



January 13, 2014

Michael Diffily, Ph.D.
President
Daniel Webster College
20 University Drive
Nashua, NH 03063-1323

UPS Tracking #:
1Z A54 67Y 02 9974 9375

RE: Final Program Review Determination
OPE ID: 00473100
PRCN: 2011-201-27427

Dear Dr. Diffily:

The U.S. Department of Education's (Department's) School Participation Division – New York/Boston issued a program review report on June 11, 2012 covering Daniel Webster College's (DWC) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2009-2010 and 2010-2011 award years. DWC's final response was received on July 9, 2012. A copy of the program review report (and related attachments) and DWC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by DWC 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, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$7,821.00

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

School Participation Division – New York/Boston
5 Post Office Square, 9th Floor, Suite 950A, Boston Massachusetts 02109-3921
StudentAid.gov

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

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the finding in the attached report does not contain any student PII. Instead, the finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. The appendix was encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the June 11, 2012 program review report. If DWC wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date DWC receives this FPRD. An original and four copies of the information DWC submits must be attached to the request. The request for an appeal must be sent to:

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

DWC's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to DWC'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 notes.**

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 Mr. Edward Buckley at 617-289-0132. 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)

Betty Coughlin
Director

Enclosure:

Protection of Personally Identifiable Information
Program Review Report
Institution's Response

cc: Mick Lindvay, Director of Student Financial Services
New England Association of Schools and Colleges
New Hampshire Department of Education, Division of Higher Education

Prepared for

Daniel Webster College



START HERE
GO FURTHER
FEDERAL STUDENT AID

OPE ID: 00473100

PRCN: 2011-201-27427

Prepared by:

U.S. Department of Education

Federal Student Aid

School Participation Division – New York/Boston

Final Program Review Determination

January 13, 2014

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A. Institutional Information

Daniel Webster College
20 University Drive
Nashua, New Hampshire 03063-1323

Type: Proprietary

Highest Level of Offering: Master's Degree

Accrediting Agency: New England Association of Schools and Colleges

Current Student Enrollment: 800 (2010-2011)

% of Students Receiving Title IV: 85% (2010 -2011)

Title IV Participation (Source: PC Net – Program Compliance)

	<u>2011/2012</u>
Federal Pell Grant	\$847,840
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 74,681
Federal Work Study (FWS)	\$103,088
Federal Direct Loan Program (FDLP) - Subsidized:	\$1,989,287
Federal Direct Loan Program (FDLP) – Unsubsidized:	\$1,839,550
Federal PLUS Loan:	<u>\$7,346,705</u>
Total:	\$12,201,151

Default Rate FFEL/DL: 2011 – 8.3%
 2010 – 6.8%
 2009 – 3.6%

Default Rate Perkins: 2012 – 25.4%
 2011 – 20.0%
 2010 – 22.9%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Daniel Webster College (DWC) from February 14, 2011 to February 18, 2011. The review was conducted by Edward Buckley and Gary Caramanis.

The focus of the review was distance education and increased funding levels. The review consisted of an examination of DWC's student financial aid files, student academic transcripts and bursar student files.

A sample of 15 files was identified for review from the 2009-2010 and 2010-2011 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning DWC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve DWC 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

Finding 1. Improper Drawdown of FSEOG Funds

DWC has taken the corrective actions necessary to resolve Finding 1 of the program review report. Therefore, this finding may be considered closed. Findings requiring further action by DWC are discussed below.

Findings with Final Determinations

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of DWC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on June 11, 2012 is enclosed.

Finding 2: Ineligible Title IV Program

Citation: 34 C.F.R. § 668.8(d) stipulates that in order for an educational program offered at a proprietary institution of higher education to be eligible for Title IV it must provide undergraduate training that prepares a student for gainful employment in a recognized occupation. The General Studies Program at DWC does not meet that standard. Consequently, students enrolled in that program are not eligible for Title IV funds.

Noncompliance: On June 11, 2009, DWC was purchased by ITT Educational Services, Inc. The institution became a proprietary institution on this date. The institution had an Associate of Arts in General Studies Program that was eligible for Title IV funding before the purchase because DWC was a private nonprofit institution. However, the program became ineligible once the change in ownership took place. Consequently, students enrolled in the General Studies Program were not eligible for Title IV funds as of the date of the change in ownership.

Required Action: The institution provided reviewers with a preliminary list of students who were funded on or after June 11, 2009. In its response to this report, DWC was required to provide a complete list of all students who were enrolled in the General Studies Program and who also received Title IV funds on or after June 11, 2009. DWC was instructed that this list must include all Title IV funds received by each ineligible student as well as a breakdown of the program specific funds. DWC was informed that any liability would be assessed when a Final Program Determination (FPRD) letter is issued.

DWC's Response: The institution determined that there was only one student who was enrolled in the ineligible Associate Degree in General Studies Program during the period in question. This student was identified as student number 1 in Exhibit 1 of DWC's response. In addition, the student is identified as Student 31 in Appendix A. Listed below is a breakdown of the ineligible Title IV funds that were disbursed to the student.

	Total <u>Amount</u>	Academic Year <u>2009/2010</u>	Academic Year <u>2010/2011</u>
Pell Grant:	\$6,788	\$4,012	\$2,776
SEOG:	\$400	\$200	\$200
Subsidized Loan:	\$7,470	\$4,482	\$2,988
Unsubsidized Loan:	<u>\$5,353</u>	<u>\$3,582</u>	<u>\$1,771</u>
Total:	\$20,011	\$12,276	\$7,735

Final Determination: The institution must return the Federal Pell Grant funds and the Federal portion of the FSEOG funds disbursed to Student 31 while he was enrolled in the ineligible program.

The total amount of Direct Loan funds (subsidized and unsubsidized) disbursed to Student 31 while he was enrolled in the ineligible program during the 2009/2010 and 2010/2011 award years was \$12,823.00. This amount is considered ineligible. The estimated actual loss (EAL) to the Department that has resulted or will result from these ineligible loans is based on DWC's most recent cohort default rate of 8.3 for 2011. As a result, the EAL that DWC must pay to the Department for the ineligible loans is \$465.89. A copy of the results of that calculation is included as Appendix C.

A breakdown of the liabilities for this finding can be found in Section D. Section E details the repayment instructions.

D. Summary of Liabilities

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

Initial Liabilities	Pell (Closed Award Year)	FSEOG (Federal Contribution)	DL / FFEL	EALF DL	
Finding	\$6,788	\$300			
Subtotal 1	\$6,788	\$300		\$ 465.89	
Interest/SA	\$257.18	\$10.35			
Excess Cash					
ACA					
Subtotal 2	\$257.18	\$10.35			
TOTAL (add subtotal 1 + 2)	\$7,045.18	\$310.35		\$ 465.89	
Payable To:					Totals
Department	\$7,045.18	\$310.35		\$465.89	\$7,821.42
Students					\$
Lenders					\$
Inst Accounts					\$

Estimated Actual Loss (EAL):

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

The total amount of Direct Loans that DWC improperly disbursed during the 2009/2010 and 2010/2011 award years for Finding 2 is \$12,823.00. The estimated actual loss that DWC must pay to the Department for the ineligible loans is \$465.89. A copy of the results of that calculation is included as Appendix C.

E. Payment Instructions

1. Liabilities Owed to the Department

DWC owes to the Department \$7,821. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

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

The following identification data must be provided with the payment:

Amount: \$7,821.00
DUNS: 073973125
TIN: 264555980
Program Review Control Number: 2011-201-27427

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. DWC 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 DWC's account representative.

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

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

If within 45 days of the date of this letter, DWC 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 DWC from the Federal Government. **DWC may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, DWC 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. **William D. Ford Federal Direct Loan (Direct Loan) Liabilities**

Direct Loan Estimated Actual Loss

Finding: 2
Appendix: C

DL Estimated Actual Loss	
Amount	Award Year
\$147.49	2009/2010
\$318.40	2010/2011
Total \$465.89	

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

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

Pell – Closed Award Year

Finding 2:
Appendix: B

DWC must repay:

Pell ACG SMART or TEACH Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$4,012	\$212.02	Pell Grant	2009/2010
\$2,776	\$55.51	Pell Grant	2010/2011
Total Principal	Total Interest		
\$6,788	\$267.53		

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

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

A copy of the adjustment to the student's COD record must be sent to Mr. Edward Buckley within 45 days of the date of this letter.

Campus Based Programs

Finding: 2 Appendix: B

DWC must repay \$310.00 in Federal Supplemental Education Opportunity Grant funds.

FISAP Corrections

Finding: 2

Appendix: B

DWC must make corrections to its FISAP for award years 2009-2010 and 2010-2011 as follows:

- Log into eCB and make change(s) to the Working Copy, click on Submit and choose "Change Request". Provide the justification for the changes in the comments box, including that the changes are a result of a program review and include the Program Review Control Number.
- Once the request is approved, submit the changes within 5 days.
- Changes to the FISAP may result in changes to subsequent FISAPS. Contact the eCB Call Center at (877) 801-7168 for assistance in making this determination.
- If the recalculation of the school's funding results in an unprocessed deobligation (negative balance), return those funds via G5 in accordance with the automated notification from eCB.

DWC must submit proof of the FISAP corrections and payment via G5 for any unprocessed deobligation (if applicable) to Mr. Edward Buckley **within 45 days of the date of this letter.**

APPENDIX A

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

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

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.

Appendix A

Daniel Webster College

Student File Sample

2009- 2010 Award Year

Student	Last Name	First Name	Last 4 Social Security
1.	(b)(6); (b)(7)(C)		
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			

Daniel Webster College

Student File Sample

2010- 2011 Award Year

Student	Last Name	First Name	Last 4 Social Security
16.	(b)(6); (b)(7)(C)		
17.			
18.			
19.			
20.			
21.			
22.			
23.			
24.			
25.			
26.			
27.			
28.			
29.			
30.			

Additional Student – Enrolled in General Studies Program

31.	(b)(6); (b)(7)(C)
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APPENDIX B

Appendix B

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Daniel Webster College

To Inst
Accounts

To ED

Federal Share

Imputed
CVFR

No. of
Days

Return Paid
Date

Disburseme
nt Date

Ineligible
Disbrsmnt

Program

No. Description/Name

No.	Description/Name	Ineligible Disbrsmnt	Program	Disburseme nt Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
1	(b)(6), (b)(7)(C)	\$669.00	Pell Grant	7/20/2009	6/11/2012	1057	3.00%	\$ 669.00	\$ 58.12	\$ -
1		\$669.00	Pell Grant	8/24/2009	6/11/2012	1022	3.00%	\$ 669.00	\$ 56.19	\$ -
1		\$669.00	Pell Grant	10/26/2009	6/11/2012	959	3.00%	\$ 669.00	\$ 52.73	\$ -
1		\$669.00	Pell Grant	1/11/2010	6/11/2012	882	1.00%	\$ 669.00	\$ 16.17	\$ -
1		\$669.00	Pell Grant	3/12/2010	6/11/2012	822	1.00%	\$ 669.00	\$ 15.07	\$ -
1		\$667.00	Pell Grant	5/21/2010	6/11/2012	752	1.00%	\$ 667.00	\$ 13.74	\$ -
1		\$694.00	Pell Grant	8/23/2010	6/11/2012	658	1.00%	\$ 694.00	\$ 12.51	\$ -
1		\$694.00	Pell Grant	10/13/2010	6/11/2012	607	1.00%	\$ 694.00	\$ 11.54	\$ -
1		\$694.00	Pell Grant	10/27/2010	6/11/2012	593	1.00%	\$ 694.00	\$ 11.28	\$ -
1		\$694.00	Pell Grant	1/11/2011	6/11/2012	517	1.00%	\$ 694.00	\$ 9.83	\$ -
1		\$100.00	FSEOG	8/24/2009	6/11/2012	1022	3.00%	\$ 75.00	\$ 6.30	\$ -
1		\$100.00	FSEOG	4/6/2010	6/11/2012	797	1.00%	\$ 75.00	\$ 1.64	\$ -
1		\$100.00	FSEOG	8/23/2010	6/11/2012	658	1.00%	\$ 75.00	\$ 1.35	\$ -
1		\$100.00	FSEOG	1/11/2011	6/11/2012	517	1.00%	\$ 75.00	\$ 1.06	\$ -

Total Ineligible \$7,188.00

Totals
ACA Liability

\$ 267.53 \$

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS	
Federal SEOG	
Federal Perkins	

\$ 257.18	\$
-	\$
-	\$
-	\$
-	\$
-	\$
10.35	\$
-	\$
-	\$
-	\$
-	\$
-	\$
-	\$
-	\$

Total C-B Spent
ACA Percentage

\$ 10.35 \$

Total	Federal Share
\$ 6,788.00	\$ 6,788.00
\$ -	\$ -

\$ 257.18	\$
-	\$
-	\$
-	\$
-	\$
-	\$
10.35	\$
-	\$
-	\$
-	\$
-	\$
-	\$
-	\$
-	\$

Pell
ACG

Interest Breakdown
Pell Grants
ACG
SMART
TEACH
FWS
FSEOG
Perkins
FWS-50% Match
FWS-No Match
FSEOG-No Match
Perkins-No Match

APPENDIX C

Institution Name: Daniel Webster College
 OPE ID: 00473100
 Appendix [C] - Estimated Loss Formula

Estimated Loss Formula

Enter Institution Name Daniel Webster College

Select Institution Type 4 Yr

	Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1	DL Subsidized	2009-2010	\$ 4,482.00	6.80%	2.87%	\$ 128.67
2	DL Unsubsidized	2009-2010	\$ 3,582.00	6.80%	-28.58%	\$ -
3						
	Description		\$ 8,064.00			\$ 128.67
4	DL Subsidized	2010-2011	\$ 2,988.00	6.80%	10.30%	\$ 307.65
5	DL Unsubsidized	2010-2011	\$ 1,771.00	6.80%	-19.70%	\$ -
6						
	Description		\$ 4,759.00			\$ 307.65
7						
8						
9						
	Description		\$ -			\$ -
10						
11						
12						
	Description		\$ -			\$ -
	Original Ineligible Loan Liability		\$ 12,823.00	Total Estimated Loss		\$ 436.32

Institution Name: Daniel Webster College

OPE ID: 00473100

Appendix [C] - Estimated Loss Formula

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.

The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	6.80%	7.30%	0.93	2.01%	1.87%	0.53%	2016	31.8%	3.09%	-1.61%
2	6.80%	7.30%	0.93	2.46%	2.29%	-29.99%	2016	39.7%	3.42%	-5.65%
3										
4	6.80%	7.30%	0.93	1.69%	1.57%	8.10%	2017	31.8%	2.99%	-1.02%
5	6.80%	7.30%	0.93	2.34%	2.18%	-21.73%	2017	40.1%	3.16%	-3.54%
6										
7										
8										
9										
10										
11										
12										

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), $[A/B = C]$ against the Budget Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).

The total subsidy rate for the ineligible Stafford and PLUS Loans is $((E+F) + ((I+J) \times H))$.

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

Attachment A

Daniel Webster Program Review Report



June 11, 2012

Michael Diffily, Ph.D.
Daniel Webster College
President
20 University Drive
Nashua, New Hampshire

UPS Tracking #:
1Z A54 67Y 02 9235 4849

RE: **Program Review Report**
OPE ID: 00473100
PRCN: 2011-201-27427

Dear Dr. Diffily:

From February 14, 2011 through February 18, 2011, Edward Buckley and Gary Caramanis as representatives of the U.S. Department of Education conducted a review of Daniel Webster College's (DWC) 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. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by DWC. The response should include a brief, written narrative for each finding that clearly states Daniel Webster College's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, DWC must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination --
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

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The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by DWC upon request. Copies of the program review report, the institution's response, 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 the FPRD is issued.

The institution's response should be sent directly to Mr. Edward Buckley of this office within 30 calendar days of receipt of this letter.

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).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Mr. Edward Buckley at 617-289-0132 or edward.buckley@ed.gov.

Sincerely,

(b)(6)

Tracy M. Nave
Compliance Manager

cc: Anne-Marie Caruso, Director of Financial Aid Administrator

Enclosure:
Protection of Personally Identifiable Information

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A. Institutional Information

Daniel Webster College
20 University Drive
Nashua, New Hampshire

Type: Proprietary

Highest Level of Offering: Masters Degree

Accrediting Agency: New England Association of Schools and Colleges

Current Student Enrollment: 800 (2010-2011)

% of Students Receiving Title IV: 85% (2010 -2011)

Title IV Participation:

	<u>2009/2010</u>
Federal Pell Grant	\$ 839,634
Smart Grant	\$ 49,825
FSEOG	\$ 103,959
Perkins Loan	\$ 59,000
Federal Work Study	\$ 166,493
FDLP Stafford Subsidized:	\$2,657,485
FDLP Stafford Unsubsidized:	\$1,970,400
FDLP PLUS Loan:	<u>\$4,779,678</u>
Total:	\$10,674,474

Default Rate FFEL/DL: 2009 – 3.6%
 2008 – 3.5%
 2007 – 2.7%

Default Rate Perkins: 2010 – 22.9%
 2009 – 22.1%
 2008 – 16.7%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Daniel Webster College (DWC) from February 14, 2011 to February 18, 2011. The review was conducted by Edward Buckley and Gary Caramanis.

The focus of the review was distance education and increased funding levels. The review consisted of an examination of DWC's student financial aid files, student academic transcripts and bursar student files.

A sample of 15 files was identified for review from the 2009-2010 and 2010-2011 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning DWC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve DWC 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 DWC to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Untimely Federal Supplemental Educational Opportunity Grant Match

Citation: 34 CFR 676.21 of the Federal Supplemental Educational Opportunity Grant (FSEOG) Program states, in part, that the Federal share of the FSEOG awards made by an institution may not exceed 75% of the amount of FSEOG awards made by that institution. The non-Federal share of FSEOG awards must be made from the institution's own resources, which include for this purpose: (1) Institutional grants and scholarships; (2) Tuition or fee waivers; (3) State scholarships; and (4) Foundation or other charitable organization funds.

The "Blue Book," page 2-192 stipulates, in part, that the amount of funds drawn down represents the Federal share only. The school must deposit institutional matching funds (25%) at the same time the Federal funds are deposited into the account from which Campus-Based awards will be made.

Noncompliance: DWC failed to match the institutional share of FSEOG awards timely for both the 2009/10 and 2010/11 award years. Although the institution eventually deposited its share into the fund and awarded the funds to students, the match was not made timely. For both award years, the match was made during the second payment period of the respective award year.

The following represents the 2009/2010 FSEOG drawdowns and date of the institutional matching share:

<u>Drawdown Amount</u>	<u>Drawdown Date</u>	<u>DWC Match Date</u>
\$35,800	9/04/2009	01/25/2010
\$10,950	9/14/2009	01/25/2010
\$3,350	10/14/2009	01/25/2010
\$750	10/15/2009	01/25/2010
\$259	11/09/2009	01/25/2010
\$700	11/24/2009	01/25/2010

The following represents the 2010/2011 FSEOG drawdowns and date of the institutional matching share:

\$44,250	08/26/2010	01/13/2011
\$8,850	09/21/2010	01/13/2011

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Required Action: DWC management explained that its failure to deposit the institutional matching share at the same time as the Federal drawdown occurred during and following the purchase of the school by ITT Educational Services.

DWC must revise its policies and procedures to ensure that the institutional FSEOG matching share of 25% is deposited to the fund at the same time or earlier than the date of the drawdown. DWC must provide a copy of its revised policies and procedures with its response to this report.

Finding 2: Ineligible Program

Citation: 34 C.F.R. § 668.8(d) stipulates that in order for an educational program offered at a proprietary institution of higher education to be eligible for Title IV, it must provide undergraduate training that prepares a student for gainful employment in a recognized occupation.

Noncompliance: On June 11, 2009, DWC was purchased by ITT Educational Services, Inc. The institution became a proprietary institution on this date. The institution had an Associate of Arts in General Study's program that was eligible for Title IV funding before the purchase because DWC was a private nonprofit institution. However, the program became ineligible once the change in ownership took place. Consequently, students enrolled in the General Studies program were not eligible for Title IV funds as of the date of the change in ownership.

Required Action: School officials provided the reviewers with a preliminary list of students who received Title IV funds on or after June 11, 2009. In its response to this report, DWC must provide a complete list of all students who were enrolled in the General Studies program and who also received Title IV funds on or after June 11, 2009. This list must include all Title IV funds received by each student as well as a breakdown of the program specific funds by award year.

Please note that if DWC continued to provide education in the formerly eligible program until the end of the payment period or enrollment period in which the program lost eligibility, DWC may have used the FSA funds in its possession to:

- Satisfy unpaid Pell Grant or Campus-Based program commitments made to students for that payment period or previously completed payment periods before the program became ineligible.
- Use the FSA funds in its possession to satisfy unpaid Direct Loan commitments made to students for that period of enrollment before the program became ineligible by delivering subsequent Direct Loan disbursements to the students or by crediting them to their accounts (if the first disbursement already was delivered or credited to the students' accounts before the program became ineligible).

With its response, DWC must indicate if any of the disbursements made to students who were enrolled after June 11, 2009 and who also received Title IV fell into one of the aforementioned categories. If a disbursement fell into one of these categories, please provide documentation which clearly indicates that the disbursement was eligible.

Depending on DWC's response, a liability may be assessed when the Final Program Determination Letter is issued.