

ERM-DC
//



January 30, 2014

Dr. Steven Ender
President
Grand Rapids Community College
143 Bostwick Avenue Northeast
Grand Rapids, MI 49503-3295

Certified Mail
Return Receipt Requested
7012 1640 0000 0216 0552

RE: **Final Program Review Determination**
OPE ID: 00226700
PRCN: 2011 4082 7631

Dear Dr. Ender:

The U.S. Department of Education's (Department's) Chicago/Denver School Participation Division issued a program review report on September 26, 2012 covering Grand Rapids Community College's (GRCC'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 2009-2010 and 2010-2011 (year to date) award years. GRCC's final response was received on November 19, 2012. A copy of the program review report (and related attachments) and GRCC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by GRCC upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, (4) close the review, and (5) notify GRCC of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

Federal Student Aid, Chicago/Denver School Participation Division
500 West Madison Street Suite 1576, Chicago, IL 60661
www.FederalStudentAid.ed.gov

This FPRD contains one or more findings regarding GRCC's failure to comply with the requirements of the Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations. Since this DFSCA finding will not result in the assessment of financial liabilities, such a finding may not be appealed. If an adverse administrative action is initiated, additional information about GRCC's appeal rights will be provided under separate cover."

The total liabilities due from the institution from this program review are \$3,004.87.

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. The appendix was encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the September 26, 2012 program review report. If GRCC 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 GRCC receives this FPRD. An original and four copies of the information GRCC 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

GRCC'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 GRCC'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 Mark Diestler at (303) 844-3147.

Sincerely,

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

Douglas A. Parrott
Director
Chicago/Denver School Participation Division

Enclosure:
Protection of Personally Identifiable Information

cc: Kenneth M. Fridsma, Financial Aid Administrator
The Higher Learning Commission
Michigan Department of Licensing and Regulatory Affairs

Prepared for

**Grand Rapids
Community College**

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

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID: 00226700

PRCN: 2011 4082 7631

Prepared by

U.S. Department of Education

Federal Student Aid

Chicago/Denver School Participation Division

**Final Program Review Determination
January 30, 2014**

Table of Contents

	Page
A. Institutional Information.....	3
B. Scope of Review.....	4
C. Findings and Final Determinations.....	5
Resolved Findings with Comments.....	5
Finding 2 - Inaccurate Reporting of Borrower Enrollment Status.....	5
Finding 3 - Expenditures Reported on FISAP Inaccurate.....	6
Findings with Final Determinations.....	8
Finding 1 - Title IV Funds Disbursed to Ineligible Student.....	8
Finding 4 - Inadequate Drug and Alcohol Prevention Policies.....	9
D. Summary of Liabilities.....	14
E. Payment Instructions.....	15
F. Information Regarding Appendices A-F.....	18
Appendix A: Student Level Detail	
Appendix B: Cost of Funds (interest calculations)	
Appendix C: Estimated Actual Loss Calculation	
Appendix D: Estimated Actual Loss Description	
Appendix E: Institution's Written Response	
Appendix F: Program Review Report	

A. Institutional Information

Grand Rapids Community College
143 Bostwick Avenue Northeast
Grand Rapids, MI 49503-3295

Type: Public

Highest Level of Offering: Associate's Degree

Accrediting Agency: North Central Association of Colleges and Schools – The Higher Learning Commission

Current Student Enrollment: 18,142 (Winter 2011)

% of Students Receiving Title IV: 59.6% (Winter 2011)

Title IV Participation, per U.S. Department of Education Database:

	<u>2010-2011 Award Year</u>
Federal Pell Grant Program	\$34,220,994
William D. Ford Federal Direct Loan Program (Direct Loan)	\$42,329,476
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	\$ 490,833
Federal Work-Study Program	\$ 474,794
Academic Competitiveness Grant (ACG)	\$ 292,246

Default Rate FFEL/DL: 2010 – 16.4%
 2009 – 14.3%
 2008 – 10.3%

Default Rate Perkins: 6/30/2011 – 100% (only 4 borrowers entered repayment)
 6/30/2010 – 100% (only 5 borrowers entered repayment)
 6/30/2009 – 100% (only 2 borrowers entered repayment)
Note: school is no longer participating in Federal Perkins Loan Program

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Grand Rapids Community College (GRCC) from August 22, 2011 to August 26, 2011. The review was conducted by Mark Diestler and Rosa Reth.

The focus of the review was to determine GRCC's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV, HEA programs. The review consisted of, but was not limited to, an examination of GRCC'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 30 files was identified for review from the 2009-2010 and 2010-2011 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Additionally, the original sample did not include students who were admitted to the institution based on an Ability to Benefit (ATB) test. Therefore, the original sample was expanded while on-site to include students who had been admitted based on an ATB test. This expansion was specifically done to test the institution's compliance surrounding ATB regulations. This expansion brought the total number of student files reviewed to 40. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on September 26, 2012.

Disclaimer:

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

The following program review findings have been resolved by the institution, and may be considered closed. These findings are included solely for the purpose of discussing resolution of the finding. The program review report findings, as they were written in the Department's September 26, 2012 program review report, are quoted verbatim below in italics. Please refer to Appendix E for the institution's written response related to each finding.

Finding 2

2. Inaccurate Reporting of Borrower Enrollment Status

Citation: 34 C.F.R. § 682.610(c)(1) and 34 C.F.R. § 685.309(b)(1) state that all institutions participating in the FFEL or Direct Loan Programs must have a system in place to timely and accurately report changes in borrower enrollment status to the National Student Loan Data System (NSLDS). Student Status Confirmation Reports (SSCR) were formerly used to accomplish this reporting. Changes may now be reported via an electronic roster file. At scheduled times throughout the year, roster files are sent to institutions through NSLDS. Subsequently, institutions must certify the information contained in these files and return the files with 30 days of receipt.

34 C.F.R. § 682.610(c)(1)(2) and 34 C.F.R. § 685.309(b)(1)(2) state that changes in enrollment to less than half-time, graduated or withdrawn status must be reported to NSLDS within 30 days of the change. However, if the institution will be reporting changes to lenders and the Department via an electronic roster within 60-days of the change, the data may be provided on the roster file.

Noncompliance: Based on conversations with the institution's Financial Aid Director during the program review, it does not appear that GRCC has an adequate system in place for accurately reporting the current enrollment status for students enrolled simultaneously at multiple institutions through the use of consortium agreements with GRCC. Specifically, this will affect students who are being reported as less than half-time enrollment. Based on these conversations this noncompliance appears to be systemic in relation to less than half-time students and does not appear to be specific to a particular program of study or a specific institution that has a consortium agreement with GRCC. Accurate enrollment reporting is essential as students being reported as less than half-time enrollment will be placed into repayment of their student loans; while they should be in a deferment status if they are receiving Title IV assistance as half-time or greater students based on total enrollment under the consortium agreement.

Required Action: *Due to the systemic nature of this finding, it is necessary to fully determine the extent of inaccurate NSLDS reporting. Therefore, GRCC must review the status of all loan recipients who were reported as having less than half-time enrollment and receiving Title IV assistance based on enrollment under a consortium agreement with another institution.*

A spreadsheet must be created of these loan recipients; the spreadsheet must identify the corrected enrollment status reported to NSLDS or a notation that the less than half-time status was correct. A copy of the spreadsheet, along with NSLDS printouts to document the corrections, must be submitted with GRCC's response to this program review report.

GRCC must also develop and implement written procedures to ensure that enrollment status reporting for all Title IV, HEA loan recipients are accurately reported within the regulatory timeframe. A copy of the procedures must be provided with GRCC's response to this program review report.

GRCC's Response: The institution agreed with the finding and performed the required file review. Additionally, GRCC corrected any necessary records for accurate enrollment reporting within NSLDS. Finally, GRCC modified their enrollment reporting procedure to bring the institution into compliance for accurately reporting enrollment status for all Title IV, HEA loan recipients.

Final Determination: There are no liabilities attributable to this finding and the modified procedure appears to be adequate to ensure future compliance.

Finding 3

3. Expenditures Reported on FISAP Inaccurate

Citation: *34 C.F.R. § 673.3 states that to participate in the Federal Perkins Loan, FWS, or FEOG programs, an institution shall file an application before the deadline date established annually by the Secretary through publication of a notice in the Federal Register. The application for the Federal Perkins Loan, FWS, and FSEOG programs must be on a form approved by the Secretary and must contain the information needed by the Secretary to determine the institution's allocation or reallocation of funds under sections 462, 442, and 413D of the HEA.*

34 C.F.R. § 674.19(d)(2) further states that each year an institution shall submit a Fiscal Operations Report (FISAP) plus other information the Secretary requires. The institution shall insure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.

In addition, 34 C.F.R. § 668.16(b)(4) specifies that the Secretary considers an institution to have administrative capability if the institution has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV funds and the preparation and submission of reports to the Secretary.

***Noncompliance:** At the time of the review, reported expenditures on the 2011-2012 FISAP (for 2009-2010 award data) did not match the supporting documentation. Specifically, total Federal Pell Grant expenditures for the 2009-2010 award year were reported as \$29,627,737 and total ACG expenditures were reported as \$168,541. Conversely, while testing reconciliation on-site, supporting documentation revealed that total Federal Pell Grant expenditures were \$29,623,724 and ACG expenditures were \$167,416.*

***Required Action:** GRCC must correct the errors identified in this finding and submit the revised FISAP to the Department. If the institution has any questions regarding this process it must contact the Campus-Based Call Center at 1-877-801-7168. The institution must also enact written procedures to ensure that, in the future, all information reported on the FISAP matches the supporting documentation. A copy of the procedures must be provided with GRCC's response to this program review report.*

If there are any liabilities as a result of these inaccurately reported expenditures, then payment instructions will be provided in the Department's Final Program Review Determination letter.

GRCC's Response: The institution agreed with the finding and revised the 2009-2010 award year expenditures on the 2011-2012 FISAP. The school did add: "We did want to mention that the information reported on the FISAP was accurate at the time it was submitted by the deadline date. We, therefore, believe we are in compliance with 34 C.F.R. 673.3 and 34 C.F.R. 674.19(d)(2). However, subsequent to the submission of the FISAP, late tuition and adjustments to federal dollars were made reducing the federal expenditures. In the future it will be our policy that after the submission of our FISAP, we will monitor Pell expenditures monthly and submit those revisions as required on our FISAP report."

Final Determination: The institution corrected the errors identified in this finding and submitted the revised FISAP to the Department. There was no liability attributable to this finding as a result of the inaccurately reported expenditures. GRCC's updated policy and procedure appear to be adequate to ensure future compliance.

Findings with Final Determinations

The program review report findings requiring further action are quoted verbatim below in italics. At the conclusion of each finding is a summary of GRCC's response to the finding, and the Department's final determination for that finding. Please refer to Appendix E for the institution's written response related to each finding. A copy of the program review report issued on September 26, 2012 is attached as Appendix F.

Finding 1

1. Title IV Funds Disbursed to Ineligible Student

Citation: 34 C.F.R. § 668.32(e) states a student is eligible to receive Title IV funds if that student has a high school diploma, its recognized equivalent, or has obtained a passing score specified by the Secretary on an independently administered test in accordance with subpart J of this part. Subpart J also restates that a student who does not have a high school diploma nor its recognized equivalent may become eligible to receive Title IV funds by achieving a passing score, specified by the Secretary, on an independently administered test approved by the Secretary.

At the time of the review, HEA Sec. 484(d)(4) stated students who are not high school graduates shall be determined by the institution of higher education as having the ability to benefit from the education or training offered by the institution of higher education upon satisfactory completion of six credit hours or the equivalent coursework that are applicable toward a degree or certificate offered by the institution of higher education.

Noncompliance: GRCC disbursed Title IV funds to a student who was admitted to the institution based on an ability to benefit (ATB) test. Specifically, student 31 received \$2366 in Pell Grant and \$2000 in Subsidized Stafford Loan for the Summer 2009 term. The student did take the ACCUPLACER ATB test, which is an approved test by the Secretary of Education. However, the scores received by the student on the test were not passing scores. Since the student satisfactorily completed six credits during the Summer 2009 term, the student would be determined as having the ability to benefit and eligible for Title IV assistance following the Summer 2009 term.

Required Action: This appears to be an isolated incident. The institution will be liable for funds associated with this finding. Instructions for the payment of liabilities attributable to this finding will be provided in the Department's Final Program Review Determination letter.

GRCC's Response: The institution agreed with the finding, and put into place procedures that will prevent disbursement of funds to ineligible students. Recent changes in regulations now require that students must have a high school diploma or equivalent to

qualify. Changes in the institution's software will prevent students who do not meet the criteria from receiving federal financial aid.

Final Determination: GRCC is liable for \$2,366 as a result of the ineligible Pell disbursement to student 31.

Additionally, the institution is also liable for the interest and special allowance costs associated with this ineligible disbursement. We have estimated the amount of interest and special allowance owed to the Department to be \$250.66 (see Appendix B).

Finally, in lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan 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 (EAL) to the Department that has resulted or will result from this ineligible loan amount is based on GRCC's most recent cohort default rate.

The total amount of ineligible Direct Loan funds that GRCC disbursed during the 2008-2009 award year for finding 1 is \$2,000. The total estimated actual loss that GRCC must pay to the Department for the ineligible loan is \$388.21. Copies of the results of those calculations are included in Appendix C.

The above stated changes in GRCC's response appear to be adequate to ensure future compliance.

Payment instructions for the total amount owed of \$3,004.87 are provided at the end of this letter.

Finding 4

4. Inadequate Drug and Alcohol Prevention Policies

Citation: 34 C.F.R. § 86.3(a) requires a participating institution to establish a drug prevention program to prevent the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on school premises or as any part of its activities.

34 C.F.R. § 86.100 states: "The Institution of Higher Education's (IHE) drug prevention program must, at a minimum, include the following:

(a) The annual distribution in writing to each employee, and to each student who is taking one or more classes for any type of academic credit except for continuing education units, regardless of the length of the student's program of study, of—

(1) Standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities;

(2) A description of the applicable legal sanctions under local, State, or Federal law for the unlawful possession or distribution of illicit drugs and alcohol;

(3) A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;

(4) A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; and

(5) A clear statement that the IHE will impose disciplinary sanctions on students and employees (consistent with local, State, and Federal law), and a description of those sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct required by paragraph (a)(1) of this section. For the purpose of this section, a disciplinary sanction may include the completion of an appropriate rehabilitation program.

(b) A biennial review by the IHE of its program to—

(1) Determine its effectiveness and implement changes to the program if they are needed; and

(2) Ensure that the disciplinary sanctions described in paragraph (a)(5) of this section are consistently enforced."

Noncompliance: *At the time of the review, the following areas of noncompliance were identified:*

- *GRCC did not have a written description of health risks associated with the use of illicit drugs and the abuse of alcohol.*
- *GRCC did not have a written description of drug and alcohol counseling, treatment, rehabilitation, or re-entry programs available to students and employees.*
- *GRCC did not have a written policy for conducting a Biennial Review of their drug and alcohol prevention programs.*
- *GRCC did not conduct a Biennial Review to measure the effectiveness of their drug and alcohol programs.*
- *GRCC did not have a written policy to ensure consistency in its enforcement of disciplinary sanctions.*

***Required Action:** GRCC must revise their drug and alcohol prevention policies to ensure that it is in compliance with all federal regulations. The institution must also develop a written policy that will ensure consistency with the enforcement of disciplinary sanctions. A copy of the revised/new policies as well as a copy of GRCC's new Biennial Review Document must be provided with the institution's response to this program review report.*

GRCC's Response:

GRCC stated its concurrence with the finding and represented that corrective actions were initiated such that the identified violations will not recur. GRCC submitted several documents with its response including a revised drug and alcohol abuse prevention program (DAAPP) disclosure. The response stated that the new policy was implemented in September 2012. GRCC claimed that the DAAPP was revised based on the findings of a limited biennial review that was conducted after the Department advised the College of the *DFSCA* deficiencies. Finally, GRCC stated that another biennial review will be completed in September 2014.

Final Determination:

Finding # 4 of the program review report cited GRCC for multiple violations of the Drug-Free Schools and Communities Act (*DFSCA*) and 34 CFR Part 86. Specifically, the College failed to develop and implement a substantive DAAPP and also failed to distribute a DAAPP disclosure to all employees and students enrolled for academic credit. In addition, GRCC failed to conduct a biennial review of the DAPP's effectiveness. These violations necessarily follow from each other because the biennial review is primarily a study of the DAAPP's effectiveness. Therefore, an institution cannot conduct a proper biennial review until it has a fully-functional DAAPP in place. As a result of these violations, GRCC was required to revise its DAPP to comply with the Department's regulations and to conduct a biennial review. As with all findings of violation, GRCC also was directed to take all necessary corrective action to ensure that all *DFSCA* deficiencies identified during the program review do not recur and to otherwise ensure that the DAAPP is materially-complete and accurately reflects current law and institutional policy.

In its response, GRCC stated its concurrence with the violations identified in the finding. The college submitted a report entitled "GRCC Drug & Alcohol Biennial Review Document." In addition, GRCC stated that the revised DAAPP would be distributed in the prescribed manner and that evidence of that distribution will be submitted to the Department, as directed in the program review report.

The review team examined the revised DAAPP, GRCC's new biennial review report, and other documentation. This review indicated that the College has improved its compliance with the *DFSCA*; however, significant deficiencies remain. For example, the College's

DAAPP still does not include an adequate description of the health risks associated with the use of illicit drugs and the abuse of alcohol. Moreover, the College failed to explain the applicable legal sanctions under Federal, state, and local laws and ordinances for the unlawful possession or distribution of illicit drugs and alcohol. The College's continued failure to develop and implement a materially-complete DAAPP is a continuing concern and may indicate an inability and/or unwillingness on the part of the College to fully address the violations that were documented in the Department's program review report.

The Department has also determined that GRCC's biennial review report does not adequately address the three primary objectives of the review process:

1. Evaluation of the DAAPP's effectiveness;
2. Assessment of the consistency of enforcement of GRCC's codes of conduct; and,
3. Identification of areas requiring improvement.

As noted above, the Department has determined that GRCC has improved its compliance with the requirements in 34 CFR Part 86. As such, this program review finding is now considered to be conditionally closed. However, due to the remaining deficiencies, this matter is being referred to the Department's Clery Act Compliance Division (CACD) for additional follow-up. It is imperative that GRCC complete its work on the DAAPP immediately and then distributes the DAAPP to all employees and students enrolled for credit. The College must also submit credible documentation substantiating this distribution.

A copy of the revised DAAPP disclosure and proof of distribution must be submitted to the CACD via electronic mail to the clery@ed.gov e-mail box by March 1, 2014. In addition, the College must then conduct another biennial review by March 31, 2014 and submit its report to the CACD for evaluation by April 15, 2014. GRCC's next biennial review report must fully describe the research methods and data analysis tools that will be used to determine the effectiveness of its drug and alcohol programs and must also address how the institution analyzed whether or not its disciplinary standards and codes of conduct were enforced consistently. The report must also identify areas requiring improvement and include a plan for implementation of those recommendations (or an explanation of why certain recommendations will not be implemented). In addition, the report must identify the responsible official(s) and office(s) that were involved in the conduct of the biennial review. Finally, the College's biennial review report must be approved by the institution's chief executive and/or its Board.

As noted above, this finding is conditionally closed subject to the College's completion of the additional requirements outlined above. Nevertheless, GRCC is reminded that the exceptions identified in this finding constitute very serious and persistent violations of the *DFSCA* that by their nature cannot be cured. GRCC will be required to finally initiate substantive corrective actions and in so doing, will start to remediate the conditions that led to these violations.

The compliance failures identified during the program review deprive students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use. GRCC's failure to conduct a comprehensive biennial review also deprived the institution itself of important information about the effectiveness of any drug and alcohol programs that were in place. These failures may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime. For these reasons, GRCC is advised that corrective actions cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective measures. Finally, the Department strongly recommends that GRCC officials review the College's drug and alcohol policies, procedures, and programs on at least an annual basis to ensure that they accurately reflect institutional policy, are consistent with the College's campus safety plan, and are in compliance with the *DFSCA*.

D. Summary of Liabilities

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

Established Liabilities

Initial Liabilities	Pelf	DL	
Finding 1	\$2,366		
Subtotals	\$2,366		
Interest/SA	\$250.66	\$388.21	
TOTALS	\$2,616.66	\$388.21	
Payable To:			
Department			Totals \$3,004.87

E. Payment Instructions

1. Liabilities Owed to the Department

Liabilities Owed to the Department \$1,000 or More but Less Than \$100,000

GRCC owes to the Department \$3,004.87. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

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

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

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section 3 – Liabilities Owed to the Department in the case of Title IV Grants (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: \$3,004.87

DUNS: 780427324

TIN: 382980195

Program Review Control Number: 2011 4082 7631

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. GRCC is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to GRCC's account representative.

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

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

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

Direct Loan Estimated Actual Loss

Finding: 1
 Appendix: C

DL Estimated Actual Loss	
Amount	Award Year
\$388.21	2008-2009
Total	
\$388.21	

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

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

Pell Grant – Closed Award Year

Finding: 1

Appendix: B

GRCC must repay:

Pell Grant - Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$2,366	\$250.66	Pell Grant	2008-2009
Total Principal	Total Interest		
\$2,366	\$250.66		

The disbursement record for each student identified in Appendix B must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix. **Note: Only adjust the Principle Amount in COD, not the Total Amount which includes interest.**

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

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

F. Appendices

Appendix A, Student Sample, contains personally identifiable information and will be emailed to GRCC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendices B, C, D, E, and F are attached to this report.

Appendix B: Cost of Funds

No.	Description/Name	Ineligible Disbrsmnt	Program	Disbursem ent Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
3.1		\$2,366.00	Pell Grant	3/17/2009	9/26/2012	1289	3.00%	\$ 2,366.00	\$ 250.66	\$ -

Appendix D: Estimated Actual Loss Description

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.