



February 3, 2015

Dr. Dan Peterson  
Chancellor  
Daymar College  
2401 New Hartford Road  
Owensboro, KY 42303-1312

*UPS Tracking # 1ZA879640290110249*

**RE: Final Program Review Determination**  
**OPE ID: 00931300**  
**PRCN: 201110727395**

Dear Chancellor Peterson:

The U.S. Department of Education's (Department's) School Participation Division—Kansas City issued a program review report on July 6, 2011, covering Daymar College's (Daymar) 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. Daymar's final response was received on April 4, 2012. A copy of the program review report (and related attachments) and Daymar's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Daymar 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) close the review.

The total liabilities due from the institution from this program review are **\$211,361.61**.

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

**Federal Student Aid**

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

School Participation Division – Kansas City

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

StudentAid.gov

**Protection of Personally Identifiable Information (PII):**

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendices B, C, and F also contain PII.

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the July 6, 2011, program review report. If Daymar 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 Daymar receives this FPRD. An original and four copies of the information Daymar 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

Daymar'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 Daymar'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 Ms. Kathy Feith at (816) 268-0406. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Ralph A. LoBosco  
Division Director

Enclosure:

Protection of Personally Identifiable Information  
Program Review Report (and appendices)  
Final Program Review Determination Report (and appendices)

cc: Ms. Endora Todd, Executive Director of Financial Services  
Sarah Levy, Kentucky Council on Postsecondary Education  
Accrediting Council for Independent Colleges and Schools (ACICS)  
Kentucky Higher Education Assistance Authority  
Department of Defense  
Department of Veterans Affairs  
Consumer Financial Protection Bureau

## **PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION**

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

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

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.

Prepared for

**Daymar College**

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

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the AMERICAN MIND™

**OPE ID** 00931300  
**PRCN** 201110727395

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

# Final Program Review Determination February 3, 2015

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**A. Institutional Information**

Daymar College  
3361 Buckland Square  
Owensboro, KY 42301-5830

Type: Proprietary

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 2,384 (2010-2011)

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

Title IV Participation:

	<u>2009-2010 Award Year</u>
Federal Pell Grant	\$10,225,997
Federal Supplemental Education Opportunity Grant	\$127,533
Academic Competitiveness Grant	\$250
Federal Work-Study Program	\$98,440
Federal Family Education Loan Program (FFEL)	
FFEL Federal Stafford Subsidized Loan	\$9,390,000
FFEL Federal Stafford Unsubsidized Loan	\$12,221,310
FFEL Parent Loan for Undergraduate Students	\$130,235
William D. Ford Federal Direct Loan Program (Direct Loan)	
Federal Stafford Subsidized Direct Loan	\$6,473
Federal Stafford Unsubsidized Direct Loan	\$8,020
Parent (Direct) Loan for Undergraduate Students	\$2,510
Total	\$32,210,768

Default Rate FFEL/DL:	FY2011	24.1%
	FY2010	23.6%
	FY2009	29.5%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Daymar College (Daymar) from December 6, 2010 to December 10, 2010. The review was conducted by Bill Hudson, Lisa Hoskins, Knovelrhea Rogers, and Christopher Thompson.

The focus of the review was to evaluate the Title IV eligibility of both Daymar's distance education program offerings as well as individual students' eligibility. The review consisted of, but was not limited to, an examination of Daymar's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, consumer information disclosures and the institution's fiscal records.

A sample of 30 files was identified for review from the 2009-10 and 2010-11 (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. In addition, 30 files were selected based on Daymar's audit findings related to errors in Return to Title IV calculations. Appendix A and B lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report (PRR) was issued on July 6, 2011.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Daymar'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 Daymar 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**

Findings 2, 4, 5, 6, 7, 8, and 9

Daymar has taken the corrective actions necessary to resolve findings 2, 4, 5, 7, 8, and 9 of the PRR. Therefore, these findings may be considered closed. A copy of Daymar's response to the PRR is attached in Appendix D. Findings requiring further action by Daymar are discussed below.

### **Findings with Final Determinations**

The PRR findings requiring further action are summarized below. At the conclusion of each finding is a summary of Daymar's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on July 6, 2011, is attached.

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

#### ***Finding 1: Enrollment Not Verified Prior to Disbursement***

***Citation Summary:*** *An institution must have a method by which to determine that a student commenced attendance in the educational coursework for which he or she is paid Title IV, HEA funds. For Federal Pell Grant recipients, if a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution must recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. C.F.R. §690.80(b)(2)(ii). In the case of FFEL recipients, the student must be able to document that the student attended enough classes to support an enrollment status as at least a half-time student. C.F.R. §668.32(a)(2). For students receiving funds from one of the campus-based programs, the recipient must have attended at least one course. C.F.R. §668.32(a)(1).*

***Noncompliance Summary:*** *In 16 instances, Daymar disbursed Title IV aid to students who never attended in the specific quarter for which the aid was disbursed.*

***Student #1:*** *On 6/21/10, Daymar disbursed \$1,378.07 in Federal Stafford Unsubsidized Loan, \$1,160.17 in Federal Stafford Subsidized Loan and \$610.96 in an additional disbursement of Federal Stafford Unsubsidized Loan for the Summer 2010 term. The*

*student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all aid to the Department on 7/16/10.*

*Student #12: On 9/20/10, Daymar disbursed \$1,823.83 in Federal Stafford Subsidized Loan and \$1,839.75 in Federal Stafford Unsubsidized Loan for the Fall 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all aid to the Department on 9/28/10.*

*Student #15: On 3/29/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan and \$1,275.59 in Federal Stafford Unsubsidized Loan for the Summer 2010 term. Later, on 4/1/10, they disbursed \$1,783 in Federal Pell Grant funds to the student's account. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 4/22/10 and returned the full Pell Grant amount on 4/27/10.*

*Student #31: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan, \$836.79 in Federal Stafford Unsubsidized Loan and another disbursement of \$157.21 in Federal Stafford Unsubsidized Loan on 6/21/10 for the Summer 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 7/20/10*

*Student #33: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 1/5/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan, \$662.67 in Federal Stafford Unsubsidized Loan for the Winter 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 1/13/10*

*Student #34/#49: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan, \$1,664.63 in Federal Stafford Unsubsidized Loan and an additional disbursement of \$325.36 in Federal Stafford Unsubsidized Loan for the Summer 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 7/14/10.*

*Student #38: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 3/29/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan, \$1,371.11 in Federal Stafford Unsubsidized Loan for the Spring 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 4/22/10.*

Student #40: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 9/21/09, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan and \$1,990 in Federal Stafford Unsubsidized Loan for the Fall 2009 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 10/9/09.

Student #41: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 9/22/08, Daymar disbursed \$1,154.34 in Federal Stafford Subsidized Loan, \$1188 in Federal Stafford Unsubsidized Loan for the Fall 2008 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 10/7/08.

Student #45: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 9/22/10, Daymar disbursed \$1,850 in Federal Pell Grant and, on 9/23/10, \$1,162 in Federal Stafford Subsidized Loan and \$1990 in Federal Stafford Unsubsidized Loan for the Fall 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 9/28/10 and the Federal Pell Grant on 10/15/10.

Student #47: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,492.50 in Federal Stafford Subsidized Loan and \$1,512.40 in Federal Stafford Unsubsidized Loan and, on 6/29/10, \$1,784 in Federal Pell Grant for the Summer 2010 term. The student's account ledger and transcript show that he was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 9/16/10 and the Federal Pell Grant on 9/9/10.

On 9/20/10, Daymar disbursed \$1,492.50 in Federal Stafford Subsidized Loan and \$1,512.40 in Federal Stafford Unsubsidized Loan for the Fall 2010 term. The student's account ledger and transcript show that he was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 9/28/10.

Student #51: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 9/22/10, Daymar disbursed \$1,850 in Federal Pell Grant and, on 9/23/10, \$1,162 in Federal Stafford Subsidized Loan and \$1,990 in Federal Stafford Unsubsidized Loan for the Fall 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 10/7/10 and returned the Federal Pell Grant on 10/15/10.

*Student #52: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan and \$1,805.92 in Federal Stafford Unsubsidized Loan for the Summer 2010 term. Later, on 6/29/10, they disbursed \$1,784 in Federal Pell Grant funds to the student's account. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 7/20/10 and returned the full Pell Grant amount on 8/19/10. Additionally, Daymar made a second disbursement of \$1,784 in Federal Pell Grant funds to the student's account on 9/2/10 without any additional activity on the ledger, but returned the funds on 9/9/10 in-full.*

*Student #53: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan and \$1,990 in Federal Stafford Unsubsidized Loan and, on 6/29/10, disbursed \$1,433 in Federal Pell Grant for the Summer 2010 term. The student's account ledger and transcript show that he was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 7/20/10 and returned the Federal Pell Grant on 8/19/10. Additionally, Daymar made a second disbursement of \$1,433 in Federal Pell Grant funds to the student's account on 9/2/10 without any additional activity on the ledger, but returned the funds on 9/9/10 in-full.*

*Student #58: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/19/10, Daymar disbursed \$1,160 in Federal Stafford Subsidized Loan and \$1,328 in Federal Stafford Unsubsidized Loan on 6/19/10. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 7/22/09.*

***Required Action Summary:*** Daymar was required to perform a file review of all Title IV, HEA recipients for the 2009-10 and 2010-11 award years to identify students who did not complete at least one registered course in any term within the respective award years. For any student who failed to complete at least one registered course in any term, but received Title IV aid in that term, Daymar was required to provide the requested information in spreadsheet format, along with the required hard copy documentation detailed in the PRR requirements.

Daymar was required to engage an Independent Public Accountant (IPA) to test the completed file review. The IPA was required to develop a set of procedures designed for testing the accuracy and completeness of the file review and provide the suggested procedures to the lead program reviewer, Mr. Hudson within 30 days of the institution's receipt of this PRR for review. After the procedures were confirmed, the IPA was required to apply the Agreed Upon Procedures to test the file reviews completed by Daymar, and prepare a report including any exceptions noted during its testing. The IPA

*was required to prepare the report in accordance with the AICPA Attestations Standards. The IPA's report was to be submitted with Daymar's response to the PRR.*

**Daymar's Response:** Daymar disagreed with the Department's assertion in the PRR that the institution failed to obtain appropriate confirmation of attendance prior to the disbursement of funds. Daymar stated that it has employed a third party servicer, Global Financial Aid Services, to assist in the disbursement process. Daymar stated that Global requires the institution to provide an academic electronic extracted attendance roster prior to disbursement. As part of the program review requirements, Daymar stated that it reviewed the students cited in the PRR and was able to identify proof of attendance for Students 45, 47, 51, 52, and 53 as demonstrated in Daymar's exhibit, Appendix A. In the other instances cited, Daymar concurred with the Department that it lacked positive confirmation of attendance prior to disbursement of Title IV, HEA funds for Students 1, 12, 15, 31, 33, 34/49, 38, 40, and 41. To ensure attendance is confirmed in the future, Daymar claimed that it implemented a 14 day Attendance and Withdrawal policy; a copy of the policy was included as part of the response to the PRR.

To comply with the requirements in Finding 1, Daymar engaged an IPA to complete a comprehensive file reconstruction for all Title IV recipients for the 2009-2010 and 2010-2011 award years. The results of the file reconstruction were included as part of Daymar's response.

**Final Determination:** The Department reviewed Daymar's response and the applicable documents submitted. Additionally, program reviewers examined the revised procedures implemented by Daymar to ensure attendance is properly confirmed in the future.

Based on the auditor attestation submitted with Daymar's response to this finding, the Department has established liabilities for those students identified in the file reconstruction in which the institution did not properly verify that students had begun attendance in all coursework in which Title IV, HEA funds were disbursed. The total liabilities established as a result of Daymar's failure to properly confirm attendance is **\$159,260.61**. The liabilities are established by program as follows:

- ***\$83,253.61.00 in Federal Pell Grant funds;***
- ***\$14,791.00 in FFEL Subsidized Stafford Loan funds;***
- ***\$24,953.00 in FFEL Unsubsidized Stafford Loan funds;***
- ***\$13,760.00 in Direct Subsidized Stafford Loan funds; and***
- ***\$22,503.00 in Direct Unsubsidized Stafford Loan funds***

Student specific liabilities are outlined in Appendix A, B, C, and F.

Daymar is also responsible for the cost of funds associated with the failure to ensure attendance was properly documented and confirmed. The cost of funds liability due to the Department as a result of the holding of Federal Pell Grant funds is \$1,201.00

(\$1,200.70, rounded). The cost of funds liability due to the Department/Lender as a result of the holding of Federal Direct and FFEL Loan funds is \$3,011.00 (\$3,011.23, rounded). The interest charges were computed using the cost of funds for Federal Pell Grants and Direct Loans published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. A copy of the results of the cost of funds calculations is included as Appendix F.

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

***Finding 3: Return of Title IV Funds Not Made***

***Citation Summary:*** Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent Federal regulations. 34 C.F.R. § 668.22. Specifically, regulations require an institution to calculate and return Title IV refunds no later than 45 days after the date of determination that the student withdrew. 34 C.F.R. §668.22(j).

*The percentage of Title IV grant or loan assistance that has been earned by the student is 100 percent, if the student's withdrawal date occurs after completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours. 34 C.F.R. §668.22(e)(2)*

*If the student withdrew from the institution during a payment period or period of enrollment, the institution must make any post-withdrawal disbursement required under §668.22(a)(4) in accordance with the provisions of §668.22(a)(5). 34 C.F.R. §668.164. The regulation stipulates that an institution must disburse any eligible grant funds within 45 days of the institution's date of determination of withdrawal and must notify the student in writing of eligibility for a post-withdrawal disbursement of loan(s) within 30 days of the date of determination. 34 C.F.R. §668.22(a)(5).*

***Noncompliance Summary:*** Daymar failed to make the necessary returns for 2 students who withdrew in a term.

***Student #30:*** In the Fall 2010 term, Daymar's records indicate that the student completely withdrew from courses on 10/17/10. Daymar completed the Return calculation on 10/28/10 and determined that they owed \$3,106.00 to the Department (\$1,944.00 in Stafford Unsubsidized Loan, \$1,162.00 in Stafford Subsidized Loan and \$516.84 in Federal Pell Grant funds). Daymar returned the loans in-full on 11/5/10. As

*of the time of the review, the student's ledger does not reflect a return to the Department for the amount Daymar calculated was owed in Federal Pell Grant.*

*Student #47: In the Spring 2010 term, Daymar's records indicate that the student completely withdrew from courses on 5/16/10. Daymar completed the Return calculation on 10/7/10 and determined that they owed \$2,198.51 to the Department (\$1,512.40 in Stafford Unsubsidized Loan and \$686.11 in Stafford Subsidized Loan). As of the time of the review, the student's ledger does not reflect a return to the Department for the amount Daymar calculated was owed to the Title IV programs.*

*This student is also cited in Finding 2.*

**Required Action Summary:** *The Department issued a Final Audit Determination letter to Daymar on 12/22/10, which cited a number of Return to Title IV errors. The rate of errors reported in the audit would have required Daymar to perform a file review. However, the Department determined that since Return issues were found during the course of the program review, the PRR would address the matter.*

*In response to this report, Daymar was required to review the records of all Title IV recipients who withdrew in the 2009-10 and 2010-11 award years and identify all Returns of Title IV Funds that were not made, made late, were incorrectly calculated, or included post-withdrawal disbursements that were either made late or were handled in a manner that was inconsistent with Department regulations. For any student who had a noncompliant Return, Daymar was required to provide the information in spreadsheet format, along with the required hard copy documentation discussed in the PRR requirements.*

*Daymar was required to engage an IPA to test the completed file review. The IPA was to develop a set of procedures designed for testing the accuracy and completeness of the file review and provide the suggested procedures to Mr. Hudson within 30 days of the institution's receipt of the PRR. The IPA was required to apply the Agreed Upon Procedures to test the file reviews completed by Daymar, and prepare a report including any exceptions noted during its testing. The exceptions were to be detailed and identified for all file review elements as specified in the finding requirement as presented in the PRR. The IPA was required to prepare the report in accordance with the AICPA Attestation Standards. The IPA's report was to be submitted with Daymar's response to the PRR.*

**Daymar's Response:** *Daymar concurred with the Department regarding the two students cited in the PRR who withdrew without a Return calculation being performed. To comply with the requirements in Finding 3, Daymar engaged an IPA to complete a file reconstruction for all Title IV, HEA recipients during the 2009-2010 and 2010-2011 award years who withdrew to establish whether Return calculations were completed. The results of the file reconstruction were included as part of Daymar's response.*

Additionally, Daymar indicated they revised their Return of Title IV policies and procedures in an effort to comply with Department regulations. As part of the revised procedures, Daymar stated that it has implemented a quality assurance review of all Return calculations completed to identify whether the information used in the process is accurate. In addition, to foster communication between the campus and student exit departments, Daymar stated that it has instituted an Attendance and Withdrawal policy to assist in correcting promptly any errors in the process.

**Final Determination:** The Department reviewed Daymar's response and the applicable documents submitted. Additionally, program reviewers examined the revised procedures that Daymar stated were implemented.

Based on the auditor attestation submitted with Daymar's response to this finding, the Department has established liabilities for those students identified in the file reconstruction performed by Daymar for the 2009-2010 and 2010-2011 award years in which the institution completed Return calculations. The total liabilities established as a result of Daymar's failure to properly Return Title IV, HEA funds for students who withdrew during a payment period is **\$48,683.00**. The liabilities are established by program as follows:

- ***\$16,700.00 in Federal Pell Grant funds;***
- ***\$6,876.00 in FFEL Subsidized Stafford Loan funds;***
- ***\$15,584.00 in FFEL Unsubsidized Stafford Loan funds;***
- ***\$1,197.00 in Direct Subsidized Stafford Loan funds; and***
- ***\$6,212.00 in Direct Unsubsidized Stafford Loan funds***

Student specific liabilities are outlined in Appendix A, B, C, and F.

Daymar is also responsible for the cost of funds associated with the failure to ensure funds which are required to be returned when students leave the institution are returned correctly and timely. The cost of funds liability due to the Department as a result of the holding of Federal Pell Grant funds is \$172.00 (\$172.40, *rounded*). The cost of funds liability due to the Lender/Service as a result of the holding of Federal Direct and FFEL Loan funds is \$1,148.00 (\$1,147.78, *rounded*). The interest charges were computed using the cost of funds for Federal Pell Grants and Direct Loans published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. A copy of the results of the cost of funds calculations is included in Appendix F.

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

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows. The liability amount in the chart below reflects unduplicated liabilities. This information is provided so that the institution understands the liabilities associated with each finding.

<b>Liabilities</b>	<b>Pell (Closed Award Year)</b>	<b>DL / FFEL to LENDER</b>
Finding 1	\$83,253.61	\$76,007.00
Finding 3	\$16,700.00	\$29,869.00
<b>Subtotal</b>	\$99,953.61	\$105,876.00
Interest	\$1,373.00	\$4,159.00
<b>Subtotal</b>	\$101,326.61	\$110,035.00
<b>TOTAL</b>	\$101,326.61	\$110,035.00
<b>Payable To:</b>		
Department	<b>\$101,326.61</b>	
Lenders/Serviceers		<b>\$110,035.00</b>

## **E. Payment Instructions**

### **1. Liabilities Owed to the Department**

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

Daymar owes to the Department **\$101,326.61**. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. Daymar 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 Daymar's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

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

**Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable 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 applicable).**

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

#### **Terms of Payment**

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Daymar 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 Daymar'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, Daymar 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 Daymar from the Federal Government. **Daymar may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Daymar 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.

**3. Liabilities Owed to FFEL Lenders and the Department in the case of Direct Loans**

**Federal Family Education Loan (FFEL) Liabilities**

Findings: 1 and 3  
 Appendix: A, B, C, and F

FFEL		
Amount (Principal)	Amount (Interest to Servicer)	
\$62,204.00	\$3,937.00	
Total Principal	Total Interest	
<b>\$62,204.00</b>	<b>\$3,937.00</b>	

Daymar must pay the amount (principal and interest due to lender) above to the holders of the FFEL loans on behalf of the students identified in the appendices listed above. Daymar must issue an individual check to the loan holder for each student borrower for whom funds must be returned. Daymar must complete and include the Federal Direct/FFEL Student Loan Liability Roster and corresponding letter from Appendix G

with the check(s) submitted to the loan holder. Appendix C lists each of the applicable students and the corresponding amount owed to the student's FFEL loan.

Daymar must access NSLDS to determine if the FFEL loans have been purchased and/or are serviced by the Department. See Chapter 4, Volume 4 (Returning funds from FFEL loans purchased/serviced by the Department) of the FSA Handbook for additional guidance.

The imputed interest due to the Department is included in the total amount due to the Department in Section 1 of the payment instructions above.

As proof of payment, a copy of the front and back of the canceled checks or proof of electronic transfer of the funds, and a copy of all Federal Direct/FFEL Student Loan Liability Rosters must be provided to Kathy Feith within 45 days of the date of this letter, for each student loan borrower for whom funds were returned.

Daymar must notify all borrowers in writing regarding payments made on their behalf. This notice must include the amount and date of the payments made.

**If any checks are returned to your school from a loan holder, please contact Kathy Feith.**

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

**Direct Loan Archived Award Years**

**Findings: 1 and 3**

**Appendices: A, B, C, and F**

Daymar must repay the following Direct Loan liabilities:

<b>Direct Loan Archived Award Years</b>	
<b>Amount (Principal)</b>	<b>Amount (Interest to Servicer)</b>
\$43,672.00	\$222.00
<b>Total Principal</b>	<b>Total Interest</b>
<b>\$43,672.00</b>	<b>\$222.00</b>

Daymar must pay the principal amount identified above to the servicer of the Direct Loans on behalf of the students identified in Appendices A, B, C, and F. Appendix C lists each of the applicable students and the corresponding amount owed. Daymar must access NSLDS to determine the student's current Direct Loan Servicer. Once Daymar has identified the correct servicer, payments should be made directly to the applicable Direct Loan Servicer payment address. Daymar must issue an individual check to the loan servicer for each student borrower for whom funds must be returned. The borrower name, Social Security Number, and Direct Loan Identifier must be noted on the face of the check to ensure correct processing of the payment amount. Daymar must complete and include the Federal Direct/FFEL Student Loan Liability Roster and corresponding letter from Appendix G with the check(s) submitted to the loan servicer.

The imputed interest liability amount identified above as due to the Servicer is included in Section 1 payment instructions.

As proof of payment, a copy of the front and back of the canceled checks, or proof of electronic transfer of funds, and a copy of all Federal Direct/FFEL Student Loan Liability Rosters must be provided to Kathy Feith within 45 days of the date of this letter, for each student loan borrower for whom funds were returned.

Daymar must notify all borrowers in writing regarding payments made on their behalf. This notice must include the amount and date of the payments made.

**If any checks are returned to your school from a loan holder, please contact Kathy Feith.**

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

**Pell Grant – Closed Award Year**

Findings: 1 and 3

Appendices: A, B, C, and F

Daymar must repay:

List each program by principal, interest, and award year on separate rows

Pell Grant Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$ 56,187.61	\$1,086.00	Pell Grant	2009-2010
\$ 41,127.00	\$236.00	Pell Grant	2010-2011
\$ 1,850.00	\$1.00	Pell Grant	2011-2012
<b>Total Principal</b>	<b>Total Interest</b>		
<b>\$99,164.61</b>	<b>\$1,323.00</b>		

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

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

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

**Pell Grant Funds – Cancelled Award Year**

Finding: 1

Appendices: A, B, C, and F

Daymar must repay:

Pell Grant Funds Cancelled Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$789.00	\$50.00	Pell Grant	2008-2009
<b>Total Principal</b>	<b>Total Interest</b>		
<b>\$789.00</b>	<b>\$50.00</b>		

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

Final Program Review Determination  
PRCN #: 201110727395

Appendix D  
Program Review Report

Daymar College  
OPE ID 00931300  
PRCN 201110727395

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START HERE:   
GO FURTHER:   
FEDERAL STUDENT AID™

Prepared for

**Daymar College**

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OPE ID 00931300

PRCN 201110727395

Prepared by

**U.S. Department of Education**

**Federal Student Aid**

**School Participation Team – Kansas City**

# Program Review Report

July 6, 2011

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**A. Institutional Information**

Daymar College  
3361 Buckland Square  
Owensboro, KY 42301-5830

Type: Proprietary

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 2,384 (2010-2011)

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

Title IV Participation:

	<u>2009-2010 Award Year</u>
Federal Pell Grant	\$10,225,997
Federal Supplemental Education Opportunity Grant	\$127,533
Academic Competitiveness Grant	\$250
Federal Work-Study Program	\$98,440
Federal Family Education Loan Program (FFEL)	
FFEL Federal Stafford Subsidized Loan	\$9,390,000
FFEL Federal Stafford Unsubsidized Loan	\$12,221,310
FFEL Parent Loan for Undergraduate Students	\$130,235
William D. Ford Federal Direct Loan Program (Direct Loan)	
Federal Stafford Subsidized Direct Loan	\$6,473
Federal Stafford Unsubsidized Direct Loan	\$8,020
Parent (Direct) Loan for Undergraduate Students	\$2,510
Total	\$32,210,768

Default Rate FFEL/DL:	FY2008	16.5%
	FY2007	18.8%
	FY2006	11.8%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Daymar College (Daymar) from December 6, 2010 to December 10, 2010. The review was conducted by Bill Hudson, Lisa Hoskins, Knovelrhea Rogers and Christopher Thompson.

The focus of the review was to ensure Title IV eligibility of both Daymar's distance education program offerings as well as the individual students' eligibility. The review consisted of, but was not limited to, an examination of Daymar's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, consumer information disclosures and the institution's fiscal records.

A sample of 30 files was identified for review from the 2009-10 and 2010-11 (year to date) award. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 30 files were selected based on Daymar's audit findings related to errors in Return to Title IV calculations. 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 Daymar'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 Daymar 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 Daymar to bring operations of the financial aid programs into compliance with the statutes and regulations.

**Finding 1: Enrollment Not Verified Prior to Disbursement**

**Citation:** An institution must have a method by which to determine that a student commenced attendance in the educational coursework for which he or she is paid Title IV, HEA funds. For Federal Pell Grant recipients, if a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution must recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. C.F.R. §690.80(b)(2)(ii). In the case of FFEL recipients, the student must be able to document that the student attended enough classes to support an enrollment status as at least a half-time student. C.F.R. §668.32(a)(2). For students receiving funds from one of the campus-based programs, the recipient must have attended at least one course. C.F.R. §668.32(a)(1).

**Noncompliance:** In 16 instances, Daymar disbursed Title IV aid to students who never attended in the specific quarter for which the aid was disbursed.

Student #1: On 6/21/10, Daymar disbursed \$1,378.07 in Federal Stafford Unsubsidized Loan, \$1,160.17 in Federal Stafford Subsidized Loan and \$610.96 in an additional disbursement of Federal Stafford Unsubsidized Loan for the Summer 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all aid to the Department on 7/16/10.

Student #12: On 9/20/10, Daymar disbursed \$1,823.83 in Federal Stafford Subsidized Loan and \$1,839.75 in Federal Stafford Unsubsidized Loan for the Fall 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all aid to the Department on 9/28/10.

Student #15: On 3/29/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan and \$1,275.59 in Federal Stafford Unsubsidized Loan for the Summer 2010 term. Later, on 4/1/10, they disbursed \$1,783 in Federal Pell Grant funds to the student's account. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 4/22/10 and returned the full Pell Grant amount on 4/27/10.

Student #31: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan, \$836.79 in Federal Stafford Unsubsidized Loan and another disbursement of \$157.21 in Federal Stafford Unsubsidized Loan on 6/21/10 for the Summer 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 7/20/10

Student #33: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 1/5/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan, \$662.67 in Federal Stafford Unsubsidized Loan for the Winter 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 1/13/10

Student #34/#49: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan, \$1,664.63 in Federal Stafford Unsubsidized Loan and an additional disbursement of \$325.36 in Federal Stafford Unsubsidized Loan for the Summer 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 7/14/10.

Student #38: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 3/29/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan, \$1,371.11 in Federal Stafford Unsubsidized Loan for the Spring 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 4/22/10.

Student #40: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 9/21/09, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan and \$1,990 in Federal Stafford Unsubsidized Loan for the Fall 2009 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 10/9/09.

Student #41: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 9/22/08, Daymar disbursed \$1,154.34 in Federal Stafford Subsidized Loan, \$1188 in Federal Stafford Unsubsidized Loan for the Fall 2008 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 10/7/08.

Student #45: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 9/22/10, Daymar disbursed \$1,850 in Federal Pell Grant and, on 9/23/10, \$1,162 in Federal Stafford Subsidized Loan and \$1990 in Federal Stafford Unsubsidized Loan for the Fall 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 9/28/10 and the Federal Pell Grant on 10/15/10.

Student #47: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,492.50 in Federal Stafford Subsidized Loan and \$1,512.40 in Federal Stafford Unsubsidized Loan and, on 6/29/10, \$1,784 in Federal Pell Grant for the Summer 2010 term. The student's account ledger and transcript show that he was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 9/16/10 and the Federal Pell Grant on 9/9/10.

On 9/20/10, Daymar disbursed \$1,492.50 in Federal Stafford Subsidized Loan and \$1,512.40 in Federal Stafford Unsubsidized Loan for the Fall 2010 term. The student's account ledger and transcript show that he was neither enrolled in courses nor billed for that quarter. Daymar returned all loans to the Department on 9/28/10.

Student #51: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 9/22/10, Daymar disbursed \$1,850 in Federal Pell Grant and, on 9/23/10, \$1,162 in Federal Stafford Subsidized Loan and \$1,990 in Federal Stafford Unsubsidized Loan for the Fall 2010 term. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 10/7/10 and returned the Federal Pell Grant on 10/15/10.

Student #52: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan and \$1,805.92 in Federal Stafford Unsubsidized Loan for the Summer 2010 term. Later, on 6/29/10, they disbursed \$1,784 in Federal Pell Grant funds to the student's account. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 7/20/10 and returned the full Pell Grant amount on 8/19/10. Additionally, Daymar made a second disbursement of \$1,784 in Federal Pell Grant funds to the student's account on 9/2/10 without any additional activity on the ledger, but returned the funds on 9/9/10 in-full.

Student #53: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/21/10, Daymar disbursed \$1,160.17 in Federal Stafford Subsidized Loan and \$1,990 in Federal Stafford Unsubsidized Loan and, on 6/29/10, disbursed \$1,433 in Federal Pell Grant for the Summer 2010 term. The student's account ledger and transcript show that he was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 7/20/10 and returned the Federal Pell Grant on 8/19/10. Additionally, Daymar made a second disbursement of \$1,433 in Federal Pell Grant funds to the student's account on 9/2/10 without any additional activity on the ledger, but returned the funds on 9/9/10 in-full.

Student #58: The student was selected as a part of the Return sample for the program review, but reviewers identified noncompliance related to this finding. On 6/19/10, Daymar disbursed \$1,160 in Federal Stafford Subsidized Loan and \$1,328 in Federal Stafford Unsubsidized Loan on 6/19/10. The student's account ledger and transcript show that she was neither enrolled in courses nor billed for that quarter. Daymar returned both loans to the Department on 7/22/09.

**Required Action:** Daymar must perform a file review of all Title IV recipients for the 2009-10 and 2010-11 award years to identify students who did not complete at least one registered course in any term (within the respective award years). For any student who failed to complete at least one registered course in any term, but received Title IV aid in that term, Daymar must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

1. A spreadsheet that contains the following information:
  - (a) Student's last and first name;
  - (b) Last four digits of student's SSN number;
  - (c) The award year;
  - (d) The Term/Quarter in which the student failed to attend;
  - (e) Enrollment status for each term;
  - (f) If applicable, number of credit hours in which the student enrolled;
  - (g) Indication whether the student's attendance for the term can be documented;
  - (h) The amount of each disbursement (organized by Title IV program);
  - (i) The date of each disbursement (organized by Title IV program);
  - (j) If applicable, the amount returned (organized by Title IV program);
  - (k) If applicable, the date the funds were repaid to the Department (organized by Title IV program).
  - (l) The amount still due to the Department that should have been returned, but has not yet been sent.
- (2) A copy of all pertinent student ledgers/account statements showing the Title IV disbursements and, if applicable, returned amounts;
- (3) Legible copies of all audit trail documentation (i.e. wire transfer records on bank statements, institutional drawdown and refund reports, screen prints of Common Origination and Disbursement [COD] screens with pertinent detail information) to support the return of the Title IV overpayments or ineligible disbursements to the Title IV accounts. The documentation must clearly identify the amount and date of the repayment for the Title IV recipient in question. If a Return was repaid to the Title IV programs by check, then a legible copy of the cancelled check, front and back, must be submitted.

The worksheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format; in the following manner (see example spreadsheet for full description of columns):

Last Name	First Name	SSN	Award Year	Documents Collected	Amount of Title IV Disbursed	Date of Disbursement	Amount of Title IV Returned	Date of Return
****	***	****	09/10	***	\$2,500	3/10/09	\$2,500	3/12/09
	“ “	“	“ “	“ “	“ “	“ “	“ “	

Daymar must engage an Independent Public Accountant (IPA) to test the completed file review. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Mr. Hudson within 30 days of the institution’s receipt of this PRR. Mr. Hudson will review the procedures, indicate if any changes are needed, and approve the procedures. The IPA must apply the Agreed Upon Procedures to test the file reviews completed by Daymar, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA must prepare the report in accordance with the AICPA Attestations Standards. The IPA’s report must be submitted with Daymar’s response to this PRR. These same procedures should also address any other file reviews required by this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

**Finding 2: Late Return of Title IV Funds Calculation**

**Citation:** Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student’s withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent Federal regulations. 34 C.F.R. § 668.22. Specifically, regulations require an institution to calculate and return Title IV refunds no later than 45 days after the date of determination that the student withdrew. 34 C.F.R. §668.22(j).

**Noncompliance:** In two instances, Daymar performed the Return calculation later than the 45-day regulatory timeframe.

Student #47: In the Spring 2010 term, Daymar's records indicate that the student completely withdrew from courses on 5/16/10. Daymar completed the Return calculation on 10/7/10 and determined that they owed \$2,198.51 to the Department (\$1,512.40 in Stafford Unsubsidized Loan funds and \$686.11 in Stafford Subsidized Loan funds). The calculation was performed 74 days late.

This student is also cited in Finding 3.

Student #54: In the Summer 2010 term, Daymar's records indicate that the student completely withdrew from courses on 7/4/10. Daymar completed the Return calculation on 8/23/10 and determined that the student was owed a Post-Withdrawal Disbursement of \$39.69. Daymar disbursed \$39 in Federal Pell Grant funds to the student's account on 9/9/10. The calculation was performed 12 days late.

**Required Action:** Daymar will be required to perform a file review of all Returns performed in the 2009-10 and 2010-11 award years. Refer to the Required Action for Finding 3 for additional instructions.

### **Finding 3: Return of Title IV Funds Not Made**

**Citation:** Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent Federal regulations. 34 C.F.R. § 668.22. Specifically, regulations require an institution to calculate and return Title IV refunds no later than 45 days after the date of determination that the student withdrew. 34 C.F.R. §668.22(j).

The percentage of Title IV grant or loan assistance that has been earned by the student is 100 percent, if the student's withdrawal date occurs after completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours. 34 C.F.R. §668.22(e)(2)

If the student withdrew from the institution during a payment period or period of enrollment, the institution must make any post-withdrawal disbursement required under §668.22(a)(4) in accordance with the provisions of §668.22(a)(5). 34 C.F.R. §668.164. The regulation stipulates that an institution must disburse any eligible grant funds within 45 days of the institution's date of determination of withdrawal and must notify the student in writing of eligibility for a post-withdrawal disbursement of loan(s) within 30 days of the date of determination. 34 C.F.R. §668.22(a)(5).

**Noncompliance:** Daymar failed to make the necessary returns for 2 students who withdrew in a term.

Student #30: In the Fall 2010 term, Daymar's records indicate that the student completely withdrew from courses on 10/17/10. Daymar completed the Return calculation on 10/28/10 and determined that they owed \$3,106.00 to the Department (\$1,944.00 in Stafford Unsubsidized Loan, \$1,162.00 in Stafford Subsidized Loan and \$516.84 in Federal Pell Grant funds). Daymar returned the loans in-full on 11/5/10. As of the time of the review, the student's ledger does not reflect a return to the Department for the amount Daymar calculated was owed in Federal Pell Grant.

Student #47: In the Spring 2010 term, Daymar's records indicate that the student completely withdrew from courses on 5/16/10. Daymar completed the Return calculation on 10/7/10 and determined that they owed \$2,198.51 to the Department (\$1,512.40 in Stafford Unsubsidized Loan and \$686.11 in Stafford Subsidized Loan). As of the time of the review, the student's ledger does not reflect a return to the Department for the amount Daymar calculated was owed to the Title IV programs.

This student is also cited in Finding 2.

**Required Action:** The Department issued a Final Audit Determination letter to Daymar on 12/22/10, which cited a number of Return to Title IV errors. The rate of error reported in the audit would have required Daymar to perform a file review. However, the Department determined that since Return issues were found during the course of the program review, this Program Review Report would address the matter.

In response to this report, Daymar must review the records of all Title IV recipients who withdrew in the 2009-10 and 2010-11 award years and identify all Returns of Title IV Funds that were not made, made late, were incorrectly calculated, or included post-withdrawal disbursements that were either made late or were handled in a manner that was inconsistent with Departmental regulations. For any student who had a noncompliant Return, Daymar must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

1. A spreadsheet that contains, for each noncompliant Return to Title IV, the following information:
  - (a) Student's last and first name;
  - (b) Last four digits of student's SSN number;
  - (c) The award year;
  - (d) Last Date of Attendance;
  - (e) Date of Daymar's withdrawal determination;
  - (f) Date of Daymar's Return of Title IV Funds calculation;
  - (g) The amount of each disbursement (organized by Title IV program);
  - (h) The date of each disbursement (organized by Title IV program);

- (i) If applicable, the amount returned (organized by Title IV program);
  - (j) If applicable, the date the funds were repaid to the Department (organized by Title IV program).
  - (k) Number of days late, if applicable (organized by Title IV program);
  - (l) Amount of original Title IV post-withdrawal disbursement paid (organized by Title IV program), if applicable;
  - (m) Additional amount of Return of Title IV Funds due to Federal account (organized by Title IV program); and
  - (n) Additional amount of Title IV post-withdrawal disbursement to be paid (organized by Title IV program), if applicable.
1. Copy of the original Return of Title IV Funds calculation;
  2. Legible copies, front and back, of all checks employed to return Title IV funds to the Federal account;
  3. Legible copies, front and back, of all checks employed to pay a post-withdrawal disbursement to the student (or parent), if applicable;
  4. Copies of all notices and other correspondence with student and/or parent supporting either the payment or the non-payment of a Title IV post-withdrawal disbursement, if applicable;
  5. Legible copy of student's original account card;
  6. Corrected Return of Title IV Funds calculation, if applicable;

The worksheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format; in the following manner (see example spreadsheet for full description of columns):

Last Name	First Name	SSN	Award Year	Documents Collected	Amount of Title IV Disbursed	Date of Disbursement	Amount of Title IV Returned	Date of Return
****	***	*****	09/10	***	\$2,500	3/10/09	\$2,500	3/12/09
	“ “	“	“ “	“ “	“ “	“ “	“ “	

Daymar must engage an Independent Public Accountant (IPA) to test the completed file review. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Mr. Hudson within 30 days of the institution's receipt of this PRR. Mr. Hudson will review the procedures, indicate if any changes are needed, and approve the procedures. The IPA must apply the Agreed Upon Procedures to test the file reviews completed by Daymar, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA must prepare the report in accordance with the AICPA Attestations Standards. The IPA's report must

be submitted with Daymar's response to this PRR. These same procedures should also address any other file reviews required by this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

#### **Finding 4: Verification Violations/Conflicting Information**

**Citation:** The purpose of verification is to ensure accuracy in determining a student's eligibility. An institution is responsible for resolving conflicting information related to a student's application for federal student aid. There are five required data elements that must be verified: (1) household size (2) number enrolled in college, (3) adjusted gross income, (4) U.S. income tax paid and (5) other untaxed income and benefits. Supporting documentation collected from the student/parents is compared to the information that was reported on the student's Institutional Student Information Record (ISIR). Verification documentation collected must be retained in the student file as evidence that the process was completed. 34 C.F.R. § 668.16(f); FSA Application Verification Guide.

**Noncompliance:** Daymar failed to resolve conflicting information for 2 students during the verification process.

Student #1 submitted a verification worksheet showing a household size of 4 (herself and 3 children). Her tax return shows her filing head of household with 2 dependents. The ISIR was updated to reflect the information provided on the verification worksheet. No additional documents accompanied to explain the difference.

Student #10 submitted a verification worksheet showing a household size of 5 (himself and 4 children). His tax return shows him filing single with no dependents. The ISIR was updated to reflect the information provided on the verification worksheet. No additional documents accompanied to explain the difference.

**Required Action:** Daymar must perform a file review of all Title IV recipients for the 2009-10 and 2010-11 award years to identify students selected for verification. For any student who was selected for verification in either (or both) of those award years, Daymar must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

1. Student's last and first name;
2. Last four digits of student's SSN number;
3. The award year;
4. The amount of each disbursement (organized by Title IV program);

5. The date of each disbursement (organized by Title IV program);
6. Indication of whether verification was completed for that student (Y/N)
7. Legible copy of student's original account card;
8. Legible copy of all transactions of the student's Institutional Student Aid Report(s) (ISIR); and
9. Legible copy of student's verification worksheet and all documentation used by Nwani's to complete the verification process.

Daymar should report all noncompliant students to the Department as shown in the example spreadsheet provided as an accompaniment to this report. The required information listed in items 7, 8 and 9 above must be presented in hard copy format.

If Daymar did not complete the verification process, it must attempt to now obtain the proper documentation to complete the process. If Daymar is unable to properly complete the verification process for the identified students, the institution will be liable for all Title IV aid disbursed to those students in the affected award year(s).

The worksheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format; in the following manner (see example spreadsheet for full description of columns):

Last Name	First Name	SSN	Award Year	Documents Collected	Amount of Title IV Disbursed	Date of Disbursement	Amount of Title IV Returned	Date of Return
****	***	****	09/10	***	\$2,500	3/10/09	\$2,500	3/12/09
	“ “	“	“ “	“ “	“ “	“ “	“ “	

Daymar must engage an Independent Public Accountant (IPA) to test the completed file review. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Mr. Hudson within 30 days of the institution's receipt of this PRR. Mr. Hudson will review the procedures, indicate if any changes are needed, and approve the procedures. The IPA must apply the Agreed Upon Procedures to test the file reviews completed by Daymar, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA must prepare the report in accordance with the AICPA Attestations Standards. The IPA's report must be submitted with Daymar's response to this PRR. These same procedures should also address any other file reviews required by this report.

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

will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

**Finding 5: Improperly Documented Dependency Overrides**

**Citation:** An individual who does not qualify as an independent student may be considered an "independent student" under section 480(d)(7) of the HEA if a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

The Department has interpreted the phrase "other unusual circumstances" to mean unusual circumstances that make it inappropriate to expect a parental contribution for the student. Section 480(d)(7) provides the financial aid administrator with great latitude in determining what constitutes unusual circumstances.

Third party written documentation supporting a student's unusual circumstances is generally required. However, there may be some instances where the only documentation available to the financial aid administrator is a statement by the student. In these limited cases, the student's statement must include the facts related to the student's unusual circumstances, and the institution must include any other pertinent facts in writing. HEA Sec. 480(d)(7); Dear Colleague Letter GEN-03-07; FSA Application and Verification Guide.

**Noncompliance:** During the entrance conference with the Financial Aid Office personnel, it was stated that Daymar's policy for granting Dependency Overrides was that the student had to apply in writing, have an unusual circumstance and provide uninterested, third party documentation of the unusual circumstances.

The students cited in this finding did not meet any of the criteria to make them automatically independent for the purposes of awarding Title IV aid. Daymar changed the student's status from dependent to independent without adequately documenting an appropriate reason, as required by the HEA. The listing below describes each student who was identified in the program review as an inappropriate dependency override.

Student #2: While reviewing the student's file, it was noted that Daymar's Dependency Override form stated that the file contained documentation that the student had been on her own since she was 13. It also said that the file contained statements to this fact by the student, boyfriend, coworker, and grandmother. Although the statements were in the file, none of them were from an uninterested third party.

Student #30: While reviewing the file, it was noted that Daymar's Dependency Override form stated that the file contained documentation that the student's father had passed away last year and that his mother had moved away. There was a letter from the student,

his fiancé, and his fiancé's mother stating the above. Although the statements were in the file, none of them were from an uninterested third party.

**Required Action:** In response to this finding, Daymar must submit a copy of its policy regarding dependency override determinations. Daymar must also revise its business practices to ensure that all DO's are performed in a timely manner and with a proper audit trail. A discussion of these revisions must accompany Daymar's response to this report.

#### **Finding 6: Excess Cash Balance Maintained**

**Citation:** The Secretary considers excess cash to be any amount of Title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution-

- Received those funds from the Secretary; or
- Deposited or transferred to its Federal account previously disbursed Title IV, HEA program funds received from the Secretary, such as those resulting from award adjustments, recoveries, or cancellations. 34 C.F.R. § 668.166

Upon finding that an institution maintains excess cash for any amount or timeframe over that allowed in regulation, the actions the Secretary may take include, but are not limited to-

- Requiring the institution to reimburse the Secretary for the costs the Secretary incurred in providing that excess cash to the institution; and
- Providing funds to the institution under the reimbursement payment method or cash monitoring payment method described in §668.163(d) and (e), respectively.

**Noncompliance:** In one instance, Daymar did not disburse Title IV aid to a student's account within the 3 day regulatory timeframe.

Student #7: On 2/16/10 Daymar disbursed \$1,783 in Federal Pell Grant to the student's account for the Winter 2010 term. The student was enrolled in and successfully completed 12 quarter credit hours for the term. The Department's COD system shows a disbursement date of 10/28/09 for the same amount, which is 109 days earlier than the date when the funds were actually disbursed to the student's account.

**Required Action:** Daymar must provide a written narrative describing the reason for the discrepant dates found in Student #7's records. Daymar must also review and revise their policy regarding monitoring disbursements to ensure timeliness in compliance with federal regulations and must submit a copy of this policy with its response.

**Finding 7: FFEL Delayed Delivery Requirement Not Met**

**Citation:** Institutions must delay the disbursements of Federal Stafford Loans to first-time borrowers. The earliest an institution may disburse the initial installment of a loan under the Direct Loan or FFEL programs to a first-year, first-time borrower as described in 34 C.F.R. §682.604(c) and 34 C.F.R. §685.303(b)(4) is 30 days after the first day of the student's program of study. 34 C.F.R. § 668.164(f)(3)

**Noncompliance:** Daymar failed to meet the required 30-day waiting period for first-time borrowers in 1 instance.

Student #10: On 3/1/10, Daymar disbursed \$1,162.16 in Federal Stafford Subsidized Loan and \$1,369.12 in Federal Stafford Unsubsidized Loan for the Winter 2010 term. Later, on 3/26/10, they disbursed \$145 in Federal Pell Grant funds to the student's account. The student's transcript shows that he was assessed Withdrawals for 2, 4-credit hour courses in that term. His last date of attendance is documented as 2/21/10 and an official withdrawal form was present in his file. According to Daymar's academic schedule, the student was classified as a "Winter Mid-Start," which started on 2/15/10 and ended on 3/29/10. The student was additionally a first-time borrower and was subject to the 30-day waiting period. Since he only attended 6 days of the term, he never met the eligibility criteria to receive disbursements from the Title IV loan programs. Daymar returned all of the Federal Stafford Loan funds on 3/31/10.

**Required Action:** Daymar must provide a written narrative describing the reason for the discrepant dates found in Student #10's records. Daymar must also review and revise their policy regarding monitoring delays of disbursements to ensure timeliness in compliance with federal regulations and must submit a copy of this policy with its response.

**Finding 8: Late Payment of Credit Balances**

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

An institution is permitted to hold credit balances if it obtains a voluntary authorization from the student or parent. 34 C.F.R. §668.165(b)(1). In obtaining the student's or parent's authorization, an institution—

1. May not require or coerce the student or parent to provide that authorization;

2. Must allow the student or parent to cancel or modify that authorization at any time; and
3. Must clearly explain how it will carry out that activity. 34 C.F.R. §668.165(b)(2).

If a student or parent modifies an authorization, the modification takes effect on the date the institution receives the modification notice. 34 C.F.R. §668.165(b)(4)(i). If a student or parent cancels an authorization to hold Title IV, HEA funds, an institution must pay those funds directly to the student or parent as soon as possible but no later than 14 days after the institution receives that notice. 34 C.F.R. §668.165(b)(4)(iii).

Regardless of any authorization obtained by the institution, the payment of any remaining balance on loan funds must be made to the student or parent by the end of the loan period and any remaining other Title IV, HEA program funds must be made by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. §668.165(b)(5)(iii).

**Noncompliance:** In 1 instance, Daymar issued a credit balance later than the 14-day regulatory timeframe.

**Student #5:** On 8/9/10 the student's ledger reflects a credit balance in the amount of \$48.48 for the Summer 2010 term. Daymar issued the credit balance to the student on 8/30/10, 7 days longer than the timeframe allowed. No signed authorization was available in the student's file.

**Required Action:** Daymar must review and revise its policy for monitoring and identifying credit balances that must be paid directly to students who have not signed a form authorizing Daymar to hold Title IV credit balances. Daymar must submit a copy of this policy with its response. Also, Daymar should include a copy of its most recent credit balance authorization form.

#### **Finding 9: Missing Exit Counseling**

**Citation:** Federal regulations require a school to ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program. If a student borrower withdraws from school without the school's prior

knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address with 30 day after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required. 34 C.F.R. §685.304(b)

**Noncompliance:** Student #20 withdrew from Daymar on 9/14/10. The student's file did not contain documentation verifying her completion of exit counseling, nor was there proof that Daymar had contacted the student with the information.

**Required Action:** In response to the report, Daymar must provide exit counseling materials for the cited student, in a manner consistent with the Department's requirements. A discussion of Daymar's resolution of this finding, with supporting documentation, should be included in its response.

Additionally, Daymar must provide the Department with assurances that Daymar will perform all required entrance and exit counseling to student borrowers in the future.

## **D. Recommendations**

### **Discussion of DE Course Review**

The KC-SPT reviewed ten courses offered in 2010 -2011 from three different on-line degree programs at Daymar College. While measuring each course, the Department paid particular attention to syllabi or other written guidance from instructors regarding required class participation, discussion forum functionality, required activities and composition of posts (length, content and quantity), academically-relevant discourse between students and instructor and students with classmates, as well as any impact of participation on grades. Daymar requires that courses be completed within a set timeframe and they are not self-paced. Each course in this sample had a syllabus, notes from the instructor in the online class environment and required weekly assignments. Daymar stated that they give their faculty a good deal of freedom to conduct their classroom as they determine is best, which shows in the on-line learning environment as well. Of the ten reviewed, most of the courses severely lacked substantive, academic interaction between both the students and the instructor, as well as between classmates.

The Department additionally sent out email interviews to 55 distance education students, and after receiving back only 9, added their feedback to our analysis. Students were overall satisfied with distance education at Daymar as it related to it being a good fit for their lifestyles. A few student comments in the interviews relate that their perception is that Daymar courses are much easier compared to other colleges/universities. Other comments from students about the experience at Daymar included: "ok, not entirely great," "fine," "poor," and explained that they had to seek out help from friends because they felt they were not receiving assistance from the instructor.

Based on interviews with the staff responsible for the distance education programs at Daymar, the Department recognized good efforts to monitor and administratively respond to attendance, enrollment and student issues in the Online College. From the review of the ten courses, it appeared that there were a high number of students who withdrew from or failed each course, which seemed to indicate a high rate of unsuccessful enrollments.

### **Recommendations**

The Department urges Daymar to enforce standards of substantive interaction institution-wide in its distance education courses. Additionally, Daymar should ensure compliance with the Program Integrity Regulations (75 FR 66832), published in the Federal Register on October 29, 2010, some of which specifically impact institutions offering distance education courses.