



October 16, 2014

Elsa Nunez
President
Eastern Connecticut State University
83 Windham Street
Willimantic, CT 06226-2995

UPS Tracking #:
1Z A87 964 02 9390 8034

RE: **Program Review Report**
OPE ID: 001425
PRCN: 201420128499

Dear President Nunez:

From February 4, 2014 through February 7, 2014, Shari Mecca and Elaine Griffin conducted a review of Eastern Connecticut State University's (ECSU) 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 ECSU. The response should include a brief, written narrative for each finding that clearly states ECSU's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, ECSU 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.

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

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).

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

New York/Boston School Participation Division

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Page 2 of 2

response will not be attached to the FPRD. However, it will be retained and available for inspection by ECSU 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 Shari Mecca of this office within 60 calendar days of receipt of this letter.

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. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

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 Shari Mecca at (646) 428-3757 or shari.mecca@ed.gov.

Sincerely,



Tracy M. Navé
Compliance Manager

cc: Edwin Harris, Director of Enrollment Management & Financial Aid

Enclosure:

Protection of Personally Identifiable Information

Prepared for
Eastern Connecticut State University

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OPE ID 001425
PRCN 201420128499

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-New York/Boston

Program Review Report

October 16, 2014

New York/Boston School Participation Division
5 Post Office Square, 9th Floor, Suite 950-A, Boston, MA 02109-3921
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Appendix A: Student Sample

B. Scope of Review

The U.S. Department of Education (Department) conducted a program review at Eastern Connecticut State University (ECSU) from February 4, 2014 through February 7, 2014. The review was conducted by Shari Mecca and Elaine Griffin.

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

A sample of 15 files was identified for review from the 2012/2013 and 2013/2014 (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, 15 Perkins student files were selected randomly from a statistical sample of Perkins borrowers that left or graduated ECSU from July 1, 2012 through December 31, 2013. This statistical sample was pulled from a listing ECSU provided the Department during the on-site review. Appendix A lists the names, partial social security numbers, and the ECSU Banner ID 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 ECSU'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 ECSU 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 ECSU to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Verification Violations

Citation: An institution must establish and use written policies and procedures for verifying an applicant's Free Application for Federal Student Aid (FAFSA) information. These policies and procedures must include:

- The time period within which an applicant must provide any documentation request by the institution;
- The consequences of an applicant's failure to provide the requested documentation within the specified time period;
- The method by which the institution notifies an applicant of the results of its verification if the applicant's EFC changes and results in a change in the amount of the applicant's assistance under the Title IV, HEA programs;
- The procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information to be determined in error; and
- The procedures for making referrals under *34 C.F.R. §668.16(g)*.

34 C.F.R. §668.53(a)

An institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary, to verify all the applicable items specified in *34 C.F.R. §668.56*. If an institution has reason to believe that an applicant's FAFSA information is incorrect, it must verify the accuracy of that information. An institution may require an applicant to verify any FAFSA information that it specifies. If an applicant is selected to verify FAFSA information, the institution must require the applicant to verify the information as specified in *34 C.F.R. §668.56*. If the applicant is selected for a subsequent verification of FAFSA information, the applicant is not required to provide documentation for the FAFSA information previously verified for the applicable award year to the extent that the FAFSA information previously verified remains unchanged. *34 C.F.R. §668.54(a)*

An institution shall require an applicant selected for verification to submit acceptable documentation as described in *34 C.F.R. §668.57* that will verify or update the information used to determine the applicant's EFC. The documentation to be verified includes: (a) adjusted gross income (AGI) or income earned from work, for a non-tax filer; (b) U.S. income tax paid; (c) the number of family members in the household; (d) the number of family members in the household that are enrolled as at least half-time students in postsecondary institutions; and (e) untaxed income and benefits. The verification documentation must be secured and retained in the student's file. Specifically, *34 C.F.R. §668.56(a)(5)(vii)* states that an institution is responsible for verifying untaxed income that must include all other untaxed income subject to U.S. income tax reporting requirements, which is included on the tax return form. *34 C.F.R. §668.56*

Acceptable documentation requirements for adjusted gross income, income earned from work, U.S. income tax paid, number of family members in household and the number of household members enrolled in eligible postsecondary institutions are found in *34 C.F.R. §668.57*.

If an institution has reason to believe that the information included on the application is inaccurate, until the applicant verifies or corrects the information included on his or her application, the institution may not –

- (i) Disburse any Federal Pell Grant, ACG, National Smart Grant, or campus-based program funds to the applicant;
- (ii) Employ the applicant in its Federal Work-Study Program; or
- (iii) Certify the applicant's Stafford Loan application or process Stafford Loan proceeds for any previously certified Stafford Loan application.

Title IV aid disbursements without complete or proper verification are institutional liabilities to the Federal aid programs. See the Higher Education Act of 1965, as amended, Part F - Need Analysis, and The Application and Verification Guide. *34 C.F.R. §668.58(a)(1)*

The deadlines for submitting documentation and the consequences of failing to provide the documentation are explained in *34 C.F.R. §668.60*.

Noncompliance: The Department identified verification violations in three files for the 2012/2013 student sample.

Student 8 was selected for verification. During the verification process, ECSU did not update the ISIR with \$239 of income tax paid for the student. Upon notification of the issue, ECSU updated **Student 8's** needs analysis record in Banner and recalculated the student's estimated family contribution (EFC). The EFC remained at 30; therefore, there was no change to the student's eligibility.

Student 14's ISIR transaction 01 processed on January 30, 2012, transaction 02 processed on February 13, 2012, and transaction 03 processed on March 22, 2012 were selected for verification and reported that there were five in the household with one in college. These transactions were all created by the student. ECSU performed the required verification and on May 8, 2012 updated the household size to three with one in college which created transaction 04, even though the verification worksheet listed five in the household with one in college. ECSU stated that the household size was updated to three with one in college because the two siblings were independent based on their ages (25 and 27). In addition, after the on-site visit, the Department noted that the parents' untaxed income is listed under untaxed IRA distributions whereas it should be classified under tax-deferred pension/savings as the figure was found on the W2. On ECSU's 2012-2013 Verification Checklist, ECSU correctly categorized the untaxed income as tax-deferred pensions, but it did not get updated on the ISIR properly. When ECSU

made the change to the household size and added the untaxed income, the changes resulted in a change to the student's EFC from 2828 to 5260 making her ineligible for a Pell Grant. On January 23, 2013, transaction 05 was generated. It was determined that this transaction was as a result of another school's verification process, thus had no impact on the student's eligibility at ECSU for the fall 2012 semester.

While onsite, the Department explained that how a sibling would file the FAFSA is not indicative of whether or not they are counted in a dependent student's household size. The requirements to count other children in a dependent student's household size is contingent on whether or not the parents will provide more than half of their support during the award year or if the other children are required to provide parental information if they completed a FAFSA. These requirements are one or the other, and not contingent upon one another. Upon notification of this issue, ECSU processed the change to **Student 14's** household size and corrected the untaxed income to be reflected as tax-deferred pensions. These changes reduced the student's EFC to 2828. This change resulted in the student being eligible for \$2,700.00 in Pell Grant funds. Because the student withdrew during the fall semester, ECSU re-processed the R2T4 calculation using the student's Pell Grant eligibility to determine if additional funds would have been required to be returned to the student's Plus Loan. This revised R2T4 calculation resulted in an additional \$1,117.00 being returned to the Plus Loan. ECSU provided copies of the revised needs analysis screens, revised R2T4 calculation, and student ledger showing that the corrections were made. The Department also reviewed the Common Origination and Disbursement (COD) system to verify the return was made. In addition, ECSU stated that institutional scholarship funds were awarded to the student to make the student whole.

Student 15's ISIR was selected for verification. During the verification process, ECSU updated the child support paid figure on the verification worksheet based on documentation received at the time of verification. Based on discussions with ECSU, original documentation at the time the file was processed had an attachment of all pertinent documentation which ECSU believes was scrubbed by security software prior to being imaged. Therefore, ECSU no longer had the documentation to support the change made to child support paid. In addition, the W2 in the file was cut off so the amount of tax-deferred pensions was not visible. The amount was able to be verified by subtracting the amount of wages from social security wages.

Upon notification of the error for **Student 15**, ECSU contacted the parents to confirm the amount of child support paid. The mother stated that her husband paid \$2,600.00 per year until December 28, 2012. In addition, the mother stated that during 2011, the amount that ECSU shows as child support paid may have been an adjustment amount that the husband had to make for the previous year when he was out of work. Since the husband's obligation regarding child support ended in 2012, the parents got rid of any related forms or letters. The Department has reviewed the mother's emails and will accept this as documentation of the change to the amount of child support paid.

Required Action: Incomplete verification has been a repeat audit finding for ECSU since fiscal year end June 30, 2009. Upon request by the Department, ECSU provided a copy of the preliminary findings for the fiscal year end June 30, 2013 audit report and ECSU's response to the findings. Once again ECSU was cited for verification issues. The error rate for the audit was 20% (2 of 10 students reviewed). During the program review, the Department's sample for the 2012/2013 award year contained six students that were selected for verification in which three of those students had errors. Because the program review error rate for the 2012/2013 award year is 50%, a full file review is required for the 2012/2013 award year to determine the extent of errors in the verification process.

A spreadsheet indicating the name and SSN for all students selected for verification must be provided. If confirmation of verification results in a change to the student's eligibility, and/or if the institution should discover that it is unable to resolve discrepancies to complete verification for any student, the institution must confirm the liability results in a report with its response to this letter. The required report must be prepared in spreadsheet format with the following information:

1. Student's name
2. SSN
3. Award year
4. Original EFC
5. Correct EFC
6. Original amount awarded by Title IV program
7. Correct amount awarded by Title IV program
8. Amount of ineligible Title IV disbursements by Title IV program, if any

In lieu of performing a file review for the entire population of students selected for verification to determine actual liabilities, a school has the option of providing a statistically valid sample. If the election is made to provide a statistical sample, the Department will use the results of the sampling to project liabilities for the entire population (i.e., the average liability for the recipients in the statistical sample will be multiplied by the total population.) This option is only intended to reduce the burden on the institution of conducting a full file review. The sample a school uses must ensure a 95% confidence level and the details of the sampling methodology must be approved by the Department.

No further action is required for **Students 8, 14, and 15**. Although no errors were found in the 2013/2014 award year, it is recommended that ECSU also look at the students selected for verification during this award year prior to their next annual audit to ensure that verification was completed properly.

ECSU must also provide assurances that all documentation received during the verification process is legible when scanning and maintained properly. If there are issues with the security software scrubbing attachments prior to imaging of the documents, it is

recommended that ECSU print all attachments and then scan, or store the attachments in a paper file. In addition, it is the Department's understanding that when performing verification, the financial aid staff will indicate changes to the verification worksheet by using the comment feature to type notes in the pdf version of the worksheet. While the financial aid staff can remove those notes to view or print the original verification worksheet, those notes are not documented so it is unclear who and why those notes are being added.

Finding 2: Failure to Properly Award William D. Ford Federal Direct Loans

Citation: A student is eligible to receive a Subsidized Loan, an Unsubsidized Loan, or a combination of these loans, if the student is enrolled, or accepted for enrollment, on at least a half-time basis in a school that participates in the Title IV Loan Programs. The student must also meet the requirements for an eligible student under *34 C.F.R. part 668*. In the case of an undergraduate student who seeks a Subsidized Loan or an Unsubsidized Loan at a school that participates in the Federal Pell Grant Program, the student has received a determination of Federal Pell Grant eligibility for the period of enrollment for which the loan is sought. *34 C.F.R. §685.200*

The maximum annual loan limits for the Stafford Loan program are found in *34 C.F.R. §685.203(a)(b)(c)*. *34 C.F.R. §685.203(d)* states that the aggregate unpaid principal amount of all Direct Subsidized Loans and Federal Stafford Loans made to a student but excluding the amount of capitalized interest may not exceed the following:

1. \$23,000.00 in the case of any student who has not successfully completed a program of study at the undergraduate level.
2. \$65,000.00 in the case of a graduate or professional student, including loans for undergraduate study.

The total amount of Direct Unsubsidized Loans, Federal Unsubsidized Stafford Loans, and Federal SLS Loans but excluding the amount of capitalized interest may not exceed the following:

1. For a dependent undergraduate student, \$23,000.00, or effective July 1, 2008, \$31,000.00, minus any Direct Subsidized Loan and Federal Stafford Loan amounts, unless the student qualifies under *34 C.F.R. §685.203(c)* for additional eligibility or qualified for that additional eligibility under the Federal SLS Program.
2. For an independent or a dependent undergraduate who qualifies for additional eligibility under *34 C.F.R. §685.203(c)* or qualified for this additional eligibility under the Federal SLS Program, \$46,000.00, or, effective July 1, 2008, \$57,500.00, minus any Direct Subsidized Loan and Federal Stafford Loan amounts.

3. For a graduate or professional student, \$138,500.00 including any loans for undergraduate study, minus any Direct Subsidized Loan, Federal Stafford Loan, and Federal SLS Program Loan amounts.

34 C.F.R. §685.203(e)

The school agrees to estimate the need of each eligible student as required by Part F of the Act for an academic year. In addition, the school agrees to certify that the amount of the loan for any student under Part D of the Act is not in excess of the annual limit applicable for that loan program and that the amount of the loan, in combination with previous loans received by the borrower, is not in excess of the aggregate limit for the loan program. To qualify for benefits on a Stafford Loan, a borrower must demonstrate financial need in accordance with Part F of the Act. *34 C.F.R. §685.300(b)*

A school shall certify that the information it provides in connection with a loan application about the borrower and, in the case of a parent borrower, the student for whom the loan is intended, is complete and accurate. The school shall provide borrower information that includes, but is not limited to:

1. The borrower's eligibility for a loan, as determined in accordance with *34 C.F.R. §685.200 and 34 C.F.R. §685.203*;
2. The student's loan amount; and
3. The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds.

34 C.F.R. §685.301(a)

Noncompliance: Although **Student 2**, who was a dependent student, was selected for review for the 2012/2013 award year, it was determined by looking at NSLDS, that the student was close to or equal to her undergraduate subsidized limit, and that she exceeded her undergraduate combination limit. The Department reviewed the student's loan history and found that prior to being awarded for the 2013/2014 award year, the student had already received \$19,000.00 in undergraduate subsidized loans and a total of \$31,000.00 in undergraduate subsidized and unsubsidized loans. Based on notes in the Banner system, ECSU reviewed the student's loan history and found that in the 2009/2010 award year, the student received additional Direct Unsubsidized Loan funds of \$4,000.00 due to a PLUS denial. This allowed the student to be eligible for an additional \$4,000.00 in the 2013/2014 award year. Since the student had not reached the maximum Direct Subsidized Loan limit, the \$4,000.00 disbursed in the 2013/2014 award year could be Direct Subsidized Loan funds. ECSU awarded the student the \$4,000.00 in Direct Subsidized Loan funds, but also awarded the student an additional \$3,500.00 in Direct Unsubsidized Loan funds for a total of \$7,500.00 in Direct Loan funds. This resulted in an overaward of \$3,500.00. The student's financial aid worksheet for 2013/2014 accurately shows that the student was only allowed to receive \$4,000.00 in Direct Subsidized Loan funds because she was at her limit.

Required Action: Upon notification of this issue, ECSU returned the Direct Unsubsidized Loan funds for Student 2 on February 7, 2014. ECSU stated that it

appeared that during the packaging process all of the steps were followed to resolve the eligibility flag, but when the flag was removed from the Banner system, the student was auto-packaged for the full amount based on her grade level instead of being manually packaged for the eligible amount.

This was an isolated instance and all ineligible funds were returned on February 7, 2014. ECSU must develop procedures to ensure similar instances of this finding do not occur in the future. The procedures must be submitted to the Department with the response to the program review report.

Finding 3: Ineligible Student – Student Not Eligible for Need-Based Aid

Citation: A student at an institution of higher education is eligible to receive a loan under the Federal Perkins Loan program for an award year if the student has financial need as determined in accordance with Part F of the Title IV of the HEA. *34 C.F.R. §674.9(c)*

A student at an institution of higher education is eligible to receive an FSEOG for an award year if the student has financial need as determined in accordance with Part F of the Title IV of the HEA. *34 C.F.R. §676.9(c)*

A Direct Subsidized Loan borrower must demonstrate financial need in accordance with Part F of the Title IV of the HEA. *34 C.F.R. §685.200(a)(2)*

The school agrees to estimate the need of each eligible student as required by Part F of the Act for an academic year. In addition, the school agrees to certify that the amount of the loan for any student under Part D of the Act is not in excess of the annual limit applicable for that loan program and that the amount of the loan, in combination with previous loans received by the borrower, is not in excess of the aggregate limit for the loan program. To qualify for benefits on a Stafford Loan, a borrower must demonstrate financial need in accordance with Part F of the Act. *34 C.F.R. §685.300(b)*

A school may not originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan, or a combination of loans, for a loan amount that:

- i. The school has reason to know would result in the borrower exceeding the annual or maximum loan amounts in *34 C.F.R. §685.203*; or
- ii. Exceeds the student's estimated cost of attendance for the period of enrollment, less
 - a. The student's estimated financial assistance for that period; and
 - b. In the case of a Direct Subsidized Loan, the borrower's expected family contribution for that period.

34 C.F.R. §685.301(a)(4)

Noncompliance: ECSU did not review and update **Student 10's** award information when a new Institutional Student Information Report (ISIR) was received which increased the student's EFC. Transaction 01 was received on February 16, 2012 and reported that the student's EFC was 0 and transaction 02 was received on March 22, 2012 and reported that the student's EFC was 24,283. The student was awarded on March 21, 2012, prior to the receipt of the subsequent ISIR transaction. While a student can be packaged on the first ISIR received that includes an EFC, ECSU must review the student's award when a new ISIR is received to determine if any changes are required. In this situation, the new ISIR was received several months before the first disbursement of Title IV funds occurred on August 24, 2012. As such, the student became ineligible for need-based aid when the subsequent ISIR transaction was received.

According to the student's account card, the following Title IV funds were originally disbursed:

- August 24, 2012 – Direct Subsidized Loan for \$1,733.00
- August 24, 2012 – Direct Unsubsidized Loan for \$990.00
- August 24, 2012 – Federal Perkins Loan for \$500.00
- August 24, 2012 – FSEOG for \$200.00
- January 10, 2013 – Direct Unsubsidized Loan for \$990.00
- January 10, 2013 – Direct Subsidized Loan for \$1,733.00
- January 10, 2013 – Federal Perkins Loan for \$500.00
- January 10, 2013 – FSEOG for \$200.00

The institution identified the error in awarding and disbursing the Direct Subsidized Loan funds in November 2012 and on November 7, 2012 returned the Direct Subsidized disbursement and disbursed an additional \$1,733.00 in Direct Unsubsidized funds on November 9, 2012. At the time of making the adjustment to the Direct Subsidized Loan, ECSU did not review the remaining need-based aid (Perkins and FSEOG funds) and adjust accordingly. Therefore, the second disbursements of the FSEOG and Perkins Loan were disbursed on January 10, 2013. The FSEOG disbursements were not reversed from the student's account until September 18, 2013. The total disbursed was replaced with an institutional scholarship. However, when the FSEOG funds were reversed, the Perkins Loan was not addressed. The Department identified the error with the Perkin Loan funds during the on-site portion of the review, and ECSU processed the return of funds on February 7, 2014.

It is unclear why ECSU did not make the proper adjustments to the student's award at the time the subsequent ISIR was received in March 2012.

Required Action: All adjustments have been made to **Student 10's** account. Because this was a school error, ECSU should do what is in the best interest of the student in regards to any balance that may remain as a result of the reversal of the Perkins Loan funds. ECSU must review its awarding process with regards to the receipt of subsequent ISIRs and the steps that must be followed in order to properly award and disburse Title

IV funds when the student's EFC changes. The revised procedures must be submitted to the Department with the response to this program review report.

Finding 4: Ineligible Student – Student Not Matriculated

Citation: A student is eligible to receive Title IV, HEA program assistance if the student either meets all of the requirements in paragraphs (a) through (m) of this section or meets the requirements in paragraph (n) of this section. One of the requirements is that the student is a regular student, enrolled, or accepted for enrollment, in an eligible program at an eligible institution. *34 C.F.R. §668.32(a)*

Noncompliance: **Student 13** graduated with a Bachelor of Arts degree in May 2009. In the student module system of Banner, the student's status was populated with "provisional admission matriculated graduate level acceptance for the fall 2009 semester." This status was also populated for the 2009/2010, 2010/2011, 2011/2012, and 2012/2013 award years. The student's status was incorrectly populated which allowed the student to receive Title IV aid for all four academic years. ECSU acknowledges that the student's status should have been populated as non-matriculated provisional which would have prevented the Title IV aid from being awarded. In addition, the student did not begin taking any graduate level classes until the spring 2013 semester.

Required Action: ECSU has acknowledged that it needs to return all Title IV loans for the years in question. ECSU contacted the Department on March 25, 2014 asking if it would be permissible to return all of the funds in one check to the student's loan servicer, PHEAA. PHEAA is servicing both the FFELP Loans and also the Direct Loans. After consulting with the Department's Reconciliation Team and its Loan Servicing Team, ECSU was notified on March 27, 2014 that it could return the funds to PHEAA in two separate checks. The first check for the FFELP Loans must include principal and interest and the second check for the Direct Loans must include principal only. Interest on the Direct Loans will be assessed in the Final Program Review Determination (FPRD) letter. ECSU must provide documentation showing that the return of Title IV funds has occurred with the response to this program review report.

ECSU also stated that it has changed institutional procedures so that students are no longer placed in a "provisional" status and now must have an "admitted" status to be eligible for financial aid.

Finding 5: Failure to Document Exit Counseling for Direct Loan Borrowers

Citation: A school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower shortly before the student borrower ceases at least half-time study at the school and that exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the

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

The school must ensure that the demographic information is provided to the Secretary within 60 days after the student borrower provides the information. If exit counseling is conducted through interactive, electronic means, the institution must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the exit counseling. The institution must maintain documentation substantiating the institution's compliance with this section for each borrower. *34 C.F.R. §685.304(b)*

Noncompliance: While exit counseling was found to be performed timely, it was discovered during discussions with the financial aid staff that the exit counseling is emailed to students. The email is sent to the student's ECSU email account and any other email address that ECSU has on file for the student. If the student only has an ECSU email address on file, the institution does not mail materials to the student's home address, thus is not taking reasonable steps to ensure that each student receives the exit counseling. It is unlikely that a student who has withdrawn or left the institution will continue to check his institutional email address.

Required Action: ECSU must provide assurances that it is taking reasonable steps to ensure that each student receives the counseling materials and participates in and completes the exit counseling. ECSU must review the policies to determine the best practice for exit counseling, and consider revising procedures to send exit counseling materials to the student's last known home address or non-institutional email address. ECSU must provide the revised procedures with the response to this report.

Finding 6: Common Origination and Disbursement (COD) System Reporting Deficiencies

Citation: An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with funds received from the Department. *34 C.F.R. §668.164(a)*

A school must submit the initial disbursement record for the loan to the Department no later than 30 days following the initial disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Department

no later than 30 days following the date the disbursement, adjustment, or cancellation is made. *34 C.F.R. §685.301(e)*

The Secretary accepts a student's payment data that is submitted in accordance with procedures established through publication in the Federal Register, and that contain information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution. *34 C.F.R. §690.83(a)(2)*

An institution shall report to the Secretary any change in enrollment status, cost of attendance, or other event or condition that causes a change in the amount of the Federal Pell Grant for which a student qualifies by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in the award for each student. Through publication in the Federal Register, the Secretary divides the award year into periods and establishes the deadlines by which the institution shall report changes occurring during each period. The institution shall submit the student's Payment Data reporting a change to the Secretary by the end of that reporting period that next follows the reporting period in which the change occurred. Also, an institution shall submit in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires in connection with the funds advanced to it and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct. *34 C.F.R. §§690.83(b)(1) and (b)(2)*

The 2013-2014 COD Technical Reference, Volume II, Section 1, page 187, number 8 states that the disbursement date is always the date the cash was credited to the student's account or paid to the student directly for the specific disbursement number. The disbursement date is not the transaction date of the adjustment to the disbursement. *The 2013-2014 COD Technical Reference, Volume II, Section 1, page 187, number 9* states that schools must submit adjustments to actual disbursements within 15 days of the transaction date.

The *Federal Register* published on February 28, 2013 and the *Electronic Announcement* published on March 15, 2013 specifies for disbursements or adjustments to previously made disbursements made on or after April 1, 2013, an institution must submit the disbursement record to COD no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported disbursement.

Noncompliance: The Department found that ECSU did not update COD with the actual dates that the Title IV funds were posted to student accounts when funds were reissued to a student. The reporting of the disbursements were within the required 30 days, but the reissued disbursement dates were reported to COD as being made on the original disbursement date. For disbursements made on or after April 1, 2013, this information must be submitted within 15 days of making the disbursement or within 15 days of any adjustment to the disbursement.

COD must reflect the actual date students had access to the funds (the date the funds are posted to the student's account). This is especially important because for unsubsidized loans, interest begins to accrue at the time of disbursement. By not updating the dates to the actual dates, students could be paying interest on money that they have not yet received.

Student 6 – Per the student's account card, the Pell Grant was originally disbursed on November 7, 2012 for \$2,775.00. This disbursement was reversed on November 12, 2012. COD is reflecting that the subsequent disbursement of these funds occurred on November 7, 2012, although according to the student's account card, the subsequent disbursement did not occur until November 20, 2012.

Student 9 – Per the student's account card, the Pell Grant was originally disbursed on September 17, 2012 for \$1,850.00. This disbursement was reversed on September 19, 2012. COD is reflecting that the subsequent disbursement of these funds occurred on September 17, 2012, although according to the student's account card, the subsequent disbursement did not occur until October 22, 2012.

Student 12 – Per the student's account card, the Pell Grant, FSEOG, and Perkins Loan were originally disbursed on January 10, 2013 for \$2,775.00, \$200.00, and \$500.00, respectively. These disbursements were reversed on March 15, 2013. COD is reflecting that the subsequent disbursement of these funds occurred on January 10, 2013, although according to the student's account card, the subsequent disbursement did not occur until April 5, 2013.

Student 15 – Per the student's account card, the Pell Grant was disbursed in two disbursements of \$1,850.00. These disbursements occurred on October 18, 2012 and January 10, 2013. COD is reflecting a disbursement for \$1,850.00 occurring on October 18, 2012, a disbursement for \$1,550.00 occurring on January 10, 2013, a disbursement of \$300.00 occurring on January 28, 2013, a reversal of the \$300.00 disbursement occurring on March 4, 2013, and a subsequent issuance of the \$300.00 disbursement on March 28, 2013. It is unclear why the second disbursement was not reported to COD as the \$1,850.00 that is reflected on the student's account card or why all of the adjustments on the account occurred.

Required Action: ECSU is required to update the records for these students in COD so that it represents the same information that is shown on the student's account card. In addition, ECSU is required to update policies and procedures to ensure that COD will be updated with actual disbursement dates for all transactions (initial disbursements, cancellations and refunds, and re-issued disbursements) as reflected on the students' account ledgers within 15 days of the disbursement occurring as per the *Federal Register* dated February 28, 2013. A copy of these updated policies and procedures must be provided with the response to the program review report.

Finding 7: Late Date of Determination of Student's Withdrawal

Citation: The withdrawal date for a student who officially ceases attendance at an institution that is not required to take attendance is the date, as determined by the institution, that the student began the withdrawal process prescribed by the institution or the date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw. *34 C.F.R. §668.22(c)*

An institution must return the amount of Title IV funds for which it is responsible under *34 C.F.R. §668.22(g)* as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew, as defined in *34 C.F.R. §668.22. 34 C.F.R §668.22(j)*

The date of the institution's determination that the student withdrew for an institution that is not required to take attendance is for a student who provides notification to the institution of his or her withdrawal. the student's withdrawal date as determined under *34 C.F.R. §668.22(c)* or the date of notification or withdrawal, whichever is later. *34 C.F.R. §668.22(l)(3)(i)*

An institution returns unearned Title IV funds timely if the institution:

- deposits or transfers the funds into the bank account it maintains under *34 C.F.R. §668.163* no later than 45 days after the date it determines that the student withdrew;
- initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew;
- issues a check no later than 45 days after the date it determines that the student withdrew.

34 C.F.R. §668.173(b)

Noncompliance: Although **Student 13** was an official withdrawal for the fall 2012 semester, the school did not process the Return to Title IV (R2T4) calculation within 45 days of the date of determination of withdrawal. The student officially withdrew from two classes (four credits) on September 25, 2012, and officially withdrew from his final class (three credits) on October 26, 2012. The R2T4 calculation was not performed until January 2, 2013. Because the student officially withdrew from all of his classes, it is unclear why the financial aid office was not aware of the withdrawal within a reasonable amount of time to ensure that the calculation would be performed timely. Once the student was identified as a withdrawal, the calculation was performed correctly.

Required Action: This was an isolated instance. ECSU must review and update its withdrawal and R2T4 calculation processes to ensure that the proper offices are notified timely in the case of official withdrawals. The revised procedures must be submitted with the response to the program review report.

Finding 8: Incorrect Cost of Attendance Used

Citation: *The Higher Education Act of 1965, as amended Section 472* states for the purpose of this title, the term “cost of attendance” means-

- (1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study;
- (2) an allowance for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, for a student attending the institution on at least a half-time basis, as determined by the institution;
- (3) an allowance (as determined by the institution) for room and board costs incurred by the student which—
 - (A) shall be an allowance determined by the institution for a student without dependents residing at home with parents;
 - (B) for students without dependents residing in institutionally owned or operated housing, shall be a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board;
 - (C) for students who live in housing located on a military base or for which a basic allowance is provided under section 403(b) of Title 37, United States Code, shall be an allowance based on the expenses reasonably incurred by such students for board but not for room; and
 - (D) for all other students shall be an allowance based on the expenses reasonably incurred by such students for room and board;
- (4) for less than half-time students (as determined by the institution), tuition and fees and an allowance for only books, supplies, and transportation (as determined by the institution);
 - (B) dependent care expenses (determined in accordance with paragraph (8)); and
 - (C) room and board costs (determined in accordance with paragraph (3)), except that a student may receive an allowance for such costs under this subparagraph for not more than 3 semesters or the equivalent, of which not more than 2 semesters or the equivalent may be consecutive.

Noncompliance: ECSU used an incorrect budget when creating the financial aid award package for **Student 18**. When creating the student’s award in Banner, ECSU put the borrower in the Undergraduate three-quarter time off-campus group when the student was only taking six credits, which would have made her a half-time student. In addition, the Financial Aid Worksheet that ECSU used indicated that the student was half-time, yet the budgeted amount was the three-quarter budget as indicated in Banner. Although using the incorrect budget did not create an overaward for the student, the student’s

financial aid record was incorrect. Upon notification of the issue, ECSU updated the student's budget to reflect half-time enrollment.

Required Action: This was an isolated instance. ECSU must review and update its process to ensure correct budgets are used in determining a student's eligibility for Title IV funds. In addition, checks and balances should be put in place to ensure that the student's budget that is used in Banner matches what was used on the hand-completed Financial Aid Worksheet. The revised procedures must be submitted with the response to the program review report.

Finding 9: Conflicting Information in Student's File Not Adequately Resolved

Citation: An institution is required to develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to the student's application for financial aid under Title IV programs. *34 C.F.R. § 668.16(f)*

Noncompliance: ECSU did not resolve the conflicting information in regards to **Student 6's** dependency status on the ISIR. When the student initially submitted her FAFSA she indicated that she was in legal guardianship, yet she also included her parent's information. ECSU requested that the student complete the 2012/13 Student and Parent Budget and Resource form and also the 2012/13 Confirmation of Dependency Status form. The student signed these documents on April 9, 2012. The Confirmation of Dependency Status form asks the student several questions. One question (question 7 on the form) asks if the student was or is in legal guardianship as determined by a court. The student answered no to this question. Another question asked (question 9 on the form) if you answered no to questions 1 through 8 do you feel you still have extenuating circumstances that prevent you from providing parental information. If the answer is yes, the student is instructed to complete the 2012-2013 Dependency Override Appeal form. The student answered yes to this question.

On August 14, 2012 the financial aid office spoke with the student in person and asked if she was planning to submit the Dependency Override Appeal and she stated that she did not plan to submit it. At that time, a new Confirmation of Dependency Status form was completed and the student answered no to questions 7 and 9 on the form. ECSU did not resolve the conflicting information in a timely manner. Notes in the RHACOMM screen of Banner from August 14, 2012 state that since the student answered no to all the questions, she will likely be changed to a dependent student, yet that did not occur. It appears that based on the history of the account, the school then requested the student to complete a dependent student verification worksheet which was signed on November 14, 2012 by the student and parent. Again at this time, the ISIR was not updated to remove the legal guardianship status which categorized the student as an independent student instead of a dependent student.

ECSU uses an institutional financial aid worksheet that details the student's budget, EFC, and award amount and other additional information. While this is just used as a tool, it was noted that for **Student 25** it was incorrectly completed. The financial aid worksheet showed that the student had an EFC of 5479 and was eligible for \$4,500 in subsidized loan funds and \$6,000.00 in unsubsidized loan funds. The student's ISIR actually reflects an EFC of 0 which also made the student eligible for a Pell Grant. In addition, the student received a Perkins Loan. While the student was awarded properly, the use of the financial aid worksheet created conflicting information in the student's file.

Required Action: Upon notification of the finding, ECSU updated **Student 6's** needs analysis information in Banner to reflect that the student was not in a legal guardianship thus changing the student to a dependent student. The parental information was already included in the system. This change did not result in a change to the student's EFC. This appears to be an isolated error. ECSU must review and revise its procedures regarding the updating of student information upon receipt of the Confirmation of Dependency Status form.

As the conflicting information for **Student 25** did not affect the proper awarding of Title IV funds to the student, there is no further action required.

ECSU must review and revise its procedures regarding the updating of student information upon receipt of the Confirmation of Dependency Status form. In addition, if ECSU continues to use institutional forms (financial aid worksheet), it must put procedures in place to ensure that this form is completed properly to avoid creating conflicting information in the student's file. A copy of the revised procedures must be submitted to the Department with the response to the program review report.

Finding 10: Late Return of Direct Loan Funds

Citation: An institution must return the amount of Title IV funds for which it is responsible under *34 C.F.R. §668.22(g)* as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew, as defined in *34 C.F.R. §668.22. 34 C.F.R §668.22(j)*

An institution returns unearned Title IV funds timely if the institution:

- deposits or transfers the funds into the bank account it maintains under *34 C.F.R. §668.163* no later than 45 days after the date it determines that the student withdrew;
- initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew;
- issues a check no later than 45 days after the date it determines that the student withdrew.

34 C.F.R. §668.173(b)

When a borrower applies for a Direct Loan, the borrower authorizes the school to pay directly to the Department that portion of a refund or return of Title IV, HEA program funds from the school that is allocable to the loan. A school shall pay that portion of the student's refund or return of Title IV, HEA program funds that is allocable to a Direct Loan to the Department and the school shall provide simultaneous written notice to the borrower if the school pays a refund or return of Title IV, HEA program funds to the Department on behalf of that student. In determining the portion of a student's refund or return of Title IV, HEA program funds that is allocable to a Direct Loan, the school shall follow the procedures established in *34 C.F.R. §668.22* for allocating and paying a refund or return of Title IV, HEA program funds that is due. *34 C.F.R. §685.306*

Noncompliance: During the onsite portion of the review, the Department determined that the Direct Loan funds for **Student 26** were not returned when the student withdrew from school. According to the student's account card, the charges for the student were reversed on August 27, 2013 with the Pell Grant being returned on September 3, 2013. In addition, in the Banner screen RHACOMM, an entry dated August 29, 2013 states "other = undergrad withdrawal form" and an entry from January 9, 2014 states "cancelled aid for Fall 2013 and Spring 2014 – student was withdrawn and received 100% refund for Fall 2013 and not registered for Spring 2014." Even though these two entries were in the system, the charges reversed, and the Pell Grant refunded, ECSU did not return the Direct Loans that the student received until notified of the issue by the Department. The Direct Loan funds were eventually returned on February 6, 2014. It is unclear why the Direct Loan funds were not returned on September 3, 2013 along with the Pell Grant.

Required Action: This was an isolated incident. ECSU must review the history of this student's account to determine why the refund of the Direct Loan funds did not occur timely and update procedures accordingly. A copy of the revised procedures must be sent with the response to the program review report.

Finding 11: Federal Perkins Loan Program Deficiencies

Citation: Federal regulations define entering repayment as the day following the expiration of the initial grace period or the day the borrower waives the initial grace period. This date does not change if a forbearance, deferment, or cancellation is granted after the borrower enters repayment. The initial grace period is defined as that period which immediately follows a period of enrollment and immediately precedes the date of the first requirement repayment on a loan. This period is generally nine months for Perkins Loans. Post-deferment grace is defined as that period of six consecutive months which immediately follows the end of certain periods of deferment and precedes the date on which the borrower is required to resume repayment on a loan. *34 C.F.R. §674.2(b)*

The institution must report enrollment and loan status information, or any Title IV loan-related information required by the Department, to the Department by the deadlines established by the Department. *34 C.F.R. §674.16(j)*

The repayment period for Federal Perkins Loans begins 9 months after the borrower ceases to be at least a half-time regular student at an institution of higher education, or a comparable institution outside the U.S. approved for this purpose by the Secretary, and normally ends 10 years later. *34 C.F.R. §674.31(b)(2)(i)(B)*

The institution shall establish a repayment plan before the student ceases to be at least a half-time regular student. *34 C.F.R. §674.33*

A borrower may defer making a scheduled installment repayment on a Federal Perkins loan regardless of contrary provisions of the borrower's promissory note and regardless of the date the loan was made. The borrower need not repay principal, and interest does not accrue during a period after the commencement or resumption of the repayment period on a loan when the borrower is enrolled and in attendance as a regular student in at least a half-time course of student at an eligible institution. If a borrower is attending an institution of higher education as at least a half-time regular student for a full academic year and intends to enroll as at least a half-time regular student in the next academic year, the borrower is entitled to a deferment for 12 months. *34 C.F.R. §674.34*

In the case of an in school deferment, the institution may grant the deferment based on student enrollment information showing that a borrower is enrolled as a regular student on at least a half-time basis, if the institution notifies the borrower of the deferment and of the borrower's option to cancel the deferment and continue paying on the loan. *34 C.F.R. §674.38(a)(5)*

An institution shall ensure that information available in its offices (including admissions, business, alumni, placement, financial aid, and registrar's offices) is provided to those offices responsible for billing and collecting loans, in a timely manner, as needed to determine the enrollment status of the borrower; the expected graduation or termination date of the borrower; the date the borrower withdraws, is expelled or ceases enrollment on at least a half-time basis; and the current name, address, telephone number, and Social Security Number (SSN) of the borrower. *34 C.F.R. §674.41(b)*

For Federal Perkins Loans with a nine-month initial grace period, the institution shall contact the borrower three times within the initial grace period. The institution shall contact the borrower for the first time 90 days after the commencement of any grace period. The institution shall at this time remind the borrower of his or her responsibility to comply with the terms of the loan and shall send the borrower the following information:

- The total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan.

- The date and amount of the next required payment.

The institution shall contact the borrower the second time 150 days after the commencement of any grace period. The institutional shall at this time notify the borrower of the date and amount of the first required payment. The institutional shall contact a borrower a third time 240 days after the commencement of the grace period, and shall then inform him or her of the date and amount of the first required payment. 34 C.F.R. §674.42(c)

The institution is responsible to ensure compliance with the billing and collection procedures set forth in this subpart. The institution may use employees to perform these duties or may contract with other parties to perform them. An institution that contracts for performance of any duties under this subpart remains responsible for compliance with the requirements of this subpart in performing these duties, including decisions regarding cancellation, postponement, or deferment of repayment, extension of the repayment period, other billing and collection matters, and the safeguarding of all funds collected by its employees and contractors. 34 C.F.R. §674.48

The 2013/2014 Federal Student Aid Handbook, Volume 6, Chapter 4, page 111 states that a Perkins borrower is entitled to an initial grace period of nine consecutive months after dropping below half-time enrollment. If the borrower returns to school on at least a half-time basis before the nine months have elapsed, the initial grace period has not been used. The borrower is entitled to a full initial grace period (nine consecutive months) from the date that he or she graduates, withdraws, or drops below half-time enrollment again. Page 112 goes on to state that if a borrower requests a deferment to begin during the initial grace period, the borrower must waive (in writing) his or her rights to the initial grace period. The request for a deferment alone is not sufficient documentation for a school to waive the initial grace period; the borrower must also acknowledge in writing that he or she wants the waiver. In addition, page 112 states that a grace period is always day specific – an initial grace period begins on the day after the day the borrower drops below half-time enrollment. Similarly, a post-deferment grace period begins on the day immediately following the day on which an authorized period of deferment ends.

*The Perkins Data Provider Instructions, Appendix B: Loan Code Tables, revised June 2007, pages B-5, B-11, and B-12, the DA – Deferred code is defined as: A loan for which the school granted a postponement of periodic installments of principal because the borrower meets the eligibility requirements specified in regulations. **Note: Before a DA code can be used, the grace period must have expired and the loan must have entered repayment. If the student continued or returned to school before the grace period expired, the loan is reported in an IA status.** IA – Loan Originated (Disbursed) is defined as: A loan for which at least one disbursement has been made. A loan remains in an IA status until it enters grace or other appropriate code. In addition, IG- - In Grace Period is defined as: A loan in the loan grace period. For students completing their academic program, report the day after the enrollment period end date. For students who withdraw, report the day after the withdrawal date.*

Noncompliance: The Department reviewed the files of 15 students who had either graduated or withdrawn from ECSU from July 1, 2012 through December 31, 2013 to ensure that all the Perkins requirements were met in a timely manner. ECSU uses University Accounting Services (UAS) as its full-service Perkins servicer. The Department's review showed that activity on several students began late because an incorrect last date of attendance was used. In addition, students were sometimes placed in deferment when their initial grace period had not yet fully expired.

Student 31 - Grace letters sent to the student were not sent timely. The student withdrew on December 18, 2012; therefore, the student's grace period would begin on December 19, 2012. Based on the student's grace period beginning on December 19, 2012, the grace letters would be required to be sent 90, 150, and 240 days from December 19, 2012. Therefore, grace letters would have been required to be sent on March 19, 2013, May 18, 2013, and August 16, 2013. UAS did not send the student's grace letters until March 31, 2013, May 31, 2013, and August 31, 2013. Therefore, all the letters were sent late.

Student 32 – According to UAS' borrower communication screen, the student's last date of attendance was January 1, 2013. On January 30, 2013, an in-school deferment was applied to the student's account. Based on enrollment information from the National Student Loan Data System (NSLDS), the student was a full time student at ECSU from August 29, 2011 through May 9, 2013 and then returned back to school at Central Connecticut State University (CCSU) on January 12, 2014, which would have been prior to the student's grace period ending. It is unclear where the January 1, 2013 withdrawal date came from, why a deferment was processed in January 2013 when the student had not actually left school yet, and why the 150 day post-deferment grace letter was sent to the student on November 30, 2013. The student's initial last date of attendance should have been reflected as May 9, 2013, which ECSU reported to NSLDS through the National Student Clearinghouse (Clearinghouse) and then grace letters sent based on a grace period starting May 10, 2013. Therefore, the 90 day grace letter should have been mailed on August 8, 2013, the 150 day grace letter mailed on October 7, 2013, and the 240 day grace letter mailed on January 5, 2014. UAS also processed a deferment on February 4, 2014 that began January 12, 2014 for the student's attendance at CCSU. Based on the student's correct last date of attendance of May 9, 2013, the student's initial grace period would not have ended until February 4, 2014; therefore, the student would not have exhausted his grace period and would be considered still in an in-school status rather than a deferment status. In addition, the student's status is being reported to NSLDS as in a post-deferment grace period which is inaccurate.

Student 34 - According to UAS' borrower communication screen, the student's last date of attendance was April 21, 2013 and the student had an in-school deferment processed for her attendance at CCSU beginning August 28, 2013. Because the student's initial out of school date was reported late, the required 90 day grace letter was never mailed to the borrower. Upon the late notification on August 26, 2013, the school should have

immediately sent any past due grace letters that would have been required had the out of school date been reported timely. In addition, since the borrower had not exhausted her initial grace period prior to re-enrolling at CCSU on August 28, 2013, the student should have been changed to an in-school status, not to a deferment status. The student's status is being reported to NSLDS as in a grace period which is inaccurate.

Student 35's 90 day grace letter was not sent timely. The student withdrew on April 25, 2013; therefore the student's grace period would begin on April 26, 2013. Based on this date, the student's 90 day grace letter should have been mailed on July 25, 2013, but it was mailed late on July 31, 2013. According to UAS's history, an in-school deferment was applied to this student's account when the student began attendance again on August 28, 2013 at ECSU. Because the student returned to ECSU prior to exhausting his full initial grace period, the student should be in an in-school status, not in a deferment status. The student's status is being reported to NSLDS as in a grace period which is inaccurate.

Student 36's withdrawal date on UAS's borrower communication screen reflects May 14, 2013, yet according to NSLDS, the student withdrew May 9, 2013. In addition, the student returned to school August 28, 2013 at Southern Connecticut State University (SCSU) prior to exhausting her initial grace period; therefore, the student should be in an in-school status, not a deferment status. The student's status is being reported to NSLDS as in a grace period which is inaccurate.

Student 37's withdrawal date on UAS's borrower communications screen reflects May 14, 2013, yet according to NSLDS the student withdrew May 9, 2013. UAS's loan information screen that is used during the exit interview process reports that the student's grace period ending date is February 1, 2014, yet the student's grace period does not end until the 270th day which is February 4, 2014. As of March 6, 2014, NSLDS was still reflecting that the student was in her grace period, when the grace period ended February 4, 2014 and the student should be in repayment.

Student 38's withdrawal date on UAS's borrower communications screen reflects May 14, 2013, yet according to NSLDS the student withdrew May 9, 2013. As of March 6, 2014, NSLDS was still reflecting that the student was in her grace period, when the grace period ended February 4, 2014 and the student should be in repayment.

Student 39's withdrawal date on UAS's borrower communications screen reflects May 14, 2013, yet according to NSLDS the student withdrew May 9, 2013. In addition, the student returned to school at Capital Community College (CCC) prior to exhausting his initial grace period. The student then withdrew again on December 16, 2013. The grace period would then have started on December 17, 2013 and the grace letters would start based on that date. The student's status is being reported to NSLDS as in a grace period beginning May 14, 2013 which is inaccurate.

Student 44's withdrawal date on UAS's borrower communications screen reflects September 20, 2013, yet according to NSLDS, the student withdrew from ECSU on May

16, 2012. The 90 day grace letter was not mailed based on the student's initial withdrawal date. The student then re-enrolled at Tunxis Community College (TCC) on September 4, 2012 and withdrew on May 20, 2013. Therefore, the student's withdrawal date should be reflected as May 20, 2013 with a grace period starting on May 21, 2013. It is unclear where the last date of attendance of September 20, 2013 came from. Because an incorrect last date of attendance was used, the 90 day grace letter was sent late on December 31, 2013. The student's grace period would have ended on February 15, 2014 and repayment would have begun shortly thereafter. The student's status is being reported to NSLDS as in a grace period beginning September 20, 2013 which is inaccurate.

Student 45's withdrawal date on UAS's borrower communications screen reflects January 1, 2014, yet according to NSLDS, the student graduated ECSU on December 17, 2013. The student's status is being reported to NSLDS as in grace period beginning January 1, 2014 which is inaccurate based on the December 17, 2013 graduated date.

Students 36, 37, 38, 39, 40, 41, 42, and 43 all had one or multiple grace letters sent several days prior to the actual 90th, 150th, and/or 240th day, where in some cases, there was 4-6 business days (7-9 calendar days) from the date the letter was mailed to the actual 90th, 150th, or 240th day. Guidance from the Department's Campus-Based Call Center states that a school can allow for reasonable mailing time so that letters are received by the borrower by the 90th, 150th, or 240th day or as close as possible to those dates.

The Department provided ECSU an opportunity to review the issues listed above and to provide any additional information or documentation that may assist in the review. There were six compliance issues identified: late grace letters, early grace letters, last date of attendance reporting issues, improper application of in-school deferments, incorrect loan status reported to NSLDS, and missing exit counseling. ECSU provided its response on March 19, 2014 and March 20, 2014, along with information provided by UAS, ECSU's third-party servicer for Perkins.

Regarding the students that had grace letters sent late (**Students 31, 35, and 44**) and those students that had grace letters sent early (**Students 36, 37, 38, 39, 40, 41, 42, and 43**), UAS stated that since the inception of grace ending letters, UAS has always rounded either up or down based on the time of the month that it receives the information. UAS also stated that on an annual basis it goes through the Title IV attestation process and has never received an exception on this process. This process is always analyzed in detail during that audit. UAS also pointed out that they are the servicer for approximately 400 schools that also have annual audits and it has never heard of an exception for this. Since all billing cycles on its MACS system start on the first of the month, UAS has to start the grace period on the first. With all of that in mind, currently UAS' system rounds the separation date. If the separation date falls between the first and the fifteenth of the month, it snaps it back to the first of that month. If the separation date falls between the

fifteenth and the thirty-first of the month, it bumps it up to the next month. In its eUAS, an upgraded servicing platform, UAS will have the ability to use literal dates.

Although rounding the separation date backward to the first of the month, the separation date may never be rounded forward. It is preferable that the grace notices be sent as close to the prescribed number of days after the actual separation date, but the grace letters may never be sent after the prescribed number of days has passed.

Regarding the students (**Students 32, 34, 36, 37, 38, 39, 44, and 45**) that had incorrect last date of attendances (LDA) used in the Perkins servicing, UAS states that it used the dates that ECSU provided to them. Specifically, UAS states that for **Student 32**, it used the LDA of January 1, 2013 that was provided to them and then the account was placed right into a continuous deferment and remains in deferment until July 2014. It is unclear what type of deferment the student is on, but per enrollment history on the Clearinghouse and NSLDS, the student should have been withdrawn from ECSU and any deferments on May 9, 2013. The May 9th LDA was reported to the clearinghouse in September 2013. The student did not re-enroll at CCSU until January 13, 2014. Therefore, grace letters would have been required to be sent out immediately based on the May 9, 2013 LDA.

UAS stated that the grace letter for **Student 34** was never sent as the account went right into continuous deferment. According to the Clearinghouse and NSLDS, the certification of the student's LDA of April 21, 2013 occurred on August 26, 2013 and the certification of the student's re-enrollment at CCSU occurred on September 6, 2013.

For **Students 36, 37, 38, and 39** where the students' LDA on their Perkins account was May 14, 2013 and the information reported to the Clearinghouse and NSLDS was an LDA of May 9, 2013, ECSU stated that the separation date was from a graduation list which used ECSU's academic calendar and reported the last date of the semester.

ECSU stated that **Student 44** was separated based on a "did not return listing;" therefore, so that the student would receive his grace period, the student was separated using the date of discovery process. The Department has reviewed the student's NSLDS history and has determined that ECSU first reported to NSLDS that the student withdrew from school on May 16, 2012. This information was certified by ECSU on September 28, 2012. The student's re-enrollment at TCC beginning September 4, 2012 was certified by TCC on September 14, 2012. The student's subsequent withdrawal from TCC on May 20, 2013 was certified by TCC on September 20, 2013. Although, the certification of the student's withdrawal occurred on September 20, 2013, the student's LDA should be reflected as May 20, 2013, and any missed grace letters sent immediately.

ECSU stated that it used the fall 2013 graduation list for **Student 45** which used a separation date rounded to the beginning of the month to follow UAS' billing cycles. Therefore, the separation date was reported as January 1, 2014.

Regarding the improper application of in-school deferment when the student (**Students 32, 34, 35, 36, and 39**) did not exhaust the initial grace period, UAS stated that the borrowers never used their grace period. UAS did not waive the grace period; therefore, the borrowers are still entitled to the original nine month grace period when the borrower stops attending the new school. The grace period was pushed out based on the borrower being continuously enrolled.

Regarding the improper status being reported to NSLDS for **Students 32, 34, 35, 36, 37, 38, 39, 44, and 45**, UAS states that if the student is no longer attending ECSU the account needs to be reported as DA - Deferred as the student is in fact in a deferment. ECSU stated that as of March 17, 2014, the students' statuses have been updated in NSLDS, with the exception of **Students 39, 44, and 45**. These students' statuses have to do with an incorrect LDA which is addressed above.

This is incorrect as a student should only be reported as DA – Deferred if their entire grace period has already expired. According to the Perkins Data Provider Instructions, Appendix B: Loan Code Tables, revised June 2007, pages B-5, B-11, and B-12, the DA – Deferred code is defined as: A loan for which the school granted a postponement of periodic installments of principal because the borrower meets the eligibility requirements specified in regulations. **Note: Before a DA code can be used, the grace period must have expired and the loan must have entered repayment. If the student continued or returned to school before the grace period expired, the loan is reported in an IA status.** IA – Loan Originated (Disbursed) is defined as: A loan for which at least one disbursement has been made. A loan remains in an IA status until it enters grace or other appropriate code. In addition, IG- - In Grace Period is defined as: A loan in the loan grace period. For students completing their academic program, report the day after the enrollment period end date. For students who withdraw, report the day after the withdrawal date.

UAS stated that the exit material for **Student 37** contained February 1, 2014 as the grace end date because of the rounding that occurs for the separation dates, whereas if the separation date falls between the first and the fifteenth it rounds to the first of the month.

Required Action: ECSU has confirmed that it will be converted to the eUAS system by the end of April 2014. The eUAS system will have the ability to use literal dates. ECSU needs to ensure that UAS, as its third-party servicer is complying with all Title IV regulations in regards to LDA, grace period start, grace letters, due diligence, and reporting loan statuses.

ECSU must ensure that it reports the same LDA data to UAS as it does to the Clearinghouse and ultimately to NSLDS. This data should always be the date the student last attended ECSU. ECSU, or UAS as its third-party servicer, must monitor each Perkins account to see if a student has attended another institution, and if so, adjust the enrollment information accordingly. If the student attended another institution without exhausting the grace period on the loan, the student should remain in an in-school status

and not be placed on a deferment. If the grace period has expired and the student returns to school at another eligible institution, the student would then need to be placed into a deferment status. If a process isn't already in place to monitor enrollment statuses as reported to NSLDS, ECSU along with UAS must implement such a process to ensure the servicing of the loans is done properly. Revised procedures must be submitted with the response to the PRR.

ECSU must perform a full file review of its entire Perkins portfolio. All of ECSU's accounts that are currently in a deferment status but have not exhausted the grace period must be updated and placed back into an IA – Loan Originated (Disbursed) status. In addition, ECSU should ensure that all LDAs have been properly reported to UAS and NSLDS. ECSU must provide the results of the file review in spreadsheet format identifying:

1. Name
2. SSN
3. Original Last Date of Attendance Reported
4. Correct Last Date of Attendance
5. Original Loan Status Reported
6. Correct Loan Status

ECSU is reminded that it is responsible for ensuring that UAS, and any other third-party servicers it contracts with are in compliance with the Title IV regulations. As such, ECSU must create a quality control process to review the servicing activities of UAS in regards to ECSU's Perkins portfolio. Details of this quality control process must be submitted with the response to the PRR.