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October 4, 2012

Dr. Kenneth Ender  
Harper College  
1200 West Algonquin Road  
Palatine, IL 60067-7398

Certified Mail  
Return Receipt Requested  
7011 1570 0000 7489 8684

RE: **Final Program Review Determination**  
OPE ID: 00396100  
PRCN: 201210527757

Dear Dr. Ender:

The U.S. Department of Education's (Department's) School Participation Division – Chicago/Denver issued a program review report on May 4, 2012 covering Harper College's (Harper'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 2010-2011 and 2011-2012 award years. Harper's final response was received on August 4, 2012. A copy of the program review report (and related attachments) and Harper's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Harper upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

**Purpose:**

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

The total liabilities due from the institution from this program review are \$508,784.00.

This FPRD contains detailed information about the liability determination for all findings.

Federal Student Aid, School Participation Division – Chicago/Denver  
500 West Madison, Suite 1576, Chicago, IL 60661  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)

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FEDERAL STUDENT AID  START HERE. GO FURTHER.

**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 the Department's Office of Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample.

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the May 4, 2012 program review report. If Harper 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 Harper receives this FPRD. An original and four copies of the information Harper 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

Harper'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 Harper'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 Jeremy Early at 312-730-1484. 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)

Douglas Parrott  
Director

Enclosure:  
Protection of Personally Identifiable Information

cc: Laura McGee, Director of Student Financial Assistance  
Illinois Community College Board  
Illinois Board of Higher Education  
North Central Association of Colleges and Schools - CIHE (Higher Education)

## PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

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

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

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.



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Prepared for

**Harper College**

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OPE ID: 00396100

PRCN: 201210527757

Prepared by:

**U.S. Department of Education**

**Federal Student Aid**

**School Participation Division – Chicago/Denver**

## Final Program Review Determination

October 4, 2012

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**A. Institutional Information**

Harper College  
1200 West Algonquin Road  
Palatine, IL 60067-7398

Type: Public

Highest Level of Offering: Associate's Degree

Accrediting Agency: North Central Association of Colleges and Schools - CIHE (Higher Education)

Current Student Enrollment: 16,607 (2011-2012)

% of Students Receiving Title IV: 26% (2010-2011)

Title IV Participation (Postsecondary Education Participants System):

Federal Pell Grant (Pell Grant)	\$14,655,961.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$132,300.00
Federal Work Study (FWS)	\$161,858.00
William D. Ford Federal Direct Loan Program (Direct Loan)	\$12,403,690.00

Default Rate FFEL/DL:	2009: 12.1%
	2008: 15.0%
	2007: 15.0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Harper College (Harper) from December 5, 2011 to December 9, 2011. The review was conducted by Jeremy Early, Mark Holland, Nicholas Koulermos and Stephan Oleszczuk.

The focus of the review was to determine Harper's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of Harper'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 34 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on May 4, 2012.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Harper'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 Harper 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 5, 6, 7, 8, 9 and 10

Harper has taken the corrective actions necessary to resolve findings 5, 6, 7, 8, 9 and 10 of the program review report. Therefore, these findings may be considered closed. Findings requiring further action by Harper 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 Harper's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on May 4, 2012 is attached as Appendix Q.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

#### **Finding 1: Improper Disbursements of Title IV Funds**

**Citation Summary:** *Federal regulation 34 C.F.R § 668.4(b) defines payment periods for eligible programs that measure progress in credit hours and do not have academic terms, as was the case with the Fast Track program at Harper for the period under review. For students enrolled in programs that are longer than one academic year, in the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student completes half the number of credit hours in the academic year and half the number of weeks in the academic year, and the second payment period is the period of time in which the student completes the academic year.*

*For institutions that measure progress in credit hours and do not have academic terms, students are required to complete the credit hours scheduled in a payment period before becoming eligible for a second or subsequent disbursement of Title IV funds. 34 C.F.R. § 668.164(f)(2)(ii) and 34 C.F.R. § 690.75(a)(3). Institutions that measure progress in clock hours or in credit hours and do not use terms may not deliver the second disbursement of a loan until the later of the calendar midpoint between the first and last scheduled days of class of the loan period, or the date that the student has completed half the clock or credit hours in the loan period. 34 C.F.R. § 682.604(c)(7).*

**Noncompliance Summary:** *During the review of student #23, Harper completed a Return of Title IV calculation as though the student was in a standard-term program (Fast Track) and the program should have been considered a non-term program. Further review of the academic calendar and in discussion with Harper administration, it was determined every student who had taken a Fast Track course was treated as though he or she was enrolled in a standard-term program. This was determined to be a systemic error for both 2010-2011 and 2011-2012. Preliminary data submitted to the Department lists 303 students who took at least one course through the Fast Track program during the 2011-2012 academic year; however, not all students received Title IV assistance.*

**Required Action Summary:** *Due to the regulatory requirements regarding the disbursement of Title IV assistance for a student enrolled in a non-term program, Harper must perform a file review of all students enrolled in a Fast Track course during the 2010-2011 and 2011-2012 academic years. Harper must determine whether any student received a disbursement before he or she was eligible.*

*In response to this report, Harper must first define its Academic Year for the Fast Track program (hours and weeks necessary to complete in one academic year to be considered full-time). The institution must then perform a file review of all students who attended a Fast Track course in 2010-2011 and 2011-12 and present the results of its file review in spreadsheet format, including the following information:*

1. *Student name;*
2. *Last four digits of student Social Security Number;*
3. *Date of initial disbursement;*
4. *Each date student hit midpoint of an academic year (One-half of hours and weeks needed in academic year to be considered full-time) or the start of a new academic year (hours and weeks necessary to complete academic year has been met);*
5. *Date of each disbursement.*

*In addition, Harper must include copies of the student's full academic file, account ledger for 2010-2011 and 2011-2012, and documentation of any funds paid back to the Department after completion of the file review.*

*In response to this report, please also include any adjustments made to the Fast Track program since the Program Review was completed.*

*Liabilities resulting from the improper disbursement of Title IV funds will be assessed in the final program review determination letter.*

**Harper's Response:** *In its August 3, 2012 response (Appendix Q to the FPRD), Harper stated it agreed with the finding and completed the required actions, first defining the academic year as 24 hours/52 weeks. In addition, work was completed by the institution*

to adjust the *Fast Track* program to ensure it fell within the definition of a standard-term program moving forward.

In addition, the institution completed a full file review. Harper submitted the documentation requested for both the students in the original program review sample where an error was found, and for all students that took at least one course in the *Fast Track* program during the 2010-2011 academic year. Due to the timing of the Program Review and in coordination with the Department, Harper was able to transition all *Fast Track* students enrolled during the 2011-2012 academic year from a non-term to a standard-term program. Guidance from the Department was issued to Harper on May 15, 2012 on how to achieve this goal, and Harper was successful in transitioning all students for this particular academic year.

**Final Determination:** The Department reviewed each response submitted for both of the students in the original sample.

The Department also reviewed 15 student files from the 2010-2011 award year to determine whether the Department would accept the file review of the remaining statistical sample conducted by the institution.

During the review, the Department found one additional error. For student #115, Harper stated this student was paid \$2,775.00 in Payment Period #1 and \$693.00 in Payment Period #2. However, Harper listed a total disbursement of \$2,082.00 which is the amount listed in the Department's Common Origination and Disbursement (COD) system. The correct liability of \$0.00 is also listed. Therefore, there is no additional liability associated with this error. This error accounted for a 6.7% error rate in the 2010-2011 file review. (Questioned Costs for error: \$0.00)

As a result of the above-stated error rate, the Department accepted the 2010-2011 file review submitted by the institution.

It should also be noted that Harper asked, and was given permission by the Department, to treat the 2010-2011 and 2011-2012 award years as two separate cohort groups. By choosing this option, Harper agreed to return all funds during the 2010-2011 award year when students did not earn 24 or more credit hours within that particular academic year, versus allowing the student time during the 2011-2012 award year to earn those credit hours. Harper understood that it could pay a larger liability by choosing this option.

The total amount of Pell Grant funds disbursed to students who did not earn 24 credit hours during the 2010-2011 award years, and thus did not earn the second payment period disbursement, is \$75,172.00.

The total amount of FSEOG funds disbursed to students who did not earn 24 credit hours during the 2010-2011 award years, and thus did not earn the second payment period disbursement, is \$1,250.00.

The total amount of Direct Loan funds (subsidized and unsubsidized) disbursed to students who received ineligible disbursements during the 2010-2011 award year was \$228,695.00. The estimated actual loss to the Department that has resulted or will result from these ineligible loans is based on Harper's most recent available cohort default rate. As a result, the estimated actual loss that Harper must pay to the Department for the ineligible loans is \$34,727.41. A copy of the results of that calculation is included as Appendices C and D.

Information provided by Harper indicated six students were part of both Finding 1, Improper Disbursements of Title IV Funds, and Finding 3, Incomplete Verification (Appendix M: Students #32, 37, 45, 93, 112 and 137). Pell Grant Liabilities of \$112.13 from Finding 3 existed for each student that was awarded a Pell Grant (Students #32, 37, 45, 93 and 112). These amounts are included in the students' liabilities for this finding; however, the duplicated amounts will be removed in the summary of liabilities table.

Due to Harper's ability to transition all students enrolled in the Fast Track program during the 2011-2012 award year into a standard-term program through guidance issued by the Department on May 15, 2012, no liabilities exist for students enrolled in the Fast Track program for the 2011-2012 award year.

## **Finding 2: R2T4 Incorrect**

**Citation Summary:** *34 C.F.R. § 668.22 details the requirements when a student withdraws from an institution. When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.*

*A student is considered to have withdrawn from a payment period or period of enrollment in the case of a program that is measured in credit hours, if the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete. For a student in a non-term or nonstandard-term program, the student is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending. For a student who ceases attendance at an institution that is not required to take attendance, the student's withdrawal date is the date, as determined by the institution, that the student began the withdrawal process prescribed by the institution. If the student ceases attendance without providing official notification to the institution of his or her withdrawal, the mid-point of the payment period (or period of enrollment, if applicable) may be used. If the institution determines that a student did not begin the institution's*

*withdrawal process or otherwise provide official notification (including notice from an individual acting on the student's behalf) to the institution of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the date that the institution determines is related to that circumstance.*

*If a student both begins the withdrawal process prescribed by the institution and otherwise provides official notification of his or her intent to withdraw, the student's withdrawal date is the earlier date unless a later date is determined.*

*An institution not required to take attendance may use as the student's withdrawal date a student's last date of attendance at an academically-related activity provided that the institution documents that the activity is academically related and documents the student's attendance at the activity.*

*The amount of Title IV grant or loan assistance earned by the student is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student by applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.*

*The percentage of Title IV grant or loan assistance that has been earned by the student is equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date, if this date occurs on or before completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours or sixty percent of the clock hours scheduled to be completed for the payment period or period of enrollment for a program that is measured in clock hours.*

*The student is considered to have earned 100 percent of Title IV grant or loan assistance if the student's withdrawal date occurs after completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours or sixty percent of the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours.*

*The percentage of Title IV grant or loan assistance that has not been earned by the student is calculated by determining the complement of the percentage of Title IV grant or loan assistance earned by the student. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.*

*The treatment of Title IV grant or loan funds if a student withdraws must be determined on a payment period basis for a student who attended a standard term-based (semester, trimester, or quarter) educational program. The treatment of Title IV grant or loan funds if a student withdraws may be determined on either a payment period basis or a period of enrollment basis for a student who attended a non-term based educational program or a nonstandard term-based educational program. An institution must consistently use either a payment period or period of enrollment for all purposes of this section for each of the following categories of students who withdraw from the same non-term based or nonstandard term-based educational program:*

- *Students who have attended an educational program at the institution from the beginning of the payment period or period of enrollment*
- *Students who re-enter the institution during a payment period or period of enrollment*
- *Students who transfer into the institution during a payment period or period of enrollment*

*The percentage of the payment period or period of enrollment completed is determined in the case of a program that is measured in credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date and in the case of a program that is measured in clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date.*

*The schedule must have been established in accordance with requirements of the accrediting agency and the State licensing agency, if such standards exist.*

*The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.*

*If, for a non-term program an institution chooses to calculate the treatment of Title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, "total institutional charges incurred by the student for the payment period" is the greater of the prorated amount of institutional charges for the longer period or the amount of Title IV assistance retained for institutional charges as of the student's withdrawal date.*

**Noncompliance Summary:** *For student #5, the student's payment period began on January 18, 2011 and the student's last day of attendance was March 11, 2011. The school completed an R2T4 calculation showing that the payment period ended on May*

23, 2011. However, the payment period actually ended on May 22, 2011 according to documentation submitted to the Department by Harper's administrators, for a total of 118 days instead of 119. The shorter payment period caused the school's R2T4 calculation to be understated by \$10.00.

For student #23, the student's payment period began on July 11, 2011 and the student's last day of attendance was October 16, 2011. The school completed an R2T4 calculation showing that the payment period ended on December 18, 2011. The student's calculation incorrectly treated the student's program (Fast Track) as a standard term and it should have been considered a non-term program. Harper must establish if it will conduct all refunds based on a payment period or period of enrollment for this particular program.

**Required Action Summary:** Harper must resolve the deficiencies cited above for Student #5 and recalculate the amount of Title IV funds to be returned due to the student's withdrawal, and provide documentation that the correct amount was returned to the Department. In addition, due to the systemic nature of the Fast-Track program incorrectly being treated as a standard-term program, Harper must perform a file review of all students who took at least one Fast Track course during the 2010-2011 and/or 2011-2012 award years and ceased attendance during a payment period.

Harper must first establish if it will conduct Return of Title IV Calculations using a payment period or period of enrollment. Once that has been established in the response to this report, Harper must present the results of its file review in spreadsheet format, including the following information:

1. Student name;
2. Last four digits of student Social Security Number;
3. Scheduled start and end date of payment period/period of enrollment in which the student began attendance but failed to complete the payment period/period of enrollment;
4. Correct withdrawal date;
5. Total Title IV funds disbursed, by program, for the payment period/period of enrollment;
6. Original refund made, by program, if any;
7. Correct amount of refund due, by program, based on correct withdrawal date; and
8. Correct date of correct refund due, based on applicable regulatory deadline.

In addition, Harper must include documentation of the Return of Title IV calculation, Student Account Ledgers for 2010-2011 and 2011-2012, and documentation of any funds that were paid back to the Department.

*Liabilities resulting from the improper retention of Title IV funds will be assessed in the final program review determination letter.*

**Harper's Response:** In its August 3, 2012 response (Appendix Q to the FPRD), Harper stated it agreed with the finding and completed the required actions, including an update to its written policies and procedures regarding R2T4 calculations, as well as corrections made to Students #5 and 23.

In addition, the institution performed a full file review for all withdrawn students who participated in the *Fast Track* program during the 2010-2011 and 2011-2012 award years.

The institution submitted the documentation requested for both the students in the original program review sample where an error was found, and for all students listed in the file review.

**Final Determination:** The file review was submitted by Harper on August 3, 2012 and reviewed by the Department. Of the 39 student files submitted for the 2010-2011 award year, there was a systemic error with the amount of *Total Days* in the R2T4 calculation. Harper listed the period used in the calculation as the Payment Period but the number used in the calculation was the total number of days in the academic year. The Department re-calculated all 39 files using the Payment Period and found that no liabilities existed for Students #3 and 4. Students # 2, 5, 7, 8, 14, 17, 21, 28, 36, 38 and 39 attended more than 60% of the term, so no return of Title IV funds was required. For students #22, 25, 29 and 37, the students were not eligible for the second disbursement during the award year, but never received the total combined amount due to them in the first disbursement; therefore, no liability exists.

For students #9, 10, 13, 20, 26, 30 and 34, the student attended more than 60% of the term and earned the aid from that payment period, but was never eligible for the second disbursement in the academic year (Payment Period #2). Those funds are considered a liability and must be returned to the Department. For students #9, 26, 30 and 34, the students were not awarded their full award in Payment Period #1 so the full award was calculated and the difference is considered a liability.

For students #6, 11, 15, 16, 23, 24, 27, 31, 32, 35 and 40, the student did not start the 2010-2011 award year until May 23, 2011. Harper was granted permission to treat the 2010-2011 and 2011-2012 award years as two separate years. Due to this request, these students were unable to complete this payment period before the end of the 2010-2011 award year and therefore, did not attend more than 60% of the term and did not earn their entire financial aid award. It should be noted that a portion of the Pell Grant was due directly from Student #40 in the amount of \$168.00. In addition, the funds from the initial R2T4 calculations for these students were not returned timely.

For students #12, 18 and 19, due to the systemic error of *Total Days* in the R2T4 calculation, the calculations performed by Harper were not correct. Harper was prepared to return too many funds to the Department. In addition, the funds from the initial R2T4 calculations were not returned timely.

The total amount of Pell Grant funds to be returned from the 2010-2011 award year is \$9,379.57. This includes \$168.00 to be returned by student #40.

The total amount of Direct Loans funds (subsidized and unsubsidized) to be returned from the 2010-2011 award year is \$18,955.29.

A liability of \$20.44 was established for student #12 in Finding 3; that amount is included in the student's liability for this finding. However, the duplicated amount will be removed in the summary of liabilities table.

As a result of the review of student records submitted by Harper, the Department has determined liabilities owed to the Department for the costs attributable to the institution's incorrect R2T4 calculations as well as the late returns discovered as a result of the required file review for the 2010-2011 award year. Harper is liable for the additional Pell Grant and Direct Loan funds listed above as a result of the incorrect returns, as well as the cost of funds related to the returns that were paid late.

**Direct Loan Liabilities:** Appendix F identifies \$13.81 as the cost of funds due for the total amount of Direct Loan funds that were returned late by the institution. Appendix G identifies the total amount of Direct Loan funds the student was never eligible to receive (\$15,108.00) and the cost of funds due for that total amount (\$1,279.50).

**Direct Loan Interest Liabilities:** Cost of funds liabilities are due to the borrowers associated with the late loan returns. These funds are the interest charges incurred by the borrowers on the unmade loan returns. Student detail for the cost of funds calculations is listed on Appendix F.

**Pell Liabilities:** Appendix H identifies \$4.34 as the cost of funds due for the total amount of Pell Grant funds that were returned late by the institution. Appendix I identifies the total amount of Pell Grant funds the students were never eligible to receive (\$4,535.00) and the cost of funds due for that total amount (\$67.26).

Of the 14 student files submitted for the 2011-2012 award year, there was a systemic error with the amount of *Total Days* in the R2T4 calculation. Harper listed the period used in the calculation as the amount of days left until the end of the Summer 2012 term. The Department re-calculated all 14 files using the Payment Period and found that Students # 4, 5, 7, 9, 10, 11, 12, 13 and 15 attended more than 60% of the term, so no return of Title IV funds was required.

For students #6, 8, 14, 16 and 17, the students did not start the 2011-2012 award year until later in the term and withdrew before they completed the end of the first term and therefore, did not attend more than 60% of the term and did not earn their entire financial aid award. It should be noted a portion of the Pell Grant was due directly from Student #6 in the amount of \$356.57. In addition, the funds from the initial R2T4 calculation for student #6 were not returned timely.

The total amount of Pell Grant funds to be returned from the 2011-2012 award year is \$1,311.32. This includes \$356.57 to be returned by student #6.

The total amount of Direct Loans funds (subsidized and unsubsidized) to be returned from the 2010-2011 award year is \$3,056.68.

As a result of the review of student records submitted by Harper, the Department has determined liabilities owed to the Department for the costs attributable to the institution's incorrect R2T4 calculations as well as the late returns discovered as a result of the required file review for the 2011-2012 award year. Harper is liable for the additional Pell Grant and Direct Loan funds listed above as a result of the incorrect returns, as well as the cost of funds related to the returns that were paid late.

**Direct Loan Liabilities:** Appendix K identifies \$4.26 as the cost of funds due for the total amount of Direct Loan funds that were returned late by the institution.

**Direct Loan Interest Liabilities:** Cost of funds liabilities are due to the borrowers associated with the late loan returns. These funds are the interest charges incurred by the borrowers on the unmade loan returns. Student detail for the cost of funds calculations is listed on Appendix K.

**Pell Liabilities:** Appendix L identifies \$0.14 as the cost of funds due for the total amount of Pell Grant funds that were returned late by the institution.

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

### **Finding 3: Incomplete Verification**

**Citation Summary:** *34 C.F.R. §668.51 through §668.61 of the Student Assistance General Provisions regulations specify the requirements for determining a student's eligibility for Title IV, HEA funds. An institution is responsible for verifying the information that is used to calculate an applicant's Estimated Family Contribution (EFC) as part of the determination of need for student financial assistance. Information is verified by securing additional documentation, or in some cases, a signed statement attesting to the accuracy of the information provided. The regulations also require an*

*institution to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV, HEA programs.*

*Federal regulations require the following student financial aid application items to be verified to assure a valid EFC:*

- *Adjusted Gross Income;*
- *U.S. Income Taxes Paid;*
- *Number of Family Members in Household;*
- *Number of Family Members Attending a Post-Secondary Institution; and*
- *Certain Untaxed Income and Benefits.*

*Institutions are also required to have written policies and procedures for the following verification issues:*

- *Deadlines for students to submit documentation and the consequences of failing to meet those deadlines;*
- *Method of notifying students of award changes resulting from verification;*
- *Required correction procedures for students; and*
- *Standard procedures for referring overpayment cases to the Department.*

*The school must also give each applicant a written account of the documentation needed to satisfy verification requirements, the responsibilities of the student in the verification process, including the deadlines for action and the consequences of failure to meet those deadlines. Students must also be informed of the process by which they will be notified of any changes as a result of verification.*

*34 C.F.R. § 668.54(a)(3) states that if an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate, it shall require the applicant to verify the information that it has reason to believe is inaccurate.*

*The institution's failure to complete verification may have resulted in the improper use of Title IV, HEA funds and increased expense to the Department. An institution that fails to properly complete verification fails to properly determine student eligibility for Title IV, HEA assistance. Funds disbursed to students whose eligibility is not properly determined are funds that are disbursed to ineligible students and represent an institutional liability. Failure to properly determine student eligibility indicates a lack of administrative capability on the part of the institution.*

**Noncompliance Summary:** *Harper failed to complete verification for student #9 during the 2010-2011 academic year. The family size listed on the verification worksheet is 3 and the FAFSA lists 4 members in the household. There is no documentation to suggest this discrepancy was resolved. The student's father was not listed on the verification*

*worksheet and marital status was not clarified by the institution. Harper did indicate it received confirmation of conflicting information via telephone but there must be written confirmation from the student and parent for the student's permanent file.*

*Harper also failed to complete verification for student #10 during the 2010-2011 academic year. There are two members of the family listed in college on the FAFSA. A parent cannot count as a family member in college on a dependent student's FAFSA; therefore, the correct response should be one. The mother's income is also listed incorrectly. It is listed as \$37,781.00 and should be \$42,567.00. Work income from an Income Tax Return Form 1040 is the addition of lines 7, 12, 18 and Form (K-1) Line 14. If the answer is negative, it should be considered zero and should not be subtracted from the total. Harper also indicated it received confirmation of conflicting information via telephone but there must be written confirmation from the student and parent for the student's permanent file.*

**Required Action Summary:** *Harper must resolve the verification deficiencies cited above for Student #9 and #10 and recalculate the students' eligibility based on the verified information. If the institution is unable to verify a student's application information, the student will be ineligible for all Title IV funds received during the award year. If there is any change in a student's eligibility for Title IV funds due to a change in the EFC based on completion of verification, the amount previously disbursed and the correct amount for which the student was actually eligible must also be provided.*

*The reviewers identified two students out of 17 in the sample for the 2010-2011 academic year where the institution failed to resolve inconsistent information during the verification process (11.8% error rate). Therefore, Harper is required to review the files of all students chosen for verification during the 2010-2011 academic year, including the recipients cited in this report.*

*Results of this file review must be submitted in an Excel spreadsheet or similar format, and must contain the following information:*

- 1. Student name*
- 2. Original EFC;*
- 3. EFC upon completing verification;*
- 4. Original Amount of Title IV funds disbursed, by program; and*
- 5. Correct Amount of Title IV funds that should have been disbursed by program.*

*If Harper does not include each of the data elements requested, the response will not be considered complete.*

*In addition, Harper must include copies of completed verification worksheets, tax returns signed by the student and/or parent, other documentation used to complete the*

*verification process and correct ISIR (if applicable)/hand calculations as supporting documentation for each student listed in the spreadsheet.*

*In lieu of performing a file review for the entire 2010-2011 student population chosen for verification to determine actual liabilities, Harper has the option of performing a statistical sample not tested by the Department during the program review. The results from this file review using the statistical sample would be used to project liabilities for the entire population (i.e., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to reduce the burden on the institution of conducting a full file review.*

*If Harper wishes to select this option, please contact our office for further guidance.*

**Harper's Response:** In its August 3, 2012 response (Appendix Q to the FPRD), Harper stated it agreed with the finding and completed the required actions, including an update to its written policies and procedures regarding verification as well as corrections made to Students #9 and 10.

In addition, the institution opted to perform a file review based on a statistical sample performed by the Department. This was in lieu of performing the full file review for the 2010-2011 award years for which verification was required.

The institution submitted the documentation requested for both the students in the original program review sample where an error was found, and for all students who were listed in the statistical sample.

**Final Determination:** The Department reviewed each response submitted for both students in the original sample.

The Department also reviewed 50 student files from the 2010-2011 award year to determine whether the Department would accept the file review of the remaining statistical sample conducted by the institution.

During the review, the Department found two verification errors. Student #74, an Independent student, had tax-deferred pensions in the amount of \$1,688.00. This amount was incorrectly added to the parent column of untaxed income. Therefore, it was not considered in the EFC calculation.

For student #308, the parent did not sign the Income Tax Return. Even though there was a division of income due to a parent divorce, the parent should still have signed the Income Tax Return. Therefore, all aid was awarded in error. Both errors accounted for a 4% error rate in the 2010-2011 statistical sample file review. (Questioned Costs for both errors: \$2,875.00 in Pell Grant funds)

As a result of the above-stated error rates, the Department accepted the 2010-2011 statistical sample file reviews submitted by the institution.

The Department projected liabilities based on the results of a review of a valid statistical sample. The proportion of the liabilities that was calculated in the statistical sample for each Title IV, HEA program with liabilities was extended to the population as a whole.

Harper's response indicated the total amount of Pell Grant liabilities in the statistical sample for this finding is \$35,584.00. In addition, the questioned costs for the additional two errors found by the Department totaled \$2,875.00, creating a total in Pell Grant liabilities for the statistical sample of \$38,459.00. An average liability of \$112.13 was calculated by dividing \$38,459.00 by the number of students in the statistical sample (342). This average liability was then multiplied by the total number of students in the population (3,236) from which the statistical sample was derived. Therefore, the Pell Grant projected liability amount for this finding that Harper must pay to the Department is \$362,852.68. A copy of the results of that calculation is included as Appendix O.

Harper's response indicated that the total amount of Direct Loan liabilities in the statistical sample for this finding is \$6,990.00; \$5,165.00 in Subsidized loans and \$1,825.00 in Unsubsidized loans. An average liability of \$20.44 (\$15.10 for Subsidized loans, \$5.34 for Unsubsidized loans) was calculated by dividing \$6,990.00 by the number of students in the statistical sample (342). This average liability was then multiplied by the total number of students in the population (3,236) from which the statistical sample was derived. Therefore, the Direct Loan projected liability amount for this finding that Harper must pay to the Department is \$66,143.84. A copy of the results of that calculation is included as Appendix O.

Based on the formula above, the Direct Loan (subsidized and unsubsidized) projected liability amount is \$66,143.84 (\$48,863.60 for Subsidized loans, \$17,280.24 for unsubsidized loans). The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on Harper's most recent available cohort default rate. As a result, the estimated actual loss that Harper must pay to the Department for the ineligible loans is \$11,858.48. A copy of the results of that calculation is included as Appendix N.

Information provided by Harper indicated six students were part of both Finding 1, Improper Disbursements of Title IV Funds, and Finding 3, Incomplete Verification (Appendix M: Students #32, 37, 45, 93, 112 and 137). Only Student #32 had a liability due to a Direct Loan. A separate Estimated Cost Worksheet was completed for this particular student and the liability totaled \$570.76. That amount is included in the student's liability for this finding; however, this duplicated amount will be removed in the summary of liabilities table. A copy of the results of that calculation is included as Appendix D.

#### **Finding 4, Ineligible Student**

**Citation Summary:** *In order for a student to be eligible to receive Title IV funds and according to 34 C.F.R. § 668.37, a male student who is subject to registration with the Selective Service must register with the Selective Service. A male student does not have to register with the Selective Service if the student is below the age of 18 or was born before January 1, 1960, is enrolled in an officer procurement program the curriculum of which has been approved by the Secretary of Defense at the following institutions or is a commissioned officer of the Public Health Service or a member of the Reserve of the Public Health Service who is on active duty.*

*When the Secretary processes a male student's FAFSA, the Secretary determines whether the student is registered with the Selective Service under a data match with the Selective Service. Under the data match, Selective Service reports to the Secretary whether its records indicate that the student is registered, and the Secretary reports the results of the data match to the student and the institution the student is attending.*

*If the Selective Service does not confirm through the data match, that the student is registered, the student can establish that he is registered, is not, or was not required to be, or has registered since the submission of the FAFSA.*

*An institution may determine that a student, who was required to, but did not register with the Selective Service, is not ineligible to receive Title IV, HEA assistance for that reason, if the student can demonstrate by submitting clear and unambiguous evidence to the institution that he was unable to present himself for registration for reasons beyond his control such as hospitalization, incarceration, or institutionalization or he is over 26 and when he was between 18 and 26 and required to register he did not knowingly and willfully fail to register with the Selective Service.*

*An institution may consider that a student did not knowingly and willfully fail to register with the Selective Service only if the student submits to the institution an advisory opinion from the Selective Service System that does not dispute the student's claim that he did not knowingly and willfully fail to register and the institution does not have uncontroverted evidence that the student knowingly and willfully failed to register.*

*In addition to satisfying the relevant provisions of an eligible program, 34 C.F.R. § 668.8(j) details the regulatory requirements of an educational program that consists solely of instruction in English as a second language (ESL). This program qualifies as an eligible program if the institution admits to the program only students who the institution determines need the ESL instruction to use already existing knowledge, training, or skills the program leads to a degree, certificate, or other recognized educational credential.*

*An institution shall document its determination that ESL instruction is necessary to enable each student enrolled in its ESL program to use already existing knowledge, training, or skills with regard to the students that it admits to its ESL program. An ESL program that qualifies as an eligible program under this paragraph is eligible for purposes of the Federal Pell Grant Program only.*

**Noncompliance Summary:** *Student #3 began Harper in Summer 2011 and attended only one term. Review of the student's ISIR indicated a "c" code for the Selective Service requirement. The student was awarded \$694.00 in a Pell Grant. There was no documentation in the student's file to indicate he had been cleared by the Selective Service Administration and was eligible for aid. In addition, he was listed as a student in the ESL program but was not enrolled in any other program that would lead to a degree, certificate or other recognized educational credential.*

**Required Action Summary:** *Harper must correct the error made with student #3 and either provide documentation of clearance by the Selective Service Administration and documentation that he was enrolled in a degree-seeking program, or documentation that the student's 2010-2011 award was returned to the Department.*

*The institution must also develop and implement written policies specifying how it reviews both students who lack Selective Service requirements and students enrolled in ESL coursework. If written policies and procedures are already established, Harper must make necessary adjustments to ensure it is in compliance and is following its own written policy. A copy of these policies and procedures should be included in the response to this report.*

*Liabilities, if any exist, will be assessed in the Final Program Review Determination Letter.*

**Harper's Response:** In its August 3, 2012 response (Appendix Q to the FPRD), Harper stated it agreed with the finding and completed the required actions, including an update to its written policies and procedures regarding Selective Service requirements and ESL coursework.

Harper was not able to gather the appropriate documentation for student #3, nor did it return the ineligible funds.

**Final Determination:** The Department has determined Harper correctly revised its policies and procedures regarding Selective Service, as well as its ESL program, which now details all regulatory requirements. However, Harper did not provide documentation to demonstrate eligibility for student #3 of the Program Review sample and must repay those funds.

The total liability for this finding is \$694.00 in a Pell Grant.

**D. Summary of Liabilities**

The total amount calculated as liabilities from the findings in the program review determination is as follows. The liability amount in the first chart below reflects duplicated and unduplicated liabilities because some students appear in more than one finding. This information is provided so that the institution understands the liabilities associated with each finding. Duplicate liabilities have been removed in the second chart. The payment instructions in Section E have been adjusted to reflect the unduplicated liabilities.

<b>Actual Liabilities By Finding – Including Duplicate Liabilities</b>				
<b>Initial Liabilities</b>	<b>Pell (Closed Award Year)</b>	<b>FSEOG</b>	<b>FWS</b>	<b>DL/FFEL</b>
Finding 1, Improper Disbursements of Title IV Funds	\$75,172.00	\$1,250.00	\$0.00	\$34,727.41
Finding 2, R2T4 Incorrect	\$10,690.89	\$0.00	\$0.00	\$22,011.97
Finding 3, Incomplete Verification	\$362,852.68	\$0.00	\$0.00	\$11,858.48
Finding 4, Ineligible Student	\$694.00	\$0.00	\$0.00	\$0.00

<b>Established Liabilities – Duplicate Liabilities Removed</b>				
<b>Initial Liabilities</b>	<b>Pell (Closed Award Year)</b>	<b>FSEOG</b>	<b>FWS</b>	<b>DL / FFEL</b>
Finding 1, Improper Disbursements of Title IV Funds	\$74,611.35	\$1,250.00	\$0.00	\$34,727.41
Finding 2, R2T4 Incorrect	\$10,690.89	\$0.00	\$0.00	\$21,991.53
Finding 3, Incomplete Verification	\$362,852.68	\$0.00	\$0.00	\$11,287.72
Finding 4, Ineligible Student	\$694.00	\$0.00	\$0.00	\$0.00
<b>Subtotal 1</b>	<b>\$438,158.03</b>	<b>\$1,250.00</b>	<b>\$0.00</b>	<b>\$68,006.66</b>
Interest/SA	\$71.74	\$0.00	\$0.00	\$1,297.57
Excess Cash	\$0.00			
ACA		\$0.00	\$0.00	
<b>Subtotal 2</b>	<b>\$71.74</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$1,297.57</b>

<b>TOTAL</b>	\$438,229.77	\$1,250.00	\$0.00	\$69,304.23	
(add subtotal 1 + 2)					
<b>Payable To:</b>					<b>Totals</b>
Department	\$438,229.77	\$1,250.00	\$0.00	\$69,304.23	\$508,784.00

Notes:

- (1) Closed year Pell liabilities are paid to the Department via establishing a receivable (AD-PYMR)

**Duplicate Liabilities:**

The Actual Liabilities table above contains duplicate liabilities. The Established Liabilities table reflects adjustments made to remove all duplicate liabilities as described in the final determinations for findings 1 and 3. An explanation on how duplicate liabilities were addressed exists within Findings 1, 2 and 3.

**Estimated Actual Loss (EAL):**

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 to the Department that has resulted or will result from those ineligible loans is based on Harper's most recent available cohort default rate.

The total amount of Direct Loans that Harper improperly disbursed during the 2010-2011 award year for findings 1 and 3 is \$294,838.84. The total estimated actual loss that Harper must pay to the Department for the ineligible loans is \$46,585.89. Copies of the results of those calculations are included in Appendices C, D and N.

### **E. Payment Instructions**

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

Harper owes to the Department \$508,776.78. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities. Harper 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 Harper'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.

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

#### **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. Harper 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 Harper'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 6111  
Washington, DC 20202-4461  
Attn: Nancy I. Hoglund

If within 45 days of the date of this letter, Harper 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 Harper from the Federal

Government. **Harper may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Harper 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.

**Liabilities Owed to the Department in the case of Direct Loans**

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

Harper must pay \$21,991.53 in Direct Loan liabilities for award years 2010-2011 and 2011-2012. The liability amount is included in the total amount due to the Department in the payment instructions in the "Liabilities Owed to the Department" section above. However, because the liabilities established are student specific, Harper **must make the appropriate student-level adjustments prior to returning the funds to the Department.**

Because a portion of the liability (\$18,934.85) established is for a closed award year (2010-2011), before any student level adjustments can be processed, Harper must contact Common Origination and Disbursement (COD) School Relations at [codsupport@acs-inc.com](mailto:codsupport@acs-inc.com) or by telephone at 1-800-848-0978 to request extended processing. Extended processing will allow Harper to transmit student/borrower level adjustments to COD for closed award years. **The student-level adjustments must be made prior to the repayment of the liability.**

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

The institution must pay the interest liability totaling \$7.22 with a check made payable to the U.S. Department of Education, within 45 days of the date of this letter, mailed to:

U.S. Department of Education  
Direct Loan Payment Center  
P.O. Box 530260  
Atlanta, GA 30353-0260

To properly identify the student(s) for whom payment is being made the institution must include with its payment a list of the student(s) and amount(s) identified in Appendices F and K. In addition, to ensure that each student's Unsubsidized/Subsidized Direct Loan receives credit for the appropriate amount, that list must include the following information for each student:

- Name
- Social Security Number
- Loan ID Number
- Loan Type (Subsidized / Unsubsidized)
- Amount of Interest Owed



**Appendix B: Finding 1, Student List (2010-2011 Students Enrolled in *Fast Track* Program)**

<u>Student Number</u>	<u>Last Name</u>	<u>Social Security Number</u>	<u>Pell Liability</u>	<u>FSEOG Liability</u>	<u>Direct Loan Liability</u>
(b)(6); (b)(7)(C)			\$ -	\$ -	\$ 3,270.00
			\$ -	\$ -	\$ -
			\$ 880.00	\$ -	\$ 4,750.00
			\$ 494.00	\$ -	\$ -
			\$ -	\$ -	\$ 2,250.00
			\$ 2,125.00	\$ -	\$ -
			\$ 1,389.00	\$ -	\$ -
			\$ -	\$ -	\$ 3,500.00
			\$ -	\$ -	\$ -
			\$ -	\$ -	\$ -
			\$ 1.00	\$ -	\$ -
			\$ -	\$ -	\$ 3,390.00
			\$ 694.00	\$ -	\$ -
			\$ -	\$ -	\$ -
			\$ -	\$ -	\$ 1,750.00
			\$ -	\$ -	\$ -
			\$ 2,625.00	\$ -	\$ 4,211.00
			\$ 1.00	\$ -	\$ -
			\$ 694.00	\$ 250.00	\$ -
			\$ -	\$ -	\$ 2,393.00
			\$ 1,388.00	\$ 250.00	\$ 4,750.00
			\$ -	\$ -	\$ 3,505.00
			\$ -	\$ -	\$ -
			\$ 1.00	\$ -	\$ -
			\$ 663.00	\$ -	\$ -
			\$ -	\$ -	\$ -
			\$ -	\$ -	\$ 3,750.00
			\$ -	\$ -	\$ 5,983.00
			\$ -	\$ -	\$ -
			\$ 375.00	\$ -	\$ 3,250.00
	\$ 1,389.00	\$ -	\$ 1,750.00		

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

\$ 2,082.00	\$ -	\$ -
\$ -	\$ -	\$ 4,750.00
\$ 1.00	\$ -	\$ -
\$ 975.00	\$ -	\$ -
\$ -	\$ -	\$ 5,249.00
\$ -	\$ -	\$ 1,750.00
\$ -	\$ -	\$ -
\$ 556.00	\$ -	\$ 4,750.00
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ 2,775.00	\$ 250.00	\$ -
\$ 1.00	\$ -	\$ -
\$ 1,389.00	\$ -	\$ 4,365.00
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ 2,082.00	\$ -	\$ -
\$ -	\$ -	\$ 4,750.00
\$ 750.00	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ 2,250.00
\$ 1,100.00	\$ -	\$ -
\$ 1,050.00	\$ -	\$ 2,250.00
\$ -	\$ -	\$ -
\$ -	\$ -	\$ 1,750.00
\$ 688.00	\$ -	\$ 1,750.00
\$ 388.00	\$ -	\$ -
\$ 288.00	\$ -	\$ 4,750.00
\$ 926.00	\$ -	\$ -
\$ 555.00	\$ -	\$ 4,750.00
\$ 750.00	\$ -	\$ 1,750.00
\$ 926.00	\$ -	\$ -
\$ -	\$ -	\$ 3,000.00
\$ 694.00	\$ -	\$ -
\$ 688.00	\$ -	\$ 4,862.00
\$ 1,388.00	\$ -	\$ -
\$ -	\$ -	\$ -
\$ 1,300.00	\$ -	\$ -

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

\$ -	\$ -	\$ 2,750.00
\$ 2,750.00	\$ -	\$ 4,993.00
\$ 2,250.00	\$ -	\$ -
\$ -	\$ -	\$ -
\$ 6,938.00	\$ -	\$ -
\$ -	\$ -	\$ 4,750.00
\$ 5,550.00	\$ -	\$ -
\$ 278.00	\$ -	\$ -
\$ 2,050.00	\$ -	\$ -
\$ -	\$ -	\$ 4,308.00
\$ -	\$ -	\$ 4,750.00
\$ 2,775.00	\$ -	\$ 3,293.00
\$ 2,775.00	\$ -	\$ -
\$ -	\$ -	\$ 2,643.00
\$ -	\$ -	\$ 1,750.00
\$ 4,900.00	\$ -	\$ -
\$ 350.00	\$ -	\$ -
\$ 2,775.00	\$ -	\$ -
\$ 800.00	\$ -	\$ -
\$ 2,775.00	\$ 250.00	\$ 4,724.00
\$ 1,150.00	\$ -	\$ 4,750.00
\$ -	\$ -	\$ -
\$ 2,775.00	\$ -	\$ 4,735.00
\$ -	\$ -	\$ 3,169.00
\$ 2,775.00	\$ -	\$ -
\$ -	\$ -	\$ 3,000.00
\$ 2,775.00	\$ -	\$ -
\$ 2,650.00	\$ -	\$ 4,724.00
\$ 2,775.00	\$ -	\$ -
\$ 463.00	\$ -	\$ 4,750.00
\$ 2,082.00	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ 1,750.00
\$ 1,388.00	\$ -	\$ 3,189.00
\$ 2,083.00	\$ -	\$ -
\$ 1,389.00	\$ -	\$ -

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

\$ 1,710.00	\$ 250.00	\$ -
\$ 700.00	\$ -	\$ 3,250.00
\$ 2,775.00	\$ -	\$ 2,589.00
\$ -	\$ -	\$ 1,750.00
\$ 1,225.00	\$ -	\$ -
\$ -	\$ -	\$ 4,750.00
\$ -	\$ -	\$ 5,250.00
\$ -	\$ -	\$ 4,750.00
\$ 1,200.00	\$ -	\$ 4,750.00
\$ 1,389.00	\$ -	\$ 4,750.00
\$ -	\$ -	\$ 5,250.00
\$ -	\$ -	\$ -
\$ -	\$ -	\$ 2,250.00
\$ -	\$ -	\$ 4,750.00
\$ -	\$ -	\$ 1,100.00
\$ 2,775.00	\$ -	\$ -
\$ -	\$ -	\$ 1,250.00
\$ 1,450.00	\$ -	\$ -
\$ 2,775.00	\$ -	\$ 5,250.00
\$ 5,550.00	\$ -	\$ -
\$ 2,775.00	\$ -	\$ -
\$ -	\$ -	\$ 4,750.00
\$ -	\$ -	\$ 4,750.00
\$ 6,000.00	\$ -	\$ -
\$ 1,800.00	\$ -	\$ -
\$ 2,775.00	\$ -	\$ -
\$ 2,775.00	\$ -	\$ 2,250.00
\$ -	\$ -	\$ -
\$ 2,100.00	\$ -	\$ -
\$ 6,938.00	\$ -	\$ -
\$ 2,775.00	\$ -	\$ -
<b>\$ 75,172.00</b>	<b>\$ 1,250.00</b>	<b>\$ 228,695.00</b>

**Appendix C: Finding 1, Estimated Actual Loss Worksheet (without students listed in both Finding 1 and Finding 3)**

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.

Name of Institution	<b>Harper College</b>	
<b>1. Select</b> Type	Two-Year	
<b>2. Select</b> Award Year	2010-11	
<b>3. Enter</b> Cohort Default Rate and/or Perkins Default Rate	12.1%	
<b>4. Enter</b> Ineligible Principal	<i>Ineligible Principal</i>	<i>Estimated Defaults</i>
a. DL Subsidized	\$ 87,177.00	\$ 10,548.42
b. DL Unsubsidized	\$ 138,268.00	\$ 16,730.43
c. FFEL Subsidized	\$ -	\$ -
d. FFEL Unsubsidized	\$ -	\$ -
e. PLUS (DL, FFEL)	\$ -	\$ -
f. Perkins	\$ -	\$ -
Disb to Repayment	774	
Repayment to Default	498	
Repayment to PIF	1580	

<b>Estimated Actual Loss Interest and Special Allowance Breakdown</b>	<i>Disb to Repayment</i>	
	DL Subsidized	\$ 6,877.80
	FFEL Sub	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to Default</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to</i>	

*PIF*

FFEL Subsidized	\$ -
FFEL Unsub	\$ -
Perkins Interest	\$ -

<b>Totals - Estimated Actual</b>	DL Subsidized	\$ 17,426.22
<b>Loss By Program</b>	DL Unsubsidized	\$ 16,730.43
<b>(Including Interest and Special Allowance)</b>	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	PLUS (DL, FFEL)	\$ -
	Perkins	\$ -

<b>Total Estimated Actual Loss Liability</b>	<b>\$ 34,156.65</b>
--	---------------------

The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment,
- repayment to default, and
- repayment to paid-in-full.

The averages used are from historical information supplied to the Department from all guarantee agencies.

**Appendix D: Finding 1, Estimated Actual Loss Worksheet (only students listed in both Finding 1 and Finding 3)**

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)

$$\$60,000/2 \times (451 \times (.0145/365))$$

$$+ \$60,000/2 \times (730 \times (.0155/365))$$

$$+ \$60,000/2 \times (367 \times (.0053/365)) = \$1,627.36$$

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.

**Harper College – Students listed in both Finding 1 and Finding 3**

Name of Institution

1. *Select* Type
2. *Select* Award Year
3. *Enter* Cohort Default Rate and/or Perkins Default Rate

Two-Year
2010-11
12.1%

4. *Enter* Ineligible Principal
  - a. DL Subsidized
  - b. DL Unsubsidized
  - c. FFEL Subsidized
  - d. FFEL Unsubsidized
  - e. PLUS (DL, FFEL)
  - f. Perkins

***Ineligible Principal***

\$ 2,250.00
\$ 1,000.00
\$ -
\$ -
\$ -
\$ -

***Estimated Defaults***

\$ 272.25
\$ 121.00
\$ -
\$ -
\$ -
\$ -

- Disb to Repayment  
 Repayment to Default  
 Repayment to PIF

774
498
1580

***Estimated Actual Loss Interest and Special Allowance Breakdown***

***Disb to Repayment***

- DL Subsidized  
 FFEL Sub  
 FFEL Unsub

\$ 177.51
\$ -
\$ -

***Repayment to Default***

- FFEL Subsidized  
 FFEL Unsub

\$ -
\$ -

*Repayment to  
 PIF*

FFEL Subsidized	\$ -
FFEL Unsub	\$ -
Perkins Interest	\$ -

<b><i>Totals - Estimated Actual Loss By Program        (Including Interest and Special Allowance)</i></b>	DL Subsidized	\$ 449.76
	DL Unsubsidized	\$ 121.00
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	PLUS (DL, FFEL)	\$ -
	Perkins	\$ -
<b><i>Total Estimated Actual Loss Liability</i></b>		<b>\$ 570.76</b>

The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment,
- repayment to default, and
- repayment to paid-in-full.

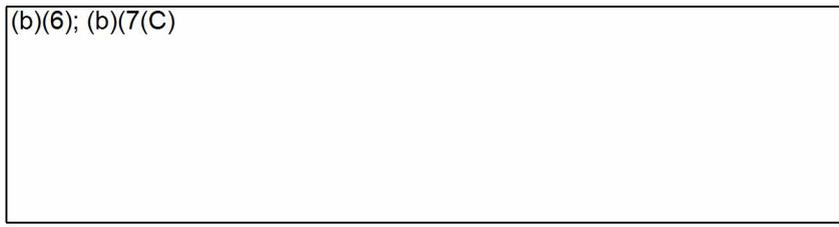
The averages used are from historical information supplied to the Department from all guarantee agencies.

**Appendix E: Finding 2, 2010-2011 List of R2T4 Students**

<b>Student Number</b>	<b>Last Name</b>	<b>First Name</b>	<b>SSN (last 4 digits only)</b>
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(b)(6); (b)(7)(C)
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(b)(6); (b)(7)(C)



**Appendix F: Finding 2, 2010-2011 Late Direct Loan Returns – Cost of Funds**

No.	Description/Name	Return Amount	Program	W/D Date	Latest Possible Del Date (14 Days)	Return Paid Date	Return Due Date	Days Late	Days ED	Days Stud	Interest	To ED	To Lender/ Student
(b)(6); (b)(7)(C)		\$1,410.65	DL Sub	10/25/10	07/10/12	09/20/12	8/24/2012	27	27	0	4.50%	\$4.70	\$0.00
		\$899.50	DL Sub	11/15/10	07/10/12	09/20/12	8/24/2012	27	27	0	4.50%	\$2.99	\$0.00
		\$501.37	DL Sub	08/14/11	07/10/12	09/20/12	8/24/2012	27	27	0	4.50%	\$1.67	\$0.00
		\$587.57	DL Unsub	04/11/12	07/10/12	09/20/12	8/24/2012	27	0	27	6.80%	0.00%	\$ 2.96
		\$448.20	DL Sub	07/31/11	07/10/12	09/20/12	8/24/2012	27	27	0	4.50%	\$1.49	\$0.00

Total Principal      \$ 3,847.29

\$10.85      \$ 2.96

Total DL Sub      \$ 3,259.72

\$ 13.81

Total DL Unsub      \$ 587.57

**Appendix G: Finding 2, 2010-2011 Unmade Direct Loan Returns**

No.	Description/Name	Ineligible Disbursement	Program	Disbursement Date	Loan Paid Date	No. of Days	Interest	FFEL SpcAll	To ED
(b)(6); (b)(7(C))		\$1,742.00	DL Sub	06/15/11	09/20/12	463	4.50%	0.00%	\$99.44
		\$2,985.00	DL Unsub	06/15/11	09/20/12	463	6.80%	0.00%	\$257.48
		1,742.00	DL Sub	03/03/11	09/20/12	567	4.50%	0.00%	\$121.77
		408.00	DL Unsub	03/03/11	09/20/12	567	6.80%	0.00%	\$43.10
		1,742.00	DL Sub	02/07/11	09/20/12	591	4.50%	0.00%	\$126.93
		2,467.00	DL Unsub	02/07/11	09/20/12	591	6.80%	0.00%	\$271.63
		1,839.00	DL Sub	03/03/11	09/20/12	567	4.50%	0.00%	\$128.55
		2,183.00	DL Unsub	03/03/11	09/20/12	567	6.80%	0.00%	\$230.60

Total Principal \$ 15,108.00

Total \$ 1,279.50

Total DL Sub \$ 7,065.00

Total DL Unsub \$ 8,043.00

Total FFEL Sub \$ -

Total FFEL Unsub \$ -

Total PLUS \$ -

**Appendix H: Finding 2, 2010-2011 Late Federal Pell Grant Returns – Cost of Funds**

No.	Description/Name	Return Amount	Program	W/D Date	Institution Det Date	Return Paid Date	Return Due Date	Days Late	CVFR or Interest	Federal Share	To ED
(b)(6); (b)(7)(C)		\$565.55	Pell Grant	07/31/11	7/10/2012	9/20/2012	08/24/12	27	1.00%	\$ 565.55	\$ 0.42
		\$1,300.00	Pell Grant	03/21/11	7/10/2012	9/20/2012	08/24/12	27	1.00%	\$1,300.00	\$ 0.96
		\$523.75	Pell Grant	07/31/11	7/10/2012	9/20/2012	08/24/12	27	1.00%	\$ 523.75	\$ 0.39
		\$286.67	Pell Grant	08/14/11	7/10/2012	9/20/2012	08/24/12	27	1.00%	\$ 286.67	\$ 0.21
		\$405.00	Pell Grant	07/31/11	7/10/2012	9/20/2012	08/24/12	27	1.00%	\$ 405.00	\$ 0.30
		\$716.49	Pell Grant	10/10/11	7/10/2012	9/20/2012	08/24/12	27	1.00%	\$ 716.49	\$ 0.53
		\$532.39	Pell Grant	07/31/11	7/10/2012	9/20/2012	08/24/12	27	1.00%	\$ 532.39	\$ 0.39
		\$485.98	Pell Grant	07/31/11	07/10/12	09/20/12	08/24/12	27	1.00%	\$ 485.98	\$ 0.36
		\$360.00	Pell Grant	07/31/11	07/10/12	09/20/12	08/24/12	27	1.00%	\$ 360.00	\$ 0.27
		\$523.74	Pell Grant	07/31/11	07/10/12	09/20/12	08/24/12	27	1.00%	\$ 523.74	\$ 0.39
		\$168.00	Pell Grant	07/31/11	07/10/12	09/20/12	08/24/12	27	1.00%	\$ 168.00	\$ 0.12

Total Returns	\$ 5,867.57
Total Campus-Based	\$ -
Totals By Program	
Pell Grant	\$ 5,867.57
FSEOG	\$ -

Totals	\$ 4.34
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<b>Interest Breakdown</b>	
Pell Grant	\$ 4.34
FSEOG	\$ -

**Appendix I: Finding 2, 2010-2011 Unmade Pell Grant Return**

No.	Description/Name	Ineligible Disbrsmnt	Program	Disbursement Date	Return Paid Date	No. of Days	CVFR or Interest	Federal Share	To ED
(b)(6); (b)(7)(C)		\$1,300.00	Pell Grant	6/15/2011	9/20/2012	463	1.00%	\$ 1,300.00	\$ 16.49
		\$694.00	Pell Grant	2/7/2011	9/20/2012	591	1.00%	\$ 694.00	\$ 11.24
		\$694.00	Pell Grant	2/7/2011	9/20/2012	591	1.00%	\$ 694.00	\$ 11.24
		\$1,389.00	Pell Grant	2/7/2011	9/20/2012	591	1.00%	\$ 1,389.00	\$ 22.49
		\$458.00	Pell Grant	6/15/2011	9/20/2012	463	1.00%	\$ 458.00	\$ 5.81

Total Ineligible \$4,535.00

Totals  
 ACA  
 Liability \$ 67.26

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

Federal FWS   
 Federal SEOG   
 Total C-B Spent \$ -  
 ACA Percentage

**Interest Breakdown**  
 Pell Grants \$ 67.26  
 FWS \$ -  
 FSEOG \$ -

	Total	Federal Share
Pell	\$ 4,535.00	\$ 4,535.00

**Appendix J: Finding 2, 2011-2012 List of R2T4 Students**

<u>Student Number</u>	<u>Last Name</u>	<u>First Name</u>	<u>SSN (last 4 digits only)</u>
(b)(6); (b)(7)(C)			

**Appendix K: Finding 2, 2011-2012 Late Direct Loan Returns -- Cost of Funds**

No.	Description/Name	Return Amount	Program	W/D Date	Latest Possible Def Date (14 Days)	Return Paid Date	Return Due Date	Days Late	Days ED	Days Stud	Interest	To ED	To Lender/ Student
(b)(6); (b)(7)(C)		\$951.46	DL Unsub	05/20/12	07/27/12	09/20/12	9/10/2012	10	0	10	6.80%	\$0.00	\$1.77
		\$1,339.02	DL Unsub	06/19/12	07/27/12	09/20/12	9/10/2012	10	0	10	6.80%	\$2.99	\$2.49

Total Principal	\$ 2,290.48	\$0.00	\$ 4.26
Total DL Sub	\$ 0.00		\$ 4.26
Total DL Unsub	\$ 2,290.48		

**Appendix L: Finding 2, 2011-2012 Late Federal Pell Grant Returns – Cost of Funds**

No.	Description/Name	Return Amount	Program	W/D Date	Institution Det Date	Return Paid Date	Return Due Date	Days Late	CVFR or Interest	Federal Share	To ED
(b)(6); (b)(7)(C)		\$356.57	Pell Grant	05/20/12	7/27/2012	9/20/2012	09/10/12	10	1.00%	\$ 356.57	\$ 0.10
		\$136.32	Pell Grant	06/19/12	7/27/2012	9/20/2012	09/10/12	10	1.00%	\$ 136.32	\$ 0.04

Total Returns	\$ 492.89
Total Campus-Based	\$ -
Totals By Program	
Pell Grant	\$ 492.89
FSEOG	\$ -

Totals	\$ 0.14
<b>Interest Breakdown</b>	
Pell Grant	\$ 0.14
FSEOG	\$ -

**Appendix M: Finding 3, List of Students in Statistical Sample Chosen for Verification with Liabilities**

<u>Student</u> <u>Number</u>	<u>Last Name</u>	<u>First Name</u>	<u>Original</u> <u>EFC</u>	<u>Revised</u> <u>EFC after</u> <u>Verification</u>	<u>Pell Liability</u>	<u>Subsidized</u> <u>Loan</u> <u>Liability</u>	<u>Unsubsidized</u> <u>Loan</u> <u>Liability</u>
(b)(6); (b)(7)(C)			3566	3661	\$ 850.00	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			2135	2135	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			3464	2654	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			4518	4518	\$ -	\$ 490.00	\$ -
			3625	3625	\$ -	\$ -	\$ -
			2693	4258	\$ 800.00	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			0	5007	\$ 1,388.00	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			826	826	\$ -	\$ -	\$ -
			0	unknown	\$ 3,450.00	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			100	12758	\$ 3,483.00	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			2333	2333	\$ -	\$ -	\$ -
			9805	7248	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			1416	1812	\$ 400.00	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			1789	1789	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			356	356	\$ -	\$ -	\$ -
			5029	5029	\$ -	\$ -	\$ -
			0	0	\$ -	\$ -	\$ -
			4029	4029	\$ -	\$ -	\$ -

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

0	0	\$	-	\$	-	\$	-
1276	1276	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
808	722	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1377	1377	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
30606	30606	\$	-	\$	-	\$	-
0	100	\$	50.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
4014	4014	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
323	323	\$	-	\$	-	\$	-
20	20	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
173	173	\$	-	\$	-	\$	-
0	0	\$	50.00	\$	-	\$	-
927	927	\$	550.00	\$	750.00	\$	-
0	0	\$	-	\$	-	\$	-
468	4511	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2489	2489	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
5058	6376	\$	278.00	\$	-	\$	-
2358	2358	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1708	1941	\$	25.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
3460	3460	\$	-	\$	-	\$	-
2915	2919	\$	-	\$	-	\$	-

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

4155	6192	\$	1,400.00	\$	-	\$	-
0	831	\$	427.00	\$	-	\$	-
2448	2448	\$	388.00	\$	-	\$	-
4014	4014	\$	-	\$	-	\$	-
0	975	\$	593.00	\$	-	\$	-
2512	2512	\$	-	\$	-	\$	-
2347	2347	\$	-	\$	-	\$	-
1857	1960	\$	50.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
5060	5060	\$	-	\$	-	\$	-
0	403	\$	113.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1663	2107	\$	375.00	\$	-	\$	-
22018	21955	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
848	2106	\$	1,300.00	\$	-	\$	-
2987	2987	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
715	715	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	1,750.00	\$	-
2758	2758	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	1,922.00	\$	1,578.00
0	0	\$	-	\$	-	\$	-
2561	2561	\$	-	\$	-	\$	-
3777	4571	\$	300.00	\$	-	\$	-
1583	1583	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1272	3997	\$	1,698.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-

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

3308	3308	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
4698	4677	\$	-	\$	-	\$	-
3804	6436	\$	425.00	\$	-	\$	-
2341	5403	\$	2,800.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
4396	3135	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
3256	3256	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
89	89	\$	-	\$	-	\$	-
3812	3812	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2561	2561	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
18365	18365	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	151	\$	150.00	\$	-	\$	-
8337	8337	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2075	2075	\$	-	\$	-	\$	-
3985	3985	\$	-	\$	-	\$	-
4092	4149	\$	41.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
160	302	\$	425.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1090	1090	\$	-	\$	-	\$	-
1268	1268	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	50.00	\$	-	\$	-

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

3990	3990	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1095	917	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2846	2846	\$	-	\$	-	\$	-
2	2	\$	-	\$	-	\$	-
1583	1583	\$	-	\$	-	\$	-
1430	1430	\$	-	\$	-	\$	-
0	20	\$	25.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
4696	4711	\$	-	\$	-	\$	-
2221	2221	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2073	2073	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2464	1701	\$	-	\$	-	\$	-
863	4778	\$	3,900.00	\$	-	\$	-
999	999	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
375	375	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1017	1017	\$	-	\$	-	\$	-
4011	4052	\$	-	\$	-	\$	-
997	997	\$	-	\$	-	\$	-
0	unknown	\$	5,550.00	\$	-	\$	-
2187	2554	\$	200.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
700	700	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1215	1215	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1518	1518	\$	-	\$	-	\$	-

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

284	284	\$	-	\$	-	\$	-
39	39	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
537	537	\$	-	\$	-	\$	-
285	285	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
50	50	\$	-	\$	-	\$	-
60	60	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
3132	4320	\$	1,200.00	\$	-	\$	-
30	20	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2644	3146	\$	500.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2150	1860	\$	-	\$	-	\$	247.00
123	123	\$	-	\$	-	\$	-
2736	2736	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
4074	4129	\$	100.00	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	87	\$	50.00	\$	-	\$	-
147	147	\$	-	\$	-	\$	-
2566	2566	\$	-	\$	-	\$	-
4393	4393	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1281	1281	\$	-	\$	-	\$	-
4584	4584	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-

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

2749	2749	\$	-	\$	-	\$	-
4550	4550	\$	-	\$	-	\$	-
40	40	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
292	292	\$	-	\$	-	\$	-
1252	1252	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1593	1593	\$	-	\$	-	\$	-
2253	2253	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
17555	17555	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
365	118	\$	-	\$	-	\$	-
1835	1835	\$	-	\$	-	\$	-
96	96	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1830	1830	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
440	440	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2264	2264	\$	-	\$	-	\$	-
2610	2125	\$	-	\$	190.00	\$	-
699	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
3493	3493	\$	-	\$	-	\$	-
200	200	\$	-	\$	-	\$	-
200	200	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
647	647	\$	-	\$	-	\$	-
2348	1301	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-

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

3274	3274	\$	-	\$	-	\$	-
736	736	\$	-	\$	-	\$	-
4187	4187	\$	-	\$	-	\$	-
3389	3313	\$	-	\$	-	\$	-
4268	4268	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
402	402	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
5670	5812	\$	-	\$	63.00	\$	-
4510	4450	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1627	1627	\$	-	\$	-	\$	-
1543	1543	\$	-	\$	-	\$	-
32	0	\$	-	\$	-	\$	-
2900	2900	\$	-	\$	-	\$	-
4234	4234	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
2	2	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
3327	3327	\$	-	\$	-	\$	-
3428	2404	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
4363	4363	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
11623	11250	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
3367	5588	\$	2,200.00	\$	-	\$	-
12761	12716	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
4148	4148	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-

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

3078	3078	\$	-	\$	-	\$	-
1256	1256	\$	-	\$	-	\$	-
1724	1724	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
5118	5118	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
4202	4202	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
978	978	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
0	0	\$	-	\$	-	\$	-
1136	1136	\$	-	\$	-	\$	-
<b>TOTAL</b>			<b>\$35,584.00</b>		<b>\$5,165.00</b>		<b>\$1,825.00</b>

**Appendix N: Finding 3, Estimated Actual Loss Worksheet**

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)

$$\$60,000/2 \times (451 \times (.0145/365))$$

$$+ \$60,000/2 \times (730 \times (.0155/365))$$

$$+ \$60,000/2 \times (367 \times (.0053/365)) = \$1,627.36$$

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.

Name of Institution Harper College

1. <i>Select Type</i>	Two-Year
2. <i>Select Award Year</i>	2010-11
3. <i>Enter Cohort Default Rate and/or Perkins Default Rate</i>	12.1%

4. <i>Enter Ineligible Principal</i>	<i>Ineligible Principal</i>	<i>Estimated Defaults</i>
a. DL Subsidized	\$ 48,863.60	\$ 5,912.50
b. DL Unsubsidized	\$ 17,280.24	\$ 2,090.91
c. FFEL Subsidized	\$ -	\$ -
d. FFEL Unsubsidized	\$ -	\$ -
e. PLUS (DL, FFEL)	\$ -	\$ -
f. Perkins	\$ -	\$ -

Disb to Repayment	774
Repayment to Default	498
Repayment to PIF	1580

<i>Estimated Actual Loss Interest and Special Allowance Breakdown</i>	<i>Disb to Repayment</i>	
	DL Subsidized	\$ 3,855.08
	FFEL Sub	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to Default</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to PIF</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	<i>Perkins Interest</i>	\$ -

<i>Totals - Estimated Actual Loss By Program (Including Interest and Special Allowance)</i>		
	DL Subsidized	\$ 9,767.57
	DL Unsubsidized	\$ 2,090.91
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	PLUS (DL, FFEL)	\$ -

Perkins

\$ -

---

***Total Estimated Actual Loss Liability***

**\$ 11,858.48**

---

The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment,
- repayment to default, and
- repayment to paid-in-full.

The averages used are from historical information supplied to the Department from all guarantee agencies.

**Appendix O: Finding 3, Liability Projections**

	<b>Pell Grant</b>	<b>FSEOG</b>	<b>Direct Loans</b>
Statistical Sample Size	342	342	342
Total Liability in Statistical Sample	\$38,459.00	\$0.00	\$6,990.00
<b>Average Liability for Statistical Sample</b>	<b>\$112.13</b>	<b>\$0.00</b>	<b>\$20.44</b>
Total Population Size	3,236	3,236	3,236
<b>Total Projected Liability</b>	<b>\$362,852.68</b>	<b>\$0.00</b>	<b>\$65,949.68</b>

**Appendix P: Instructions for completing the electronic fund transfer**

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: <b>②</b>		
DUNS / TIN: <b>③</b>		
FOR: <b>④</b>		
<b>INSTRUCTIONS</b>		
A. Complete circled items 1-4 above as follows:		
<ul style="list-style-type: none"> <li><b>①</b> Indicate amount including cents digits.</li> <li><b>②</b> Indicate Name, City, and State.</li> <li><b>③</b> Indicate DUNS Number and Taxpayer Identification Number (TIN).</li> <li><b>④</b> Enter the reason for the remittance: Bill Number / Document Number / Other.</li> </ul>		
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.		

Prepared for

**Harper College**

---



START HERE  
GO FURTHER  
FEDERAL STUDENT AID

OPE ID: 00396100

PRCN: 201210527757

Prepared by

**U.S. Department of Education**

**Federal Student Aid**

**School Participation Team – Chicago/Denver**

## Program Review Report

May 4, 2012

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**A. Institutional Information**

Harper College  
1200 West Algonquin Road  
Palatine, IL 60067-7398

Type: Public

Highest Level of Offering: Associate's Degree

Accrediting Agency: North Central Association of Colleges and Schools - CIHE (Higher Education)

Current Student Enrollment: 16,607 (2011-2012)

% of Students Receiving Title IV: 26% (2010-2011)

Title IV Participation (Postsecondary Education Participants System):

	<u>2010-2011</u>
Federal Pell Grant (Pell Grant)	\$14,655,961.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$132,300.00
Federal Work Study (FWS)	\$161,858.00
William D. Ford Federal Direct Loan Program (Direct Loan)	\$12,403,690.00

Default Rate FFEL/DL:      2009: 12.1%  
   2008: 15.0%  
   2007: 15.0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Harper College (Harper) from December 5, 2011 to December 9, 2011. The review was conducted by Jeremy Early, Mark Holland, Nicholas Koulermos and Stephan Oleszczuk.

The focus of the review was to determine Harper's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Harper'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 34 files were identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Harper'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 Harper 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 Harper to bring operations of the financial aid programs into compliance with the statutes and regulations.

#### **Finding 1, Improper Disbursements of Title IV Funds**

**Citation:** Federal regulation 34 C.F.R. § 668.4(b) defines payment periods for eligible programs that measure progress in credit hours and do not have academic terms, as was the case with the Fast Track program at Harper for the period under review. For students enrolled in programs that are longer than one academic year, in the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student completes half the number of credit hours in the academic year and half the number of weeks in the academic year, and the second payment period is the period of time in which the student completes the academic year.

For institutions that measure progress in credit hours and do not have academic terms, students are required to complete the credit hours scheduled in a payment period before becoming eligible for a second or subsequent disbursement of Title IV funds. 34 C.F.R. § 668.164(f)(2)(ii) and 34 C.F.R. § 690.75(a)(3). Institutions that measure progress in clock hours or in credit hours and does not use terms may not deliver the second disbursement of a loan until the later of the calendar midpoint between the first and last scheduled days of class of the loan period, or the date that the student has completed half the clock or credit hours in the loan period. 34 C.F.R. § 682.604(c)(7).

**Noncompliance:** During the review of student #23, Harper completed a Return of Title IV calculation as though the student was in a standard-term program (Fast Track) and the program should have been considered a non-term program. Further review of the academic calendar and in discussion with Harper administration, it was determined every student that had taken a Fast Track course was treated as though they were enrolled in a standard-term program. This was determined to be a systemic error for both 2010-2011 and 2011-2012. Preliminary data submitted to the Department lists 303 students took at least one course through the Fast Track program during the 2011-2012 academic year; however, not all students received Title IV assistance.

**Required Action:** Due to the regulatory requirements regarding the disbursal of Title IV assistance for a student enrolled in a non-term program, Harper must perform a file review of all students enrolled in a Fast Track course during the 2010-2011 and 2011-2012 academic years. They must determine whether any student received a disbursement before they were eligible.

In response to this report, Harper must first define its Academic Year for the Fast Track program (hours and weeks necessary to complete in one academic year to be considered full-time). The institution must then perform a file review of all students who attended a Fast Track course in 2010-2011 and 2011-12 and present the results of its file review in spreadsheet format, including the following information:

1. Student name;
2. Last four digits of student Social Security Number;
3. Date of initial disbursement;
4. Each date student hit midpoint of an academic year (One-half of hours and weeks needed in academic year to be considered full-time) or the start of a new academic year (hours and weeks necessary to complete academic year has been met);
5. Date of each disbursement.

In addition, Harper must include copies of the student's full academic file, account ledger for 2010-2011 and 2011-2012, and documentation of any funds paid back to the Department after completion of the file review.

In response to this report, please also include any adjustments made to the Fast Track program since the Program Review was completed.

Liabilities resulting from the improper disbursement of Title IV funds will be assessed in the final program review determination letter.

### **Finding 2, R2T4 Incorrect Calculation**

**Citation:** Section 34 CFR §668.22 details the requirements when a student withdraws from the institution. When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date.

A student is considered to have withdrawn from a payment period or period of enrollment if in the case of a program that is measured in credit hours, the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete. For a student in a non-term or nonstandard-term program, the student is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending. For a student who ceases attendance at an institution that is not required to take attendance, the student's withdrawal date is the date, as determined by the institution, that the student began the withdrawal process prescribed by the institution. If the student ceases attendance without providing official notification to the institution of his or her withdrawal, the mid-point of the payment period (or period of enrollment, if applicable)

may be used. If the institution determines that a student did not begin the institution's withdrawal process or otherwise provide official notification (including notice from an individual acting on the student's behalf) to the institution of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the date that the institution determines is related to that circumstance.

If a student both begins the withdrawal process prescribed by the institution and otherwise provides official notification of his or her intent to withdraw, the student's withdrawal date is the earlier date unless a later date is determined.

An institution not required to take attendance may use as the student's withdrawal date a student's last date of attendance at an academically-related activity provided that the institution documents that the activity is academically related and documents the student's attendance at the activity.

The amount of title IV grant or loan assistance earned by the student is calculated by determining the percentage of title IV grant or loan assistance that has been earned by the student by applying this percentage to the total amount of title IV grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

The percentage of title IV grant or loan assistance that has been earned by the student is equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date, if this date occurs on or before completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours or sixty percent of the clock hours scheduled to be completed for the payment period or period of enrollment for a program that is measured in clock hours.

The student is considered to have earned 100 percent of title IV grant or loan assistance if the student's withdrawal date occurs after completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours or sixty percent of the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours.

The percentage of title IV grant or loan assistance that has not been earned by the student is calculated by determining the complement of the percentage of title IV grant or loan assistance earned by the student. The unearned amount of title IV assistance to be returned is calculated by subtracting the amount of title IV assistance earned by the student from the amount of title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

The treatment of title IV grant or loan funds if a student withdraws must be determined on a payment period basis for a student who attended a standard term-based (semester, trimester, or quarter) educational program. The treatment of title IV grant or loan funds if a student withdraws may be determined on either a payment period basis or a period of enrollment basis for a student who attended a non-term based educational program or a nonstandard term-based educational program. An institution must consistently use either a payment period or period of enrollment for all purposes of this section for each of the following categories of students who withdraw from the same non-term based or nonstandard term-based educational program:

- Students who have attended an educational program at the institution from the beginning of the payment period or period of enrollment
- Students who re-enter the institution during a payment period or period of enrollment
- Students who transfer into the institution during a payment period or period of enrollment

The percentage of the payment period or period of enrollment completed is determined in the case of a program that is measured in credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date and in the case of a program that is measured in clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date.

The schedule must have been established in accordance with requirements of the accrediting agency and the State licensing agency, if such standards exist.

The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

If, for a non-term program an institution chooses to calculate the treatment of title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, "total institutional charges incurred by the student for the payment period" is the greater of the prorated amount of institutional charges for the longer period or the amount of title IV assistance retained for institutional charges as of the student's withdrawal date.

**Noncompliance:** For student #5, this student's payment period began on 1/18/11 and the student's last day of attendance was 3/11/11. The school completed an R2T4 calculation

showing that the payment period ended 5/23/11. However, the payment period actually ended 5/22/11 according to documentation submitted to the Department by Harper's administrators, for a total of 118 days instead of 119. The shorter payment period caused the school's R2T4 calculation to be understated by \$10.00.

For student #23, this student's payment period began on 7/11/11 and the student's last day of attendance was 10/16/11. The school completed an R2T4 calculation showing that the payment period ended 12/18/11. The student's calculation incorrectly treated the student's program (Fast Track) as a standard term and it should have been considered a non-term program. Harper must establish if they will conduct all refunds based on a payment period or period of enrollment for this particular program.

**Required Action:** Harper must resolve the deficiencies cited above for Student #5 and recalculate the amount of Title IV funds to be returned due to the student's withdrawal, and provide documentation that the correct amount was returned to the Department. In addition, due to the systemic nature of the Fast-Track program incorrectly being treated as a standard-term program, Harper must perform a file review of all students who took at least one Fast Track course during the 2010-2011 and/or 2011-2012 award years and ceased attendance during a payment period.

Harper must first establish if they will conduct Return of Title IV Calculations using a payment period or period of enrollment. Once that has been established in the response to this report, Harper must present the results of its file review in spreadsheet format, including the following information:

1. Student name;
2. Last four digits of student Social Security Number;
3. Scheduled start and end date of payment period/period of enrollment in which the student began attendance but failed to complete the payment period/period of enrollment;
4. Correct withdrawal date;
5. Total Title IV funds disbursed, by program, for the payment period/period of enrollment;
6. Original refund made, by program, if any;
7. Correct amount of refund due, by program, based on correct withdrawal date; and
8. Correct date of correct refund due, based on applicable regulatory deadline.

In addition, Harper must include documentation of the Return of Title IV calculation, Student Account Ledgers for 2010-2011 and 2011-2012, and documentation of any funds that were paid back to the Department.

Liabilities resulting from the improper retention of Title IV funds will be assessed in the final program review determination letter.

### **Finding 3, Incomplete Verification**

**Citation:** Section 34 CFR §668.51 through §668.61 of the Student Assistance General Provisions regulations specify the requirements for determining a student's eligibility for Title IV, HEA funds. An institution is responsible for verifying the information that is used to calculate an applicant's Estimated Family Contribution (EFC) as part of the determination of need for student financial assistance. Information is verified by securing additional documentation, or in some cases, a signed statement attesting to the accuracy of the information provided. The regulations also require an institution to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV, HEA programs.

Federal regulations require the following student financial aid application items to be verified to assure a valid Expected Family Contribution (EFC):

- Adjusted Gross Income;
- U.S. Income Taxes Paid;
- Number of Family Members in Household;
- Number of Family Members Attending a Post-Secondary Institution; and
- Certain Untaxed Income and Benefits.

Institutions are also required to have written policies and procedures for the following verification issues:

- Deadlines for students to submit documentation and the consequences of failing to meet those deadlines;
- Method of notifying students of award changes resulting from verification;
- Required correction procedures for students; and
- Standard procedures for referring overpayment cases to the Department.

The school must also give each applicant a written account of the documentation needed to satisfy verification requirements, the responsibilities of the student in the verification process, including the deadlines for action and the consequences of failure to meet those deadlines. Students must also be informed of the process by which they will be notified of any changes as a result of verification.

34 C.F.R. § 668.54(a)(3) states if an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate, it shall require the applicant to verify the information that it has reason to believe is inaccurate.

The institution's failure to complete verification may have resulted in the improper use of Title IV, HEA funds and increased expense to the Department. An institution that fails to properly complete verification fails to properly determine student eligibility for Title IV, HEA assistance. Funds disbursed to students whose eligibility is not properly determined are funds that are disbursed to ineligible students and represent an institutional liability. Failure to properly determine student eligibility indicates a lack of administrative capability on the part of the institution.

**Noncompliance:** Harper failed to complete verification for student #9 during the 2010-2011 academic year. The family size listed on the verification worksheet is 3 and the FAFSA lists 4 members in the household. There is no documentation to suggest this discrepancy was resolved. The student's father was not listed on the verification worksheet and marital status was not clarified by the institution. Harper did indicate it received confirmation of conflicting information via telephone but there must be written confirmation from the student and parent for the student's permanent file.

Harper also failed to complete verification for student #10 during the 2010-2011 academic year. There are two members of the family listed in college on the FAFSA. A parent cannot count as a family member in college on a dependent student's FAFSA; therefore, the correct response should be one. The mother's income is also listed incorrectly. It is listed as \$37,781.00 and should be \$42,567.00. Work income from an Income Tax Return Form 1040 is the addition of lines 7, 12, 18 and Form (K-1) Line 14. If the answer is negative, it should be considered zero and should not be subtracted from the total. Harper also indicated it received confirmation of conflicting information via telephone but there must be written confirmation from the student and parent for the student's permanent file.

**Required Action:** Harper must resolve the verification deficiencies cited above for Student #9 and #10 and recalculate the students' eligibility based on the verified information. If the institution is unable to verify a student's application information, the student will be ineligible for all Title IV funds received during the award year. If there is any change in a student's eligibility for Title IV funds due to a change in the EFC based on completion of verification, the amount previously disbursed and the correct amount for which the student was actually eligible must also be provided.

The reviewers identified two students out of 17 in the sample for the 2010-2011 academic year where the institution failed to resolve inconsistent information during the verification process (11.8% error rate). Therefore, Harper is required to review the files of all students chosen for verification during the 2010-2011 academic year, including the recipients cited in this report.

Results of this file review must be submitted in an Excel spreadsheet or similar format, and must contain the following information:

1. Student name
2. Original EFC;
3. EFC upon completing verification;
4. Original Amount of Title IV funds disbursed, by program; and
5. Correct Amount of Title IV funds that should have been disbursed by program.

If Harper does not include each of the data elements requested, the response will not be considered complete.

In addition, Harper must include copies of completed verification worksheets, tax returns signed by the student and/or parent, other documentation used to complete the verification process and correct ISIR (if applicable)/hand calculations as supporting documentation for each student listed in the spreadsheet.

In lieu of performing a file review for the entire 2010-2011 student population chosen for verification to determine actual liabilities, Harper has the option of performing a statistical sample not tested by the Department during the program review. The results from this file review using the statistical sample would be used to project liabilities for the entire population (i.e., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to reduce the burden on the institution of conducting a full file review.

If Harper wishes to select this option, please contact our office for further guidance.

#### **Finding 4, Ineligible Student**

**Citation:** In order for a student to be eligible to receive Title IV funds and according to 34 C.F.R. § 668.37, a male student who is subject to registration with the Selective Service must register with the Selective Service. A male student does not have to register with the Selective Service if the student is below the age of 18 or was born before January 1, 1960, is enrolled in an officer procurement program the curriculum of which has been approved by the Secretary of Defense at the following institutions or is a commissioned officer of the Public Health Service or a member of the Reserve of the Public Health Service who is on active duty.

When the Secretary processes a male student's FAFSA, the Secretary determines whether the student is registered with the Selective Service under a data match with the Selective Service. Under the data match, Selective Service reports to the Secretary whether its records indicate that the student is registered, and the Secretary reports the results of the data match to the student and the institution the student is attending.

If the Selective Service does not confirm through the data match, that the student is registered, the student can establish that he is registered, is not, or was not required to be, or has registered since the submission of the FAFSA.

An institution may determine that a student, who was required to, but did not register with the Selective Service, is not ineligible to receive title IV, HEA assistance for that reason, if the student can demonstrate by submitting clear and unambiguous evidence to the institution that he was unable to present himself for registration for reasons beyond his control such as hospitalization, incarceration, or institutionalization or he is over 26 and when he was between 18 and 26 and required to register he did not knowingly and willfully fail to register with the Selective Service.

An institution may consider that a student did not knowingly and willfully fail to register with the Selective Service only if the student submits to the institution an advisory opinion from the Selective Service System that does not dispute the student's claim that he did not knowingly and willfully fail to register and the institution does not have uncontroverted evidence that the student knowingly and willfully failed to register.

In addition to satisfying the relevant provisions of an eligible program, 34 C.F.R. § 668.8(j) details the regulatory requirements of an educational program that consists solely of instruction in English as a second language (ESL). This program qualifies as an eligible program if the institution admits to the program only students who the institution determines need the ESL instruction to use already existing knowledge, training, or skills the program leads to a degree, certificate, or other recognized educational credential.

An institution shall document its determination that ESL instruction is necessary to enable each student enrolled in its ESL program to use already existing knowledge, training, or skills with regard to the students that it admits to its ESL program. An ESL program that qualifies as an eligible program under this paragraph is eligible for purposes of the Federal Pell Grant Program only.

**Noncompliance:** Student #3 began Harper in Summer 2011 and attended only one term. Review of the student's ISIR indicated a "c" code for the Selective Service requirement. The student was awarded \$694.00 in a Pell Grant. There was no documentation in the student's file to indicate he had been cleared by the Selective Service Administration and was eligible for aid. In addition, he was listed as a student in the English as a second language program but was not enrolled in any other program that would lead to a degree, certificate or other recognized educational credential.

**Required Action:** Harper must correct the error made with student #3 and either provide documentation of clearance by the Selective Service Administration and documentation that he was enrolled in a degree-seeking program, or documentation that the student's 2010-2011 award was returned to the Department.

The institution must also develop and implement written policies specifying how it reviews both students who lack Selective Service requirements and students enrolled in English as a second language coursework. If written policies and procedures are already established, Harper must make necessary adjustments to ensure they are in compliance and are following their own written policy. A copy of these policies and procedures should be included in the response to this report.

Liabilities, if any exist, will be assessed in the Final Program Review Determination Letter.

#### **Finding 5, Lack of Disbursement Notification**

**Citation:** 34 C.F.R. § 668.165 explains the Disbursement Notification requirements for the institution. Specifically, in the case that an institution credits a student's account at the institution with Direct Loan, Federal Perkins Loan, or TEACH Grant Program funds, the institution must notify the student or parent of the anticipated date and amount of the disbursement. In addition, they must inform the student and/or parent of their right to cancel all or a portion of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan, the TEACH Grant proceeds returned to the Secretary.

The institution must provide the notice described in paragraph (a)(2) of this section in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution, if the institution obtains affirmative confirmation from the student, or no earlier than 30 days before, and no later than seven days after, crediting the student account at the institution, if the institution does not obtain affirmative confirmation from the student.

**Noncompliance:** Harper failed to provide loan disbursement notifications for reviewed students as required by federal regulation during the 2010-2011 academic year. After consultation with the institution, it was determined loan disbursement notifications were not provided to any student during the 2010-2011 academic year.

**Required Action:** During the program review, Harper officials did provide documentation that indicated their policies and procedures had been updated and that loan disbursement notifications had been sent to students during the 2011-2012 academic year in compliance with Federal regulations, and would be performed in the future. Therefore, no further action is required.

**Finding 6. Satisfactory Academic Progress Policy Not Adequately Monitored**

**Citation:** 34 C.F.R. § 668.34 requires an institution to establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if the policy is at least as strict as the policy the institution applies to a student who is not receiving assistance under the title IV, HEA programs and the policy provides for consistent application of standards to all students within categories of students.

The policy provides that a student's academic progress is evaluated at the end of each payment period if the educational program is either one academic year in length or shorter than an academic year or for all other educational programs, at the end of each payment period or at least annually to correspond with the end of a payment period. The policy specifies the grade point average (GPA) that a student must achieve at each evaluation, or if a GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm and the policy specifies the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum timeframe.

For an undergraduate program measured in credit hours, maximum timeframe is a period that is no longer than 150 percent of the published length of the educational program, as measured in credit hours. An institution that evaluates satisfactory academic progress at the end of each payment period and determines that a student is not making progress under its policy may nevertheless disburse title IV, HEA program funds to the student.

**Noncompliance:** Harper has developed a Satisfactory Academic Progress policy that meets Federal regulatory requirements. Regarding the Maximum Timeframe, the institution states:

*Students must complete their program of study within 150 percent of attempted credit hours relative to the number of credit hours required to complete the program. For example, a student enrolled in an educational program that requires 60 credit hours cannot receive financial assistance after 90 attempted credit hours. If during the SAP review it becomes clear that a student cannot mathematically complete his/her program within the maximum time frame (credit hours), he/she will become ineligible for financial assistance. ( <http://goforward.harpercollege.edu/registration/financialaid/sap/index.php>)*

Student #28 began Harper in Summer 2006 and transferred 15.5 credit hours into her program. After Summer 2011, the student had earned 99.5 hours. This cumulative

amount of hours exceeded the maximum time frame by 9.5 hours. The student was awarded financial aid in Fall 2011 in the amount of a \$694.00 Pell Grant. There was no documentation in the student's file to indicate she had been approved for additional time beyond the 150% maximum timeframe.

**Required Action:** Harper must correct the error made with student #28 and either provide documentation of an appeal approval by the institution or documentation that the student's 2011-2012 award was returned to the Department.

The institution must also develop and implement written policies specifying how it reviews its Satisfactory Academic Progress policy. If written policies and procedures are already established, Harper must make necessary adjustments to ensure they are in compliance and are following their own written policy. A copy of these policies and procedures should be included in the response to this report.

Liabilities, if any exist, will be assessed in the Final Program Review Determination Letter.

#### **Finding 7, Entrance Counseling Deficiencies**

**Citation:** 34 C.F.R. § 685.304 details the entrance counseling requirements for Harper. Harper must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan.

Entrance counseling for Direct Subsidized Loan, Direct Unsubsidized Loan, and graduate or professional student Direct PLUS Loan borrowers must provide the borrower with comprehensive information on the terms and conditions of the loan and on the responsibilities of the borrower with respect to the loan. This information may be provided to the borrower during an entrance counseling session, conducted in person, on a separate written form provided to the borrower that the borrower signs and returns to the school, or online or by interactive electronic means, with the borrower acknowledging receipt of the information.

If entrance counseling is conducted online or through interactive electronic means, the school must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the entrance counseling, which may include completion of any interactive program that tests the borrower's understanding of the terms and conditions of the borrower's loans.

Entrance counseling for Direct Subsidized Loan and Direct Unsubsidized Loan borrowers must explain:

- the use of a Master Promissory Note (MPN)
- emphasize to the borrower the seriousness and importance of the repayment obligation the student borrower is assuming
- describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures under Federal law, and litigation
- emphasize that the student borrower is obligated to repay the full amount of the loan even if the student borrower does not complete the program, does not complete the program within the regular time for program completion, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student borrower purchased from the school
- inform the student borrower of sample monthly repayment amounts
- to the extent practicable, explain the effect of accepting the loan to be disbursed on the eligibility of the borrower for other forms of student financial assistance;
- provide information on how interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the Secretary
- inform the borrower of the option to pay the interest on a Direct Unsubsidized Loan while the borrower is in school
- explain the definition of half-time enrollment at the school, during regular terms and summer school, if applicable, and the consequences of not maintaining half-time enrollment
- explain the importance of contacting the appropriate offices at the school if the borrower withdraws prior to completing the borrower's program of study so that the school can provide exit counseling, including information regarding the borrower's repayment options and loan consolidation
- provide information on the National Student Loan Data System and how the borrower can access the borrower's records; and
- provide the name of and contact information for the individual the borrower may contact if the borrower has any questions about the borrower's rights and responsibilities or the terms and conditions of the loan.

**Noncompliance:** The institution did not perform the required entrance counseling as required by federal regulations. There was no evidence in the file to indicate entrance counseling was conducted for student #12 and 15 prior to the students receiving their first disbursement of Direct Loan funds.

The institution's failure to provide the required entrance counseling increases the possibility of students defaulting on their Direct Loans. Loans which default cause increased expense

to the Department. It also reflects diminished capability in administering the Title IV programs.

**Required Action:** Harper must perform the required entrance counseling for students #12 and 15, and must submit proof in response to this report. The institution must also immediately establish written policies and procedures to ensure it provides all required entrance counseling to all loan recipients in compliance with federal regulations. If written policies and procedures are already established, Harper must make necessary adjustments to ensure they are in compliance with Entrance Counseling requirements, and must provide in their response what adjustments were made. A copy of the policies and procedures must also be submitted in response to this report.

### **Finding 8, Exit Counseling Deficiencies**

**Citation:** Institutions are required by 34 C.F.R. § 682.604(g)(1) to conduct exit counseling with each Federal Stafford borrower either in person, by audiovisual presentation, or by interactive electronic means. The school must ensure that the counseling is conducted shortly before the borrower ceases enrollment or at least half-time study at the institution, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. If the borrower withdraws/graduates without the institution's prior knowledge or fails to attend an exit counseling session as scheduled, the institution must mail written counseling material to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to attend the scheduled session.

The counseling must inform the student borrower of the average anticipated monthly repayment amount based on the student borrower's indebtedness or on the average indebtedness of student borrowers who have obtained Federal Stafford Loans for attendance at First Institute or in the same programs at First Institute. The counseling must review for the student borrower available repayment options, including standard, graduated, extended, and income-sensitive repayment plans and loan consolidation. The seriousness and obligation of the student's repayment obligation must be emphasized, and likely consequences of default, including adverse credit reports, federal offset and litigation must be described. The counseling must suggest debt management strategies that would facilitate repayment. The conditions under which the borrower may defer or forbear repayment, or obtain a full or partial discharge of a loan must be reviewed. See 34 C.F.R. 682.604(g)(2).

The borrower must provide current information concerning name, address, social security number, references, driver's license information, expected permanent address, address of the student borrower's next of kin, and the name and address of the student's expected employer if known. This information must be provided to the guaranty agency (agencies) listed in the student borrower records within 60 days after the information has been provided to the institution. The counseling must also include information on the availability of the Student

Loan Ombudsman's office and information the borrower of the availability of Title IV loan information in the national Student Loan Data System.

If exit counseling is conducted by electronic interactive means, 34 C.F.R. 682.604(g)(3) requires the school to take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the counseling. Schools must maintain documentation substantiating that required counseling has been conducted for each student. 34 C.F.R. 682.204(g)(4).

**Noncompliance:** Harper failed to conduct exit counseling for reviewed students in compliance with federal regulation during the 2010-2011 academic year. Student #4 withdrew from the Dental Hygiene program on 9/17/10. There was no evidence of exit counseling in the student's file.

Student #5 began the Nursing program on 1/18/11 and withdrew on 3/11/11. There was no evidence of exit counseling in the student's file.

Student #10 began the Paralegal Studies program in Spring 2011 and did not return for any future terms. There is no documentation in the student's file to indicate that an attempt was made by Harper to provide Exit Counseling information 30 days after the student failed to attend the next scheduled session.

Student #12 began the Transfer-Secondary Education program in Summer 2005 and did not return for any future terms after Spring 2011. There is no documentation in the student's file to indicate that an attempt was made by Harper to provide Exit Counseling information 30 days after the student failed to attend the next scheduled session.

After consultation with Harper, it was determined exit counseling was not performed during the entire 2010-2011 academic year.

**Required Action:** Harper must perform the required exit counseling for students that exited the institution during the 2010-2011 academic year and provide documentation in response to this report. During the program review, Harper officials did provide documentation that indicated their policies and procedures had been updated and that exit counseling had been performed during the 2011-2012 academic year and would be performed in the future.

#### **Finding 9, Untimely Paid Credit Balance**

**Citation:** 34 C.F.R. § 668.165(a) states 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:

1. No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
2. No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

**Noncompliance:** Student #23 had an initial disbursement for Fall 2011 on September 7, 2011. Harper refunded \$3,272.83 to the student on September 8, 2011. The remaining \$200.00 was not refunded to the student until September 23, 2011, 16 days after the initial disbursement.

**Required Action:** The Department requires Harper develop and implement written policies and procedures to ensure they are able to deliver the credit balance proceeds to the student in sufficient time to allow the institution to be in compliance within the 14-day time frame requirements. If written policies and procedures are already established, Harper must make necessary adjustments to ensure they are in compliance and are following their own written policy. A copy of these policies and procedures should be included in the response to this report.

#### **Finding 10, Consumer Information Requirements Not Met**

**Citation:** 34 C.F.R. § 668.41 details the consumer information required by Harper. Subject to paragraphs (c)(2), (e)(2) through (4), or (g)(1)(ii) of this section, as appropriate, an institution may satisfy any requirement to disclose information under paragraph (d), (e), or (g) of this section for enrolled students or current employees by posting the information on an Internet website or an Intranet website that is reasonably accessible to the individuals to whom the information must be disclosed and prospective students or prospective employees by posting the information on an Internet website. An institution annually must distribute to all enrolled students a notice of the availability of the information required to be disclosed pursuant to paragraphs (d), (e), and (g) of this section, and pursuant to 34 CFR 99.7 (§99.7 sets forth the notification requirements of the Family Educational Rights and Privacy Act of 1974). The notice must list and briefly describe the information and tell the student how to obtain the information.

An institution that discloses information to enrolled students as required under paragraph (d), (e), or (g) of this section by posting the information on an Internet website or an Intranet website must include in the notice described in paragraph (c)(1) of this section, the exact electronic address at which the information is posted, and a statement that the institution will provide a paper copy of the information on request.

An institution must make available to any enrolled student or prospective student through appropriate publications, mailings or electronic media, information concerning financial assistance available to students enrolled in the institution (pursuant to §668.42) and the institution's retention rate as reported to the Integrated Postsecondary Education Data System (IPEDS). In the case of a request from a prospective student, the information must be made available prior to the student's enrolling or entering into any financial obligation with the institution. The institution's completion or graduation rate and, if applicable, its transfer-out rate (pursuant to §668.45) must also be provided. In the case of a request from a prospective student, the information must be made available prior to the student's enrolling or entering into any financial obligation with the institution. The placement of, and types of employment obtained by, graduates of the institution's degree or certificate programs must also be provided. The information provided in compliance with this paragraph may be gathered from the institution's placement rate for any program, if it calculates such a rate, state data systems, alumni or student satisfaction surveys or other relevant sources.

The institution must identify the source of the information provided in compliance with this paragraph, as well as any time frames and methodology associated with it.

**Noncompliance:** As required, Harper did not identify the following information:

- Recipients of a Federal Subsidized Loan not receiving a Pell Grant
- Students not receiving either a Federal Grant or Direct Loan
- Retention rate for first-time, full-time students
- Institution's placement rate for any program

**Required Action:** Harper must immediately develop and implement written policies and procedures to ensure all required consumer information is properly provided to students. A copy of these procedures must be submitted in response to this report. In addition, Harper must provide documentation that students have access to all information listed above.

#### **D. Recommendations**

The following is a recommendation based upon observations made by the review team during the program review. Harper is not required to provide a response to, nor is the institution required to act upon, these recommendations. However, the review team believes that adoption of this recommendation will assist the institution in its administration of Title IV, HEA program funds.

During our review, there appeared to be inconsistent methods to distributing Harper's Low-Income Verification form. There did not appear to be one standard for when the form was distributed to students and, in fact, appeared to be dependent on which staff member verified the information. The Department would recommend that Harper develop and implement written policies and procedures to ensure this practice is followed consistently by all Harper staff members when verifying student's FAFSA information. If written policies and procedures are already established, the Department would recommend the entire staff be fully trained on this policy and procedure to ensure consistency.

**E. Appendices**

**Appendix A – Student Sample**

**2010-2011**

<u>Number</u>	<u>Name</u>	<u>Social Security Number</u>
(b)(6); (b)(7)(C)		

**2011-2012**

<u>Number</u>	<u>Name</u>	<u>Social Security Number</u>
(b)(6); (b)(7)(C)		

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

(b) (6), (b) (7)(C)



Office of Student Financial Assistance

1200 West Algonquin Road  
Palatine, Illinois 60067

847.925.6248  
847.925.6928 fax

August 3, 2012

Mr. Jeremy Early  
Institutional Review Specialist  
U.S. Department of Education  
Federal Student Aid  
500 West Madison, Suite 1576  
Chicago, Illinois 60661

Dear Mr. Early:

This letter is in response to the initial Program Review Report issued by the U.S. Department of Education on May 4, 2012. After careful review and consideration, Harper College has formulated the enclosed response which includes a spreadsheet noting the details of each the findings along with the completed prescribed tasks.

Please note that Harper College recognizes that these findings are serious and has taken the necessary steps to ensure full compliance with the federal financial aid programs. This was accomplished through collaborative efforts among key administrative units and stakeholders.

Harper College appreciates the guidance and support provided by the U.S. Department of Education throughout this process. It has been a true team effort.

The Courier will deliver all hard copy documents (3 boxes) and the CD with electronic files today. Attached to this letter is the program review finding response and a spreadsheet list of all findings with corresponding files names.

If you have any questions, please feel free to contact me at [lmcgee@harpercollege.edu](mailto:lmcgee@harpercollege.edu) or 847.925.6686.

Sincerely,

Laura McGee  
Harper College, Director of Student Financial Assistance

Enclosures

cc: Dr. Kenneth Ender, President  
Dr. Judith Marwick, Provost  
Dr. Ronald Ally, Executive Vice President Finance/Administrative Services  
Bret Bonnsetter, Controller  
Maria Moten, Assistant Provost and Dean of Enrollment Services

## **Program Review Report May 4, 2012 Response**

### **Finding 1: Improper Disbursements of Title IV Funds**

Harper College is in agreement with Finding 1 and has completed the required actions.

#### **Required Action Completed (1a):**

Performed a file review of all students enrolled in a Fast Track course during the 2010-2011 and 2011-2012 academic years. Determined whether any student received a disbursement before they were eligible. Presented the results of the file review in spreadsheet format, including the 5 required information fields.

#### **Required Actions Completed (1b):**

Included copies of the student's full academic file for all students enrolled in a Fast Track course during the 2010-2011 and 2011-2012 academic years.

#### **Required Actions Completed (1c):**

Included account ledger for all students enrolled in a Fast Track course during the 2010-2011 and 2011-2012 academic years, and documentation of any funds paid back to the Department after completion of the file review.

#### **Required Actions Completed (1d):**

Attached changes and adjustments made to the Fast Track Program since the Program Review was completed.

### **Finding 2: R2T4 Incorrect Calculation**

Harper College is in agreement with Finding 2 and has completed the required actions.

#### **Required Actions Completed (2a):**

Reprocessed the R2T4 calculations with the correct date. Old and new calculations are attached. Resolved the deficiencies cited for Student #5 and recalculated the amount of Title IV funds to be returned due to the student's withdrawal, and provided documentation that the correct amount was returned.

#### **Required Actions Completed (2b):**

Performed a file review of all students who took at least one Fast Track course during the 2010-2011 and/or 2011-2012 award years and ceased attendance during a payment period. Harper College first established that the Return of Title IV calculations would be conducted using a payment period. Presented the results of the file review in spreadsheet format, including the 8 required information fields.

**Required Actions Completed (2c):**

Required included documentation of the FAA Access Return of Title IV calculations.

**Required Action Completed (2d):**

Included Student Account Ledgers for 2010-2011 and 2011-2012.

**Required Action Completed (2e):**

Unable to return 2010-11 funds via COD for this finding.

**Finding 3: R2T4 Incorrect Calculation**

Harper College is in agreement with Finding 3 and has completed the required actions.

**Required Actions Completed (3a-3d):**

Provided written policies and procedures for the following verification issues:

a: Deadlines for students to submit documentation and the consequences of failing to meet those deadlines. We do not have hard deadlines only priority processing dates. We will process a file within compliance of federal regulations. Attached is a web page print screen to show the text we use.

b: Method of notifying students of award changes resulting from verification.

c: Required correction procedures for students; and

d: Attached R2T4 standard procedures (see step 5 for overpayment), sample NSLDS screen, and sample letter for referring overpayment cases to the Department of Education.

**Required Actions Completed (3e):**

Harper College provides applicants with an email notification to visit their student portal to identify the documentation needed to satisfy verification requirements and also the responsibilities of the student in the verification process. Students are sent several email reminders if paperwork has not been returned, if the paperwork is incomplete or if discrepancies arise during verification. Students are also notified of any changes as a result of verification.

**Required Actions Completed (3f):**

Reprocessed the verification deficiencies cited above for Student #9 and #10 and recalculated the students' eligibility based on the verified information. Added to finding 3f. - 343 verification sample spreadsheet and hard copy paperwork in box with other verification documents.

Reviewed the files of a statistical sample of 343 students chosen for verification during the 2010-2011 academic year, including the recipients cited in this report. Results of this file review are submitted in an Excel spreadsheet or similar format, including the 5 required information fields.

Included copies of completed verification worksheets, tax returns signed by the student and/or parent, other documentation used to complete the verification process and correct ISIR (if applicable)/hand calculations as supporting documentation for each student listed in the spreadsheet.

**Finding 4: Ineligible Student**

Harper College is in agreement with Finding 4 and has completed the required actions.

**Required Actions Completed (4a):**

Unable to return 2010-11 funds via COD for this finding.

**Required Actions Completed (4b):**

Developed and implemented written policies specifying how Harper College reviews students who lack Selective Service requirements. A copy of these policies and procedures is included in the response to this report.

**Required Actions Completed (4c):**

Developed and implemented written policies specifying how Harper College reviews students enrolled in English as a second language coursework. A copy of these policies and procedures is included in the response to this report.

**Finding 5: Lack of Disbursement Notification**

Harper College is in agreement with Finding 5. No further action required. The required documentation was submitted during the Program Review.

**Finding 6: Satisfactory Academic Progress Policy Not Adequately Monitored**

Harper College is in agreement with Finding 6 and has completed the required actions.

**Required Actions Completed (6a):**

Corrected the error made with student #28 (H00097201) and provided documentation that the student's 2011-2012 award was returned to the Department of Education.

**Required Actions Completed (6b):**

Developed and implemented written policies specifying how we review Satisfactory Academic Progress policy. A copy of these policies and procedures is included in the response to this report.

**Required Actions Completed (6c):**

Harper College has updated its SAP policy which has been approved by the Department of Education when on site. The academic plan component will assist with institutional accountability and also student success. A copy of the policy is included in the response to the report.

**Finding 7: Entrance Counseling Deficiencies**

Harper College is in agreement with Finding 7 and has completed the required actions.

**Required Actions Completed (7a):**

Attached proof of entrance counseling for both students #12 and #15.

**Required Actions Completed (7b):**

Entrance Counseling was a manual process and is now done electronically. Attached to this report is the Ed Connect (financial aid transmit software) log to show when this process was automated (7b-1).

Attached to this report is our electronic data load schedule (7b-2).

Attached to this report is the importing of files procedure (7b-3).

We have established written policies and procedures to ensure Harper College provides required entrance counseling to all loan recipients in compliance with federal regulations. A copy of the policies and procedures is submitted in response to this report.

**Finding 8: Exit Counseling Deficiencies**

Harper College is in agreement with Finding 8 and has completed the required actions.

**Required Actions Completed:**

Performed the required exit counseling for students who exited the institution during the 2010-2011 academic year and provided documentation in response to this report. During the program review, Harper College officials provided documentation that indicated its policies and procedures had been updated and that exit counseling had been performed during the 2011-2012 academic year and would be performed in the future.

**Finding 9: Untimely Paid Credit Balance**

Harper College is in agreement with Finding 9 and has completed the required actions.

**Required Actions Completed:**

Harper College has reviewed its refund policies and procedures, and has made adjustments to ensure credit balances are returned to the student within the appropriate Department of Education guidelines. The Department requires Harper develop and implement written policies and procedures to ensure they are able to deliver the credit balance proceeds to the student in sufficient time to allow the institution to be in compliance within the 14-day time frame requirements. A copy of these policies and procedures is included in the response to this report.

**Finding 10: Consumer Information Requirements Not Met**

Harper College is in agreement with Finding 10 and has completed the required actions.

**Required Actions Completed:**

This finding was resolved just after the Department of Education was onsite at Harper College. Attached to this report is the email to validate our actions taken. Also attached is a spreadsheet that identifies the consumer information task force that was formed to assure annual compliance and that all required consumer information is properly provided to students. A copy of these procedures is submitted in response to this report.

**D. Recommendations**

Harper College is in agreement with this recommendation and has completed the recommended actions.

**Recommended Actions Completed:**

Developed and implemented written policies and procedures to ensure distributing Harper College's Low-Income Verification Form is followed consistently when verifying students' FAFSA information. The entire staff is fully trained on this policy and procedure to ensure consistency.

**Program Review  
Response**

Finding #	Supporting Documents	Page Reference
Finding 1: Improper Disbursements of Title IV Funds (1a)	2 EXCEL Spreadheets -2010-11 DOE Final Master Non Term List and 2011-12 DOE Final Master Non Term List	Pages 4-5
Finding 1: Improper Disbursements of Title IV Funds (1b)	Hard Copy Transcripts for 2010/11 and 2011/12	Page 5
	4 excel spreadsheets attached that list academic history by course.	
Finding 1: Improper Disbursements of Title IV Funds (1c)	Hard Copy Paperwork for 2010/11 and 2011/12	Page 5
Finding 1: Improper Disbursements of Title IV Funds (1d)	Attached finding1-fast track changes	Page 5

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Finding 2: R2T4 Incorrect Calculation (2a)	Attached pdf document: finding 2a	Page 8

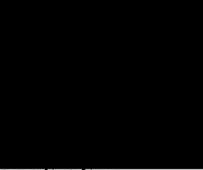
**Program Review  
Response**

Finding #	Supporting Documents	Page Reference
Finding 2: R2T4 Incorrect Calculation (2b)	2 EXCEL Spreadheets -2010- 11 DOE Final R2T4 List and 2011-12 DOE Final R2T4 List	Page 8
Finding 2: R2T4 Incorrect Calculation (2c)	Hard Copy Paperwork for 2010/11 and 2011/12	Page 8
Finding 2: R2T4 Incorrect Calculation (2d)	Hard Copy Paperwork for 2010/11 and 2011/12	Page 8
Finding 2: R2T4 Incorrect Calculation (2e)	We were unable to return 2010-11 funds via COD for this finding.	Page 8

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Finding #	Supporting Documents	Page Reference
Finding 3: Incomplete Verification (3a)		
	Attached pdf document: finding 3a	Page 9
	Attached word document: finding 3b	Page 9
	Attached word document: finding 3c	Page 9
	Attached pdf document: finding 3d.pdf	Page 9
Finding 3: Incomplete Verification (3)	Attached pdf document: 3e	Page 9

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Finding #	Supporting Documents	Page Reference
Finding 3: Incomplete Verification (3)	(b) (6), (b) (7)(C)  verification sample (343) spreadsheet and hard copy paperwork in box with other verification documents	Page 10
Finding 3: Incomplete Verification (3)	Attached excel document: finding 3f	Pages 10-11
Finding 3: Incomplete Verification (3)	Hard Copy Paperwork for 2010/11	Page 11

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Finding #	Supporting Documents	Page Reference
Finding 4: Ineligible Student (4a)	We were unable to return 2010-11 funds via COD for this finding.	Page 12
Finding 4: Ineligible Student (4b)	attached word document: finding 4b	Page 13
Finding 4: Ineligible Student (4c)	attached word document: finding 4c	Page 13
Finding 5: Lack of Disbursement Notification	Required documentation submitted during the Program Review. No further action.	Page 13

**Program Review  
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<b>Finding #</b>	<b>Supporting Documents</b>	<b>Page Reference</b>
Finding 6: Satisfactory Academic Progress Policy Not Adequately Monitored (6a)	Attached word document: finding 6a	Page 15
Finding 6: Satisfactory Academic Progress Policy Not Adequately Monitored (6b)	Attached word document: finding 6b	Page 15
Finding 6: Satisfactory Academic Progress Policy Not Adequately Monitored (6c)	see word document: finding 6c	Page 15
Finding 7: Entrance Counseling Deficiencies (7a)	Attached pdf document: finding 7a	Page 17
Finding 7: Entrance Counseling Deficiencies (7b)	Attached pdf document: finding 7b-1 and finding 7b-2. Also word document finding 7b-3.	Page 17

**Program Review  
Response**

Finding #	Supporting Documents	Page Reference
Finding 8: Exit Counseling Deficiencies	Attached 2 pdf documents: finding 8 1 of 2 and finding 8 2 of 2	Page 18
Finding 9: Untimely Paid Credit Balance	Attached pdf document: finding 9 refund policy and attached word document finding 9 -Banner check refunds procedure	Page 19
Finding 10: Consumer Information Requirements Not Met	Attached excel spreadsheet: finding 10 task force list and pdf document: finding 10 consumer email	Page 20

Program Review  
Response

Finding #	Supporting Documents	Page Reference
D. Recommendations	attached word document: response to recommendation	Page 21