required pace, he or she becomes ineligible for Title IV funds unless she is placed on financial aid warning or probation, as explained:

Financial aid warning: Only schools that check SAP at the end of each payment period may place students on financial aid warning as a consequence of not making satisfactory

progress. A school may do this without a student appeal. Warning status lasts for one payment period, during which the student may continue to receive Title IV funds. Students who are still failing to make satisfactory progress after the warning period lose their aid eligibility unless they successfully appeal and are placed on probation.

Financial aid probation: A status a school assigns to a student who is failing to make SAP and who successfully appeals. Eligibility for aid may be reinstated for one payment period only. While a student is on financial aid probation, the institution may require him or her to fulfill specific terms and conditions such as taking a reduced course load or enrolling in specific courses. At the end of one payment period on financial aid probation, the student must meet the institution's SAP standards or meet the requirements of the academic plan developed by the institution in order for the student to qualify for further Title IV funds.

Appeal: A process by which a student who is not meeting SAP standards petitions the school for reconsideration of his eligibility for FSA funds. A student may appeal that result of not making SAP on the basis of: injury or illness, the death of a relative, or other special circumstances. The appeal must explain why he or she failed to make satisfactory progress and what has changed in his or her situation that will allow him or her to make satisfactory progress at the next evaluation. Students who fail the satisfactory progress check after the end of the probationary payment period may only continue to receive aid if they successfully appeal, the school develops an academic plan, and they will meet the standards by a specific time.

An institution must also explain how students who are not making SAP can restore their eligibility for Title IV funds. Other than when a student is placed on financial aid warning, probation, or has agreed to an academic plan as outlined above, he or she can regain eligibility only by taking action that brings the student into compliance with the school's standards. For example, the requirement that a student complete a number of credits or enroll for a number of academic periods without receiving funds may be part of a school's SAP policy. However, neither paying for one's classes nor simply sitting out for a term affects a student's academic progress standing, so neither is sufficient to reestablish aid eligibility.

Please refer to 34 C.F.R. § 668.34 for additional amendments to SAP requirements.

Noncompliance: CAU's current policy for monitoring SAP for Title IV recipients does not meet the requirements of § 668.34 for the following reasons:

- **The Department's new SAP requirements which became effective on July 1, 2011** have not yet been implemented. CAU's policy to monitor SAP for Title IV recipients is currently in a *draft* format.
- Although the SAP policy has not been finalized, the reviewers noted an error in the draft policy: it states that students would be considered as making SAP for

two consecutive probationary periods. However, for any student failing to make SAP, academic warning or probation lasts for one payment period only.

- The draft SAP policy states that an evaluation of academic progress will be made at the end of each payment period. However, CAU officials verbally stated that it is their policy to monitor SAP on an annual basis (at the end of the Spring semester). Therefore, it was not clear when SAP will be evaluated under the new policy.
- The draft SAP policy does not address how Repeat ('R') courses are factored into course attempts versus course completion.

Required Action: CAU is required to immediately correct its SAP policy for determining eligibility for Title IV recipients. The revised policy must clearly address all elements required by 34 C.F.R. §§ 668.16 (e), 668.32, and 668.34. In response to this finding, please submit a copy of your corrected policy to this office. In addition, your current and prospective students must be informed of the new policy.

CAU must ensure that the revised policy will be used to evaluate all students who received Title IV aid subsequent to July 1, 2011. You must make any necessary corrections or adjustments for students who are not in compliance with the new SAP policy.

Finding 3: Exit Loan Counseling Not Documented

Citation: Before a first-time FDL borrower takes out a loan, an institution must ensure that *entrance* loan counseling is conducted. In accordance with 34 C.F.R. §685.304, entrance counseling must provide the borrower with comprehensive information on the terms and conditions of the loan and on the responsibilities of the borrower.

This information may be provided to the borrower—

- During an entrance counseling session conducted in person;
- On a separate written form that the borrower signs and returns to the school; or
- Online or by interactive electronic means, with the borrower acknowledging receipt of the information.

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. The school must maintain documentation substantiating the school's compliance with this section for each student borrower.

A school must ensure that *exit* counseling is also conducted with each FDL borrower shortly before the he or she ceases at least half-time study at the school.

Exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the borrower's questions. If a student withdraws from school without the school's prior knowledge, or fails to complete the counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at his or her last known address within 30 days after learning that the student has withdrawn from school or failed to complete the exit counseling as required.

The exit counseling must:

- Inform the student borrower of the average anticipated monthly repayment amount based on the student borrower's indebtedness or on the average indebtedness of student borrowers who have obtained FDLs at the same school or in the same program of study at the same school;
- Review available repayment plan options;
- Explain to the borrower the options to prepay each loan, to pay each loan on a shorter schedule, and to change repayment plans;
- Provide information on the effects of loan consolidation;
- Include debt-management strategies that are designed to facilitate repayment;
- Explain how to contact the party servicing the borrower's loans;
- Describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures under Federal law, and litigation;
- Provide a general description of the terms and conditions under which a borrower may obtain full or partial forgiveness or discharge of principal and interest, defer repayment of principal or interest, or be granted forbearance on a title IV loan;
- Review for the student, information on the availability of the Department's Student Loan Ombudsman's office;
- Inform the borrower of the availability of loan information in the National Student Loan Data System (NSLDS) and how NSLDS can be used to obtain title IV loan status information;
- Review a general description of the types of tax benefits that may be available; and,
- Require the student borrower to provide current information concerning name, address, social security number, references, and driver's license number and State of issuance, as well as the student borrower's expected permanent address, the address of the student borrower's next of kin, and the name and address of the student borrower's expected employer (if known).

If exit counseling is conducted through interactive electronic means, a school must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the exit counseling.

The school must maintain documentation substantiating the school's compliance with this section for each student borrower.

Noncompliance: The institution could not demonstrate that exit loan counseling was completed for students **13 and 15**. Further, the institution's process to provide exit loan information to students who unofficially withdraw from school was unclear to the reviewers.

Required Action: CAU must provide exit loan information to students **13 and 15**. It must also review exit loan counseling materials and procedures to ensure timely and thorough counseling for all students. A school must be able to document that it has attempted to contact borrowers and inform them of their loan responsibilities.

Your response to this finding must provide revised procedures to ensure that exit loan counseling is conducted for all borrowers under the Title IV programs.

Finding 4: Annual Loan Limit Exceeded

Citation: 34 C.F.R. § 685.203 explains that Subsidized (Sub) and Unsubsidized (Unsub) loans have annual loan limits based on a student's dependency status and grade level. (There are higher annual loan limits for some health professions students, and special loan limits for certain students who are not enrolled in a degree or certificate program. In some cases, the annual loan limits must be prorated). The annual loan limits are the maximum amounts that a student may receive for an academic year.

A student who has reached the annual loan limit cannot receive another loan until he or she either begins another academic year, or progresses within an academic year to a grade level with a higher annual loan limit.

Annual loan limits for dependent undergraduates are:

- \$3500 combined Sub and/or Unsub plus \$2000 additional Unsub for first-year undergraduate students;
- \$4500 combined Sub and/or Unsub plus \$2000 additional Unsub for second-year undergraduate students; and
- \$5500 combined Sub and/or Unsub plus \$2000 additional Unsub for third-, fourth-, or fifth-year undergraduate students.

Noncompliance: The school certified a Sub loan for \$4500 for **student 11** before she was classified as a second-year student. At the time the loan was certified, the student had earned 29 credits and was considered to be a first-year grade level student. (She eventually reached the second-year grade level, therefore there is no monetary correction required for this finding.)

Required Action: CAU is required to implement a remedial action to prevent this finding from being repeated in a future audit or program review.

Finding 5: Interest Earnings on Federal Perkins Loan Funds

Citation: Per 34 C.F.R. § 668.163, an institution must maintain Federal Perkins Loan funds in an interest-bearing bank account or investment account consisting predominately of low-risk, income-producing securities, such as obligations issued or guaranteed by the United States. Interest or income earned on Fund proceeds are retained by the institution as part of the Fund.

An institution shall notify any bank in which it deposits Federal funds of the accounts into which those funds are deposited by—

- Ensuring that the name of the account clearly discloses the fact that Federal funds are deposited in the account; or
- Notifying the bank, in writing, of the names of the accounts in which it deposits Federal funds. The institution shall retain a copy of this notice in its files.

Noncompliance: CAU maintains its Federal Perkins Loan Fund balance in an account referred to as an *Advantage Interest Checking Account*. However, through a review of bank statements dating back to July 2010, it does not appear that this account is earning interest. The only deposits into the Fund are described as “Automated Credit Campus Partners”, or collections from borrowers in repayment.

Required Action: The institution is required to calculate an estimate of interest the Fund should have earned over the past three years and deposit that amount into the Fund. Your estimate should be based on the average monthly balance of the Fund and average historical monthly interest rates.

Your response to this finding must provide a copy of your estimated calculation and documentation of the deposit made to the Perkins Loan Fund.

Finding 6: Federal Perkins Loan Excess Cash

With respect to the Perkins Fund balance, if a school is holding a large cash balance on hand, it must return the excess funds to the Department. A school has excess cash (or liquid capital) if the balance of the Fund exceeds projected amounts required for loans or otherwise in the foreseeable future (per Section 466 of the Higher Education Amendments of 1965, Distribution of Assets From Student Loan Funds). Please refer to the instructions contained in the Department’s Fiscal Operations Report for 2010-2011 and Application to Participate for 2012-2013 (FISAP).

Noncompliance: It appears that the Perkins Fund contains more assets than necessary. For example, the account balance on July 1, 2011 was \$605,531. As of December 31,

2011 the balance was \$1,027,513. And despite a sufficient Level of Expenditure (LOE) for the past two years, CAU awarded \$364,647 in Perkins Loan funds to students for the 2010-2011 award year and only \$319,836 for the 2011-2012 award year (to date). Therefore, cash exceeds amounts required for loans.

Required Action: CAU officials must analyze any remaining Perkins Loan expenses and collections from the current year. Next, the institution must project its 2012-2013 expenses and collections based on: anticipated loans to students; estimated collections; and, miscellaneous other activity for the award year. Compare this amount to the account balance to determine the excess cash amount in the Fund. You may refer to the below items (or the FISAP) to assist in projecting the institution's Perkins Loan financial activities.

- Anticipated COH as of July 1, 2012
- Anticipated loans to student during the 2012-2013 award year
- Administrative costs during award year
- Litigation costs during the award year
- Other charges to the Fund (include a description)
- Principle and interest collected from students during award year
- Interest earned (from investment account or other sources) during award year
- Other deposits to the fund
- Anticipated expenditures versus COH
- Excess cash amount.

The institution's analysis and excess Perkins amount must be identified in your response to this finding. If necessary, out Final Program Review Determination (FPRD) Letter will provide CAU with instructions for returning funds to the Department.

Finding 7: Cash Reconciliation Needs Improvement

Citation: 34 C.F.R. § 668.24 states that an institution must account for the receipt and expenditures of Title IV funds in accordance with generally accepted accounting principles. Records must be established and maintained on a current basis; reflect each program transaction; and, be supported by general ledger (GL) control accounts and related subsidiary accounts that identify each transaction and all other institutional financial activity.

Schools are required to reconcile funds they receive (and return) for each Title IV program with actual disbursements to students. An institution must maintain records to support funds requested, such as the date and amount of each disbursement by payment period. Schools must also maintain records of the date and amount of each payment of Federal Work Study (FWS) wages and Federal Perkins Loan transactions.

Reconciliation should take place on a monthly basis, with a final reconciliation that is conducted after the award year ends (June 30).

Noncompliance: The 2010-2011 expenditures were not finalized at the time of the program review. There are unreconciled differences between CAU's financial aid office, the GL and the Department's payment system (known as G-5). The differences at the time of the review regarding FDL funds, Pell and Academic Competitiveness Grant (ACG) funds were as follows:

Program	Expenditures per GL	Expenditures per G5	Difference
FDL	\$58,610,165	\$58,335,028	\$275,137
Pell	\$11,215,143	\$11,175,511	\$ 39,632
ACG	\$ 227,782	\$ 207,453	\$ 20,329

Required Action: The institution agrees with the recommendation to perform regular reconciliation. CAU is also in the process of completing reconciliation for 2010-2011.

The school's response must provide an assurance that reconciliation will continue to be performed on a monthly basis for all students who began enrollment, and for those who did not begin enrollment.

Please also provide the status of CAU's reconciliation for the above expenditures in your response to this finding.

Finding 8: Reporting Disbursement Dates to COD Inaccurate

Citation: 34 C.F.R. § 690.83 requires institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit FDL and Pell Grant disbursement records to COD (the Common Origination and Disbursement system) no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement (see *COD Technical Reference, 2011-2012*).

34 C.F.R. § 668.24 (c) states that records an institution must maintain include but are not limited to —

- Documentation relating to each student's or parent borrower's receipt of Title IV funds, including documentation of the amount of aid; the payment period; and loan period, if applicable; and,
- The date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of FWS wages.

Noncompliance: Disbursement dates reported to COD did not always match the dates that funds were credited to student ledgers. The following chart illustrates the difference

between dates that Title IV funds were disbursed to the student's account versus disbursement dates reported to COD:

Student	Program	Per Account Ledger	Per COD
7	Sub Loan	02-02-2011	01-03-2011
7	Unsub Loan	02-02-2011	01-03-2011
14	Sub Loan	03-22-2011	01-25-2011
14	Unsub Loan	03-22-2011	01-25-2011

Required Action: Institutional officials stated that disbursement dates were impacted by a school closure in January 2011 due to severe weather conditions. However, for dates outside of that period, the institution is reminded to monitor its procedures so that disbursement dates reported to COD are the dates that funds are credited to the student's account, or paid to the student directly. *Please note that for FDL recipients, interest costs begin to accrue on the date that loans are disbursed.*

Please refer to the *COD Technical Reference, 2011-2012* for current guidance regarding deadlines and requirements. CAU may also refer to the *Direct Loan School Guide* for additional information.

Finding 9: Catalog and Financial Aid Information Not Current

Citation: Any institution that participates in the Title IV programs is required to provide certain facts to enrolled and prospective students such as information about academics; educational costs; financial aid and average loan indebtedness; availability of employees; campus facilities; graduation rates; and, other disclosures. School officials are required to promote campus and fire safety, and drug and alcohol abuse programs. Institutions also must explain the rights and responsibilities of students receiving Federal and private aid. 34 C.F.R. §§ 668.41 - 48.

Noncompliance: CAU's published catalogs for undergraduate and graduate students have not been updated since 2006. As a result, some examples of missing or invalid information are as follows:

- The description of financial aid is outdated;
- The Title IV Satisfactory Academic Progress policy is not current (see Finding 2);
- The definition of an independent student for financial aid purposes is incorrect;
- The R2T4 policy does not explain possible overpayments due from students;
- Consumer information regarding private loans is not available (see Finding 8);
- The academic calendar is outdated;
- Names of faculty and staff are outdated;
- Descriptions of the institution and facilities are outdated;
- The Drug and Alcohol Prevention Program does not include all elements as described in 34 C.F.R. § 86.100 (a).

Required Action: School officials are in the process of updating the school catalog. As noted in other findings, the institution must revise areas in need of correction. Please refer to the above regulations to ensure that all required financial aid, consumer and safety information is maintained on a current basis. You may also refer to Volume 2 of the Department's Federal Student Aid Handbook for additional guidance, or refer to the February 20011 Handbook for Campus Safety and Security Reporting at: <http://www2.ed.gov/admins/lead/safety/handbook-2.pdf> for assistance regarding the development of drug and alcohol programs and related procedures.

Finding 10: Consumer Information for Private Loans Not Disclosed

Citation: At the request of an enrolled student applicant for a private educational loan (or to the parent of an enrolled student), an institution must provide a Self-Certification form to the applicant. This requirement became effective February 14, 2010. 34 C.F.R. § 668.14 (b)(29) and Dear Colleague Letter GEN-10-01.

Section 2 of the Self-Certification form requests the following information:

- The student's Cost of Attendance (COA) for the period of enrollment covered by the loan;
- Any Estimated Financial Assistance (EFA) for the period of enrollment covered by the loan; and
- The difference between the COA and EFA.

An institution may post a copy of the Self-Certification form on its Web site for applicants to download, or it may provide a paper copy of the Self-Certification form directly to an applicant through its financial aid or other designated office. Alternatively, the applicant may obtain a copy of the Self-Certification form from the private educational loan lender and submit it to the institution for completion or confirmation. An institution may also, at its option, provide the information needed to complete the form directly to a private educational lender. An institution is not required to track the status of the private education loan after providing the Self-Certification form to the applicant or to the private lender.

Noncompliance: CAU did not have a system to utilize or provide private loan applicants with the Private Education Loan Self-Certification form as required.

Required Action: In response to this finding, the institution must explain its procedure to provide private loan applicants with this information in the immediate future.

APPENDIX B

Institution's Responses by Date

September 27, 2012: Finding 2 (Revised)

July 2, 2012: Finding 2 (Original)

APPENDIX B



Compliance Office
Clark Atlanta University

U.S. Department of Education
Federal Student Aid School Participation Team – Atlanta
61 Forsyth Street, SW, Room 18T40
Atlanta, GA 30303
Attention: Lisa Lancaster

September 27, 2012

RE: Requirement to Resubmit Program Review Response
OPE ID: 00155900
PRCN: 20120427790

Dear Ms. Lancaster,

Thank you for the initial feedback regarding the University's response to the Program Review. Attached is the additional information and documentation requested.

Clark Atlanta University utilized the projection method for determining any liability for financial aid year 2010-2011. We have reviewed the 350 students who were a part of the sample set and determined that 186 were selected for verification. Of those selected for verification we found 35 students' files to be in error – some students over-awarded and others under-awarded. The attached spreadsheets in Appendix A show the detail.

In Appendix B you will find the additional requested data for the four (4) students cited in the finding for conflicting documentation (students 10, 11, 13, 15), as well as applicant data for student 29.

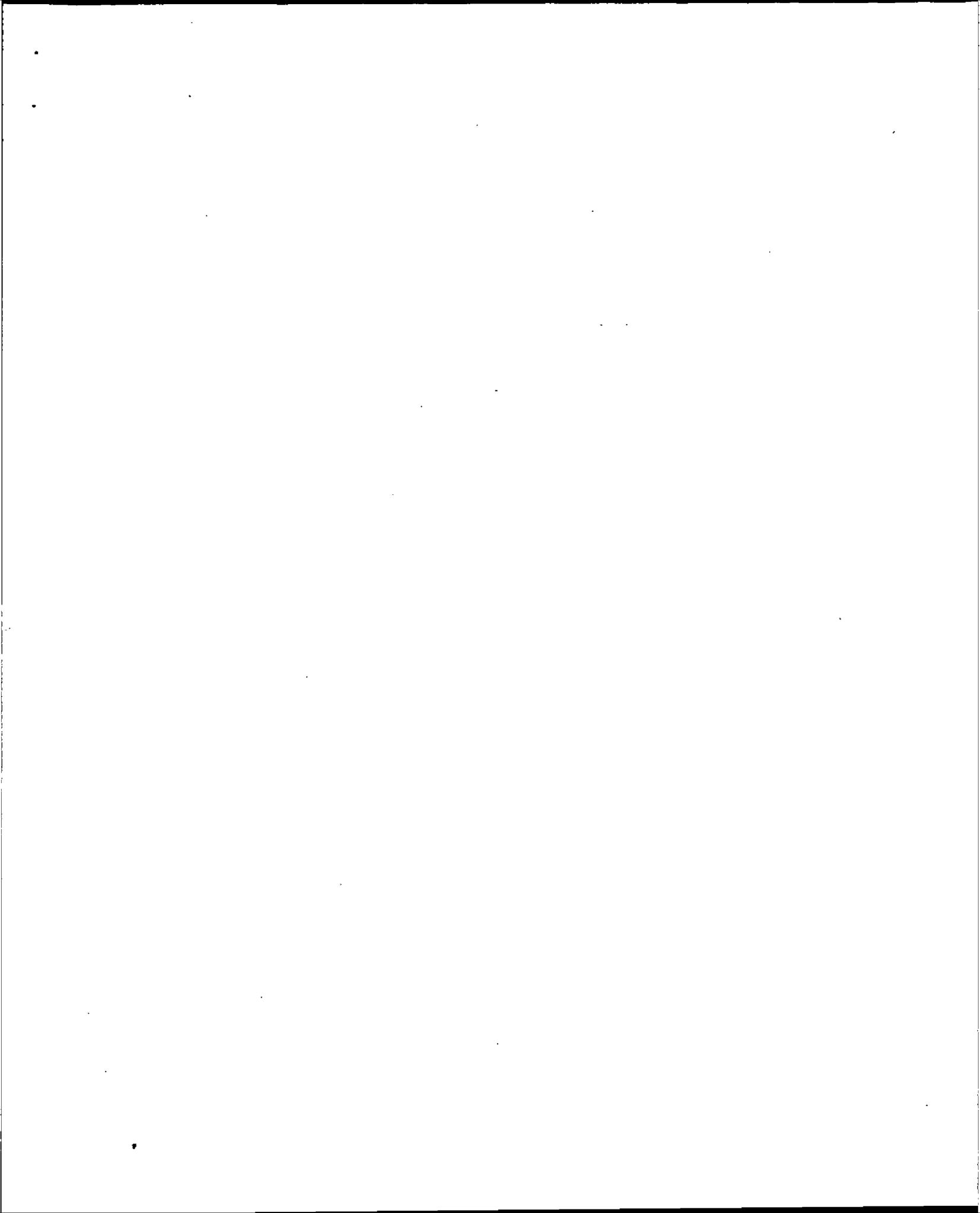
Appendix C contains the additional information requested relative to finding 5: Interest Earnings on Federal Perkins Loan Funds. The University's position was that the bank fees exceed the interest on the account which netted to an amount due the bank in fees. Therefore there are no interest funds needing to be deposited to the Perkins Loan Fund. The documentation from Wells Fargo substantiating this is shown here.

We trust that this additional information will help in clarifying any questions. Of course, as we have discussed, please let us know if there are any issues about which you may have additional questions or if further details and clarification are needed.

Sincerely,

(b)(6); (b)(7)(C), (b)(7)(C)

Robert N. Clark, Jr.



APPENDIX B



CLARK ATLANTA UNIVERSITY

OFFICE OF THE PRESIDENT

July 2, 2012

U.S. Department of Education
Federal Student Aid School Participation Team – Atlanta
61 Forsyth Street, SW, Room 18T40
Atlanta, GA 30303

Attention: Lisa Lancaster

RE: Program Review Report
OPE ID: 00155900
PRCN: 20120427790

Dear Ms. Lancaster,
Thank you for your thorough review of Clark Atlanta University's (CAU's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. CAU remains committed to maintaining 100% compliance with requirements and implementing best practices over the administration of its programs.

We welcome the opportunity to assess the strength of our programs and take heed to ensure areas in which you noted opportunities for improvement are addressed and corrected.

Upon receipt of your report, I tasked my administration to dedicate full and necessary resources to ensure that each issue was fully addressed, to include a detailed corrective action plan to ensure that corrective measures will be thorough and sustained.

Our responses to each of the noted findings follow below. In your review of our responses, please let us know if there are any issues about which you may have additional questions or if further details and clarification are needed.

Thank you again for the professionalism and expertise both you and Mr. Jon Finkelstein have demonstrated throughout this review. We look forward to continuing to work with you to ensure that Clark Atlanta University is operating at the highest level of compliance and excellence in our service to our students.

Sincerely,

(b)(6); (b)(7)(C), (b)(7)(C)

Carton E. Brown
President
Clark Atlanta University

Clark Atlanta University's Response to Findings in Program Review Report,

OPE ID: 00155900

Finding 1: Verification and Discrepant Application Data

Required Action: "Of the 17 student files tested for the 2010-2011 award year, eight were selected by CPS for verification. Of those, four contained discrepant applicant data. Due to the high percentage of error, CAU is required to review, identify, and correct conflicting applicant data for all students who received need-based Title IV funds from the 2010-2011 award year."

"The institution must resolve any incomplete or conflicting data. If applicant information (e.g., verification worksheet, statement of non-filing, etc.) varies from data reported on the student's ISIR, corrected information must be obtained from the student (and/or parents or spouse) and the 2010-2011 EFC must be recalculated for that student. If the revised EFC results in a change to the amount of the Federal Pell Grant, Federal Supplemental Education Opportunity Grant (FSEIOG), Academic Competitiveness Grant (ACG), National Science and Mathematics Access to Retain Talent Grant (SMART), and/or Sub-loan funds disbursed to the student, CAU must report the difference between the correct and incorrect amount for each student. If CAU is unable to obtain a student's required verification documentation (to resolve discrepant data), CAU must report the total amount of Pell, FSEIOG, ACG, SMART, and/or Sub-loan amounts disbursed to each student. These funds are considered to be ineligible."

University Response and Corrective Action Taken:

We are pleased that the reviewers noted that the verification process for the 2011-2012 year had improved over the prior 2010-2011 year. During the 2010-2011 year, all financial aid counselors were performing verification for the students within their alphabet coverage. In our review of the sample, it became clear that most of the verification errors were isolated to one or two counselors who were not as experienced in the verification process. In the 2011-2012 year, that review procedure was changed to have one experienced specialist process the verifications. In addition, all counselors are now going through annual verification training to provide more depth of expertise and understanding throughout the Financial Aid Office.

The re-review of the 2010-2011 award year information is being forwarded electronically for your review as Appendix A:

Finding 2: Satisfactory Academic Progress Policy Inaccurate

The reviewers noted the following: "CAU's current policy for monitoring SAP for Title IV recipients does not meet the requirements of § 688.34 for the following reasons:

- The Department's new SAP requirements which became effective on July 1, 2011 have not yet been implemented.
- Although the SAP policy has not been finalized, the reviewers noted an error in the policy: it states that students would be considered as making SAP for two consecutive probationary periods. However, for any student failing to make SAP, academic warning or probation lasts for one payment period only.
- The draft SAP policy states that an evaluation of academic progress will be made at the end of each payment period. However, CAU officials verbally stated that it is their policy to monitor SAP on an annual basis (at the end of the Spring semester). Therefore, it was not clear when SAP will be evaluated under the new policy.
- "The draft SAP policy does not address how Repeat ("R") courses are factored into course attempts versus course completion.

Required Action: "CAU is required to immediately correct its SAP policy for determining eligibility for Title IV recipients. The revised policy must clearly address all elements required by 34 C.F.R. §§ 688.16 (e), 688.32, and 688.34. In response to this finding, please submit a copy of your corrected policy to this office. In addition, your current and prospective students must be informed of the new policy.

"CAU must ensure that the revised policy will be used to evaluate all students who received Title IV aid subsequent to July 1, 2011. You must make any necessary corrections or adjustments for students who are not in compliance with the new SAP policy."

University Response and Corrective Actions Taken:

The University has corrected its SAP policy for determining eligibility for Title IV recipients. The policy has addressed all of the elements required by 34 C.F.R. §§ 688.16 (e), 688.32, and 688.34. Attached as Appendix B is the copy of this corrected policy.

Students have been informed of the new policy through communications and is being posted on the CAU website. This policy has been used to evaluate all students who received Title IV aid subsequent to July 1, 2011.

Finding 3: Exit Loan Counseling Not Documented

"The institution could not demonstrate that exit loan counseling was completed for students 13 and 15. Further, the institution's process to provide exit loan information to students who unofficially withdraw from the school was unclear to the reviewers."

Required Action: "CAU must provide exit loan information to students 13 and 15. It must also review exit loan counseling materials and procedures to ensure timely and thorough counseling for all students. A school must be able to document that it has attempted to contact borrowers and inform them of their loan responsibilities."

University Response and Corrective Actions Taken:

The University has reviewed and revised its processes and procedures for providing timely and thorough exit loan counseling for all students. The institution will utilize the RRREXIT report in Banner to assist in locating students who do not return from a prior semester. The 2 students identified (13 and 15) have been contacted to ensure this information has been provided and documented. Further, the Financial Aid Office re-issued notifications in March 2012 to ALL students. Attached as Appendix C is an example of the letter that was sent.

Finding 4: Annual Loan Limit Exceeded

"The school certified a Sub loan for \$4,500 for student 11 before she was classified as a second-year student. At the time the loan was certified, the student had earned 29 credits and was considered to be a first-year grade level student. (She eventually reached the second-year grade level, therefore there is no monetary correction required for this finding.)"

Required Action: "CAU is required to implement a remedial action to prevent this finding from being repeated in a future audit or program review."

University Response and Corrective Action Taken: The University has reviewed and revised its procedures to include additional monitoring over the loan certification process to ensure this finding does not recur. The university currently utilizes a report that alerts us of students who may have received loans in excess of their grade level. The grade level in banner is self-reported.

Finding 5: Interest Earnings on Federal Perkins Loan Funds

"CAU maintains its Federal Perkins Loan Fund balance in an account referred to as an Advantage Interest Checking Account. However, through a review of bank statements dating back to July 2010, it does not

appear that this account is earning interest. The only deposits into the Fund are described as "Automated Credit Campus Partners," or collections from borrowers in repayment."

Required Action: "The institute is required to calculate an estimate of interest the Fund should have earned over the past three years and deposit that amount into the Fund. Your estimate should be based on the average monthly balance of the Fund and average historical monthly interest rates.

"Your response to this finding must provide a copy of your estimated calculation and documentation of the deposit made to the Perkins Loan Fund."

University Response:

The reviewers claim that the bank account was non-interest bearing. This is not correct and the bank statements evidence this. However, the bank fees exceeded the interest earned on the account. That netted to an amount due to the bank in fees. Therefore, there are no funds needing to be deposited to the Perkins Loan Fund.

Finding 6: Federal Perkins Loan Excess Cash

"It appears that the Perkins Fund contains more assets than necessary. For example, the account balance on July 1, 2011 was \$605,531. As of December 31, 2011 the balance was \$1,027,513. And despite a sufficient Level of Expenditure (LOE) for the past two years, CAU awarded \$364,647 in Perkins Loan funds to students for the 2010-2011 award year and only \$319,836 for the 2011-2012 aware year (to date). Therefore, cash exceeds amounts required for loans."

Required Action: "CAU officials must analyze any remaining Perkins Loan expenses and collections from the current year. Next, the institution must project its 2012-2013 expenses and collections based on: anticipated loans to students; estimated collections; an, miscellaneous other activity for the award year. Compare this amount to the account balance to determine the excess cash amount in the Fund... The institution's analysis and excess Perkins amount must be identified in your responses to this finding."

University Response:

The University disagrees with the reviewers' conclusion that CAU did not issue all of the available Perkins Loan funds to the students. The funds that were available in the account were actually due to CAU. In FY 2010, Perkins Loans given to students exceeded the amount that was available in the bank account by \$487,490. As a result, CAU funded the excess loan amount. When students began paying back their loans, this excess amount was deposited into the Perkins Loan bank account. The University did transfer this excess to the University general operating account in FY 2012.

Finding 7: Cash Reconciliation Needs Improvement

"The 2010-2011 expenditures were not finalized at the time of the program review. There are unreconciled differences between CAU's financial aid office, the GL, and the Department's payment system (known as G-5). The differences at the time of the review regarding FDL funds, Pell and Academic Competitiveness Grant (ACG) funds were as follows:

Program	Expenditures per GL	Expenditures per G-5	Difference
FDL	\$58,610,165	\$58,335,028	\$275,137
Pell	\$11,215,143	\$11,175,511	\$39,632
ACG	\$227,782	\$207,453	\$20,329

Required Action: "The institution agrees with the recommendation to perform regular reconciliation. CAU is also in the process of completing reconciliation for 2010-2011. The school's response must provide an assurance that reconciliation will continue to be performed on a monthly basis for all students who began enrollment, and for those who did not begin enrollment. Please also provide the status of CAU's reconciliation for the above expenditures in your response to this finding."

University Response and Corrective Action Taken:

The University has completed the reconciliations noted above and reconciliations are performed monthly to ensure accuracy of expenditures per the General Ledger and the G-5 system. Attached as Appendix D is the documentation showing that reconciliation.

Finding 8: Reporting Disbursement Dates to COD Inaccurate

"Disbursement dates reported to COD did not always match the dates the funds were credited to student ledgers."

Required Action: "Institutional officials stated that disbursements dates were impacted by a school closure in January 2011 due to severe weather conditions. However, for dates outside of that period, the institution is reminded to monitor its procedures so that disbursements dates reported to COD are the dates that funds are credited to the student's account, or paid to the student directly."

University Response and Corrective Action Taken:

This was an extreme and isolated incident that resulted from the delayed opening of the institution due to severe ice and snow, closing much of Atlanta for several days in January 2011. Funds were posted after the date on the calendar for school to begin. The institutional manually pulled back disbursements and manually put them back on. Banner currently captures the disbursement date and that date is

submitted to the COD. It is important to note that there were no discrepancies outside of the Spring 2011 term. The University will continue to monitor its procedures so that disbursements dates reported to COD are the dates that funds are credited to the student's account, or paid to the student directly.

Finding 9: Catalog and Financial Aid Information Not Current

"CAU's published catalogs for undergraduate and graduate students have not been updated since 2006. As a result, some examples of missing or invalid information are as follows:

- The description of financial aid is outdated;
- The Title IV Satisfactory Academic Progress policy is not current (see Finding 2);
- The definition of an independent student for financial aid purposes is incorrect;
- The R2T4 policy does not explain possible overpayments due from students;
- Consumer information regarding private loans is not available (see Finding 8);
- The academic calendar is outdated;
- Names of faculty and staff are outdated;
- Descriptions of the institution and facilities are outdated;
- The Drug and Alcohol Prevention Program does not include all elements as described in CFR § 86.100 (a)."

Required Action: "School officials are in the process of updating the school catalog. As noted in other findings, the institution must revise areas in need of correction. Please refer to the above regulations to ensure that all required financial aid, consumer and safety information is maintained on a current basis."

Corrective Action Taken: As noted by the reviewers, the University has been undertaking a comprehensive review of its undergraduate and graduate catalogs to ensure all necessary updates and revisions are made. This effort continues and is due to be completed prior to the start of the Fall 2012 semester.

Finding 10: Consumer Information for Private Loans Not Disclosed

"CAU did not have a system to utilize or provide private loans applicants with the Private Education Loan Self-Certification form as required."

Required Action: "In response to this finding, the institution must explain its procedure to provide private loan applicants with this information in the immediate future."

Corrective Action Taken: The University has revised its procedures to ensure that applicable loan applicants are provided with information contained on the Private Education Loan Self-Certification form. The information and form have been published to the CAU website.

APPENDIX C

Institution's Response

Finding 1

Verification Recalculation

A	B	C	D	E	F	G	H	I
LAST NAME	FIRST NAME	APPENDING SSN	ORIGINAL EFC	FALL 2010 FEDERAL Pell Grant CORRECT EFC	Date of Disbursement	INCORRECT Pell PAID	CORRECTED Pell	DIFFERENCE/Over Award
			0 UNKNOWN MISSING PARENT TAX RETURN	1634	09/10/10	\$2,775.00	\$0.00	(\$2,775.00)
			1242	0 UNKNOWN MISSING STUDENT/MOTHER TAX RETURN	09/10/10	\$2,775.00	\$0.00	(\$2,775.00)
			0 UNKNOWN		12/23/10	\$2,775.00	\$0.00	(\$2,775.00)
			0	0	09/10/10	\$0.00	\$2,775.00	\$2,775.00
			1573 UNKNOWN MISSING PARENT TAX RETURN	4181	09/10/10	\$2,000.00	\$0.00	(\$2,000.00)
			5131	1359	09/10/10	\$278.00	\$700.00	\$422.00
			1553	0 UNKNOWN/REQUIRED TO FILE	09/15/10	\$2,000.00	\$2,100.00	\$100.00
			0	0	12/01/10	\$2,775.00	\$0.00	(\$2,775.00)
			0	0	09/10/10	\$0.00	\$2,775.00	\$2,775.00
			0 UNKNOWN MISSING FATHER TAX RETURN	31	09/10/10	\$2,775.00	\$0.00	(\$2,775.00)
			321	3676	09/10/10	\$2,600.00	\$2,750.00	\$150.00
			2371	0	09/10/10	\$1,600.00	\$950.00	(\$650.00)
			0	0	09/10/10	\$0.00	\$2,600.00	\$2,600.00
			0	0	9/10/2010	\$2,775.00	\$2,775.00	\$0.00
			1586	1435	09/15/10	\$2,000.00	\$2,050.00	\$50.00
			1120	1319	09/15/10	\$2,200.00	\$2,100.00	(\$100.00)
			0	2176	09/10/10	\$2,775.00	\$1,700.00	(\$1,075.00)
			887	5192	11/12/10	\$2,350.00	\$278.00	(\$2,072.00)
			1770	2185	09/10/10	\$3,900.00	\$1,700.00	(\$2,200.00)
			3657	1511	09/10/10	\$950.00	\$2,000.00	\$1,050.00
			0	0	09/10/10	\$0.00	\$2,775.00	\$2,775.00
			1904	1753	09/10/10	\$1,800.00	\$1,900.00	\$100.00
			2989	3150	09/10/10	\$650.00	\$600.00	(\$50.00)
			2526	7106	10/04/10	\$1,500.00	\$0.00	(\$1,500.00)
			0	0	09/10/10	\$0.00	\$2,775.00	\$2,775.00
			2827	3027	09/10/10	\$1,350.00	\$1,250.00	(\$100.00)
			4167	7162	12/08/10	\$700.00	\$0.00	(\$700.00)
			2314	13314	11/08/10	\$1,600.00	\$0.00	(\$1,600.00)
			192	882	09/10/10	\$2,700.00	\$2,350.00	(\$350.00)
			0	4198	12/10/10	\$2,775.00	\$700.00	(\$2,075.00)
			1754	2853	10/21/10	\$1,900.00	\$1,350.00	(\$550.00)
							Total NET	(\$11,525.00)
							Total 20 students over-award Fall 2010	(\$27,097.00)
36								
37								
38								
39								

(b)(6); (b)(7)(C), (b)(7)(C)

A	B	C	D	E	F	G	H	I
LAST NAME	FIRST NAME	SSN	ORIGINAL EFC	CORRECT EFC	DATE OF DISBURSEMENT	IN-CORRECT PELL PAID	CORRECTED PELL	DIFFERENCE/OVER-AWARD
40				APPENDIX C	SPRING 2011 FEDERAL PELL GRANT			
41								
42			0	UNKNOWN MISSING PARENT TAX RETURN	09/10/10	\$2,775.00	\$0.00	(\$2,775.00)
43			1242		02/02/11	\$2,150.00	\$1,950.00	(\$200.00)
44			0	UNKNOWN MISSING STUDENT/MOTHER TAX RETURN	02/02/11	\$2,775.00	\$0.00	(\$2,775.00)
45			0		02/02/11	\$0.00	\$2,775.00	\$2,775.00
46			1573	UNKNOWN MISSING PARENT TAX RETURN	02/02/11	\$2,000.00	\$0.00	(\$2,000.00)
47			5131		02/02/11	\$277.00	\$700.00	\$423.00
48			0		03/19/11	\$2,775.00	\$2,063.00	(\$712.00)
49			1553		02/02/11	\$2,000.00	\$2,100.00	\$100.00
50			24		02/02/11	\$2,750.00	\$2,775.00	\$25.00
51			0	UNKNOWN MISSING FATHER TAX RETURN	02/02/11	\$2,775.00	\$0.00	(\$2,775.00)
52			321		02/02/11	\$2,600.00	\$2,750.00	\$150.00
53			2371		02/02/11	\$1,200.00	\$713.00	(\$487.00)
54			396		02/02/11	\$0.00	\$2,600.00	\$2,600.00
55			0		02/02/11	\$0.00	\$2,775.00	\$2,775.00
56			1596		02/02/11	\$2,000.00	\$2,050.00	\$50.00
57			1120		02/02/11	\$2,200.00	\$2,100.00	(\$100.00)
58			0		02/02/11	\$2,775.00	\$1,700.00	(\$1,075.00)
59			487		02/02/11	\$2,350.00	\$277.00	(\$2,073.00)
60			1770		02/02/11	\$1,900.00	\$1,700.00	(\$200.00)
61			1904		02/02/11	\$1,800.00	\$1,900.00	\$100.00
62			2889		02/02/11	\$650.00	\$600.00	(\$50.00)
63			2556		02/02/11	\$750.00	\$416.00	(\$334.00)
64			2526		02/02/11	\$1,500.00	\$0.00	(\$1,500.00)
65			0		02/02/11	\$0.00	\$2,775.00	\$2,775.00
66			4167		02/02/11	\$700.00	\$0.00	(\$700.00)
67			2314		02/18/11	\$1,600.00	\$0.00	(\$1,600.00)
68			192		02/02/11	\$2,700.00	\$2,350.00	(\$350.00)
69			0		02/02/11	\$2,775.00	\$700.00	(\$2,075.00)
70			1754		02/02/11	\$1,900.00	\$1,350.00	(\$550.00)
71								
72								
73								
74								
75								
76								
77								
78								
79			0		06/10/11	\$0.00	\$1,388.00	\$1,388.00
80			2526		06/10/11	\$1,125.00	\$0.00	(\$1,125.00)
81								
82								
83								
84								
Total 19 students over-award Spring 2011								(\$22,331.00)
Total 19 students over-award Summer 2011								(\$10,558.00)
Total NET								(\$32,889.00)
Total 19 students over-award Summer 2011								(\$1,125.00)
Total NET								\$263.00

(b)(6); (b)(7)(C), (b)(7)(C)

LAST NAME	FIRST NAME	APPENDIX G SSN	ORIGINAL EFC	SPRING 2011 SUBSIDIZED CORRECT EFC	DATE OF DISBURSEMENT	INCORRECT SUBSIDIZED PAID	CORRECTED SUBSIDIZED	DIFFERENCE/OVER-AWARD
			0	UNKNOWN MISSING PARENT TAX RETURN	02/02/11	\$2,250.00		(\$2,250.00)
			1242	1634	NO LOANS DISBURSED	\$0.00		\$0.00
			0	UNKNOWN MISSING STUDENT/MOTHER TAX RETURN	02/02/11	\$1,750.00		(\$1,750.00)
			0	0	02/02/11	\$0.00		\$2,750.00
			1573	UNKNOWN MISSING PARENT TAX RETURN	NO LOANS DISBURSED	\$0.00		\$0.00
			5131	4181	02/02/11	\$0.00		\$1,750.00
			0	\$4	02/09/11	\$0.00		\$4,250.00
			1553	1358	02/10/10	\$0.00		\$2,250.00
			24	0	02/15/11	\$0.00		\$2,250.00
			0	0	02/10/10	\$0.00		\$1,750.00
			0	UNKNOWN MISSING FATHER TAX RETURN	NO LOANS DISBURSED	\$0.00		\$0.00
			321	31	02/02/11	\$0.00		\$2,250.00
			2371	3878	02/02/11	\$0.00		\$1,750.00
			386	398	09/10/10	\$0.00		\$1,750.00
			0	0	02/02/11	\$0.00		\$2,250.00
			1598	1415	02/02/11	\$0.00		\$2,250.00
			1120	1319	02/02/11	\$0.00		\$2,750.00
			0	2178	NO LOANS DISBURSED	\$0.00		\$0.00
			887	5192	NO LOANS DISBURSED	\$0.00		\$0.00
			1904	1783	02/02/11	\$0.00		\$1,750.00
			2889	3180	02/02/11	\$0.00		\$2,250.00
			2556	4133	02/02/11	\$0.00		\$5,500.00
			2528	7108	02/02/11	\$0.00		\$2,250.00
			0	0	02/02/11	\$0.00		\$2,750.00
			2314	13314	02/18/11	\$0.00		\$2,750.00
			192	882	02/02/11	\$0.00		\$1,750.00
			0	4188	02/02/11	\$0.00		\$2,750.00
			1784	2853	02/02/11	\$0.00		\$2,250.00
							Total NET	\$48,000.00
							Total over-award Spring 2011	(\$4,000.00)
							INCORRECT SUBSIDIZED PAID	\$0.00
					06/10/11	\$0.00		\$1,100.00
							Total NET	\$1,100.00
							Total over-award Summer 2011	0.00

Statistical Sample Projection Matrix - Single Finding

Institution: CAU-Appendix D

Population Size 3882

Statistical Sample Size 350

Finding 1:

Verification
Liability Projection Worksheet

SSN:	Last:	First:	Pell	FSEOG	Sub Loan
1			0.00	0.00	0.00
2			0.00	0.00	0.00
3			0.00	0.00	0.00
4			0.00	0.00	0.00
5			0.00	0.00	0.00
6			0.00	0.00	0.00
7			0.00	0.00	0.00
8			0.00	0.00	0.00
9			0.00	0.00	0.00
10			0.00	0.00	0.00
11			0.00	0.00	0.00
12			0.00	0.00	0.00
13			0.00	0.00	0.00
14			0.00	0.00	0.00
15			0.00	0.00	0.00
16			0.00	0.00	0.00
17			0.00	0.00	0.00
18			0.00	0.00	0.00
19			0.00	0.00	0.00
20			100.00	0.00	0.00
21			0.00	0.00	0.00
22			0.00	0.00	0.00
23			0.00	0.00	0.00
24			0.00	0.00	0.00
25			0.00	0.00	0.00
26			0.00	0.00	0.00
27			0.00	0.00	0.00
28			0.00	0.00	0.00
29			0.00	0.00	0.00
30			0.00	0.00	0.00
31			0.00	0.00	0.00
32			0.00	0.00	0.00
33			5550.00	0.00	3500.00
34			0.00	0.00	0.00
35			0.00	0.00	0.00
36			0.00	0.00	0.00
37			0.00	0.00	0.00
38			0.00	0.00	0.00
39			0.00	0.00	0.00
40			0.00	0.00	0.00
41			0.00	0.00	0.00

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192	0.00	0.00	0.00
193	0.00	0.00	0.00
194	0.00	0.00	0.00
195	0.00	0.00	0.00
196	0.00	0.00	0.00
197	2150.00	0.00	0.00
198	0.00	0.00	0.00
199	0.00	0.00	0.00
200	0.00	0.00	0.00
201	0.00	0.00	0.00
202	0.00	0.00	0.00
203	0.00	0.00	0.00
204	4150.00	0.00	0.00
205	0.00	0.00	0.00
206	0.00	0.00	0.00
207	0.00	0.00	0.00
208	0.00	0.00	0.00
209	0.00	0.00	0.00
210	0.00	0.00	0.00
211	5550.00	0.00	4500.00
212	0.00	0.00	0.00
213	0.00	0.00	0.00
214	0.00	0.00	0.00
215	0.00	0.00	0.00
216	0.00	0.00	0.00
217	0.00	0.00	0.00
218	0.00	0.00	0.00
219	0.00	0.00	0.00
220	0.00	0.00	0.00
221	0.00	0.00	0.00
222	0.00	0.00	0.00
223	0.00	0.00	0.00
224	334.00	0.00	0.00
225	0.00	0.00	0.00
226	0.00	0.00	0.00
227	0.00	0.00	0.00
228	0.00	0.00	0.00
229	4125.00	0.00	0.00
230	4000.00	0.00	0.00
231	0.00	0.00	0.00
232	0.00	0.00	0.00
233	0.00	0.00	0.00
234	0.00	0.00	0.00
235	0.00	0.00	0.00
236	0.00	0.00	0.00
237	0.00	0.00	0.00
238	0.00	0.00	0.00
239	0.00	0.00	0.00
240	0.00	0.00	0.00
241	0.00	0.00	0.00

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242	1137.00	0.00	0.00
243	0.00	0.00	0.00
244	200.00	0.00	0.00
245	0.00	0.00	0.00
246	0.00	0.00	0.00
247	0.00	0.00	0.00
248	0.00	0.00	0.00
249	0.00	0.00	0.00
250	0.00	0.00	0.00
251	0.00	0.00	0.00
252	0.00	0.00	0.00
253	0.00	0.00	0.00
254	0.00	0.00	0.00
255	0.00	0.00	0.00
256	0.00	0.00	0.00
257	0.00	0.00	0.00
258	0.00	0.00	0.00
259	0.00	0.00	0.00
260	0.00	0.00	0.00
261	0.00	0.00	0.00
262	3200.00	0.00	0.00
263	0.00	0.00	0.00
264	0.00	0.00	0.00
265	0.00	0.00	0.00
266	0.00	0.00	0.00
267	712.00	0.00	0.00
268	0.00	0.00	0.00
269	0.00	0.00	0.00
270	0.00	0.00	0.00
271	0.00	0.00	0.00
272	0.00	0.00	0.00
273	0.00	0.00	0.00
274	0.00	0.00	0.00
275	0.00	0.00	0.00
276	0.00	0.00	0.00
277	0.00	0.00	0.00
278	0.00	0.00	0.00
279	0.00	0.00	0.00
280	0.00	0.00	0.00
281	0.00	0.00	0.00
282	0.00	0.00	0.00
283	0.00	0.00	0.00
284	0.00	0.00	0.00
285	0.00	0.00	0.00
286	0.00	0.00	0.00
287	0.00	0.00	0.00
288	0.00	0.00	0.00
289	0.00	0.00	0.00
290	0.00	0.00	0.00
291	1100.00	0.00	0.00

(b)(6); (b)(7)(C), (b)(7)(C)

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0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00

	Pell	FSEOG	Sub Loan
Total Liability In Sample	\$50,553.00	\$0.00	\$9,750.00
Number of Students in Population	3882	3882	3882
Number of Students in Sample	350	350	350
Average Liability Per Student in Sample	\$144.44	\$0.00	\$27.86

UCL:	\$846,001.35	\$0.00	\$231,513.77
Projected Liability	\$560,716.08	\$0.00	\$108,152.52
LCL:	\$275,430.81	\$0.00	(\$15,208.73)

UCL:	6.9%	0.0%	0.9%
Projected Fatal Error Rate	6.3%	0.0%	0.9%
LCL:	5.7%	0.0%	0.8%

Standard Deviation	735.392490	0.000000	317.993769
Plus/Minus for UCL/LCL	285285.27	0.00	123361.25

Records	350	350	350
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Appendix E - Estimated Actual Loss Worksheet

C.A.U. - Finding 1-Verification

1. Select Type	Four-Year
2. Select Award Year	2010-11
3. Enter Cohort Default Rate and/or Perkins Default Rate	7.9%

4. Enter Ineligible Principal	<i>Ineligible Principal</i>	<i>Estimated Defaults</i>
a. DL Subsidized	\$ 108,153.00	\$ 8,544.09
b. DL Unsubsidized		\$ -
c. FFEL Subsidized		\$ -
d. FFEL Unsubsidized		\$ -
e. PLUS (DL, FFEL)		\$ -
f. Perkins		\$ -

Disb to Repayment	969
Repayment to Default	619
Repayment to PIF	1712

<i>Estimated Actual Loss Interest and Special Allowance Breakdown</i>	<i>Disb to Repayment</i>	
	DL Subsidized	\$ 10,497.21
	FFEL Sub	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to Default</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to PIF</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	<i>Perkins Interest</i>	\$ -

<i>Totals - Estimated Actual Loss By Program (Including Interest and Special Allowance)</i>		
	DL Subsidized	\$ 19,041.30
	DL Unsubsidized	\$ -
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	PLUS (DL, FFEL)	\$ -
	Perkins	\$ -

Total Estimated Actual Loss Liability	\$ 19,041.30
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The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment,
- repayment to default, and
- repayment to paid-in-full.

The averages used are from historical information supplied to the Department from all guarantee agencies.

APPENDIX G

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

The EAL 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 EAL 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 EAL 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 EAL divides the number of days in each time period so that changes in interest and special allowance rates are considered. The EAL 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 (2004-2005)

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.