



January 23, 2013

Dr. Richard L. MacLennan  
President  
Garrett College  
687 Mosser Road  
McHenry, MD 21541

UPS Tracking Number  
1Z A54 67Y 01 9588 7430

**RE: Final Program Review Determination**  
**OPE ID Number: 01001400**  
**PRCN: 201020327208**

Dear Dr. MacLennan:

The U.S. Department of Education's (Department's) Philadelphia School Participation Division issued a program review report on September 27, 2010 covering Garrett College's (Garrett's) 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 2008-2009 and 2009-2010 award years. Garrett's responses were received on November 16, 2010 and May 2, 2011. A copy of the program review report (and related attachments) and Garrett's responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Garrett upon request. Additionally, this Final Program Review Determination (FPRD) addresses the Garrett College Single Audit Report, dated June 30, 2009 and the Garrett College Single Audit Report, dated June 30, 2010. All related attachments, as well as 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 and the Single Audit Reports dated June 30, 2009 and June 30, 2010. The purpose of this letter is to: (1) identify liabilities resulting from the findings of the program review report, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal.

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

Philadelphia School Participation Division  
The Wanamaker Building, 100 Penn Square East, Suite 511, Philadelphia, PA 19107  
[StudentAid.gov](http://StudentAid.gov)

The total liabilities due from the institution from this program review are \$339,500.60. This final program review determination contains detailed information about the liability determination for all findings.

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

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

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the September 27, 2010 program review report. If Garrett wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date Garrett receives this FPRD. An original and four copies of the information Garrett 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

Garrett'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 Garrett'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. Nancy Della Vecchia at (215) 656-6444. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

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

Nancy Paula Gifford  
Director  
Philadelphia School Participation Division

Enclosure:

Protection of Personally Identifiable Information

cc: Ms. Cissy VanSickle, Financial Aid Administrator  
Ms. Jean Avnet Morse, Middle States Association of Colleges and Schools Commission  
on Higher Education  
Maryland Higher Education Commission

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Prepared for

**Garrett College**

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**OPE ID 01001400**

**PRCN 201020327208**

Prepared by:

**U.S. Department of Education**

**Federal Student Aid**

**Philadelphia School Participation Division**

## **Final Program Review Determination**

**January 23, 2013**

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**A. Institutional Information**

Garrett College  
687 Mosser Road  
McHenry, MD 21541-1265

Type: Public

Highest Level of Offering: Associate's Degree

Accrediting Agency: Middle States Commission on Higher Education

2009-2010 Student Enrollment: 628

% of Students Receiving Title IV: 57.9%

Title IV Participation:

FFEL Subsidized Stafford Loan Program	\$ 850,361.
FFEL Unsubsidized Stafford Loan Program	\$ 414,761.
FFEL PLUS Loan Program	\$ 83,110.
Federal Pell Grant Program	\$ 1,039,248.
Federal SEOG Program	\$ 12,435.
Federal Work Study Program	\$ 41,123.

Default Rate FFEL/DL:      2007: 16.6%  
   2006: 10.2%  
   2005: 9.8%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Garrett College (Garrett) from March 22-25 and June 7-10, 2010. The review was conducted by Ms. Nancy Della Vecchia, Ms. Katie Bartges, and Ms. Diane Sarsfield.

The focus of the review was to determine Garrett's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The review consisted of, but was not limited to, an examination of Garrett'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 39 files was identified for review from the 2008-2009 and 2009-2010 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and 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 Garrett's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, the review does not relieve Garrett 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: # 3 - 6, 8, and 13 - 15

Single Audit Report Findings No: 2009-3, 2009-4, 2009-7, 2009-9, and 2010-3

Garrett has taken the corrective actions necessary to resolve findings # 3 - 6, 8, and 13 - 15 of the program review report and Finding Nos. 2009-3, 2009-4, 2009-7, and 2009-9 of the Garrett College Single Audit Report, dated June 30, 2009, as well as Finding No. 2010-3 of the Garrett College Single Audit Report, dated June 30, 2010. Therefore, these findings are considered closed. Findings requiring further action by Garrett are discussed below.

### Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Garrett's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on September 27, 2010 is attached as Appendix C.

#### **Finding # 1: Impaired Administrative Capability**

##### **Citation Summary:**

To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary of Education (the Secretary) that it is capable of adequately administering the Title IV, HEA programs. The Secretary considers an institution to have that administrative capability if the institution, among other things, administers the Title IV, HEA programs in accordance with all statutory provisions of, or applicable to, Title IV of the HEA and all applicable regulatory provisions prescribed under that statutory authority. 34 C.F.R. § 668.16(a). The institution must designate a capable individual to be responsible for administering all Title IV programs in which the institution participates and for coordinating those programs with the institution's other Federal and non-Federal student financial aid programs. 34 C.F.R. § 668.16(b)(1). The institution must administer the Title IV program with adequate checks and balances in its system of internal controls, which includes dividing the functions of authorizing payment and disbursing funds, so that no one office has responsibility for both functions. 34 C.F.R. § 668.16(c). The institution must establish and maintain the records required by the individual Title IV program regulations. 34 C.F.R. § 668.16(d). The institution must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program. The standards established by the institution must include a quantitative component that consists of a maximum timeframe in which a student must complete his or her educational program. For an undergraduate program, the maximum timeframe can be no longer than 150 percent of the published length of the program. 34 C.F.R. § 668.16(e)(2)(ii)(A). The institution must provide adequate counseling to students who apply for Title IV assistance. This counseling must include a description of the rights and responsibilities of the student with respect to the receipt of financial aid. 34 C.F.R. § 668.16(h).

**Noncompliance Summary:**

Garrett failed to meet the standards of administrative capability, as set forth in 34 C.F.R. § 668.16. The following serious findings, which were included in the September 27, 2010 program review report, demonstrate the institution's impaired administrative capability:

2. Title IV Funds Disbursed to Students at an Ineligible Location;
3. Lack of Separation of Duties;
4. Federal Family Education Loan (FFEL) Proceeds Not Credited to Students' Accounts;
5. Failure to Certify FFEL Program Loans for Eligible Students;
6. Failure to Reconcile Title IV Accounts;
9. Inadequate Satisfactory Academic Progress (SAP) Policy/Failure to Monitor SAP;
11. Title IV Funds Awarded in Excess of Student's Need;
12. Improper Federal Pell Grant Award; and
14. Failure to Conduct Entrance and Exit Counseling.

In addition, Garrett's auditor, Rodeheaver & Associates, P.C., issued an adverse opinion in the June 30, 2009 audit and a qualified opinion in the June 30, 2010 audit.

**Required Action Summary:**

Garrett was required to take the corrective actions detailed in the program review report.

**Garrett's Response Summary:**

Garrett's response to this finding was dated November 16, 2010. In its response Garrett stated that after the Board of Trustees reviewed the single audit report for the period ending June 30, 2008, it became clear to the school that the problems identified in that audit and those of the previous two fiscal years, were not the result of understaffing, but "were due in fact to a lack of administrative capability and experience not only in the Office of Financial Aid, but extending to the highest levels of the College's administration."<sup>1</sup>

Garrett stated that its Board of Trustees took immediate action. In February 2009, the Board placed the President on administrative leave. Garrett terminated the contracts of the Director of Financial Aid and the Dean of Students. Ultimately, Garrett placed new individuals into all three positions.

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<sup>1</sup> Garrett's November 16, 2010 "Response to Program Review Report," at 4

Garrett stated that it recognizes the responsibility it has with respect to managing Title IV funds and that it will continue to work to ensure compliance with all statutory provisions and regulations.

**Final Determination:**

Finding # 1 of the program review report cited Garrett for a lack of administrative capability. The program review report did not require a specific response from the institution in relation to this finding. Rather, this finding was based on the conditions documented during the program review and subsequent correspondence, as well as the violations detailed in the program review report. Garrett must take all additional corrective actions specified herein to resolve this finding.

To begin and to continue to participate in any Title IV, HEA program, an institution must demonstrate to the Secretary that it is financially responsible under the established standards. 34 C.F.R. § 668.171(a).

Even if an institution satisfies all of the general standards of financial responsibility, the institution is not considered to be financially responsible if, in the institution's audited financial statements, the auditor's opinion was adverse, qualified, or disclaimed, or if the auditor expressed doubt about the continued existence of the institution as a going concern. 34 C.F.R. § 668.171(d).

An institution that is not financially responsible may continue to participate in the Title IV, HEA programs by qualifying under an alternative standard. A participating institution may qualify as financially responsible by submitting an acceptable irrevocable letter of credit (LOC), payable to the Secretary, for an amount determined by the Secretary that is not less than one-half of the Title IV, HEA program funds received by the institution during its most recently completed fiscal year. 34 C.F.R. § 668.175.

Although Garrett does not have an LOC on file, the Philadelphia School Participation Division will not take additional action at this time. The institution is encouraged to resolve the current findings as the means of resolving the audited condition. If these findings appear in the next regularly scheduled audit report, then at that time, the Department may take additional action.

**Finding # 2: Title IV Funds Disbursed to Students at an Ineligible Location**

**Citation Summary:**

An institution that wishes to establish eligibility to participate in any Title IV, HEA program must submit an application to the Secretary, as well as documentation of state licensure and accreditation by a recognized accreditor, to enable the Secretary to determine if the institution satisfies all certification requirements. 34 C.F.R. § 600.20(a). Once the Secretary receives and approves such an application, the Secretary notifies the

institution of its eligibility and of the locations and educational programs that qualify as eligible. 34 C.F.R. § 600.20(e).

This eligibility does not extend to any location that an institution establishes after it receives its eligibility designation, if the institution plans to offer at least 50% of an educational program at that location. 34 C.F.R. § 600.10(b)(3). In order for such a location to become eligible, the institution must obtain state licensure and accreditation and report the establishment of the location to the Secretary within 10 days. 34 C.F.R. § 600.21(a)(3). An institution's failure to inform the Secretary of a change described in 34 C.F.R. § 600.21(a) within the 10 day period may result in adverse action against the institution. 34 C.F.R. § 600.21(e).

The institution may not disburse Title IV funds to students at this location before it notifies the Secretary of the existence of the location. Once the institution reports the location to the Secretary, it may disburse Title IV funds to otherwise eligible students, provided the location is licensed and accredited. 34 C.F.R. § 600.21(d).

A student is eligible to receive Title IV assistance if the student is a regular student enrolled in an eligible program at an eligible location. 34 C.F.R. § 668.32(a)(1)(i).

#### **Noncompliance Summary:**

Garrett improperly disbursed Title IV funds to students enrolled at an ineligible location, beginning in the 2004-2005 award year. Garrett disbursed Title IV funds to students enrolled in Garrett's Mountaintop Truck Driving Institute (MTDI) which was offered, in its entirety, in Grantsville, Maryland. Because this was a site at which Garrett intended to offer more than 50% of an educational program, Garrett was required to obtain accreditor approval of the site as an "additional location," notify the Department of the existence of the additional location, and provide documentation of the accrediting body's approval.

Garrett's accrediting body, Middle States Commission on Higher Education (Middle States), did not recognize Grantsville as an additional location and Garrett did not report the existence of the Grantsville site to the Department. Because neither Middle States nor the Department recognized the Grantsville site, Garrett was not permitted to disburse Title IV funds to students enrolled in the truck driving program offered at Grantsville. Nonetheless, from 2004 through November 2009, Garrett disbursed a total \$885,145.44 to 238 students, as detailed in the following chart.

Award Year	Number of Students Enrolled in Mountaintop Truck Driving Institute	Federal Pell Grant Funds Disbursed to Students	Federal Supplemental Educational Opportunity Grant Funds Disbursed to Students	FFEL Funds Disbursed to Students
2004-2005	11	\$ 18,182.15		
2005-2006	34	\$ 38,267.50		\$ 14,671.00
2006-2007	74	\$ 74,208.00		\$ 243,013.00
2007-2008	61	\$ 56,646.00		\$ 164,715.79
2008-2009	51	\$ 77,131.00		\$ 153,474.00
2009-2010 <sup>2</sup>	7	\$ 14,475.00	\$ 500.00	\$ 29,862.00
Total	238	\$ 278,909.65	\$ 500.00	\$ 605,735.79

This finding was also identified in the institution's single audit report for the year ending June 30, 2009 (Finding No. 2009-8).

**Required Action Summary:**

Because Garrett no longer offers the truck driving program as a Title IV eligible program, the program review report did not require any specific corrective actions.

**Garrett's Response Summary:**

Garrett's response to this finding was dated November 16, 2010. The response consisted of a narrative detailing Garrett's position regarding Finding # 2, affidavits from current and former employees, and copies of various accreditation documents.

In its response, Garrett stated that the Grantsville location appeared on its Program Participation Agreement (PPA) prior to 2004, but that inexperienced institutional personnel removed Grantsville for unknown reasons. Garrett's response also detailed Middle States documents which, at various points, mentioned the Grantsville location.

Garrett stated in its response:

Middle States' approval of the Grantsville Outreach Center as an "Additional Location" was never sought because it was the College's understanding that, at that time, the 50 percent or more of a program rule applied to degree programs and not to a short-term certificate program such as MTDI. Please find Appendix B.5, *Letter from Middle States, dated June 29, 2001*. In fact, the College's Accreditation Liaison Officer contacted Middle States at the time the MTDI

<sup>2</sup> This includes only Title IV aid disbursed to students who completed the program prior to November 7, 2009.

program was being proposed to see if Commission on Higher Education approval for the site was needed. He was told that because the MTDI Program was only a short-term certificate program, MSCHE approval was not required. The Commission has subsequently changed its position on this matter so that certificate programs are now subject to the same requirements as degree programs, but the College did not become aware of this change until early November 2009.<sup>3</sup>

Finally, Garrett stated that it moved the MTDI program to its Continuing Education (non-credit) Division, effective September 1, 2010.

In response to the audit finding, Finding No. 2009-8, Garrett stated:

The College verified with Middle States that because of a clerical error the listing of the Grantsville instructional site in 2004 and 2005 was not continued in subsequent submissions of the Institutional Profile and consequently the ECAR.<sup>4</sup>

#### **Final Determination:**

The Department reviewed Garrett's program review response and has based its final determinations on the information Garrett provided. Garrett's response references a letter from Middle States, dated June 29, 2001, and cites this letter as the source of its belief that the 50% or more requirement applied only to degree programs. Notwithstanding Garrett's confusion regarding its accreditation requirements, the MTDI program was not approved by Middle States or the Department and, thus, was not eligible for Title IV aid.

The total amount of Federal Family Education Loan (FFEL) funds (subsidized and unsubsidized) disbursed to students who enrolled in the MTDI program offered at the Grantsville Outreach Center from 2004 through November 2009 was \$605,735.79. The Department has estimated the actual loss it will incur as a result of the ineligible loans. The calculation is based on Garrett's most recent cohort default rate. The estimated actual loss that Garrett must pay to the Department for the ineligible loans is \$7,263.35. A copy of the results of that calculation is included as Appendix E.

The total Federal Pell Grant funds Garrett received for students enrolled at the ineligible Grantsville Outreach Center was \$278,909.65. The Department incurs a cost when it makes funds available to an institution because it borrows those funds from the U.S. Treasury and must pay interest charges on those funds. The Department has determined that the cost to the government of the improperly disbursed Federal Pell Grant funds is \$23,109.60. The result of that calculation is included as Appendix F.

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<sup>3</sup> Garrett's November 16, 2010 "Response to Program Review Report," at 6

<sup>4</sup> Garrett College Single Audit Report, June 30, 2009, "Auditee Response to Audit Findings," at 24

The total Federal Supplemental Educational Opportunity Grant (FSEOG) funds Garrett received for students enrolled at the ineligible Grantsville Outreach Center was \$500. Garrett must adjust its 2011-2012 Fiscal Operations Report and Application to Participate (FISAP) to reflect the change to its FSEOG for the 2009-2010 award year.

The total liability for Finding # 2 is \$309,782.60. Section E1 of this letter provides payment instructions for the \$309,282.60 that Garrett must return to the Department. The \$500 FSEOG liability will not be collected as part of this program review determination. It will be collected separately by the Department after Garrett makes adjustments to its FISAP. Section E5 of this letter provides instructions for making those adjustments.

In addition to returning the funds identified above, Garrett must adjust its Common Origination and Disbursement (COD) records for the Federal Pell Grant funds it disbursed, so that its records will reconcile. Garrett must adjust its FISAP to accurately reflect the Federal Pell Grant funds disbursed. Sections E4 and E5 of this letter provide instructions for making adjustments to COD and the FISAP.

#### **Finding # 7: Incorrect Cost of Attendance Used to Determine Student Eligibility**

##### **Citation Summary:**

A school may not certify a Stafford loan, or a combination of loans, for a loan amount that exceeds the student's estimated cost of attendance for the period of enrollment, less the student's estimated financial assistance for that period and, in the case of a subsidized Stafford loan, the borrower's expected family contribution (EFC) for that period. 34 C.F.R. § 682.603(e)(2).

The student's estimated financial assistance for the loan period includes federal, state, institutional, or other scholarship, grant, need-based employment, or loan programs. 34 C.F.R. § 682.200(b).

##### **Noncompliance Summary:**

Garrett College used a cost of attendance based on 15 credits, although the majority of its students enrolled for a maximum of 12 credits.

Additionally, Garrett used an improper cost of attendance for students # 6 and 32, who were enrolled in Garrett's Mountaintop Truck Driving Institute. Garrett used the cost of attendance intended for students enrolled in one of the Associate's degree programs, rather than the cost of attendance associated with the truck driving program.

For student # 6, Garrett used a \$15,070 cost of attendance, rather than the Mountaintop Truck Driving Institute cost of attendance of \$9,597. As a result, Garrett disbursed need-based aid in the amount of \$6,250, even though the student's actual need was \$2,847.

For student # 32, Garrett used a \$15,626 cost of attendance, rather than the Mountaintop Truck Driving Institute cost of attendance of \$10,497.

This finding was also identified in the institution's single audit report for the year ending June 30, 2009 (Finding No. 2009-6). The audit finding stated: "Garrett College did not determine the cost of attendance appropriately."<sup>5</sup>

**Required Action Summary:**

Garrett was required to update its cost of attendance budgets for full-time students to reflect a 12-credit course load and to submit the revised budgets to the Department with its response to the program review report.

**Garrett's Response Summary:**

Garrett submitted its responses to the program review finding on November 16, 2010 and May 2, 2011. In its November 16, 2010 response, Garrett stated that it did not believe overawards were made to the students cited in the finding and that it believed its budgets were constructed within regulatory requirements. Garrett stated: "Garrett College cost of attendance is based on average pricing... Federal regulations allow for actual or average costs."<sup>6</sup> Garrett also submitted copies of its 2010-2011 budgets.

In its response to Finding No. 2009-6 of June 30, 2009 audit, Garrett stated, however: "The College determines the cost of attendance based on the actual cost to the student."<sup>7</sup>

**Final Determination:**

The Department reviewed Garrett's response and re-examined the student files for both students # 6 and 32. Garrett submitted sufficient information to resolve the finding pertaining to student # 32.

For student # 6, Garrett stated that the aid it disbursed was within the student's need, when calculated under the standard full-time budget, rather than the Mountaintop Truck Driving Institute budget:

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<sup>5</sup> Garrett College Single Audit Report, June 30, 2009, "Findings and Questioned Costs – Major Federal Award Programs," at 18

<sup>6</sup> Garrett's November 16, 2010 "Response to Program Review Report," at 10

<sup>7</sup> Garrett College Single Audit Report, June 30, 2009, "Auditee Response to Audit Findings," at 23

In the case of the MTDI budget, the current Director determined that since it is a 16 credit hour, 15 week program, with some additional expenses, the full-time budget could be used...<sup>8</sup>

In contrast, the information Garrett submitted for student # 32, who was also enrolled in the Mountaintop Truck Driving Institute, indicated that his need was *not* determined under the standard full-time budget. Garrett did not explain this discrepancy.

Student # 6 was enrolled in the Mountaintop Truck Driving Institute during the 2008-2009 award year. The 2008-2009 cost of attendance for that program was \$9,597. Student # 6 had an EFC of \$6,750 and he received a Maryland state grant of \$4,500. Garrett should have included both the EFC and the state grant funds, a total of \$11,250, when determining the student's need for a subsidized loan. Because the student's estimated financial assistance exceeded the cost of attendance, he did not qualify for a subsidized loan.

Garrett submitted conflicting responses to the program review report and the June 30, 2009 audit. In the November 16, 2010 program review report response, Garrett stated that it uses *average* costs when determining its cost of attendance, while in its audit response, Garrett stated that the cost of attendance is based on the *actual* cost to the student. Garrett must provide a comprehensive policy regarding the method by which it will determine the cost of attendance for its students in the future. **Garrett must provide this policy to the Department within 45 days of its receipt of this FPRD.**

Garrett is liable for the interest costs incurred by the government on the subsidized loan funds it improperly disbursed to student # 6. The Department collects interest based on the borrower rates in effect when the ineligible disbursement was made or the return is due. The total amount due on the subsidized loan funds improperly disbursed to student # 6 is \$ 224.38. The calculation is included in Appendix G. Section E of this letter provides payment instructions.

**Finding # 9: Inadequate Satisfactory Academic Progress (SAP) Policy/Failure to Monitor SAP**

**Citation Summary:**

A student is eligible to receive Title IV funds if, among other things, the student is maintaining satisfactory academic progress in his or her program of study. An institution must establish, publish, and apply reasonable standards for measuring whether a student is maintaining satisfactory progress. The Secretary of Education considers an institution's standards to be reasonable if the standards are the same as (or stricter than) the institution's standards for a student enrolled in the same educational program who is

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<sup>8</sup> Garrett's November 16, 2010 "Response to Program Review Report," at 10

not receiving assistance under a Title IV, HEA program. The institution's standards must include both a qualitative and a quantitative component.

The qualitative component must consist of grades, work projects completed, or comparable factors that are measurable against a norm.

The quantitative component must contain a maximum timeframe in which a student must complete his or her educational program. The timeframe must be no longer than 150% of the published length of the educational program measured in academic years, terms, credit hours attempted, clock hours completed, etc. (as appropriate); be divided into increments, not to exceed the lesser of one academic year or one-half the published length of the educational program; include a schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum timeframe; and include specific policies defining the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress.

The institution's standards must provide for a determination at the end of each increment as to whether the student has met the qualitative and quantitative components of the standards. 34 C.F.R. § 668.16(e).

**Noncompliance Summary:**

Garrett's SAP policy, as articulated in its catalog, did not contain a quantitative component defining the maximum timeframe in which a student must complete his or her educational program.

Garrett provided the review team with a supplemental document, entitled "Satisfactory Academic Progress Policy," which was effective August 2009. This document stated that "Students will not be permitted to receive Financial Aid after eight (8) semesters or 108 credit hours attempted." But, the maximum timeframe established in the supplement was greater than 150% of the published length of the program. The published length of the program is four semesters (four semesters x 150% equals six semesters) or 64 credits (64 credits x 150% equals 96 credits).

In addition, the review team found that Garrett failed to enforce its SAP policy in the case of students # 2 and 5. Garrett disbursed Title IV funds to these two students, both of whom failed to meet the school's qualitative standards of academic progress.

Student # 2 – Garrett placed the student on probation in Spring 2008. According to Garrett's SAP policy, because the student's grades did not improve during Fall 2008, the student was ineligible to receive financial aid in Spring 2009. Nonetheless, Garrett disbursed a Federal Pell Grant in the amount of \$2,365 and a Federal subsidized loan for \$2,205 on January 9, 2009 and an unsubsidized loan for \$1,960 on April 20, 2009.

Student # 5 - Garrett placed student # 5 on probation in Spring 2009. According to Garrett's SAP policy, because the student's grades did not improve, the student was ineligible to receive financial aid in Fall 2009. Nonetheless, Garrett disbursed a Federal Pell Grant in the amount of \$2,007 on September 30, 2009 and a Federal subsidized loan for \$1,723.75 on October 8, 2009.

This is a repeat finding that was previously identified in the institution's single audit reports for the years ending June 30, 2008 (Finding No. 2008-12) and June 30, 2009 (Finding No. 2009-5).

**Required Action Summary:**

Garrett College was required to conduct a file review of all students who received Title IV aid during the 2008-2009 award year in order to determine if all students met the school's SAP standards. Garrett was to compile the results of this review in a spreadsheet and submit the spreadsheet in both hardcopy and electronic formats with its response to the program review report.

Additionally, Garrett was required to review its policies and procedures to ensure that they were sufficient to prevent a recurrence of the finding. Garrett was to submit a copy of any revisions with its response to the program review report.

**Garrett's Response Summary:**

In its November 16, 2010 response to the program review report, Garrett stated that its SAP policy was within compliance, but concurred that a more comprehensive explanation that includes the program length and the impact of remedial coursework was necessary. Garrett stated that the existing policy's reference to eight semesters of full-time enrollment rather than six semesters allows for the completion of remedial coursework. Garrett reported that approximately 70% of its students were required to enroll in six to 12 credit hours of remedial coursework.

The institution submitted the results of its SAP file review, which included all students who received Title IV aid during the 2008-2009 award year.

Garrett also submitted an updated SAP policy which stated that the institution now includes remedial grades in the grade point average calculations for determining SAP. The institution also reported that it updated the tracking mechanism in the system entitled, Regent Enterprise Financial Aid Management System Carbon (FAM), to automatically place a "hold" on all students who do not meet SAP.

In response to the 2009 compliance audit, Garrett stated in its corrective action plan that it established written policies and procedures for verifying that students are maintaining SAP prior to the disbursement of subsequent awards. Garrett also reported that students

were notified in writing of the College's SAP policy and that staff was trained in the use of the SAP policy and procedures.

**Final Determination:**

Garrett submitted sufficient information to resolve the finding pertaining to students # 2 and 5. Garrett has also taken the necessary corrective action to resolve Finding No. 2009-5 Garrett College Single Audit Report, dated June 30, 2009.

Garrett conducted a file review of all its 2008-2009 students to identify any students who failed to meet its SAP requirements. Garrett reported that it returned the Title IV funds awarded to the students identified in its file review. The Department, however, was unable to verify the return of those funds for 13 students (*see* Appendix H). Garrett is liable for the Federal Pell Grant funds it failed to return, totaling \$27,262. In addition, the Department has determined that the cost to the government of the improperly retained Federal Pell Grant funds is \$1,017.28. That calculation is included in Appendix J.

The total liability for Finding # 9 is \$ 28,279.28. Section E1 of this letter provides payment instructions.

In addition to returning the funds identified above, Garrett must adjust its COD records, so that its records will reconcile. Section E3 of this letter provides instructions for making adjustments to COD.

**Finding # 10: Failure to Comply with Return of Title IV Funds (R2T4) Requirements**

**Citation Summary:**

An institution must determine the amount of Title IV assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV programs. 34 C.F.R. § 668.22(a).

The institution must determine the amount of Title IV funds the student did not earn. Unearned Title IV funds are calculated by subtracting the amount of Title IV funds earned from the amount of Title IV funds disbursed. 34 C.F.R. § 668.22(e)(4).

An institution must return any unearned Title IV funds to the Title IV programs, in a specified order, up to the net amount disbursed from each source. 34 C.F.R. § 668.22(g). The institution must credit the return of funds to the outstanding balances on Title IV loans made to the student for the period, as prescribed in 34 C.F.R. § 668.22(i). An institution must return these funds as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. 34 C.F.R. § 668.22(j).

**Noncompliance Summary:**

Garrett improperly calculated the amount of Title IV funds that it earned for students # 27 and 39.

This finding was also identified in the institution's single audit report for the year ending June 30, 2010 (Finding No. 2010-4).

**Required Action Summary:**

Garrett was required to review the files of all students who withdrew during the 2009-2010 award year, in order to determine if it performed the R2T4 calculations accurately and if it made timely returns to the students and the Title IV programs. Garrett was to compile the results of this review in a spreadsheet and to submit the spreadsheet in both hardcopy and electronic formats with its response to the program review report.

Additionally, Garrett was required to ensure that all staff who have responsibility for processing and/or performing R2T4 calculations complete an on-line R2T4 training module offered by the Department.

**Garrett's Response Summary:**

In its November 16, 2010 response, Garrett stated that all staff assigned to processing R2T4 participated in the training module and reviewed each R2T4 calculation previously performed. Additionally, Garrett stated that all new financial aid office employees will complete online training as part of the initial training process.

Garrett stated that it reviewed its procedures for the notification of no shows, last known date of attendance, and official/unofficial withdrawal dates. Garrett reported that a staff member had been assigned to monitor all Change of Schedule forms received from the Registration and Records Office or other notification concerning student non-attendance.

In its May 2, 2011 response, Garrett provided the results of its file review of all students who withdrew from the institution during the 2009-2010 award year, which included a total of 96 students.

**Final Determination:**

The Department reviewed the results of the file review and the supporting documentation Garrett submitted in response to this finding. Garrett's file review did not identify any additional returns due.

Of the 96 students who withdrew, Garrett was required to return Title IV funds for 34 students, totaling \$24,863.34 in Federal Pell Grant funds and \$78,993.18 in Federal

Stafford Loan funds. Of the 34 students for whom Title IV funds were returned, seven returns were made late. (See Appendix I.)

Garrett has taken the necessary corrective action to resolve Finding No. 2010-4 Garrett College Single Audit Report, dated June 30, 2010.

The Department has determined that the cost to the students of the late returns is \$315.10. Garrett must refund the costs to the holders of the loans on behalf of the students identified in Appendix I. This Appendix lists each of the applicable students and the corresponding amount owed to the student's FFEL loan. Section E2 of this letter provides instructions for the repayment of this liability.

### **Finding # 11: Title IV Funds Awarded in Excess of Student's Need**

#### **Citation Summary:**

Under the FFEL program, the Secretary pays a lender interest benefits on behalf of a borrower. The Secretary pays a lender the interest that accrues on an eligible Stafford loan, during all periods prior to the beginning of the repayment period. 34 C.F.R. §§ 682.300(a)&(b)(1)(i).

To qualify for interest benefits on a Stafford loan, a borrower must demonstrate financial need. A student's financial need is calculated by subtracting the Expected Family Contribution (EFC) from the Cost of Attendance (COA), as in the following formula:  $COA - EFC = \text{Need}$ . When Title IV funds are awarded in excess of the student's need, it is considered an overaward. 34 C.F.R. § 682.301.

#### **Noncompliance Summary:**

Garrett awarded Title IV funds in excess of the students' determined need to students # 15 and 18. For student # 15, the EFC of \$20,795 exceeded the COA of \$ 5,070; therefore, Garrett should have awarded the student an unsubsidized loan rather than a subsidized loan. For student # 18, Garrett used the student's original EFC of \$1,383. As a result of changes made to the student's application through verification, his EFC increased to \$2,263. Garrett's failure to utilize this updated EFC resulted in a Pell overaward of \$450.

#### **Required Action Summary:**

For student # 15, Garrett was required to contact American Education Services/Pennsylvania Higher Education Association Agency (AES/PHEAA) to reclassify the loan from subsidized to unsubsidized, and provide documentation to that effect with its response to the program review report.

Additionally, Garrett was required to review its policies and procedures to ensure that they are sufficient to prevent a recurrence of the finding. Garrett was to submit a copy of any revisions with its response to the program review report.

**Garrett's Response Summary:**

Garrett concurred with this finding. Garrett contacted the guarantor, AES/PHEAA, for student # 15, and requested that it reallocate the subsidized Stafford Loan to an unsubsidized Stafford Loan. AES/PHEAA stated that it was unable to do so, because a reallocation cannot be requested unless both a subsidized and an unsubsidized loan were disbursed prior to July 1, 2010. Garrett is awaiting further determination from AES/PHEAA on a resolution to this situation.

Garrett stated that it accepted the liability for the \$450 Federal Pell Grant overaward to student # 18.

**Final Determination:**

Garrett improperly disbursed subsidized loan funds to student # 15, a student without sufficient need to qualify for those funds. Garrett disbursed \$450 of Federal Pell Grant funds to student # 18, in excess of that student's determined need. Garrett is liable for the funds improperly disbursed to student # 18, as well as for the interest costs incurred by the government on the funds disbursed to both students.

Garrett is liable for the interest charges incurred by the Department on the improperly disbursed subsidized loan funds. The Department collects interest based on the borrower rates in effect when the ineligible disbursement was made or the return is due. The total amount due on the subsidized loan funds improperly disbursed to student # 15 is \$275.97. The calculation is included in Appendix G.

Garrett is liable for the \$450 of Federal Pell Grant funds it improperly disbursed to student # 18. Additionally, the Department has determined that the cost to the government of the improperly disbursed Federal Pell Grant funds is \$19.42. The calculation is included in Appendix J.

The total liability for Finding # 11 is \$745.39. Section E1 of this letter provides instructions for the repayment of this liability. Section E3 provides instructions for making adjustments in COD.

**Finding # 12: Improper Federal Pell Grant Award**

**Citation Summary:**

In a program using standard terms with at least 30 weeks of instructional time, the institution determines a student's Federal Pell Grant for a payment period by first

determining the student's enrollment status for the term. Using that enrollment status, the institution determines the student's annual award from the pertinent Payment Schedule noted at 34 C.F.R. § 690.62(a). Finally, the institution divides the amount identified on the Payment Schedule by the number of payment periods. 34 C.F.R. § 690.63(b).

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 shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. 34 C.F.R. § 690.80(b)(2)(ii).

**Noncompliance Summary:**

Garrett failed to properly determine the amount of the Federal Pell Grant awards for students # 8 and 9.

For student # 8, Garrett awarded a full time Pell award, although the student was enrolled on a three-quarter time basis.

For student # 9, Garrett failed to disburse the full-time Pell award to which the student was entitled during the Fall 2008 semester. During the Summer 2009 term, the student was enrolled on a three-quarter time basis, but received a full-time Pell award of \$1,841.

**Required Action Summary:**

Garrett was required to strengthen its awarding policies and procedures to ensure that students receive the Federal Pell Grant funds for which they are eligible. Garrett was to submit its updated policies and procedures with its response to the program review report.

**Garrett's Response Summary:**

In its November 16, 2011 response, Garrett stated that both students received the proper award amounts, but that its financial aid software, the FAM system, did not fully track remedial coursework, thus the students' records appeared inaccurate. Garrett reported that it recently added functionality to its FAM system in order to incorporate remedial coursework in the total number of credits for financial aid. The institution also submitted an updated Pell Grant policy which specified that awards are calculated through the FAM system, as well as through manual calculations.

**Final Determination:**

The Department reviewed Garrett's response and revised policy. Garrett submitted sufficient information to resolve the finding pertaining to student # 9.

Although student # 8 initially registered for sufficient courses to be considered a full-time student for the Spring 2009 semester, he subsequently withdrew from five courses, thus decreasing his enrollment status by 9 credits, and resulting in a three-quarter time status.

In its November 16, 2010 response, Garrett stated that student # 8 was properly paid as a full-time student, because his remedial coursework provided him with sufficient credits to be full-time. Garrett stated that at the time funds were awarded to the student, its FAM system did not record remedial coursework and, as a result, his Pell Grant had to be calculated manually to reflect the student's full time credit load of 19.25 credits.

In support of its assertion, Garrett submitted the student's "Enrollment History."<sup>9</sup> The Enrollment History, however, only confirms that the student withdrew from five courses on January 22, 2009 and was, therefore, enrolled in 11 credits, equivalent to a three-quarter time status.

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 shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. 34 C.F.R. § 690.80(b)(2)(ii).

Garrett was unable to demonstrate that student # 8 was enrolled in sufficient credits to be considered a full-time student. Further, Garrett was unable to demonstrate that the student began attending any of the courses from which he withdrew.

On March 9, 2009, Garrett disbursed a full-time Pell Grant award of \$590 to student # 8. The proper three-quarter time award amount was \$443. Garrett is liable for the \$147 overaward. In addition, the Department has determined that the cost to the government of the improperly disbursed Pell Grant funds is \$6.85. The calculation is included in Appendix J.

The total liability for Finding # 12 is \$153.85. Section E1 of this letter provides instructions for the repayment of this liability. Section E3 provides instructions for making adjustments in COD.

---

<sup>9</sup> Garrett identified student # 8's Enrollment History as Appendix C.4.2 to its November 16, 2010 response.

**D. Summary of Liabilities**

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

Liabilities	Pell	FFEL	FSEOG	Estimated Loss - FFEL
Finding # 2	\$278,909.65		\$500.00	\$7,263.35
Finding # 9	\$27,262.00			
Finding # 11	\$450.00			
Finding # 12	\$147.00			
Subtotal 1	\$306,768.65			\$7,263.35
Interest/SA				
Finding # 2	\$23,109.60			
Finding # 7		\$224.38		
Finding # 9	\$1,017.28			
Finding # 10		\$315.10		
Finding # 11	\$19.42	\$275.97		
Finding # 12	\$6.85			
Subtotal 2	\$24,153.15	\$815.45		
<b>Total</b>	<b>\$330,921.80</b>	<b>\$815.45</b>	<b>\$500.00</b>	<b>\$7,263.35</b>
<b>Payable To:</b>				
<b>Department</b>	<b>\$330,921.80</b>	<b>\$500.35</b>	<b>\$500.00</b>	<b>\$7,263.35</b>
<b>Outstanding Student Loans</b>		<b>\$315.10</b>		

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loans in Finding # 2 from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on Garrett's most recent cohort default rate available.

## **E. Payment Instructions**

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

Garrett owes to the Department \$339,185.50. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. Garrett 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 Garrett's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

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

**Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead the school must first make any required adjustments in COD as required by the applicable findings, remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 awards.**

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

### **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. Garrett is also responsible for repaying any interest that accrues. If Garrett has any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to Garrett'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 at the address below to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education  
OCFO Financial Management Operations  
Accounts Receivable Group  
550 12th Street, S.W., Room 6111  
Washington, DC 20202-4461

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

2. **Liabilities Owed to Federal Family Education Loan (FFEL) Lenders**

Finding: #10  
Appendix: I

FFEL		
Finding Number	Amount (Interest)	Award Year
10	\$315.10	2009-2010
TOTAL FFEL Interest	\$315.10	

Garrett must refund the costs to the holders of the loans on behalf of the students identified in Appendix I. This Appendix lists each of the applicable students and the corresponding amount owed to the student's FFEL loan. Garrett must access NSLDS to determine if the Federal Family Education Loans (FFEL) have been purchased and/or are serviced by the Department. See Volume 4, Chapter 4, page 72 of the 2012-2013 Federal Student Aid Handbook for additional guidance on returning funds to FFEL loans. Garrett 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.

As proof of payment, Garrett must provide a copy of the front and back of the cancelled checks, or proof of electronic transfer of the funds to Ms. Della Vecchia within 45 days of the date of this letter.

**3. FFEL Liabilities Owed to the Department (Estimated Actual Loss & Interest):**

Finding: # 2, 7, and 11  
 Appendix: E and G

FFEL – Estimated Loss & Interest		
Finding Number	Amount	Award Year
2	\$7,263.35	2005-2006 through 2009-2010
7	\$ 224.38	2008-2009
11	\$ 275.97	2008-2009

Garrett must pay the amount above in FFEL estimated actual loss liabilities and interest. This amount is reflected in the total amount owed to the Department in Section 1 above.

**4. Liabilities Owed to the Department for Title IV Grants**

**4A. Federal Pell Grant – Closed Award Year**

Findings: # 2, 9, 22, and 12  
 Appendices: L and J

Garrett must repay:

Finding	Amount (Principal)	Amount (Interest)	Award Year
2	\$ 56,646	\$ 6,355.22	2007-2008
2	\$ 77,131	\$ 2,878.15	2008-2009
2	\$ 14,475	\$ 35.30	2009-2010
9	\$ 27,262	\$ 1,017.28	2008-2009
11	\$ 450	\$ 19.42	2008-2009
12	\$ 147	\$ 6.85	2008-2009
	<b>Total Principal</b>	<b>Total Interest</b>	
	\$176,111	\$10,312.22	

The disbursement record for each student identified in the Appendices L and J 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 Ms. Della Vecchia **within 45 days of the date of this letter.**

**4B. Federal Pell Grant – Cancelled Award Year**

Finding: # 2  
Appendix: F

Garrett must repay:

Amount (Principal)	Amount (Interest)	Award Year
\$ 18,182.15	\$ 953.94	2004-2005
\$ 38,267.50	\$ 3,250.12	2005-2006
\$ 74,208.00	\$ 9,636.87	2006-2007
Total Principal	Total Interest	
\$130,657.65	\$13,840.93	

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.

**5. Liabilities Owed to the Department for Campus Based Programs (FISAP Corrections)**

Finding: # 2

Garrett must repay \$500 in Federal Supplemental Education Opportunity Grant funds.

Garrett must make corrections to its FISAP for the 2009-2010 award year and must make corrections to its 2009-2010 through the 2011-2012 FISAP for Pell as follows:

- Log into eCB and make change(s) to the Working Copy, click on Submit and choose "Change Request". Provide the justification for the changes in the comments box, including that the changes are a result of a program review and include the Program Review Control Number.
- Once the request is approved, submit the changes within 5 days.
- Changes to the FISAP may result in changes to subsequent FISAPS. Contact the eCB Call Center at (877) 801-7168 for assistance in making this determination.

- If the recalculation of the school's funding results in an unprocessed deobligation (negative balance), return those funds via G5 in accordance with the automated notification from eCB.

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

**F. Appendices**

**Appendix A: Student Sample**

<u>Name</u>	<u>Social Security Number</u>
1.	(b)(6); (b)(7)(C), (b)(7)(C)
2.	
3.	
4.	
5.	
6.	
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9.	
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25.	
26.	
27.	
28.	
29.	
30.	

**Appendix B: Expanded Student Sample**

<u>Name</u>	<u>Social Security Number</u>
31	(b)(6); (b)(7)(C), (b)(7)(C)
32	
33	
34	
35	
36	
37	
38	
39	

## Appendix C



September 27, 2010

Dr. Richard L. MacLennan  
President  
Garrett College  
687 Mosser Road  
McHenry, MD 21541

UPS Tracking Number  
17A5467Y0191369944

RE: **Program Review Report**  
**OPE ID Number: 01001400**  
**PRCN: 201020327208**

Dear Mr. Conlon:

From March 22 – 25, 2010 and June 7 – 10, 2010, Ms. Nancy Della Vecchia, Ms. Katie Bartges, and Ms. Diane Sarsfield conducted a review of Garrett College's (Garrett's or the institution's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (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 Garrett. The response should include a brief, written narrative for each finding that clearly states Garrett's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Garrett 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 report<sup>1</sup> 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.

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

School Participation Team NE--Philadelphia  
The Wanamaker Building  
100 Penn Square East Suite 511  
Philadelphia, PA 19107-3323

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by Garrett 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 Ms. Nancy Della Vecchia 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. In addition, Appendices B and C also contain PII. These appendices were encrypted and sent separately to the institution via e-mail. 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).

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 Ms. Della Vecchia at (215) 656-6444 or [nancy.della.vecchia@ed.gov](mailto:nancy.della.vecchia@ed.gov).

Sincerely,

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

John S. Loreng  
Team Leader

cc: Ms. Cissy VanSickle, Director of Financial Aid

Prepared for

**Garrett College**



START HERE  
GO FURTHER  
FEDERAL STUDENT AID

OPE ID 01001400

PRCN 201020327208

Prepared by

**U.S. Department of Education**

**Federal Student Aid**

**School Participation Team - Philadelphia**

# Program Review Report

September 27, 2010

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**A. Institutional Information**

Garrett College  
687 Mosser Road  
McHenry, MD 21541-1265

Type: Public

Highest Level of Offering: Associate's Degree

Accrediting Agency: Middle States Commission on Higher Education

2009-2010 Student Enrollment: 628

% of Students Receiving Title IV: 57.9%

Title IV Participation:

FFEL Subsidized Stafford Loan Program	\$ 850,361.
FFEL Unsubsidized Stafford Loan Program	\$ 414,761.
FFEL PLUS Loan Program	\$ 83,110.
Federal Pell Grant Program	\$ 1,039,248.
Federal SEOG Program	\$ 12,435.
Federal Work Study Program	\$ 41,123.

Default Rate FFEL/DL:      2007: 16.6%  
   2006: 10.2%  
   2005: 9.8%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Garrett College (Garrett) from March 22-25 and June 7-10, 2010. The review was conducted by Ms. Nancy Della Vecchia, Ms. Katie Bartges, and Ms. Diane Sarsfield.

The focus of the review was to determine Garrett's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The review consisted of, but was not limited to, an examination of Garrett'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 39 files was identified for review from the 2008-2009 and 2009-2010 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and 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 Garrett'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 Garrett 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 Garrett to bring operations of the financial aid programs into compliance with the statutes and regulations.

**Finding # 1: Impaired Administrative Capability**

**Citation:**

To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary of Education (the Secretary) that it is capable of adequately administering the Title IV, HEA programs. The Secretary considers an institution to have that administrative capability if the institution, among other things, administers the Title IV, HEA programs in accordance with all statutory provisions of, or applicable to, Title IV of the HEA and all applicable regulatory provisions prescribed under that statutory authority. 34 C.F.R. § 668.16(a). The institution must designate a capable individual to be responsible for administering all Title IV programs in which the institution participates and for coordinating those programs with the institution's other Federal and non-Federal student financial aid programs. 34 C.F.R. § 668.16(b)(1). The institution must administer the Title IV program with adequate checks and balances in its system of internal controls, which includes dividing the functions of authorizing payment and disbursing funds, so that no one office has responsibility for both functions. 34 C.F.R. § 668.16(c). The institution must establish and maintain the records required by the individual Title IV program regulations. 34 C.F.R. § 668.16(d). The institution must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program. The standards established by the institution must include a quantitative component that consists of a maximum timeframe in which a student must complete his or her educational program. For an undergraduate program, the maximum timeframe can be no longer than 150 percent of the published length of the program. 34 C.F.R. § 668.16(e)(2)(ii)(A). The institution must provide adequate counseling to students who apply for Title IV assistance. This counseling must include a description of the rights and responsibilities of the student with respect to the receipt of financial aid. 34 C.F.R. § 668.16(h).

**Noncompliance:**

Garrett failed to meet the standards of administrative capability, as set forth in 34 C.F.R. § 668.16. The following serious findings, which are included in this report, demonstrate the institution's impaired administrative capability:

2. Title IV Funds Disbursed to Students at an Ineligible Location;
3. Lack of Separation of Duties;
4. Federal Family Education Loan (FFEL) Proceeds Not Credited to Students' Accounts;
5. Failure to Certify FFEL Program Loans for Eligible Students;
6. Failure to Reconcile Title IV Accounts;

9. Inadequate Satisfactory Academic Progress (SAP) Policy/Failure to Monitor SAP;
11. Title IV Funds Awarded in Excess of Student's Need;
12. Improper Federal Pell Grant Award; and
14. Failure to Conduct Entrance and Exit Counseling.

An institution's impaired administrative capability may cause the institution to disburse Title IV funds to ineligible students, which creates a financial burden for the Department.

**Required Action:**

Garrett must take the corrective actions detailed in this program review report and in the subsequent Final Program Review Determination letter.

**Finding # 2: Title IV Funds Disbursed to Students at an Ineligible Location**

**Citation:**

An institution that wishes to establish its eligibility to participate in any Title IV, HEA program must submit an application to the Secretary, as well as documentation of state licensure and accreditation, to enable the Secretary to determine if the institution satisfies all certification requirements. 34 C.F.R. § 600.20(a). Once the Secretary receives and approves such an application, the Secretary notifies the institution of its eligibility and of the locations and educational programs that qualify as eligible. 34 C.F.R. § 600.20(e).

This eligibility does not extend to any location that an institution establishes after it receives its eligibility designation (if the institution plans to offer at least 50 percent of an educational program at that location). 34 C.F.R. § 600.10(b)(3). In order for this location to become eligible, the institution must obtain state licensure and accreditation and report the establishment of the location to the Secretary within 10 days. 34 C.F.R. § 600.21(a)(3). An institution's failure to inform the Secretary of a change described in 34 C.F.R. § 600.21(a) within the 10 days may result in adverse action against the institution. 34 C.F.R. § 600.21(e).

The institution may not disburse Title IV funds to students at this location before it notifies the Secretary of the existence of the location. Once the institution reports the location to the Secretary, it may disburse Title IV funds to otherwise eligible students, provided the location is licensed and accredited. 34 C.F.R. § 600.21(d).

A student is eligible to receive Title IV assistance if the student is a regular student enrolled in an eligible program at an eligible location. 34 C.F.R. § 668.32(a)(1)(i).

**Noncompliance:**

Garrett improperly disbursed Title IV funds to students enrolled at an ineligible location, beginning in the 2004-2005 award year. Garrett disbursed Title IV funds to students enrolled in Garrett's *Mountaintop Truck Driving Institute* which was offered, in its entirety, in Grantsville, Maryland. Because this was a site at which Garrett intended to offer more than 50% of an educational program, Garrett was required to obtain accreditor approval of the site as an "additional location" and to notify the Department of the existence of the additional location and provide documentation of the accrediting body's approval.

Garrett's accrediting body, Middle States Commission on Higher Education, did not recognize Grantsville as an additional location; Garrett did not report the existence of the Grantsville site to the Department. Because neither Middle States nor the Department recognized the Grantsville site, Garrett was not permitted to disburse Title IV funds to students enrolled in the truck driving program offered at Grantsville. Nonetheless, from 2004 through November 2009, Garrett disbursed a total \$ 885,145.44 to 238 students, as detailed in the following chart.

Award Year	Number of Students Enrolled in Mountaintop Truck Driving Institute	Federal Pell Grant Funds Disbursed to Students	Federal Supplemental Educational Opportunity Grant Funds Disbursed to Students	FFEL Funds Disbursed to Students
2004-2005	11	\$ 18,182.15		\$ 00
2005-2006	34	\$ 38,267.50		\$ 14,671.00
2006-2007	74	\$ 74,208.00		\$ 243,013.00
2007-2008	61	\$ 56,646.00		\$ 164,715.79
2008-2009	51	\$ 77,131.00		\$ 153,474.00
2009-2010 <sup>1</sup>	7	\$ 14,475.00	\$ 500.00	\$ 29,862.00
<b>Total</b>	<b>238</b>	<b>\$ 278,909.65</b>	<b>\$ 500.00</b>	<b>\$ 605,735.79</b>

On October 13, 2009, Garrett submitted an application through the Department's E-App<sup>2</sup> system, to notify the Department of its use of the Grantsville site as an additional location. The Department's eligibility analyst then contacted Garrett to request

<sup>1</sup> This includes only Title IV aid disbursed to students who completed the program prior to November 7, 2009.

<sup>2</sup> The E-App is the Department's on-line system through which schools apply for initial certification to participate in the Title IV programs, apply for recertification, and notify the Department of changes, such as those required in 34 C.F.R. § 600.21.

documentation of accrediting body approval of the site as an additional location. Because Garrett was unable to provide such documentation, the Department notified Garrett that it would not process the application. Garrett officials then explained that the school had been treating Grantsville as an additional location and disbursing Title IV aid to students enrolled there since the 2004-2005 award year.

On November 7, 2009, as a result of its discussions with the Department's eligibility analyst, Garrett ceased offering the truck driving program entirely in Grantsville. Garrett moved the instruction portion of the program to its main campus in McHenry, MD, so that less than 50% of the program was offered in Grantsville.<sup>3</sup>

Garrett's failure to ensure that Title IV funds were only disbursed to students attending an eligible location has caused increased expense for the Department and is an indicator of impaired administrative capability.

**Required Action:**

During the on-site review, Garrett officials stated that the institution no longer intends to offer the truck driving program as a Title IV eligible program. Because Garrett no longer intends to offer the truck driving program as a Title IV eligible program, there is no further corrective action required at this time.

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

**Finding # 3: Lack of Separation of Duties**

**Citation:**

To begin and to continue to participate in the Title IV programs, an institution must demonstrate to the Secretary that it is capable of adequately administering the programs under the standards established in 34 C.F.R. § 668.16. The institution's system of internal controls must include adequate checks and balances such that the functions of authorizing payments and disbursing funds are performed by two organizationally independent offices. 34 C.F.R. § 668.16(c).

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<sup>3</sup> The Department considers the students who were attending the program on November 7, 2009 became eligible for Title IV aid, as the program was no longer offered (50% or more) at the ineligible location in Grantsville.

**Noncompliance:**

During the 2008-2009 award year and prior, the functions of awarding and disbursing Title IV aid were both performed by staff within the Financial Aid office. The Financial Aid office was responsible for awarding Title IV funds to students. Garrett tracked all financial aid awards in a software system entitled, Regent Enterprise Financial Aid Management System Carbon (FAM). Once the Financial Aid office awarded and requested Title IV funds for a specific student, a Financial Aid staff member coded that particular award with a "2" in FAM. The "2" indicated the specific Title IV funds that Garrett expected to receive for each individual student. The Business office then ran a report to download all student awards coded with a "2". Once the Business office ran this download, and with no additional action on the part of the Business office, all funds coded with a "2" were automatically posted to the individual student accounts. Thus, the Financial Aid staff member who coded students' awards with a "2" effectively posted those funds to the students' accounts.

Further, Garrett did not perform any type of reconciliation between the records maintained by the Financial Aid office and those maintained by the Business office. Therefore, Garrett had no mechanism in place to identify discrepancies or to serve as a check on the coding performed in the Financial Aid office.

This is a repeat finding. It was previously identified in the institution's single audit reports for the years ending June 30, 2007 (Finding No. 2007-9); June 30, 2008 (Finding No. 2008-5); and June 30, 2009 (Finding No. 2009-3).

Garrett's failure to adequately separate the duties of awarding and disbursing Title IV funds is an indicator of impaired administrative capability and an internal control weakness that may result in the misuse of Title IV funds.

**Required Action:**

During the on-site review, Garrett officials explained that, effective October 1, 2009, it changed its awarding and disbursing practices. The Business office began posting Federal Family Education Loan (FFEL) disbursements directly from the disbursement rosters provided by the guarantor. Garrett also began to post Federal Pell Grant funds to students' accounts prior to requesting those funds from the Department. Further, the Financial Aid and Business offices now perform monthly reconciliations to ensure that all Title IV funds awarded by the Financial Aid office are posted to student accounts.

Garrett must review its current policies and procedures to ensure that they adequately address the manner in which it will provide for awarding and disbursing of funds that will be received under the William D. Ford Federal Direct Loan program. Garrett must

provide a copy of these policies and procedures with its response to this program review report.

**Finding # 4: Federal Family Education Loan (FFEL) Proceeds Not Credited to Students' Accounts**

**Citation:**

An institution that participates in the FFEL program must disburse loan funds to the student or parent within three business days following the date the institution receives the funds from the lender (if the institution receives the funds via EFT). 34 C.F.R. § 668.167(b)(1)(ii). If the institution does not disburse the loan funds within three business days, the institution must return those funds to the lender no later than 10 business days after the date the institution was required to disburse those funds. 34 C.F.R. § 668.167(b)(2).

Funds received by an institution under the Title IV, HEA programs are held in trust for the intended student beneficiaries, the Secretary, the lender, and the guaranty agency. The institution, as a trustee of Federal funds, may not use or hypothecate those funds for any other purpose. 34 C.F.R. § 668.161(b).

**Noncompliance:**

Garrett failed to disburse FFEL loan funds it received through the guaranty agency, American Education Services (AES), to the individual student loan borrowers.

During the on-site review, the Business office provided the review team with a spreadsheet which contained all postings to student accounts from Garrett's General Ledger for the 2008-2009 award year. The spreadsheet was entitled "Garrett College Loans Payable (30103-23230) FY0809." The review team compared the General Ledger postings to the AES Loan Origination Disbursement Report for the period July 1, 2008 through June 30, 2009 (dated June 9, 2010), to determine if Garrett disbursed all loan funds it received.

Through this comparison, the review team identified that Garrett received \$ 212,462.12 of student loan funds that it failed to disburse to the student borrowers. Garrett subsequently returned \$ 103,664.74 to lenders. However, as of June 9, 2010, \$ 108,797.38 remains outstanding. The disposition of these funds is unclear; Garrett failed to disburse these funds to the student borrowers or to return them to the lenders. (Appendix B contains the results of the comparison between Garrett's General Ledger postings and the AES Loan Origination Disbursement report.)

Further, Garrett received \$ 73,745 of student loan funds which it disbursed late. Although Garrett did ultimately disburse these funds to students, it did not disburse the funds within three business days of receipt, nor did it return the funds to the lender within 10 business days after the date it was required to disburse those funds. Garrett disbursed these funds to students between 11 and 178 days after it received the loan funds. (Appendix C contains the list of student loan funds that were disbursed late.)

This is a repeat finding. It was previously identified in the institution's single audit reports for the years ending June 30, 2008 (Finding No. 2008-10) and June 30, 2009 (Findings No. 2009-4 and 2009-9).

Garrett's failure to disburse student loan proceeds to the student borrowers caused immediate financial harm to the student borrowers and to the Department. The funds made available to student borrowers under the FFEL program were intended to assist students in meeting both the direct costs of their education and the indirect living expenses associated with their attendance at school. Garrett's failure to disburse the loan funds to the student borrowers deprived the students of this assistance. Nonetheless, both the student borrowers and the Department incurred interest charges on these funds.

Furthermore, Garrett's failure to disburse student loan proceeds to the student borrowers is an indicator of impaired administrative capability.

**Required Action:**

Garrett must review Appendix B of this report in order to determine the disposition of the loan funds identified therein and provide an explanation with its response to this program review report.

Further, Garrett must conduct a file review of all students for whom it received FFEL funds from AES during the 2005-2006, 2006-2007, 2007-2008, and 2009-2010 award years, in order to determine if all loan funds borrowed by students have been properly disbursed to the students' accounts or returned to the lenders. Garrett must conduct this review on a student by student basis in order to ensure that each borrower has received the funds for which he or she has incurred a debt. Garrett must submit the results of that file review in a spreadsheet, in the format indicated below. The institution must provide the spreadsheet in both hardcopy and electronic formats. The spreadsheet should include the following information.

1. Student Name;
2. Social Security Number;
3. Date funds were posted to Student Account/General Ledger;
4. Amount posted to Student Account/General Ledger;
5. Date funds were disbursed by AES;

6. Amount disbursed by AES;
7. Amount refunded (if any) per AES;
8. Date funds were refunded per AES;
9. Amount of funds received from AES, but not posted to student account within three business days; and
10. Amount of funds received from AES, but not posted to student account within three business days and still outstanding to date.

During the on-site review, Garrett officials explained that they changed the procedures for disbursing loan funds to students. Garrett officials explained that loan funds are now posted to student accounts directly from the disbursement rosters received from the guaranty agency. However, Garrett should review the remainder of its institutional practices related to disbursing funds to ensure that these procedures are sufficient to prevent a recurrence of this finding. Garrett must submit a copy of its updated policies and procedures with its response to this program review report.

Instructions for the repayment of any determined liability will be provided in the Final Program Review Determination (FPRD) letter.

#### **Finding # 5: Failure to Certify FFEL Program Loans for Eligible Students**

##### **Citation:**

An institution may refuse to certify a Stafford loan for a student only if the decision not to certify the loan is made on a case by case basis and the reason for the action is documented and provided to the borrower in writing. The documentation supporting the institution's decision not to certify a loan must be retained in the student's file. 34 C.F.R. § 682.603(f)(3).

##### **Noncompliance:**

Garrett failed to certify FFEL funds for all eligible students during the 2005-2006, 2006-2007, 2007-2008, and 2008-2009 award years. As a result, some students were required to make alternate arrangements to pay for their programs at Garrett.

In February 2008, Garrett contacted 81 students for whom it failed to certify an FFEL loan and informed the students that they had to make alternate arrangements to cover the outstanding balances on their accounts. Nine students contacted Garrett and made arrangements to pay any outstanding balance. Garrett subsequently decided to write off the amount of the loans it failed to certify. However, Garrett did not contact the nine students who made the alternate payment arrangements to inform them that payment was not necessary.

This is a repeat finding. It was previously identified in the institution's single audit reports for the years ending June 30, 2006 (Finding No. 2006-1); June 30, 2007 (Finding No. 2007-4); June 30, 2008 (Finding No. 2008-10); and June 30, 2009 (Finding No. 2009-4).

Garrett's failure to certify Federal student loan funds for eligible students deprives those students of the benefits inherent in borrowing under the FFEL program, including: low fixed interest rates, income-based repayment plans, loan forgiveness, and deferment options. Furthermore, Garrett's failure to take corrective action in response to this finding's appearance in four consecutive audits is an indicator of impaired administrative capability.

**Required Action:**

Because, through Garrett's error, the students who made alternate arrangements to pay were deprived of the benefits, for which they were eligible, inherent in borrowing under the FFEL program, Garrett must refund any sums paid by these students which the students had initially intended to cover via FFEL funds. Garrett must provide documentation of payment with its response to this program review report.

**Finding # 6: Failure to Reconcile Title IV Accounts**

**Citation:**

An institution participating in the Title IV programs must account for the receipt and expenditure of Title IV funds in accordance with generally accepted accounting principles. An institution must establish and maintain financial records that reflect each Title IV transaction and general ledger control accounts and related subsidiary accounts that identify each Title IV transaction and separate those transactions from all other institutional financial activity. 34 C.F.R. § 668.24(b).

**Noncompliance:**

Prior to October 2009, Garrett did not reconcile its Title IV accounts to its bank statements. Garrett's failure to perform monthly reconciliations had an obvious detrimental effect on its administration of the Title IV programs, as evidenced by Finding # 4 - FFEL Proceeds Not Credited to Students' Accounts and Finding # 5 - Failure to Certify FFEL Program Loans for Eligible Students.

Findings directly related to Garrett's failure to reconcile its accounts have also been previously identified in the institution's single audit reports for the years ending June 30, 2006 (Finding No. 2006-1); June 30, 2007 (Findings No. 2007-4, 2007-7, and 2007-9);

June 30, 2008 (Findings No. 2008-5, 2008-6, and 2008-10); and June 30, 2009 (Findings No. 2009-3, 2009-4, and 2009-9).

Garrett's failure to perform timely account reconciliations and its failure to take corrective actions in response to multiple related audit findings, over the course of four consecutive years, are indicators of impaired administrative capability.

**Required Action:**

Garrett must reconcile its Federal Pell Grant account to its Federal bank account and to the Department's Common Origination and Disbursement (C.O.D.) system for the 2008-2009 award year and July through September 2009.<sup>4</sup> Garrett must submit copies of this reconciliation with its response to this program review report.

Garrett must review its policies and procedures to ensure that they are sufficient to prevent a recurrence of this finding. Garrett must submit a copy of its policies and procedures with its response to this program review report.

**Finding # 7: Incorrect Cost of Attendance Used to Determine Student Eligibility**

**Citation:**

Federal regulations state that a school may not certify a Stafford loan, or a combination of loans, for a loan amount that exceeds the student's estimated cost of attendance for the period of enrollment, less the student's estimated financial assistance for that period and, in the case of a subsidized Stafford loan, the borrower's expected family contribution for that period. 34 C.F.R. § 682.603(e)(2).

**Noncompliance:**

Garrett College used a cost of attendance based on 15 credits, although the majority of its students enrolled for a maximum of 12 credits.

Additionally, Garrett used an improper cost of attendance for students # 6 and 32, who were enrolled in Garrett's *Mountaintop Truck Driving Institute*. Garrett used the cost of attendance intended for students enrolled in one of the Associate's degree programs, rather than the cost of attendance associated with the truck driving program.

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<sup>4</sup> Because the file reviews required under Finding # 4 will serve to reconcile Garrett's FFEL program, there is no reconciliation for the FFEL accounts required under this finding.

For student # 6, the Garrett used \$ 15,070 cost of attendance, rather than the *Mountaintop Truck Driving Institute* cost of attendance of \$ 9,597. As a result, Garrett disbursed need-based aid in the amount of \$ 6,250, although the student's actual need was \$ 2,847.

For student # 32, Garrett used \$ 15,626 cost of attendance, rather than the *Mountaintop Truck Driving Institute* cost of attendance of \$ 10,497. This resulted in an overaward of \$ 1,297.

Garrett's failure to accurately determine the cost of attendance for its students resulted in students borrowing in excess of their need. This caused increased unnecessary expense for the Department.

**Required Action:**

Garrett must update its cost of attendance budgets for full-time students to reflect a 12-credit course load, and submit the revised budgets to the Department with its response to this program review report.

Instructions for the repayment of any determined liability amount will be provided in the Final Program Review Determination letter.

**Finding # 8: Late Delivery of Student Credit Balances**

**Citation:**

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 credit balance has occurred. 34 C.F.R. § 668.164 (e).

If an institution obtains written authorization from a student or parent, the institution may hold, on behalf of the student or parent, any Title IV, HEA program funds that would otherwise be paid directly to the student or parent under § 668.164 (e). The institution must allow the student or parent to cancel or modify that authorization at any time, and must clearly explain how the institution will hold those funds. If a student or parent cancels an authorization to hold Title IV, HEA program funds, the 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).

Notwithstanding any authorization obtained by the institution, an institution must pay any remaining balance on loan funds by the end of the loan period and any other remaining

Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. § 668.165 (b)(5)(iii).

**Noncompliance:**

As a policy, Garrett did not obtain student authorizations to retain student credit balance funds. Garrett regularly held credit balance funds beyond the 14-day regulatory timeframe. Garrett made late credit balance payments to students # 1, 3, 4, 12, 18 20, and 25.

Garrett's failure to return Title IV credit balances within the 14-day timeframe can result in financial harm and burden to students. Students are entitled to receive credit balance funds to pay for living expenses they incur while attending school.

**Required Action:**

Garrett must conduct a file review of all students enrolled at the institution during the 2008-2009 award year in order to determine the extent to which it made late credit balance payments.

Garrett should compile the results of this review in a spreadsheet. The spreadsheet should be formatted to include the following data and must be submitted in both hardcopy and electronic formats with its response to this program review report.

1. Student Name;
2. Social Security Number;
3. Date the Title IV Credit Balance Occurred;
4. Date the Title IV Credit Balance Was Paid to the Student;
5. Number of Days Late;
6. Amount of Title IV Credit Balance.

In addition, Garrett must revise its policies and procedures to ensure that student credit balances are provided to students within 14 days. Garrett may only hold credit balances for students who have provided written authorization for Garrett to do so. Garrett is required to provide its updated credit balance return policy to the Department with its response to this program review report.

**Finding # 9: Inadequate Satisfactory Academic Progress (SAP) Policy/Failure to Monitor SAP**

**Citation:**

A student is eligible to receive Title IV funds if, among other things, the student is maintaining satisfactory academic progress in his or her program of study. An institution must establish, publish, and apply reasonable standards for measuring whether a student is maintaining satisfactory progress. The Secretary considers an institution's standards to be reasonable if the standards are the same as (or stricter than) the institution's standards for a student enrolled in the same educational program who is not receiving assistance under a Title IV, HEA program. The institution's standards must include both a qualitative and a quantitative component.

The qualitative component must consist of grades, work projects completed, or comparable factors that are measurable against a norm.

The quantitative component must contain a maximum timeframe in which a student must complete his or her educational program. The timeframe must be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, clock hours completed, etc. (as appropriate); be divided into increments, not to exceed the lesser of one academic year or one-half the published length of the educational program; include a schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum timeframe; and include specific policies defining the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress.

The institution's standards must provide for a determination at the end of each increment as to whether the student has met the qualitative and quantitative components of the standards. 34 C.F.R. § 668.16(e).

**Noncompliance:**

Garrett's SAP policy, as articulated in its catalog does not contain a quantitative component defining the maximum timeframe in which a student must complete his or her educational program.

Garrett provided the review team with a supplemental document, entitled "Satisfactory Academic Progress Policy," which was effective August 2009. This document stated "Students will not be permitted to receive Financial Aid after eight (8) semesters or 108 credit hours attempted." The maximum timeframe established here is greater than 150%

of the published length of the program. The published length of the program is 4 semesters (4 semesters x 150% equals 6 semesters) or 64 credits (64 credits x 150% equals 96 credits).

In addition, the review team found that Garrett failed to enforce its SAP policy in the case of two students. Garrett disbursed Title IV funds to two students who failed to meet its qualitative standards of academic progress.

Student # 2 – Garrett placed the student on probation in Spring 2008. According to Garrett's SAP policy, because the student's grades did not improve during Fall 2008, the student was ineligible to receive financial aid in Spring 2009. Nonetheless, Garrett disbursed a Federal Pell Grant in the amount of \$ 2,365 and a Federal subsidized loan for \$ 2,205 on January 9, 2009 and an unsubsidized loan for \$ 1,960 on April 20, 2009.

Student # 5 - Garrett placed student # 5 on probation in Spring 2009. According to Garrett's SAP policy, because the student's grades did not improve, the student was ineligible to receive financial aid in Fall 2009. Nonetheless, Garrett disbursed a Federal Pell Grant in the amount of \$ 2,007 on September 30, 2009 and a Federal subsidized loan for \$ 1,723.75 on October 8, 2009.

Garrett's failure to publish a complete SAP policy prevents students from obtaining a full understanding of the requirements for maintaining Title IV eligibility.

**Required Action:**

Garrett College must conduct a file review of all students who received Title IV aid during the 2008-2009 award year in order to determine if all students met its SAP standards. Garrett must compile the results of this review in a spreadsheet. The spreadsheet should include the following data and must be submitted in both hardcopy and electronic formats.

1. Student Name;
2. Social Security Number;
3. Student's SAP Category (i.e. full-time, part-time, etc);
4. Grade Level;
5. Results of Correct SAP Policy Application;
6. Amount(s) and Date(s) of Any Improperly Disbursed Funds, by Program and Award Year.

Garrett must update its SAP policy to include a maximum timeframe of no more than 150% of the length of the published program. Garrett must distribute the updated policy to its students and provide a copy with its response to this program review report.

Instructions for the repayment of any determined liability amount will be provided in the Final Program Review Determination letter.

**Finding # 10: Failure to Comply with Return of Title IV Funds (R2T4) Requirements**

**Citation:**

Federal regulations require that an institution determine the amount of Title IV assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV programs. 34 C.F.R. § 668.22 (a).

The institution must determine the amount of Title IV funds that were not earned. Unearned Title IV funds are calculated by subtracting the amount of Title IV funds earned from the amount of Title IV funds disbursed. 34 C.F.R. § 668.22(e)(4). The calculation of earned Title IV aid includes all grant and loan assistance that was disbursed or that could have been disbursed to the student.

An institution must return any unearned Title IV funds to the Title IV programs, in a specified order, up to the net amount disbursed from each source. The institution must credit the return of funds to the outstanding balances on Title IV loans made to the student for the period as prescribed in 34 C.F.R. § 668.22(i). An institution must return these funds as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. 34 C.F.R. § 668.22(j).

The Department has developed worksheets and software to assist the schools in implementing the Return of Title IV (R2T4) regulations. The R2T4 worksheets provide instructions for the rounding rules used in the R2T4 calculations. Percentages are calculated to four decimal places, and rounded to three decimal places. The third decimal place is rounded up if the fourth decimal place is 5 or above. For example, .4486 would be rounded to .449, or 44.9%. The use of the Department's worksheets is optional.

**Noncompliance:**

Garrett improperly calculated the amount of Title IV funds earned for students # 27 and 39.

For Student # 27, Garrett incorrectly used the gross amount of the loans for the Title IV aid disbursed for the period. Garrett should have used the net amount of the loans actually disbursed to the student. In addition, Garrett used an incorrect amount for institutional charges in Section L of the R2T4 calculation worksheet. Garrett's

calculation resulted in funds being returned in excess of the amount required by regulation.

For Student # 39, Garrett improperly calculated the return of funds for the Fall 2008 semester. Specifically, Garrett failed to use proper rounding rules to compute the percentage of Title IV aid earned in the calculation. Garrett also improperly calculated the return of funds for the Spring 2010 semester; Garrett used incorrect dates for the period of enrollment, an incorrect amount for the Federal Pell Grant funds disbursed to the student; and, an incorrect amount for the institutional charges. Garrett's calculation resulted in excess funds being returned.

Although the instances of incorrect R2T4 calculations cited within this finding did not result in financial harm to the Department or the students, an institution's failure to accurately calculate the return of funds to the Title IV programs may result in additional expense for both the U.S. Department of Education and the student involved.

**Required Action:**

Garrett must review the files of all students who withdrew during the 2009-2010 award year, in order to determine if the R2T4 calculations were performed accurately and if timely returns were made to the students and the Title IV programs. The institution must compile the results of its file review in a spreadsheet, as detailed below. The spreadsheet must be provided in both hardcopy and electronic format.

1. Student Name;
2. Social Security Number;
3. Last Day of Attendance (LDA);
4. Date of Determination of Student Withdrawal (DOD);
5. Refund Type (i.e., Pell, FFEL, etc.);
6. Date refund/return was made with supporting documentation (copies of cancelled checks, both front and back, as well as supporting bank statements);
7. Date return of funds was due;
8. Additional amount due (if any); and
9. Award Year from which funds were disbursed.

In addition, the institution must submit the following hardcopy documentation.

10. A copy of each student's account card;
11. A copy of the R2T4 calculation performed for each student; and
12. If the file review indicates that the original R2T4 calculation performed is inaccurate, the institution must submit a copy of the original and the revised R2T4 calculation.

Further, Garrett should ensure that all staff who have responsibility for processing and/or performing R2T4 calculations complete the one hour on-line "R2T4 Overview" training session available at: <http://www2.ed.gov/offices/OSFAP/training/specific.html>. (Scroll down to locate the "R2T4 Overview" session; it is the fourth listing from the bottom.) In its response to this program review report, Garrett must confirm that all staff that have R2T4 responsibilities have completed this session.

Instructions for the repayment of any determined liability amount will be provided in the Final Program Review Determination Letter.

**Finding # 11: Title IV Funds Awarded in Excess of Student's Need.**

**Citation:**

Under the FFEL program, the Secretary pays a lender interest benefits on behalf of a borrower. The Secretary pays a lender the interest that accrues on an eligible Stafford loan, during all periods prior to the beginning of the repayment period. 34 C.F.R. § 682.300(a)&(b)(1)(i).

To qualify for these interest benefits on a Stafford loan, a borrower must demonstrate financial need. A student's financial need is calculated by subtracting the Expected Family Contribution (EFC) from the Cost of Attendance (COA), as in the following formula:  $COA - EFC = \text{Need}$ . When Title IV funds are awarded in excess of the student's need, it is considered an overaward. 34 C.F.R. § 682.301.

**Noncompliance:**

Notwithstanding the inflated cost of attendance referenced in Finding # 8, Garrett awarded Title IV funds in excess of the students' determined need to students # 15 and 18. For student # 15, the EFC of 20,795 exceeded the COA of \$ 15,070; therefore, Garrett should have awarded the student an unsubsidized loan rather than a subsidized loan. For student # 18, Garrett used the student's original EFC of 1,383. However, as a result of changes made to the student's application through verification, his EFC increased to 2,263. Garrett's failure to utilize this updated EFC resulted in a Pell overaward of \$ 450.

An institution that awards Title IV funds in excess of its students' need causes increased expense for the Department and is an indicator of impaired administrative capability.

**Required Action:**

For student # 15, Garrett must contact AES to reclassify the loan from subsidized to unsubsidized, and provide documentation to that effect with its response to this program review report.

Garrett must also strengthen its awarding policies and procedures to ensure that students receive only the amount of Title IV funds for which they are eligible. The updated policies and procedures should be included with Garrett's response to this program review report.

Instructions for the repayment of any determined liability amount will be provided in the Final Program Review Determination letter.

**Finding # 12: Improper Federal Pell Grant Award**

**Citation:**

In a program using standard terms with at least 30 weeks of instructional time, the institution determines a student's Federal Pell Grant for a payment period by first determining the student's enrollment status for the term. Using that enrollment status, the institution determines the student's annual award from the Payment Schedule. Finally, the institution divides the amount identified on the Payment Schedule by the number of payment periods. 34 C.F.R. § 690.63 (b).

**Noncompliance:**

Garrett failed to properly determine the Federal Pell Grant award for students # 8 and 9.

For student # 8, Garrett awarded a full time Pell award, although the student was enrolled on a three-quarter time basis.

For student # 9, Garrett failed to disburse the full-time Pell award to which the student was entitled during the Fall 2008 semester. During the Summer 2009 term, the student was enrolled on a three-quarter time basis, but received a full-time Pell award of \$ 1,841.

An institution's failure to award the proper amount of Title IV funds to an eligible student causes undue financial harm to the student.

**Required Action:**

Garrett must strengthen its awarding policies and procedures to ensure that students receive the proper Federal Pell Grant funds for which they are eligible. The updated

policies and procedures should be included with Garrett's response to this program review report.

Instructions for the repayment of any determined liability amount will be provided in the Final Program Review Determination letter.

**Finding # 13: Ineligible Disbursements**

**Citation:**

A student is eligible to receive Title IV funds if the student is a regular student enrolled in an eligible program at an eligible institution. 34 C.F.R. § 668.32 (a)(1)(i). A student is eligible to receive a Stafford loan, if the student meets certain requirements, including that the student is enrolled on at least a half-time basis at a participating school. 34 C.F.R. § 682.201(a).

**Noncompliance:**

Garrett disbursed Title IV funds to student # 16, who was not enrolled for the Spring 2009 semester. Garrett disbursed a \$ 1,000 Stafford subsidized loan on March 13, 2009 and Federal Pell Grant funds of \$ 2,365 on March 11, 2009. Garrett returned the Pell funds to the Department on May 22, 2009, however, the loan funds have not been returned to the lender.

An institution's failure to verify a student's enrollment status prior to disbursing funds may result in the institution receiving funds to which it is not entitled.

**Required Action:**

Garrett must review its policies and procedures to ensure that they are sufficient to prevent a recurrence of this finding. The updated policies and procedures should be included with Garrett's response to this program review report.

Instructions for the repayment of any determined liability amount to the Department will be provided in the Final Program Review Determination letter.

**Finding # 14: Failure to Conduct Entrance and Exit Counseling**

**Citation:**

Institutions that participate in the Title IV programs must ensure that entrance counseling is conducted with each Stafford loan borrower prior to its release of the first disbursement, unless the student borrower has received a prior Federal Stafford, Federal

SLS, or Direct subsidized or unsubsidized loan. Federal regulations also require that an institution ensure that exit counseling is conducted with each Stafford loan borrower shortly before the student borrower ceases at least half-time study at the institution. 34 C.F.R. § 682.604(f)&(g).

**Noncompliance:**

During the 2008-2009 award year, Garrett failed to conduct entrance counseling for student # 5 and exit counseling students # 1, 5, and 16.

Garrett's failure to provide loan counseling to students in accordance with Federal requirements may result in increased student loan defaults and cause increased expense for the Department. Further, it is an indicator of impaired administrative capability.

**Required Action:**

Garrett must conduct a file review of all students who graduated or withdrew from the institution during the 2008-2009 award year in order to verify that both entrance and exit counseling has been performed for each student. Garrett should send appropriate exit counseling materials to all students for whom the institution is unable to document previous counseling. Garrett must send a list of these students to the Department along with documentation that exit counseling materials were sent to each student.

Garrett must also review and update its loan counseling policies and procedures to ensure that all students receive both entrance and exit counseling. Garrett must include a copy of its updated policies with its response to this program review report.

**Finding #15: Campus Security Requirements Not Met**

**Citation:**

Institutions that participate in the Title IV programs are required to compile, publish, and distribute an annual security report (ASR) to all of their current students and employees. In addition, prospective students and employees are to be advised of the ASR's availability and provided with a copy upon request. The ASR must contain information regarding campus security policies and statistics of certain incidents of campus crimes reported to institutional and law enforcement officials. This report must discuss the role and function of campus security personnel, the institution's procedures for reporting emergencies and crimes and institutional security policies regarding on- and off-campus facilities. The report should also outline the institution's policy regarding alcohol and drug-related violations, including use, sale, possession and underage drinking. Lastly, the report must describe the informational programs available to students and employees about crime prevention, campus security and substance abuse. The inclusion of these

policies in the ASR gives interested parties a single reference point for security information. With the exception of 34 C.F.R. § 668 (b)(10) (drug and alcohol abuse education programs), institutions cannot meet policy disclosure requirements by cross-referencing other publications. 34 C.F.R. § 668.46 (b)(2).

**Noncompliance:**

Garrett failed to actively distribute an accurate and complete ASR to its current students and employees in the manner prescribed by Federal regulations. The report also lacked complete information in a number of required policy areas. The review team identified the following areas of weakness:

Area of Weakness # 1: Reporting Crimes

Federal regulations require a list of the titles of each person or organization to which students and employees should report criminal offenses. Although the ASR provides a telephone number, email address, and office location for the campus Security Services, it does not include a phone number for local authorities, offer assistance for reporting the crime to local authorities, or mention 911 to report an emergency (ASR, page 2, *Reporting Crimes or Incidents*).

Area of Weakness # 2: Drug and Alcohol Abuse Education Programs

Federal regulations require a description of any drug or alcohol abuse education programs. Although the ASR provides a list of general topics which are covered in safety and security related workshops for students throughout the year in the *Awareness and Crime Prevention Programs* section, it does not include a description of the workshops or any logistical information on where or when the workshops are held. This information is also absent from the campus security section of Garrett's Web site.

Area of Weakness # 3: Reporting Sex Crimes

Federal regulations require that the ASR contain information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, of a sexual assault. Additionally, the ASR must contain a statement that institutional personnel will assist the student in notifying these authorities, should the student request that assistance. The ASR does not provide reporting options beyond reporting to the Associate Dean of Student Life, the Director of Human Resources, or the Coordinator of Security Services. Further, contact information for these individuals is not included.

Area of Weakness # 4: Counseling and Other Services for Sex Crime Victims

Federal regulations require an institution to notify students of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses. The subsection labeled "Should a rape or sexual assault occur, take the following steps" advises victims to "Take advantage of available support systems," but does not provide any specific information about what resources are available or how a student might access them (ASR, page 5).

Failure to publish and distribute an accurate and complete campus security report deprives the campus community of important security information.

**Required Action:**

The institution must review and revise its policies and procedures in the specific areas identified in this program review report. The institution must provide a copy of these revised policies and procedures with its response to this program review report. Garrett must also ensure that all future campus security reports are published and distributed in accordance with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act. 34 CFR § 668.46.

## Appendix D

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Prepared for:

U.S. Department of Education  
Federal Student Aid  
School Participation Team-Philadelphia

Prepared by:

Garrett College  
687 Mosser Road  
McHenry, MD 21541



# **Response to Program Review Report**

**OPE ID 01001400**

**PRCN 201020327208**

**November 16, 2010**

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## **RESPONSES TO THE PROGRAM REVIEW REPORT**

### **Finding # 1: Impaired Administrative Capability**

After the FY2008 single audit report (which was received in January 2009) revealed the full extent of the problems that existed in the Financial Aid Office, it became clear to the College's Dean of Administration and Finance and Board of Trustees that those and earlier problems, which were identified by the Fiscal Year 2006 and 2007 single audits, were not the result of understaffing, as had been claimed, but were due in fact to a lack of administrative capability and experience not only in the Office of Financial Aid but extending to the highest levels of the College's administration. The Board of Trustees took immediate action. In February of 2009 the President of the College was placed on Administrative leave and shortly thereafter the contracts of the Director of Financial Aid and the Dean of Student Affairs were terminated. The Board then placed the Financial Aid Office under control of the Dean of Administration and Finance and a new Financial Aid Director were sought. In May 2009, Garrett hired Ms. Cissy VanSickle as Director of Financial Aid.

Ms. VanSickle has over thirty years of experience with federal, state, and institutional programs. This experience includes previous 15 year tenure at what was then Garrett Community College and employment at the Federal Student Aid Information Center; University of Maryland, College Park; University of Maryland; Baltimore; Bank of America; and the American Public University System. In June of 2010, after an extensive national search process, the Board hired a new President, Dr. Richard MacLennan, who has 30 years of service in Student Administration, including 20+ years of experience in the oversight of Financial Aid programs. In addition to these personnel changes, current staff and new hires are required to participate in on-line as well as off-site training to ensure that they acquire a solid background in awarding aid, maintaining compliance with Satisfactory Academic Progress and Return of Title IV funds as well as entrance and exit counseling.

The replacement of key personnel with either direct or indirect oversight of the Title IV program and other changes that have been made, which occurred well in advance of receiving notice of the program review, demonstrate the Board of Trustees and the College's commitment to restoring the integrity and effectiveness of the Title IV Financial Aid Program. Please find attached a letter from the Board of Trustees in Appendix A.

The specific actions that Garrett College has taken to address and resolve the issues that have contributed to a finding of impaired administrative capability, that is to say, Title IV Funds Disbursed to Students at an Ineligible Location (Finding #2); Lack of Separation of Duties (Finding #3); Federal Family Education Loan (FFEL) Proceeds not Credited to Student Accounts (Finding #4); Failure to Certify FFEL Program Loans for Eligible Students (Finding #5); Failure

to Reconcile Title IV Accounts (Finding #6; Inadequate Satisfactory Academic Progress (SAP) Policy/Failure to Monitor SAP (Finding #9); Title IV Funds Awarded in Excess of Student's Need (Finding #11); Improper Federal Pell Grant Award (Finding #12); and Failure to Conduct Entrance and Exit Counseling (Finding #14) are discussed in the sections of this Response that follow. The results of the FY2010 Single Audit Report testify to the extent to which the College has succeeded in correcting the aforementioned errors. (Please see Appendix K., *Garrett College FY2010 Single Audit Report*.)

Garrett College realizes the responsibility it has with respect to the management of Federal funds and it will continue to work to ensure that Title IV Funds are administered competently and professionally, that the operations of its Financial Aid Office fully comply with the Department of Education regulations, and that funds are managed so that students benefit while the integrity of the program is maintained.

## **2. Finding: Title IV Funds Disbursed to Students at an Ineligible Location**

There is no required action with respect to this particular finding. However, because the monetary value associated with this finding poses a potentially debilitating impact on the College, we have chosen to address this issue.

Garrett College developed the Mountain Top Truck Driving Institute (MTDI) in 2004 to meet a growing demand for truck drivers who have graduated from a credit bearing certificate program. The program consists of a combination of classroom and behind the wheel instruction. Much of the program is on the road and not in the classroom due to the required truck time to prepare for the Commercial Driver's License (CDL). This program was and is a major asset to the type of workforce training needed for a rural area such as Garrett County. Placement rate is high and opportunity for graduates is outstanding. The classroom work has typically taken place at the College's Northern Outreach Center located in Grantsville, Maryland with the over the road instruction taking place throughout Garrett County and the surrounding region. Historically, the Grantsville location had appeared on the Program Participation Agreement. The current Director of Financial Aid at Garrett was previously the Director at Garrett College from 1983 to 1989. During that time period both Grantsville, MD and Oakland, MD were listed as additional sites on the Program Participation Agreement. (Please see signed affidavit in Appendix J.1.) Ms. Patricia Bennett, who served as the College's Director of Financial Aid from 1999 to 2004, also recalls that Grantsville and Oakland were on the Program Participation Agreement and has made a statement to that effect. (Please see signed affidavit in Appendix J.2.) This would mean that these sites were listed before the MTDI program existed, which is within regulatory requirements. However, neither the College nor the Department of Education has been able to produce the archived documents needed to verify this. At some point, inexperienced personnel removed the Grantsville site from the Program Participation Agreement and for reasons

unknown it was never replaced. It should be noted, however, that this oversight was not mentioned in any audit prior to 2008-09. However, as recently as April 2003, the Grantsville Outreach Center is listed under "Other Instructional Sites" on the College's 2002-03 Institutional Profile and on its November 2003 Statement of Accreditation Status. Please find Appendix B.1, *Middle States Commission on Higher Education Statement of Accreditation Status, November 2003*; and Appendix B.2, *Excerpt from 2002-2003 Institutional Profile*.

The Grantsville instructional site is not listed under "Other Instructional Sites" on the College's 2003-04 Institutional Profile; it was mistakenly removed because no credit courses were offered there that particular year. However, both the Grantsville site and the Mountaintop Truck Driving Institute are discussed in the "Significant Developments" section of that same Profile. Please find Appendix B.3, *Excerpt from 2003-2004 Institutional Profile*. Due to an administrative oversight the Grantsville site was omitted from the 2004-05 Institutional Profile and this error was perpetuated on subsequent Profiles through 2008-09. However, the Grantsville site and the MTDI are discussed under "Significant Developments" in both the 2004-05 and 2005-06 Institutional Profiles. Please find Appendix B.4, *Excerpts from the 2004-2005 and 2005-2006 Institutional Profiles*.

Middle States' approval of the Grantsville Outreach Center as an "Additional Location" was never sought because it was the College's understanding that, at that time, the 50 percent or more of a program rule applied to degree programs and not to a short-term certificate program such as MTDI. Please find Appendix B.5, *Letter from Middle States dated June 29, 2001*. In fact, the College's Accreditation Liaison Officer contacted Middle States at the time the MTDI program was being proposed to see if Commission on Higher Education approval for the site was needed. He was told that because the MTDI Program was only a short-term certificate program, MSCHE approval was not required. The Commission has subsequently changed its position on this matter so that certificate programs are now subjected to the same requirements as degree programs, but the College did not become aware of this change until early November, 2009.

Garrett awarded aid to the students in the MTDI program in good faith and most, if not all of the participants would not have been able to attend without financial aid. The program was treated as a one semester, 16 credit hour certificate program within the regular academic year. No student enrolled in the MTDI program was awarded Title IV funds unless eligible. Funds awarded were prorated based on the one semester length of the certificate.

When the 2009 single audit revealed that the Grantsville site was missing from the Program Participation Agreement, the College immediately attempted to add the site, and it is now listed on the Department of Education Common Origination and Disbursement site with its own entity number. Please refer to Appendix B.6, *Department of Education Common Origination and Disbursement Site*.

However, when the College subsequently learned that in the case of the MTDI program, the Grantsville site would need Middle States Commission on Higher Education approval as an Additional Location, it immediately took steps to ensure that less than 50 percent of the program was offered at the Grantsville Outreach Center while a decision about the program's future could be made. This meant moving tractor-trailers to the McHenry campus and rescheduling many other programs to accommodate the MTDI program so that no harm came to the current MTDI students. The College ultimately decided to move the MTDI program over to its Continuing Education Division (non-credit) in order to maintain compliance with Department of Education and Middle States Commission on Higher Education requirements; this change was effective as of September 1, 2010.

### **3. Finding: Lack of Separation of Duties**

Garrett College, like most campuses today, uses an electronic financial aid management system to award and fund federal, state, and institutional programs. The nature of the College's Regent system as well as many others such as *Datatel*, *Powerfaids*, *Banner*, *Sunguard* and *Peoplesoft*, is to have the disbursement process initiate on the financial aid side of the system and then actually match up and disburse on the accounting or billing side of the system. This is standard practice throughout the country. Garrett College's Financial Aid staff has no part in handling or disbursing actual funds or checks to students. There is a distinct separation of duties between the Financial Aid Office and the Business Office; these two offices reconcile regularly to ensure a complete separation of duties. Disbursement of loans through the FFELP program is handled differently. Funds are not drawn down from the Department of Education on the G5 site, but are electronically transferred into the institution's bank account based on an advance roster listing the individuals who are to receive the funds and the amount of funds available.

For the last year, Garrett College subscribed to the ELM or ELMnet program. Students were awarded a loan. If, they decided to take the loan, they would go to Elmnet, choose a lender, and electronically sign a promissory note. First time borrowers would also be linked to "Mapping Your Future" to fill out an entrance interview. When these criteria were met, Elm would send the institution an electronic file for certification. Once all tracking was complete and loans were certified, a disbursement date was set. The funds were then electronically transferred to a Garrett College bank account. These funds were preceded by a roster which was loaded into the accounting system and a hard copy, which was printed for the Financial Aid Office.

The Financial Aid Office and the Business Office reviewed each roster daily and if funds reconciled, the loans would be set to a "2" in FAM and released by the Business Office to the student's account. No loan funds were set to a "2" unless verified on the roster and funds would not appear on a roster unless certified by a school official. This certification required cost of attendance, enrollment status, and expected disbursement dates for the various semesters. It also

recorded whether a loan was subsidized or unsubsidized. Funds were placed on a student's account by the Business Office within three business days of receipt of the electronic funds transfer. Any amounts due the student were paid within the fourteen calendar day requirement.

Prior methods would often lead to a loan being disbursed without verification of certification and without rosters to ensure receipt of funds. This resulted in loan funds being disbursed without the availability of bank funds to back the disbursements. Garrett College was actually advancing its own funds for these loans. Please see Appendix B.7 for an *Illustration of AES Disbursements*.

#### **4. Finding: Federal Family Education Loan (FFEL) Proceeds Not Credited to Student's Accounts**

Garrett College acknowledges that often FFELP funds were not posted within the three business day window and, in some cases; funds were disbursed before being posted to the College's account. During 2008-09, impaired administrative capability and inexperience contributed to a failure to perform the necessary reconciliations and the lack of attention to detail in posting loans and the refunds created by those loans.

The attached pages show that Garrett returned all funds due back to AES and requested AES to adjust interest, fees and late fees on each student's account within the National Student Loan Data System as well as the AES system. Garrett has tried diligently to fix any credit or default issues caused by these errors. Although loan disbursement procedures have been changed and updated to prevent these errors from recurring, Garrett will show in the attached pages the disposition of each of the loan proceeds as required.

The College has also made it a point to have each student who picks up a loan refund sign a form that he or she understands his/her right to cancellation and return of funds. Many of these funds may have been in the form of checks that students were expected to pick up but did not. Garrett feels that with the implementation of roster reconciliation and a move to Direct Lending, these issues will be non-existent. Please see also Appendix B.8, *Disposition of Loan Proceeds*.

#### **5. Finding: Failure to Certify FFEL Program Loans for Eligible Students**

Garrett College's Financial Aid personnel were not experienced in the process of certifying and disbursing FFELP loans funded by various banks. The system was in place to go into the AES system, look for certification requests, certify the student's eligibility for the loan or loans, and verify enrollment period and disbursement dates. This was a fully electronic system called "OneLink" that should have been checked each day and certifications noted in the FAM system. This certification system then created the roster for electronic transmission of funds. If a certification was not available for a loan, no funds could be disbursed on the roster. The FAM

system should not have been set to a "2" or disburse without that loan appearing on the EFT roster.

Personnel, who were not experienced, were mainly concerned with getting funds to students in a timely manner and were not ensuring the required certification or a payment roster. By the time this error was discovered, the window set by the Department of Education for late payment had passed and those funds could not be recovered.

Even though the 81 students who were affected by this error did not receive federal funds and the benefits that went along with those loan funds, they essentially received a grant of funds equal to their expected loans with no obligation to repay. Before the decision to write off the loans, the College did attempt to bill these students but without threatening to send unpaid bills to collections. Nine of the students contacted did make payments or arrangements to make payments on funds received. However, those nine students have been contacted and sent refund checks equal to the payments made to date, with the balance of the debt forgiven. No interest or late charges were ever placed on the students' accounts prior to forgiveness of the debt. Having these debts forgiven does not create a hardship for the students or for the Department of Education; these funds were essentially given to the students using College resources. Please refer to Appendix B.9, *Loans Payable for 2008-09*, and Appendix B.10, *Student Refund Letters*.

#### **6. Finding # 6: Failure to Reconcile Title IV Accounts**

As pointed out in prior findings, inexperience in account reconciliation contributed to the repeat audit findings. Since July 2009, the College has been diligent in reconciling federal funds such as Pell, SEOG, ACG, and Federal Work Study on a monthly basis. The process for reconciling these funds involves printing a reconciliation file ordered through COD and verifying that file against the FAM award file and the Accounting disbursement file. Discrepancies are resolved on each of the systems based on the most recent and correct ISIR in the Common Origination and Disbursement record. The Accounting Manager is then notified of the amount of funds from each of the programs that can be drawn down through the G5 system. Garrett College was able to reopen Pell for 2008-09 and fix several files in order to reconcile COD and Student Accounts.

In the case of Federal Workstudy, the Financial Aid Office and Payroll reconcile monthly and the Accounting Manager is notified of the federal share that may be drawn down. Garrett is considered a Title III school and is exempt from matching either FSEOG or FWS funds.

For FFELP (Federal Family Educational Loan Programs), reconciliation is performed with every roster that is received. During peak disbursement periods, this could occur daily. No funds are released without verification of the roster and the type and amount of the loan. Loans that are determined to be ineligible are partially or fully cancelled and the funds are pulled from the account by the EFT processor and the student record adjusted accordingly.

Going forward, reconciliation of Direct Loans will take place monthly using student account records and COD reconciliation through DL Tools. Garrett has recently added a staff person whose primary responsibility will be Direct Loans. Please find Appendix B.11., *Reconciliation Procedures*.

#### **7. Finding: Incorrect Cost of Attendance Used to Determine Student Eligibility**

Garrett College cost of attendance is based on average pricing for on-campus, off-campus and living at home as well as tuition, fees, books, and transportation. Federal regulations allow for actual or average costs. Garrett has several housing and board variables as well as in-state, out-of-state and out-of-county tuition rates. Garrett also has reciprocal tuition arrangements with the State of West Virginia and tuition reductions for students from other counties within the State of Maryland who enroll in statewide designated programs. The latter allows out-of-county students in certain programs to pay the in-county tuition rate, but they may still pay a higher room and board rate depending on the situation.

When the cost of attendance issue arose during the program review, the College's Director of registration and Records calculated the average number of credit hours taken by our full-time students. The average is 14.25 credits and for some of the specialty programs such as NRWT and AVS, the average is 17 credits or higher. Therefore, the College believes its budgets for cost of attendance are reasonable. The Program Review Report repeatedly refers to the budgets as being inflated which the College believes is not the case. Students receiving Pell grants are going to be paid as full-time students whether they are taking 12 hours or 15 hours. The same is true for student loans. Since our students may only borrow at a freshman or sophomore level, few are able to fill the gap in the cost of attendance. Please also see Appendix C.1., *Email Showing Average Credit Hours per Full-time Student*.

In the case of the MTDI budget, the current Director determined that since it is a 16 credit hour, 15 week program, with some additional expenses, the full-time budget could be used and awards prorated for the one semester of enrollment. In the case of student number 6, Richard DeLawder, which is cited in Appendix A of your report, the student received \$1,715 in need based (subsidized loan) aid and \$1,960 in non-need based (unsubsidized loan). The total aid award of \$3,675 is below both the budget and the need figures. Please see Appendix G.1.1 *Awards Screen and Student Bill*.

In the case of student number 32, Bryan Layton, the student's budget was \$10,497, with his need being \$10,497 due to a zero expected family contribution. The student received \$2,675 as a Pell grant and \$1,689.27 in subsidized loans as well as \$1,930.60 in unsubsidized loans. His need based aid totaled \$4,364.27 which is well below his need of \$10,497 and his unsubsidized loan could also go against his remaining need or his family contribution. His total aid package was

\$6294.87, which was well below his cost of attendance. Please see Appendix G.1.2 *Awards Screen and Student Bill*.

Garrett has not found that there were any over-awards to these students and believes that the budgets are well within regulatory requirements and in fact are conservative in awarding for this particular program. Please also refer to Appendix C.2, *2010-2011 Student Expense Budgets*.

#### **8. Finding: Late Delivery of Student Credit Balances**

In spring semester 2009, funds were placed on the student account (set to a "2" on the Financial Aid side) in January. However, refunds were not issued until March 2009. March was the preplanned disbursement date with pending aid ("1" in FAM) showing from January to date of planned disbursement. Garrett believes that these funds were not disbursed late, but the system codes were used incorrectly.

The attached credit balance spreadsheet shows when each credit balance occurs and which fund (federal, state, or private) creates the credit balance. Once the credit balance creates a refund status, that refund check is issued the Friday following the appearance of the credit. Please see Appendix C.3, *Credit Balance Report*.

The College's system for crediting various accounts is based on "first in" unless specified by a particular fund. Scholarship, grant, and loan funds are credited to the account as they are received or approved by the funding source. The Business Office has also developed a form for students to request credit balances to remain on their accounts. (attachment)

#### **9. Finding: Satisfactory Academic Progress (SAP) Policy/Failure to Monitor SAP:**

In reviewing the Satisfactory Academic Progress policy for Garrett College as updated in August 2009, there is a reference to eight semesters of full-time equivalent enrollment. The reason for this eight semester measurement rather than six semesters is the additional amount of time needed for remedial coursework. Typically, about 70 percent of students attending Garrett College are required to enroll in 6 to 12 credit hours of remedial coursework. This is not uncommon in community colleges throughout the country. This remedial coursework does not count toward completion or graduation in a particular degree program. The 8 semesters as 150 percent would include an additional semester of remedial work. Federal regulations allow an additional 30 credits of remedial coursework that may be paid by federal financial aid such as a Pell grant.

Degrees at Garrett College range from 64 to 70 credits of academic work depending on the program. These ranges do not include the credit hours required for remedial coursework. In this calculation, 150% would range from 114 to 123 credit hours. Garrett believes its Satisfactory

Academic Progress Policy to be within compliance, but does agree that a more comprehensive explanation is needed that includes program length and remedial coursework.

In this past year, Garrett College has made certain that students are aware and take advantage of an appeal process to review special consideration for reinstatement. The Appeals Committee is made up of members of faculty and staffs who have an objective view of the situation. The Committee is overseen by a member of the Financial Aid Office staff.

There are two students in question on this report. Although the current Director was not present when these students enrolled, there seems to be good reason for allowing them to continue in their studies with the help of federal financial aid. The Director also felt that since enforcement had not been consistent, each individual case needed to be considered.

██████████ is a non-traditional, returning student who struggled adjusting to college courses. She wavered back and forth between continuing education classes, remedial courses, and eventually academic courses counting toward a degree. She was given additional chances to improve due to the remedial coursework requirement and the way in which her GPA was calculated based only on the academic courses she had taken. Had her GPA included the remedial courses for which she was registered, it would have been within the required range.

██████████ currently carries a 2.56 GPA, which is well within the stated range. Attached is the required spreadsheet and SAP category as requested for 2008-09. Please see Appendix C.4.1, *Enrollment History*.

██████████ is one of a family of nine siblings who worked and went to school at the same time in order to help support the family. Her semester GPA for spring 2009 was 2.11 and for fall 2009 it rose to 2.85. Although her cumulative average remained low, this student was showing effort and improvement. She had been on probation prior to the fall semester, but had not been terminated. Please see Appendix C.5, *Rebekah Calhoun GPA History*.

Students are usually given a semester of warning before being terminated from financial aid. These students had not been given an adequate opportunity to improve their grade point averages. When given the opportunity, both improved.

Even though Satisfactory Academic Progress is an established policy, regulations require that there be an appeal process and that individual situations be considered. Students are put on financial aid probation the first semester they don't meet Satisfactory Academic Progress and terminated at the end of the second semester unless an appeal is filed. Garrett now includes remedial grades in the grade point average calculations for determining Satisfactory Academic Progress. In the past, this has been processed through hand calculations by various personnel.

Attached is the required spreadsheet showing the SAP Category as requested for 2008-09, Please see Appendix C.6; see also Appendix D, Policies and Procedures Manual.

#### **10. Finding: Failure to Comply with Return of Title IV Funds (R2T4) Requirements**

During the program review site visit, reviewers suggested that staff responsible for R2T4 be required to attend specific training on this subject, especially web based training offered by the U.S. Department of Education. The staff member assigned this task, [REDACTED] participated for a second time in the R2T4 training module and reviewed each calculation or R2T4 previously performed. The R2T4 Calculation is required when a student ceases to attend classes. Upon gaining knowledge that a student has ceased to attend courses, the R2T4 calculation is completed. The Financial Aid Office must collect data from instructors and or the Records and Registration Office to establish the last date of attendance. The assigned staff member establishes this date and begins the electronic calculation, as above. At completion of R2T4, the Business Office is notified of any action required. Adjustments are made to the student file, as per the results, by the Financial Aid Office. The student is notified in writing as to the results of the R2T4 calculation and the ramifications to his or her current financial standing with the College.

Training is accessed as follows:

Mandatory training on IFAP- [www.ifap.ed.gov](http://www.ifap.ed.gov)

(All new FAO employees will complete online training as part of the initial training process).

WEBSITE- FAA Access to CPS Online

Log onto the CPS system at [www.fafsa.ed.gov/FOTWWebApp/faa/faa.jsp](http://www.fafsa.ed.gov/FOTWWebApp/faa/faa.jsp)

Currently available (August 2010): R2T4 Overview (1 hour) and R2T4 on the Web (3-part 75 minute training).

The College has also reviewed its procedures for notification of no shows, last known date of attendance, and official/unofficial withdrawal dates. A staff member has been assigned to monitor all Change of Schedule forms received from the Registration and Records Office or other notification concerning student non-attendance. The 60% date will be established each semester by the Assistant Director of Financial Aid and provided to the Dean of Academic Affairs. Garrett College is also considering moving responsibility for the R2T4 calculation to the Business Office where funds are disbursed and returned and the appropriate procedures for performing these calculations are currently being established. The appropriate Business Office personnel will be trained as required.

Improper calculations cited for students #27 and #39

██████████ student #27, was recalculated using net loan amounts. Also, institutional charges were recalculated to include all charges assessed, prior to withdrawal. The original and revised calculations are attached. Please see Appendix H.1.1, *Return of Title IV Funds*.

██████████, student #39, was recalculated using the corrected institutional charges. Her Pell Grant award was adjusted and assessed prior to withdrawal, and the period of enrollment adjusted. These calculations have been redone and the original and revised calculations are attached. Please see Appendix H.1.2, *Return of Title IV Funds*.

Attached are the required R2T4 spreadsheet for 2009-10 (Appendix H.2) and individual student account histories (Appendix H.3).

**11. Finding: Title IV Funds Awarded in Excess of Student's Need**

The College has evaluated the cases of the students in question concerning the awarding funds in excess of need. Student number 15, ██████████, should have been awarded an unsubsidized rather than a subsidized loan. There is an award letter in the file showing an unsubsidized loan but the award letter was returned undelivered. There is also a letter in the file from the student explaining a serious family situation which would cause her to leave school and cancel her loan. Apparently, no one followed up on the student and nothing was done to reallocate the loan funds. AES has been contacted to reallocate funds and add the necessary interest. In a response from AES, Dan Waegle stated that at this point, it is too late to originate a subsidized loan for that loan period. Since there was no subsidized loan at all, reallocation cannot take place. Garrett is awaiting a further determination from AES on a resolution to this situation. Please see Appendix I.1.1., *Awards in Excess of Need*.

According to *Dear Colleague Letter Gen 10-10 FP 10-02, Q and A number 15*: a reallocation cannot be requested unless both a subsidized and an unsubsidized loan were disbursed prior to July 1, 2010. In discussions with AES, they are awaiting a determination regarding this finding by the Department of Education and will reallocate if allowed to do so. As of November 21, 2010 no official determination has been made. Student number 18, ██████████ had four separate ISIR transactions for 2008-09 with various calculated EFC numbers. The first transaction lists the parents as married and added both incomes together. They were actually separated and filing a joint return. The staff in the Financial Aid Office at the time did not make the adjustments to the last ISIR but instead paid off of the ISIR which was the most accurate at the time. Garrett is trying at this point to verify in the COD which ISIR was accepted for

payment. Garrett accepts liability for the \$450 over-awarded in this case. Please see Appendix I.1.2, *Awards in Excess of Need*.

## **12. Finding: Improper Federal Pell Grant Award**

Student # 8 [REDACTED] was paid as a full-time student due to the additional credits for which he was registered in remedial coursework. At the time of his award the system only recorded the academic courses on the academic tab in the FAM system. Remedial courses had to be added and calculated by hand. This student, who is an Adventure Sports major, was registered for a total of 19.25 credits. The requirements for the AVS major include several one credit "skills" modules that are offered throughout the semester; these contributed to his fulltime status. Please also see Appendix C.4.2, *Enrollment History*. Student #9, [REDACTED] was awarded Pell based on full-time attendance for both fall and spring of the 2008-09 award year. He carried 18 credits in the fall and 15 credits in the spring semesters. Please see Appendix C.4.3, *Enrollment History*. Based on his EFC of \$1,520 for that year, his semester awards were calculated at \$1,840 and \$1,841 respectively, which is full-time. The student only attended the fall and spring semesters only and was not eligible for summer session because he had already received all the Pell funds for which he was eligible for that academic year.

Garrett has recently added functionality to its FAM system in order to incorporate remedial coursework in the total number of credits for financial aid. This improvement will alleviate the issue of adding remedial credits to the academic credits by hand. As previously mentioned, many of Garrett's students take remedial courses and federal regulations allow for payment from federal funds.

## **Finding # 13: Ineligible Disbursements**

Student # 16, [REDACTED] was awarded a Pell Grant and a subsidized loan for her expected enrollment for the spring 2009 semester. Upon release of those funds, it was discovered that the student was no longer enrolled. The funds were returned to both programs and the student received no financial aid. Please refer to Appendix E.1.1, *Semester Bills*. Garrett has since implemented policies to verify enrollment status and eligibility before any funds are set for disbursement. This procedure is part of the reconciliation process which occurs prior to disbursement.

**Finding # 14: Failure to Conduct Entrance and Exit Counseling**

The personnel who are currently employed in Garrett College's Financial Aid Office were not involved in the entrance and exit interview process for the 2008-09 year. At that time, the process occurred on the AES website and various lenders were used to perform exit counseling as well. Beginning in 2009-10, Garrett subscribed to *Mapping Your Future* for entrance and exit counseling as part of the loan process. Students were notified of the entrance and exit counseling requirement and given the links necessary to complete the process.

Garrett has requested documentation from both AES and *Mapping Your Future* as to the students who completed entrance and exit counseling on either site. Please refer to Appendix F., *Entrance/Exit Interview List*.

Student #5, [REDACTED] completed exit counseling on line with AES on 9/2/2008. (Please see Page 2 of Appendix F.) Student #1, [REDACTED] did his entrance counseling with AES on 8/25/2008. (Please see Page 17 of Appendix F.) Student #16, [REDACTED] did her entrance counseling on 1/2/2008. (Please see Page 7 of Appendix F.) Her funds were subsequently returned and exit counseling was not required.

Any students documented to be missing exit counseling information for 2008-09 will be contacted via mail and email and asked to complete the required counseling. The date(s) on which these notifications are sent will be documented.

During the 2010-11 award year, Garrett is processing all Stafford and Plus Loans through direct lending on the COD system. Entrance counseling and promissory note signing is done electronically at [www.studentloans.gov](http://www.studentloans.gov). Students will also be required to do exit counseling at the same site. As was done in 2009-10, Garrett College will host various debt management seminars for students in conjunction with end of semester activities. These seminars will be presented by outside entities to ensure students have a good understanding of loan management, credit scores and histories, and managing debt as well their rights and responsibilities concerning student loans. Currently, Garrett is working to have this type of presentation as a required part of the Introduction to College course (LRN 106), which is a required course for incoming students. The College has also added a presentation on budgets, budgeting and loans to its parent and prospective student meetings and various high school nights.

**Finding # 15: Campus Security Requirements Not Met**

The Campus Security Office is under the leadership of the Coordinator of Security, who reports directly to the Dean of Administration and Finance. The Coordinator of Security is responsible for the implementation of daily operations and activities of the office. Current hours of operation are Monday through Friday from 8 am until 4 pm; however, there is a member of Campus Security available 24 hours a day, 7 days a week.

Campus Security officers provide security and safety services and routinely patrol the interior and exterior spaces of the campus, respond to accidents, injuries, and any other incidents which may occur. Security is responsible for monitoring, maintaining, and enforcing campus alarm systems, parking regulations and incident reporting/statistics gathering. All crimes occurring on campus will be investigated by Security and referred to law enforcement officials when warranted. Infractions of the Student Code of Conduct are investigated and the findings are forwarded to the Dean of Student Life for further action.

Officers are CPR and AED certified and are trained to respond to incidents that require immediate attention, however they may request assistance from local police, fire and emergency medical services personnel as needed.

All students and employees of the College are encouraged to report all on-campus crime and suspicious activity promptly. It is recommended that the Campus Security Office's 24 hour contact number, 240-321-5799, be pre-programmed into a cell phone for quick and easy accessibility.

**For any emergency, law enforcement, fire and medical emergency services can be reached by dialing 911 or 8-911 from a campus phone.**

Campus Security officers do not have arrest powers or carry weapons, but do possess the authority to detain an individual until local law enforcement arrives. Garrett College maintains a good working relationship with both the Garrett County Sheriff's Department (301-334-1911) and the Maryland State Police (301-387-1101). Dependent upon the circumstances of an incident, Campus Security can and will contact and involve law enforcement if necessary or requested by an individual. Annual meetings are arranged between the College and local law enforcement concerning crime in the area and to address and report issues seen within the college community as well as the local community. State and local law enforcement are requested to contact the Coordinator of Security when on campus to respect the rights and privacy of our students and employees.

Please see Appendix K for a copy of Garrett College's 2010 Annual Security Report.

***Area of Weakness #1: Reporting Crimes***

The college's ASR provides information on how to report crimes and incident on page 4 which reads as follows:

**For any emergency, law enforcement, fire and medical emergency services can be reached by dialing 911 or 8-911 from a campus phone.**

To report a crime or emergency to Campus Security by:

- Telephone:
  - 24 hour number: **240-321-5799**
  - Coordinator of Security: 301-387-3037
- Email:
  - [security@garrettcollege.edu](mailto:security@garrettcollege.edu)
- Office:
  - Maintenance Building- MT 1506

To complete an Incident Report, go to the Campus Security tab on the college website, and click on the option for the Garrett College Incident Report. Once completed, the report can either be printed and brought to the Campus Security office or emailed to [security@garrettcollege.edu](mailto:security@garrettcollege.edu).

Furthermore, the ASR provides further guidance concerning crime awareness and prevention on page 5:

Garrett College consistently strives to be pro-active; preventing crimes from occurring rather than reacting to past crimes or incidents. The College works with the college Counselor and Health Services Offices, as well as the local health department and local law enforcement to offer safety and security related workshops for students throughout the year, which will include, but are not limited to drug and alcohol prevention, sexual assault/date rape prevention, campus fire safety and suicide awareness. The Health Services and Counseling Services also provide pamphlets and brochures and information of activities and programs that may occur on campus as well as within the community and are manned by licensed and certified professionals.

The Campus Security, Counseling, and Health Services offices, as well as many outside community services, work together to promote awareness and prevention. They coordinate activities and information sessions in accordance to particular awareness months, which include some of the following:

- January- Personal Self Defense Awareness
- February- Relationship Wellness
- March- Youth Violence Prevention
- April – National Alcohol Awareness
- June- National Safety Month
- September-
  - Alcohol and Drug Addiction Recovery
  - Suicide Prevention
- October- Domestic Violence Awareness

- December- National Drunk and Drugged Driving Prevention

The Coordinator of Security also conducts an orientation program for incoming students at the beginning of each semester. Topics covered during this time include emergency preparedness and response, fire safety, personal safety, and incident reporting procedures.

Weapons of any kind are not permitted on the College campus, including within a motor vehicle parked on campus. The definition of a weapon includes fireworks, explosives, dangerous chemicals, arms classified as weapons, or an instrument designed to look like a weapon that can be used to cause apprehension or harm.

Safety and security on campus involves the participation of everyone. At Garrett College, we strongly encourage students and employees to be responsible for their own safety as well as the safety of others.

### ***Area of Weakness # 2: Drug and Alcohol Abuse Education Programs***

The college addresses alcohol and drug abuse on page 6 of its ASR, and provides an overview of its Awareness and Crime Prevention Programs. Additionally, the college refers to additional resources and contacts which can be found on page 20 of the ASR.

#### **Alcohol and Drug Policy**

In compliance with the Federal Drug-Free Workplace Act of 1988; the Federal Drug-free Schools and Communities Act of 1989; the Maryland Drug and Alcohol Abuse Control Plan of 1990; and the Maryland Higher Education Commissioner's policies of 1990, Garrett College is dedicated in spirit and in compliance with law to a drug-free workplace and educational environment.

Students and employees are expected and required to be in appropriate mental and physical condition and to be free from the influence of alcohol or drugs. Alcohol use is not permitted on campus except under limited conditions that require the approval of the President (see section E of the Drug and Alcohol Policy in the HR manual).

The unlawful manufacture, distribution, sale, possession, or use of illicit drugs and the illegal use of alcohol as a part of any Garrett College activity, are absolutely prohibited, in accordance with all applicable federal, state, and local laws.

Violations of this policy by employees or students will result in disciplinary action, up to and including dismissal, consistent with normal college policy and procedure. In addition, any violations may have legal consequences consistent with local, state, and federal law.

The College recognizes drug or alcohol abuse as a major health problem as well as a potential safety and security issue. Students and employees needing assistance in dealing with such problems are encouraged to use community or campus assistance services. Contact information for these services can be found on the "resources" page (20) of the annual security report.

The College will maintain a program to increase the awareness of the College community about:

- The dangers of drug and alcohol abuse. All students, staff and faculty will be advised individually through mail, email, advertisements, sessions, awareness programs, and through other appropriate avenues.
- The availability of drug and alcohol counseling and rehabilitation programs. The College will distribute a description of drug or alcohol counseling, treatment, rehabilitation, or re-entry programs available to the College community at least once per year.
- The College employs a counselor for 20 hours per week for students. The counselor provides an intake that identifies potential alcohol and/or drug use, has the ability to refer students for drug/alcohol screening, and provides counseling services.

At the beginning of each semester (typically the third week of September and the third week of January), the College will hold a drug and alcohol awareness and prevention week. Throughout the year, the College will hold special programs on drug and alcohol prevention sponsored and organized by the Campus Security, Counseling, and Health Services offices. Times, dates, and locations of these event will be advertised weeks in advance to the college community on the College website, the intranet, and emailed to students' college accounts.

Employees in need of assistance may be referred by area supervisors, department heads, administrators, or security personnel. Drug counseling and rehabilitation program information can be obtained through the College's Director of Human Resources.

### ***Area of Weakness # 3: Reporting Sex Crimes***

Garrett College's ASR contains information on reporting options in cases of sexual assault or harassment on pages 8 and 9:

Any student who feels that (s) he has been subject to sexual harassment/assault by another student or a college employee should file an incident report with the:

- Dean of Student Life in LC 643 or at 301-387-3748
- Coordinator of Security in MT 1507 or at 301-387-3037
- Counseling Services in LC 691 or at 301-387-3743
- Health Services in LC 683 or at 301-387-3742

If a student brings such an incident to the attention of any employee of the College, that employee should immediately notify one of the responsible officers of the College listed above that an alleged incident has occurred. The individual should be encouraged to file an incident report which can be done so anonymously. Designated college officials will direct the student to the college Counseling Services office who will assist them in filing a report, contacting law enforcement, receiving medical attention, and setting them up with the appropriate resources.

If the incident involves only students, it will be investigated by the Dean of Student Life. If the allegation is found to be credible, the incident will be handled through the process established in the Student Conduct Code.

Any employee who feels that (s) he has been subjected to sexual harassment/assault by another employee or a student should file an incident report with the:

- Director of Human Resources in BO 703A or at 301-387-3049
- Coordinator of Security in MT 1507 or at 301-387-3037

If the incident involves college personnel, the incident will be investigated by the Director of Human Resources. If the complaint is found to be credible, outside legal counsel will be engaged to perform the investigation. Legal counsel will prepare a report for the President who will take appropriate action.

Any individual who feels (s) he has been the victim of harassment, assault, or hate crime has the right to pursue additional legal action as provided for in the state and federal legal and/or civil codes. The outcome of any such action may result in additional sanctions. The College will cooperate fully in any investigation of harassment, assault, or hate crime by a law enforcement agency and will assist in any way the victim of a crime.

Reporting harassment, assault, or a hate crime will not reflect on the individual in any way with regard to his/her status as a student or employee of the College including future employment, grades, work assignments, etc.

#### ***Area of Weakness # 4: Counseling and Other Services for Sex Crime Victims***

The college's provides detailed procedures for reporting sexual offenses or hate crime on page 8 of the ASR:

Any student who feels that (s) he has been subject to sexual harassment/assault by another student or a college employee should file an incident report with the:

- Dean of Student Life in LC 643 or at 301-387-3748
- Coordinator of Security in MT 1507 or at 301-387-3037
- Counseling Services in LC 691 or at 301-387-3743
- Health Services in LC 683 or at 301-387-3742

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Reporting harassment, assault, or a hate crime will not reflect on the individual in any way with regard to his/her status as a student or employee of the College including future employment, grades, work assignments, etc.

Students may also find additional resources and contact information on page 20 of the ASR:

National Domestic Violence Center	800-799-SAFE
Garrett County Crime Solvers	301-334-1975
Garrett County Detention Center	301-334-5055
Garrett County Health Department	301-334-7777
Garrett County State's Attorney Office	301-334-1974
Garrett County Sheriff	301-334-1911
Circuit Court of Garrett County	301-334-1934
District Court of Garrett County	301-334-8020
Garrett College Security 24 hours	240-321-5799
Garrett College Security Coordinator	301-387-3037
Garrett College Health Services	301-387-3742
Garrett College Counseling Center	301-387-3743

Governor's Office of Crime Control	410-321-3521
Juvenile Justice, Garrett County	301-334-8608
Garrett County Health Dept.- Addictions	301-387-7670
Maryland State Police Barrack W	301-387-1011
Garrett County Social Services	301-533-3000
Parole & Probation for Garrett Co	301-387-8113
Public Defender of Allegany Co	301-777-2142
Garrett County Emergency Management	301-387-1929
Garrett Memorial Hospital	301-533-4000
Domestic Violence Crisis Referral	800-MDHELPS
Sexual Assault Crisis Referral	800-656-HOPE

# GARRETT COLLEGE

EXPERIENCE. EXPLORE. EXCEL.

May 2, 2011

Ms. Nancy Della Vecchia  
Senior Institutional Review Specialist  
School Participation Team Philadelphia  
The Wanamaker Building  
100 Penn Square East, Suite 511  
Philadelphia, PA 19107

Dear Ms. Della Vecchia:

Enclosed you will find the recent materials requested as additional information for our program review. Garrett College has responded to findings: 7,8,9,10,12 and, 14 as requested. The document has been packaged according to instructions on protection of personally identifiable information. You will also be receiving the electronic file in a password protected zip file by the end of the day today.

Thank you for your patience in this process. This has been a learning experience for our school and set the tone for future changes. Garrett College is working diligently to maintain compliance and engineer its systems to track each student and his/her progress. Garrett College is also committed to maintaining a highly trained and professional staff.

Again, thank you for your time and effort.

Sincerely,

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

Cissy Vansickie, Director

Office of Student Financial Aid

OPE ID: 01001400

PRCN: 20102037208

#### **Finding #7**

Garrett College **does** adjust the tuition charges up and/or down if the student takes more or less than the average 14 credits. Since the budgets are based on average expenses rather than actual, they are not adjusted except on an individual basis. Living expenses would remain the same as would Pell and loan eligibility if the student was fulltime at 12 or at 14 credits. The student expense budgets do include second sheet with the reduced number of credits and the estimated costs (*see Attachment 1*). Before kicking off the disbursement process, the Financial Aid Office does verify enrollment status and eligibility for funds.

The fund code of Western MD refers to a Maryland program which pays for retraining of persons who have lost a job or are not capable of doing their job for various reasons. These funds kick in after Pell grant and pay the differential in tuition and fee expenses.

#### **Finding # 8**

Form was missing for request of credit balance to remain on account. In reviewing the contents of the zip drive and the paper copies, the form was included in both. However, it may not have been clearly marked so it attached again with a title and cover sheet (*see Attachment 2*).

The policy for return of credit balances is a business office policy: the attachment has been printed from the policies and procedures of the Business Office and added to Financial Aid Policies and Procedures as a reference (*see Attachment 2*).

The policy is as follows: The Financial Aid Office communicates with the Staff Accountant to confirm a scheduled date for refunds to be disbursed. Once a date is set, the Financial Aid Office kicks off the reconciliation process from the Regent System. The Staff Accountant processes an upload of the financial aid funds and posts the funds to the student's account within three business days. Refund checks are processed for any credit balances within 14 calendar days. Students are notified of a credit balance by viewing their billing statement on the web and checks are available for pick up. Any checks not picked up within 3 to 4 days are mailed to the student's billing address.

#### **Finding #9**

150% timeframe. The time frame range of 114 credits to 123 credits includes remedial course work. A 64 credit hour program with an additional 12 hours of remedial work with 150% timeframe is 114 hours and a 70 credit hour program with 12 hours of remedial is 123 hours.

$64 + 12 = 76 \times 1.50 = 114$  hours  $70 + 12 = 82 \times 1.50 = 123$  credit hours. Many of our students after placement testing find themselves having to take from 12 to 24 credits of remedial work.

The SAP policy currently on the Garrett College website was recently updated to include the new Program Integrity Rules finalized on October 1<sup>st</sup>, 2010. The policy that was in the Policy and Procedures manual was based on prior regulation which allowed for different procedures and timelines.

The Policies and Procedures have been updated to reflect the Program Integrity Rules. The catalog has been updated to reflect the new regulatory requirements as well. Although the changes are not required to go into effect until July 1, 2011, Garrett College took the opportunity to make sure it was compliant with the latest regulatory information. Cissy VanSickle, Director, began to implement an SAP Policy upon her arrival in May 2009. Prior to that, the policy existed, but was not effectively enforced or monitored (*see Attachment 3*).

The person tasked with monitoring SAP had been employed in Financial Aid for over four years yet had no experience or training with SAP. During the implementation process the staff member began to familiarize herself with SAP Handbook information, contacts from other schools and guidance from the Director. In the Fall 2009 there was an active Probation/Dismissal roster. This roster was not without errors. The FAM system was not being used to monitor SAP. All SAP calculations and determinations were made manually. Subject to not only to human error, but also inexperience.

Fall 2009- (b) (6), (b) (7)(C) was placed on Probation and notified by letter. At that time, a copy of the letter was not placed in the student file. Academics had limited her to taking no more than 10 hours. The student returned in the Fall 2009, enrolled in three classes, a total of 10 hours, earning a B, B- and a C. The student did not return in the Spring of 2010.

Fall 2009- (b) (6), (b) (7)(C) was not placed on Probation. A decision was made to not give her Probation at that time because she had a cumulative GPA of 1.99. SAP policy, in effect at that time specified a 2.0. The student returned in Fall 2009 and Spring 2010, failed to make SAP and has not returned to school since Fall 2010 – to date.

The Financial Aid Office is working diligently to tighten up the tracking mechanism in the Financial Aid Management System to auto hold all students who do not meet SAP. Fall of 2010 was the first implementation of the new process and it has proven to be successful in tracking and maintaining progress.

#### **Finding # 11**

The Financial Aid Office and the Business Office performed a file review of all Title IV recipients who completely withdrew from all classes during the 09-10 award year. The attachments include a list from the Registrar's Office of withdrawn students and those who withdrew and were also Title IV recipients are included in the attached spreadsheet along with the original 32 students. As noted on the spreadsheet, some students withdrew prior to the beginning of classes or during a time no tuition was charged. These are noted on the spreadsheet (*see Attachment 4*).

#### **Finding #12**

Attached is the grading code for remedial courses and the equivalency (*see Attachment 5*). Please note that as of 10-11, students in remedial will be given an academic grade to be calculated into the grade point average. This will alleviate the requirement of the Financial Aid Office to hand calculate the grade point average including remedial.

In reference to Finding 12 and billing codes: the example given is not a billing code but a session code for the billing. The codes are as follows: A910 = Summer 1 08-09, A920 = Fall 0809, A930 = Intersession 0809, A940 = Spring 0809, A950 = Summer 2 0809; B010 = Summer 1 0910, B020 = Fall 0910, B030 = Intersession 09-10, B040 = Spring 0910 and B050 = Summer 2 0910. The session code would display for the period in which the student was awarded and/or paid.

#### **Finding #14**

Attached is a list of students from the file review and the dates when exit interviews were sent to these students. As demonstrated in the spread sheet, some students were missed but have since been issued the documents (*see Attachment 6*). The Financial Aid Office has changed its process in order to complete as many exits as possible. Once FA is notified of withdrawal, a tracking requirement is placed on the FAM side of the system and documents produced. The student will be exit interviewed in person or via mail if necessary. Once a month a report on this tracking item will be run to verify follow up. Students who are scheduled to transfer or graduate will be required to attend a group exit/debt management session.

Any student who does not comply with this requirement, will have a hold placed on his/her account in other areas of the institution.

Estimated Loss Formula

4/29/2012

Enter Institution Name Garrett College

Select Institution Type Public 2 Yrs or Less

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

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

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 FFEL Subsidized	2005-2006	\$ 14,671.00	9.80%	7.88%	\$ 1,155.67
2					
3					
Description		\$ 14,671.00			\$ 1,155.67
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 14,671.00	Total Estimated Loss		\$ 1,155.67

	A	B	C	D	E	F	G	H	I	J
School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***	
1	9.80%	11.93%	0.82	0.87%	10.41%	2008	25.0%	2.64%	15.60%	
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										

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

**Estimated Loss Formula**  
 4/29/2012

Enter Institution Name Garrett College  
 Select Institution Type Public 2 Yrs or Less

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 FFEL Subsidized	2006-2007	\$ 243,013.00	10.20%	2.51%	\$ 6,107.68
2					
3					
Description		\$ 243,013.00			\$ 6,107.68
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 243,013.00	Total Estimated Loss		\$ 6,107.68

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

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OSR ***
1	10.20%	11.93%	0.85	0.37%	0.31%	3.45%	2012	23.9%	2.28%	-7.49%
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										

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

Estimated Loss Formula

4/29/2012

Enter Institution Name Garrett College  
 Select Institution Type Public 2 Yrs or Less

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 FFEL Subsidized	2007-2008	\$ 164,715.79	16.60%	-1.55%	\$ -
2					
3					
Description		\$ 164,715.79			\$ -
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 164,715.79	Total Estimated Loss		\$ -

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

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	16.60%	11.93%	1.39	0.28%	0.39%	-0.78%	2013	22.2%	2.28%	7.49%
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										

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

The total subsidy rate for the ineligible Stafford and PLUS Loans is  $((E+F) + ((I+J) \times H))$ .  
 The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

Estimated Loss Formula

4/29/2012

Enter Institution Name Garrett College

Select Institution Type Public 2 Yrs or Less

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 FFEL Subsidized	2008-2009	\$ 153,474.00	14.50%	-1.11%	\$ -
2					
3					
Description		\$ 153,474.00			\$ -
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 153,474.00	Total Estimated Loss		\$ -

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

School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	H Cons Prepay %	I Cons DSR ***	J Cons OS ***
1 14.50%	11.93%	1.22	0.08%	-0.10%	-0.10%	2014	21.2%	2.28%	-7.49%
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									

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

**Estimated Loss Formula**

8/29/2012

Enter Institution Name Garrett College

Select Institution Type Public 2 Yrs or Less

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 FFEL Subsidized	2009-2010	\$ 29,862.00	21.00%	-0.82%	\$ -
2					
3					
Description		\$ 29,862.00			\$ -
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 29,862.00	Total Estimated Loss		\$ -

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

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

A	B	C	D	E	F	G	H	I	J
School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1 21.00%	11.93%	1.76	0.02%	0.04%	0.15%	2015	19.3%	2.28%	-7.49%
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									

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

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

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

Appendix F  
Finding # 2 - Federal Pell Grant Cost of Funds

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

Name of Institution: Garrett College

No.	Description/Name	Ineligible Disbursement	Program	Disbursement Date	Return Paid Date	No. of Days	CVFR or Interest	Federal Share	To ED	To Inst Accounts
1	2004-05 Pell Grant	\$18,182.15	Pell Grant	6/30/2005	9/27/2010	1915	1.00%	\$ 18,182.15	\$953.94	\$ -
2	2005-06 Pell Grant	\$38,267.50	Pell Grant	6/30/2006	9/27/2010	1550	2.00%	\$ 38,267.50	\$3,250.12	\$ -
3	2006-07 Pell Grant	\$74,208.00	Pell Grant	6/30/2007	9/27/2010	1185	4.00%	\$ 74,208.00	\$9,636.87	\$ -
4	2007-08 Pell Grant	\$56,646.00	Pell Grant	6/30/2008	9/27/2010	819	5.00%	\$ 56,646.00	\$6,355.22	\$ -
5	2008-09 Pell Grant	\$77,131.00	Pell Grant	6/30/2009	9/27/2010	454	3.00%	\$ 77,131.00	\$2,878.15	\$ -
6	2009-10 Pell Grant	\$14,475.00	Pell Grant	6/30/2010	9/27/2010	89	1.00%	\$ 14,475.00	\$35.30	\$ -

Total Ineligible \$278,909.65

Totals \$23,109.60 \$ -  
ACA Liability

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

Federal FWS	
Federal SEOG	
Federal Perkins	

Total C-B Spent \$ -  
ACA Percentage

	Total	Federal Share
Pell	\$ 278,909.65	\$ 278,909.65
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

Total Campus-Based \$ - \$ -

**Interest Breakdown**

Pell Grants	\$23,109.60	\$ -
ACG	\$0.00	\$ -
SMART	\$0.00	\$ -
TEACH	\$0.00	\$ -
FWS	\$0.00	\$ -
FSEOG	\$0.00	\$ -
Perkins	\$0.00	\$ -
FWS-50% Match	\$0.00	\$ -
FWS-No Match	\$0.00	\$ -
FSEOG-No Match	\$0.00	\$ -
Perkins-No Match	\$0.00	\$ -

**ACA Breakdown**

FWS	
FSEOG	
Perkins	
FWS-50% Match	
FWS-No Match	
FSEOG-No Match	
Perkins-No Match	



Appendix H  
Students Not Meeting SAP - Federal Pell Grant Funds to be Returned

Student Name	SSN	Result per Garrett File Review	(b)(6); (b)(7)(C), (b)(7)(C)		Pell ED Could Not Verify as Returned
		"Student Did Not Return - All Aid Cancelled"			\$1,091.00
		"FA Termination"			\$1,690.00
		"Canceled Spring aid"			\$1,740.00
		"FA probation, student did not improve funds returned for Spring sem"			\$1,990.00
		"Student did not return"			\$2,190.00
		"FA Termination"			\$2,290.00
		"Spring 09 funds returned"			\$2,365.00
		"Aid returned spring 09"			\$2,365.00
		"FA Termination"			\$2,365.00
		"Student did not return; spring semester aid canceled"			\$2,365.00
		"FA Termination"			\$2,365.00
		"Student did not return"			\$2,365.00
		"Terminated"			\$2,081.00
<b>Total</b>					<b>\$27,262.00</b>

Late or Unmade Returns (Loans) - Cost of Funds

Name of Institution: Garrett College - Appendix I

Note: The withdrawal date is necessary to determine if an institution has 30 (default) or 45 days to return funds

No.	Description/Name	Return Amount	Program	W/D Date	Institution Det Date	Return Paid Date	Return Due Date	Days Late	Days ED	Days Stud	Interest	FFEL SpcAll	To ED	To Lender/ Student
(b)(6); (b)(7)(C), (b)(7)(C)		\$799.58	FFEL Unsub	10/22/09	10/22/09	12/11/09	12/6/2009	5	0	5	6.80%	0.00%	\$ -	\$ 0.74
		\$1,439.17	FFEL Unsub	10/22/09	10/22/09	05/11/10	12/6/2009	156	0	156	6.80%	0.00%	\$ -	\$ 41.83
		\$3,693.75	FFEL Unsub	10/22/09	10/22/09	02/03/10	12/6/2009	59	0	59	6.80%	0.00%	\$ -	\$ 40.60
		\$4,678.75	FFEL Unsub	06/12/09	06/12/09	02/18/10	7/27/2009	206	0	206	6.80%	0.00%	\$ -	\$ 179.56
		\$923.93	FFEL Unsub	11/04/09	11/04/09	06/24/10	12/19/2009	187	0	187	6.80%	0.00%	\$ -	\$ 32.19
		\$2,708.75	FFEL Unsub	12/15/09	12/15/09	02/18/10	1/29/2010	20	0	20	6.80%	0.00%	\$ -	\$ 10.09
		\$2,708.75	FFEL Unsub	12/15/09	12/15/09	02/18/10	1/29/2010	20	0	20	6.80%	0.00%	\$ -	\$ 10.09

Total Principal \$ 16,952.68

\$ - \$ 315.10

Total DL Sub \$ -

Total DL Unsub \$ -

Total FFEL Sub \$ -

Total FFEL Unsub \$ 16,952.68

Total PLUS \$ -

\$ 315.10



## Appendix K

**DEPARTMENT OF EDUCATION  
FED-WIRE EFT MESSAGE FORMAT & INSTRUCTIONS**

ABA Number 021030004	Type/Sub-Type	
Sender No.:	Sender Ref. No.	Amount <b>①</b>

Sender Name (Automatically inserted by the Federal Reserve Bank)

Treasury Department Name/CTR/  
TREAS NYC / CTR /

BNF=ED / AC - 91020001 OBI=

Name / City / State:

**②**

DUNS / TIN:

**③**

FOR:

**④**

**INSTRUCTIONS**

A. Complete circled items 1-4 above as follows:

- ①** Indicate amount including cents digits.
- ②** Indicate Name, City, and State.
- ③** Indicate DUNS Number and Taxpayer Identification Number (TIN).
- ④** Enter the reason for the remittance: Bill Number / Document Number / Other.

B. Provide the sending bank with a copy of the completed form. This form contains other information the bank will need to transmit the FEDWIRE message.

Appendix L

2007 – 2010 Grantsville Outreach Center Federal Pell Grant Recipients

Social Security Number	Last Name	First Name	Award Year	Federal Pell Grant Adjustment Required in COD
(b)(6); (b)(7)(C), (b)(7)(C)			2007-2008	\$2,695.00
			2007-2008	\$0.00
			2007-2008	\$2,155.00
			2007-2008	\$0.00
			2007-2008	\$0.00
			2007-2008	\$1,012.00
			2007-2008	\$0.00
			2007-2008	\$1,830.00
			2007-2008	\$1,617.00
			2007-2008	\$1,617.00
			2007-2008	\$0.00
			2007-2008	\$0.00
			2007-2008	\$2,155.00
			2007-2008	\$1,035.00
			2007-2008	\$2,155.00
			2007-2008	\$0.00
			2007-2008	\$0.00
			2007-2008	\$1,617.00
			2007-2008	\$0.00
			2007-2008	\$1,617.00
			2007-2008	\$0.00
			2007-2008	\$1,617.00
			2007-2008	\$2,155.00
			2007-2008	\$2,155.00
			2007-2008	\$1,680.00
			2007-2008	\$472.00
			2007-2008	\$0.00
			2007-2008	\$1,130.00
			2007-2008	\$1,330.00
			2007-2008	\$0.00
			2007-2008	\$0.00
			2007-2008	\$930.00
			2007-2008	\$1,617.00
			2007-2008	\$0.00
			2007-2008	\$1,078.00
			2007-2008	\$1,930.00
			2007-2008	\$0.00
			2007-2008	\$830.00
			2007-2008	\$2,155.00
			2007-2008	\$1,617.00
2007-2008	\$2,155.00			
212-11-7656	Pattison	ROBERT	2007-2008	\$1,730.00

Appendix L

2007 – 2010 Grantsville Outreach Center Federal Pell Grant Recipients

(b)(6); (b)(7)(C), (b)(7)(C)	2007-2008	\$200.00
	2007-2008	\$0.00
	2007-2008	\$950.00
	2007-2008	\$0.00
	2007-2008	\$0.00
	2007-2008	\$2,155.00
	2007-2008	\$773.00
	2007-2008	\$0.00
	2007-2008	\$0.00
	2007-2008	\$1,500.00
	2007-2008	\$0.00
	2007-2008	\$0.00
	2007-2008	\$350.00
	2007-2008	\$1,617.00
	2007-2008	\$2,155.00
	2007-2008	\$0.00
	2007-2008	\$0.00
	2007-2008	\$1,030.00
	2007-2008	\$1,830.00
	2008-2009	\$2,366
	2008-2009	\$2,365
	2008-2009	\$0
	2008-2009	\$0
	2008-2009	\$0
	2008-2009	\$0
	2008-2009	\$2,366
	2008-2009	\$2,366
	2008-2009	\$2,366
	2008-2009	\$0
	2008-2009	\$1,775
	2008-2009	\$1,775
	2008-2009	\$1,775
	2008-2009	\$1,191
	2008-2009	\$2,366
	2008-2009	\$1,775
	2008-2009	\$1,381
	2008-2009	\$2,739
	2008-2009	\$0
	2008-2009	\$1,775
	2008-2009	\$2,365
	2008-2009	\$2,366
	2008-2009	\$2,365
2008-2009	\$2,366	
2008-2009	\$1,774	
2008-2009	\$1,774	
2008-2009	\$1,991	
2008-2009	\$2,365	

Appendix L

2007 - 2010 Grantsville Outreach Center Federal Pell Grant Recipients

(b)(6); (b)(7)(C),(b)(7)(C)	2008-2009	\$1,541
	2008-2009	\$0
	2008-2009	\$406
	2008-2009	\$0
	2008-2009	\$1,541
	2008-2009	\$0
	2008-2009	\$2,366
	2008-2009	\$2,365
	2008-2009	\$0
	2008-2009	\$2,365
	2008-2009	\$1,775
	2008-2009	\$2,366
	2008-2009	\$2,365
	2008-2009	\$2,366
	2008-2009	\$2,957
	2008-2009	\$2,366
	2008-2009	\$0
	2008-2009	\$891
	2008-2009	\$1,240
	2008-2009	\$334
	2008-2009	\$2,365
	2008-2009	\$1,775
	2008-2009	\$0
	2009-2010	\$1,200
	2009-2010	\$950
	2009-2010	\$2,675
	2009-2010	\$0
	2009-2010	\$1,800
	2009-2010	\$2,675
	2009-2010	\$2,500
2009-2010	\$2,675	
<b>TOTAL</b>		<b>\$148,252</b>

## Appendix M

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

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

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

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

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

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

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

### Subsidized Loan Amount (Interest and Special Allowance)

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

### Unsubsidized Loan Amount (Special Allowance Only)

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

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

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