

# APPENDIX A

Prepared for-  
**Johnson C. Smith University**

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

PROUD SPONSOR of  
the AMERICAN MIND™

**OPE ID: 00293600**  
**PRCN: 201330428280**

Prepared by-  
**U.S. Department of Education**  
**Federal Student Aid**  
**School Participation Team - Atlanta**

**Johnson C. Smith University**  
**August 6, 2013**

**Table of Contents**

<b>A.</b>	<b>Institutional Information</b>	<b>3</b>
<b>B.</b>	<b>Scope of Review</b>	<b>4</b>
<b>C.</b>	<b>Findings</b>	<b>4</b>
<b>1</b>	<b>Lack of Administrative Capability</b>	<b>5</b>
<b>2</b>	<b>Ineligible Disbursements - Students Not in Attendance</b>	<b>7</b>
<b>3</b>	<b>Failure to Perform Returns for Unofficial Withdrawals</b>	<b>7</b>
<b>4</b>	<b>Incorrect Return Calculations for Withdrawn Students</b>	<b>13</b>
<b>5</b>	<b>Ineligible Students - Satisfactory Academic Progress Policy Not Acceptable</b>	<b>14</b>
<b>6</b>	<b>Satisfactory Academic Progress - Does Not Contain All Required Elements</b>	<b>14</b>
<b>7</b>	<b>Verification Errors and Discrepant Applicant Data</b>	<b>20</b>
<b>8</b>	<b>Admissions Policy Not Followed for Applicants</b>	<b>23</b>
<b>9</b>	<b>Federal Pell Grant Overaward - Incorrect Enrollment Status</b>	<b>24</b>
<b>10</b>	<b>Annual Subsidized Loan Limit Exceeded</b>	<b>24</b>
<b>11</b>	<b>Delayed Loan Disbursement Requirement Not Met</b>	<b>25</b>
<b>12</b>	<b>Late Payment of Title IV Credit Balance</b>	<b>26</b>
<b>13</b>	<b>Title IV Awarding Policy Missing</b>	<b>27</b>
<b>14</b>	<b>Federal Work Study Violation - Student Worked During Class Hours</b>	<b>29</b>
<b>15</b>	<b>Insufficient Fund Balance - Federal Perkins Loan Account</b>	<b>30</b>
<b>16</b>	<b>FISAP Error - Federal Perkins Loan Program</b>	<b>31</b>
<b>17</b>	<b>Federal Perkins Loan Promissory Note Not Retained</b>	<b>32</b>
<b>18</b>	<b>Federal Perkins Loan Not Reported to NSLDS</b>	<b>33</b>
<b>19</b>	<b>Federal Perkins Loan Default Rate - Due Diligence Errors</b>	<b>33</b>
<b>20</b>	<b>Entrance Loan Requirements Not Met for FDL Borrowers</b>	<b>37</b>
<b>21</b>	<b>Exit Loan Requirements Not Met for FDL Borrowers</b>	<b>38</b>
<b>22</b>	<b>Cash Reconciliation Needs Improvement</b>	<b>39</b>
<b>23</b>	<b>Conflicting Disbursement Dates in COD</b>	<b>40</b>
<b>D.</b>	<b>Appendices</b>	<b>41</b>
	<b>Appendix-A: Student Sample</b>	
	<b>Appendix-B: Protection of Personally Identifiable Information</b>	

**A. Institutional Information**

Johnson C. Smith University  
 100 Beatties Ford Road  
 Charlotte, NC 28216-5398

Type: Private, Nonprofit

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: Southern Association of Colleges and Schools Commission on Colleges

Current Student Enrollment: 1607 (2012-2013)

% of Students Receiving Title IV: 86% (2012-2013)

Title IV Participation

Program	2012-2013 (not final)
Federal Direct Loan (FDL)	\$14,562,333
Federal Pell Grant (PELL)	\$ 5,453,402
Federal Supplemental Education Grant (FSEOG)	\$ 341,510
Federal Work Study (FWS)	\$ 556,591
Federal Perkins Loan (Perkins)	\$ 268,906
National Teach Grant Program	\$ 20,000
<b>Default Rate / FDL:</b>	
2010	16.6%
2009	16.6%
2008	12.7%
<b>Default Rate / Perkins:</b>	
2012	18.2%
2011	41.8%
2010	30.6%

## B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Johnson C. Smith University (JCSU) from May 20 – May 24, 2013. The review was conducted by Lisa Lancaster, Angeleque James and Lonnie Seal.

The focus of the review was to examine records of student's with all non-passing grades for a term, and, to determine JCSU'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 JCSU's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 (year to date) award years. The 2011-2012 files were selected randomly from a sample of students with non-passing grades. The 2012-2013 files were selected randomly from a statistical sample of the total population of students receiving Title IV, HEA program funds for each award year. Federal Perkins Loan records were also reviewed for five borrowers. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

### Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning JCSU's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, the program review does not relieve JCSU 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 non-compliance were noted. Findings of non-compliance are referenced to the applicable statutes and regulations, and specify the actions to be taken by JCSU to bring operations of the financial aid programs into compliance with the statutes and regulations.

## Finding 1: Lack of Administrative Capability

### Citation:

34 C.F.R. § 668.16 of the Student Assistance General Provisions states that to begin and to continue to participate in the Title IV programs, an institution shall demonstrate to the Secretary that it is capable of adequately administering each program. The Secretary considers an institution to have that administrative capability under the following standards if it —

- A. Administers the Title IV programs in accordance with all statutory provisions;
- B. Designates a capable individual to be responsible for administering the programs in which it participates;
- C. Uses an adequate number of qualified persons to administer the programs;
- D. Has written procedures for indicating the responsibilities of the various offices to ensure a system of checks and balances and internal controls;
- E. Divides the functions of authorizing payments and disbursing funds so that no one office has responsibility for both functions;
- F. Establishes and maintains systematically organized records;
- G. Establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program;
- H. Develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid;
- I. Refers fraud or false claims to the Department's Office of Inspector General (OIG) for investigation;
- J. Provides adequate financial aid counseling to eligible students;
- K. Provides reports, audits and financial statements required for compliance in a timely manner;
- L. Shows no evidence of significant problems that affect the institution's ability to administer the Title IV programs as identified in reviews conducted by the Secretary, the Department's OIG, nationally recognized accrediting agencies, State agency or official by whose authority the institution is legally authorized to provide postsecondary education, or any other law enforcement agency, or findings made in any criminal, civil, or administrative proceeding;
- M. Is not, and does not have any principal or affiliate of the institution that is debarred or suspended under Executive Order 12549 (3 C.F.R. 1986 Comp.);
- N. Does not otherwise appear to lack the ability to administer the Title IV programs competently;
- O. Participates in the electronic processes that the Secretary provides, and;
- P. Develops and follows procedures to evaluate the validity of a student's high school completion if the institution or the Secretary has reason to believe that a high school

diploma is not valid or was not obtained from an entity that provides secondary school education.

**Noncompliance:** Significant areas of non-compliance and problems reflected JCSU's inability to administer the Title IV programs. Findings identified by a review of institutional records are:

- Ineligible Students - Title IV Funds Disbursed to Students Not in Attendance
- Failure to Perform Returns for Unofficial Withdrawals
- Incorrect Return Calculations for Withdrawn Students
- Ineligible Students - Satisfactory Academic Progress Policy Not Acceptable
- Satisfactory Academic Progress - Does Not Contain All Required Elements
- Verification Errors and Discrepant Applicant Data
- Admissions Policy Not Followed for Applicants
- Federal Pell Grant Overaward - Incorrect Enrollment Status
- Annual Subsidized Loan Limit Exceeded
- Delayed Loan Disbursement Requirement Not Met
- Late Payment of Title IV Credit Balance
- Title IV Awarding Policy Missing
- Federal Work Study Violation - Student Worked During Class Hours
- Insufficient Fund Balance - Federal Perkins Loan Account
- FISAP Error - Federal Perkins Loan Program
- Federal Perkins Loan Promissory Note Not Retained
- Federal Perkins Loan Not Reported to NSLDS
- Federal Perkins Loan Default Rate - Due Diligence Errors
- Entrance Loan Requirements Not Met for FDI Borrowers
- Exit Loan Requirements Not Met for FDI Borrowers
- Cash Reconciliation Needs Improvement
- Reporting Conflicting Disbursement Dates to COD

**Required Action:** When signing the Program Participation Agreement with the Secretary, JCSU agreed to comply with all applicable policies and regulations and to administer the Federal Student Aid programs with the highest standards of care and diligence expected of a fiduciary.

JCSU has had several financial aid directors over the past few years resulting in high staff turnover. The director who was appointed in August of 2012 was no longer employed as of May 2013, therefore, the institution has been without a financial aid director since that time. Although it has hired a temporary, part-time financial aid consulting agency, JCSU must hire a qualified financial aid director and adequate staff to be responsible for administering the Title IV programs on a permanent basis.

Moreover, the institution's admissions, registrar's, academic, financial aid and business offices must have a system to coordinate information to ensure that only eligible students initially receive Title IV funds, and that those students maintain eligibility for funds because they meet enrollment status; are making SAP; verification is complete; and any conflicting applicant data is resolved. JCSU must also ensure that Title IV funds are disbursed, reconciled and returned to the Department and students on a timely basis. The institution is required to follow Title IV cash management regulations and make sure its crime reports, campus security policies and consumer information is updated as well.

In response to this finding, JCSU must develop a *comprehensive plan of action* which it will implement to resolve the findings and deficiencies noted in this report. This plan of action must include individual duties and responsibilities of all institutional staff in relation to the administration of the Title IV programs. A copy of the comprehensive plan of action must be submitted to this office for approval.

#### **Finding 2: Ineligible Disbursements - Students Not in Attendance**

#### **Finding 3: Failure to Perform Returns for Unofficial Withdrawals**

#### **Citation(s):**

34 C.F.R. § 668.21 of the General Provisions states that if an institution cannot document a student's attendance, the Secretary considers the student to have dropped out before the first day of classes. If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV funds that were credited to the student's account or disbursed directly to the student for that payment period or period of enrollment. The institution must return those funds for which it is responsible to the respective program as soon as possible, but no later than 30 days after the date it becomes aware that the student has not begun attendance.

34 C.F.R. § 668.22 states that an institution must have a procedure to determine whether a Title IV recipient who does begin attendance in a payment period either completes the period, or is a withdrawn student. If a student earns a passing grade in one or more of his or her classes for the period, the institution may presume that the student completed the course and thus completed the period. If a student who began attendance and has not officially withdrawn does not earn a passing grade in at least one course over the entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn unless it can document that the student completed the period.

At an institution not required to take attendance such as JCSU, the withdrawal date for a student who unofficially withdraws (also known as a "dropout") is the midpoint of the payment period (50% of, or, the last date of an academically related activity that the student participated in. (34 C.F.R. § 668.22 [c][1][iii].)

An institution may have an official grading policy that provides professors with the ability to differentiate between students who completed a course but failed, versus those who did not complete the course.

When a Title IV recipient drops out before completing a payment period, the institution is responsible for completing a Return to Title IV Funds ("R2T4") calculation to determine the earned and unearned portions of aid based on his or her attendance, therefore the percentage of time spent in class.

**Noncompliance:** The institution disbursed and retained Title IV funds for students who did not begin attendance in any class in a payment period (or term). *Failure to identify students who did not begin attendance in a payment period for which they received Title IV funds was an audit finding for the period ended June 30, 2011.* Records examined during the current program review revealed that this finding was repeated up to and including the 2012-2013 award year. This continued finding may have been caused by an incorrect policy which was implemented following a JCSU November 2011 faculty meeting. Notes from that meeting show a new grading policy as follows:

- **F:** Student earned a failing grade
- **FN:** Student came a few times and unofficially dropped
- **W:** Student never came (e.g., "no-show")

While it appears that JCSU officials attempted to avoid a repeat of this finding by implementing a new policy in November 2011, the use of "W" s may have resulted in the institution retaining Title IV funds for students not in attendance. (Typically a grade of "W" refers to a withdrawn student, not a "no-show".)

**In addition to retaining aid for "no-shows", the institution did not always identify unofficial withdrawals, thereby failing to perform return calculations and return funds to the Department.**

Title IV aid was improperly disbursed and retained for the following students:

**Student 2:** The student's academic transcript reported that he received a grade of "W" for all of his Spring 2011 courses as follows: ACC-235; ENG-232; MGT-333; ORT-112; PED-430; and SPM-433. Although the student received Title IV funds for this term, his instructors confirmed that he never began attendance. Ineligible Federal Pell Grant and Federal Direct Loan (FDL) funds retained by the institution included:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
2/7/2011	\$3775	\$2750	\$3500
2/23/2011			

The following award year, the student ceased attendance in Spring 2012; his last day of attendance was February 29, 2012. Although the student did not officially withdraw, school officials did not perform an R2T4 calculation as required for unofficial withdrawals.

(Note: This student is noted in Findings 5, 7 and 8.)

**Student 7:** The student's academic transcript showed "W" s for all five classes in which the student enrolled in the Spring 2012 term. Based on the grading policy, (the incorrect use of "W"), the student was reported as a "no-show" and should not have received Title IV funds for the term. When school officials were questioned about why funds were disbursed, they provided the reviewers with conflicting student-attendance records from February 2012 for one course; and a roster showing the student as "present" for April 24 and 26, 2012 for another course. School officials were not able to provide further documentation to clarify the accuracy of these records. The student never began attendance in any of the other courses shown on the academic transcript. It appears that the following aid was ineligible due to conflicting enrollment:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
1/26/2012	\$3775	\$2750	\$3000
2/1/2012			

**Student 11:** The student enrolled for two courses in the Spring 2012 term. The file contained an email from one instructor stating that the student attended the first day of class (only) and another email from the second instructor stating that the student never attended. However, the student's academic transcript showed that both instructors gave the student a grade of "W". This file illustrates how the incorrect grading policy affected the institution's ability to confirm whether or not a student began attendance in a class.

**Student 13:** The student enrolled for three courses in the Fall 2011 term. The student's academic transcript showed that she earned two "F" s and one "W". The file did not contain documentation to demonstrate that the student began attendance in a class. Upon request, the reviewers were provided with records from the attendance portal that showed she did not attend any of the three classes. Regardless, the school drew down and disbursed funds in October 2011 and in April 2012 (for Fall 2011) as follows:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
10/31/2011	\$1388	\$1500	\$1225
4/30/2012			

**Student 14:** The student officially withdrew from JCSU in October 2011.

The academic transcript for the following term (Spring 2012) reported that she received four grades of 'F' and one 'W' for a total of five courses. The student's file contained no records to indicate she was present for the Spring 2012 term, nor was there an R2T4 calculation (which would indicate she began attendance before withdrawing). Absent documentation to confirm the student began classes, the institution retained funds for a 'no-show' as follows:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
12/02/12	\$2775		
2/1/2012		\$1750	\$3000

**Student 24:** The student ceased attendance in Fall 2012; her last day of attendance was October 17, 2012. Although the student did not officially withdraw, school officials did not perform an R2T4 calculation as required for unofficial withdrawals.

Additionally, student 24's academic transcript for Spring 2013 reported that she received two grades of 'F' plus two grades of 'FN' for a total of four courses. However, the student's account ledger reported that the student was a 'no-show' for the Spring 2013 term, and, all tuition charges were reversed from the student's account. However, institutional officials reported false grades of 'F' and 'FN', and, drew down and retained funds as follows:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
2/1/2013	\$1387		
3/15/2013		\$1750	\$3000

**Student 25:** The student registered for and attended two courses during the Spring 2013 term but she officially withdrew from both courses on April 5, 2013. A 'drop' form was contained in the file; however school officials had not yet performed an R2T4 calculation as required.

**Student 26:** The student enrolled full-time in the Fall 2012 term. The student's academic transcript showed that she earned all failing grades and did not return to JCSU for the Spring 2013 term. Although she was not enrolled for Spring, the school disbursed a \$1750 Sub loan and a \$3000 Unsub loan to the student's account on February 4, 2013. The institution retained these funds until May 9, 2013 when they were returned via the Department's Common and Origination Disbursement (COD) system.

**Required Action:** As stated above, if a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV funds. An institution must also have a procedure for determining whether a Title IV recipient who began attendance actually completed the period or should be treated as a withdrawal. In the

absence of evidence of a last day of attendance at an academically related activity, a school must consider a student who failed to earn a passing grade in all classes to be an unofficial withdrawal.

The withdrawal date for a student who ceases attendance at an institution that is not required to take attendance is—

- The date that the student began the withdrawal process or provided official notification to the institution, in writing or orally, of his or her intent to withdraw;
- 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,
- If the institution determines that a student did not begin the withdrawal process or otherwise provide official notification 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.

An institution must make a determination of a student's unofficial withdrawal as soon as possible, but no later than 30 days after the end of the earlier of –

- The payment period or period of enrollment, as applicable;
- The academic year; or
- The student's program.

**Due to the error rate noted by this finding, JCSU is required to identify Title IV recipients who have all non-passing grades for any payment periods (including summer terms) between July 1, 2011 and June 30, 2013. Non-passing grades are defined as F, FN, W or I.**

Once these students have been identified, JCSU must review records and confirm each student's attendance by using the institution's census date for each term, or by documenting the student's participation in an academically-related activity. If a student has all non-passing grades and cannot be confirmed as attending at least one class in a term, JCSU must provide data in the applicable format:

**RECIPIENTS NOT IN ATTENDANCE**

- Student's last, first name and social security number (SSN)
- Date aid was disbursed (you may use a common date for the term)
- Ineligible Subsidized FDL amount
- Ineligible Unsubsidized FDL amount
- Ineligible Parent Loan for Undergraduate Students (PLUS) amount
- Ineligible Federal Perkins Loan amount
- Ineligible Pell Grant amount
- Ineligible Federal Supplemental Education Opportunity Grant (FSSOG) amount

FALL 2011: FUNDS RETAINED FOR RECEIPTS NOT IN ATTENDANCE								
Name	SSN	Date of Disbursement	Loan	Sub	PLUS	Perkins	Fell	FSEOG
Sample		9/15/2011	\$2000	\$1750	\$0	\$500	\$275	\$0

A review of these records must also include the identification of students who withdrew from the institution but for whom an R214 calculation was not performed. Once such students are identified, JCSU must perform the required calculation using either the midpoint of the term or the student's participation in an academically-related activity as the last day of attendance. Outstanding returns must be identified in the following format:

**UNOFFICIAL WITHDRAWALS**

- Student's last, first name, and social security number (SSN)
- Correct withdrawal date (W/D)
- Total amount of unearned aid JCSU was required to return to Title IV
- Total amount of funds already returned, full or partial payment (if applicable)
- Amount that remains to be returned by loan or grant program

FALL 2011: FUNDS RETAINED FOR UNOFFICIAL WITHDRAWALS										
Name	SSN	W/D	Total Return Due	Amount Returned	Remaining Amount Due	Due to Loan	Due to Sub	Due to Perkins	Due to PLUS	Due to FSEOG
Sample		9/12/12	\$5286	\$2000	\$3286	\$2000	\$1208	\$0	\$0	\$0
Sample		1/18/13	\$1209	\$0	\$1209	\$1209	\$0	\$0	\$0	\$0

Your response must include all students noted by this finding along with the ineligible aid identified above. Additional student-level documentation may be requested subsequent to our receipt of the institution's response.

Please send the file review summary report (spreadsheets) for Findings 1 and 2 to Lisa Lancaster by email at [lisa.lancaster@red.edu](mailto:lisa.lancaster@red.edu). See the enclosure Protection of Personally Identifiable Information for instructions regarding electronic submissions to the Department for data containing PII. Separate from the institution's spreadsheet, JCSU must email an access password to Ms. Lancaster.

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

JCSU's response to this finding must also explain corrective actions the institution will take to:

- Disburse Title IV aid to only students for whom it confirms enrollment, and,
- Return applicable funds for students who withdraw from the institution.

34 C.F.R. § 668.171 (financial responsibility) states that returning funds to the Department or to students as prescribed in 34 C.F.R. § 668.22 is one of the standards the Secretary uses in determining whether an institution is financially responsible.

Under 34 C.F.R. § 668.173, it is stated that an institution demonstrates that it makes required refunds within the time permitted under 34 C.F.R. § 668.22 if an audit or program review did not find:

- That the institution made late refunds to 5% or more of the students in that sample;
- The institution made only one or two late refunds under 34 C.F.R. § 668.22; or
- Did not note a material weakness or a reportable condition in the institution's audit or program review report that is related to refunds.

Findings 2, 3 and 4 (next) of this report reveals that JCSU is not returning Title IV funds timely where applicable. Therefore, the institution must submit an irrevocable letter of credit (LOC), acceptable and payable to the Secretary, equal to 25 % of the total amount of Title IV funds it made or should have made during its most recently completed fiscal year. A request for an irrevocable LOC will be forthcoming in a separate letter.

**Finding 4: Incorrect Return Calculations for Withdrawn Students**

**Citation:**

34 C.F.R. § 668.22 states that when a Title IV recipient 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.

34 C.F.R. § 668.22 (O)(2)(i) states that the total number of calendar days in a payment period or period of enrollment includes all days within the period. *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) as well as the number of days completed.*

**Noncompliance:** R214 calculations for the 2011-2012 award year were incorrect because the institution failed to exclude scheduled breaks of five days or more in the calculations. This resulted in an incorrect calculation for the percentage of Title IV aid earned. In each case, the institution returned more funds to Title IV programs than was required. The following table demonstrates the difference in the percentage of completion by using the correct number of days in the term:

Student	Incorrect R214 Calculation: Days Completed/Days in Term	% of Completion	Correct R214 Calculation: Days Completed/Days in Term	% of Completion
1.	68 / 111 days (Spring 2012)	61.3%	68 / 107 days (Spring 2012)	63.6%
10.	58 / 111 days (Spring 2012)	52.3%	58 / 107 days (Spring 2012)	54.2%

14	24 / 116 days	(Fall 2011)	20.7%	24 / 111 days	(Fall 2011)	21.6%
----	---------------	-------------	-------	---------------	-------------	-------

**Required Action:** Using the correct number of days in each payment period, the institution is required to review the R214 calculations of all withdrawals in the 2012-2013 and make any necessary corrections. If the institution returned more funds to the Department than required, it must return the difference to the applicable student at his or her last known address. If the institution returned less than what was required and owes remaining funds to the Department, you must provide a spreadsheet listing the following information:

**CORRECTED WITHDRAWALS**

- Student's last, first name, and social security number (SSN)
- Withdrawal date (W/D)
- Total amount of unearned aid JCSU was required to return to Title IV
- Total amount of funds already returned, full or partial payment (if applicable)
- Amount that remains to be returned by loan or grant program

*If funds to be returned are identified, please send the file review summary report (spreadsheet) for this finding to Lisa Lancaster by e-mail at lisa.lancaster@dcsu.edu. See the enclosure Protection of Personally Identifiable Information for instructions regarding electronic submissions to the Department for data containing PII. Separate from the institution's spreadsheet, JCSU must email an access password to Ms. Lancaster.*

*If necessary, instructions for the repayment of liabilities resulting from this finding will be provided in the Final Program Review Determination letter.*

The institution must revise its R214 policy and procedures to reflect the inclusion of scheduled breaks of five days or more. Examples of scheduled breaks may be a Thanksgiving or Spring-break. A copy of the updated policy must be submitted to this office.

**Finding 5: Ineligible Students - Satisfactory Academic Progress Policy Not Acceptable**

**Finding 6: Satisfactory Academic Progress - Does Not Contain All Required Elements**

**Clifton(s):**

General Provisions 34 C.F.R. §§ 668.16 (e), 668.32, and 668.34 require institutions to establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress (SAP) in his or her educational program. The Secretary considers an institution's standards to be reasonable if the standards—

- Are the same as or stricter than the institution's standards for a student enrolled in the same educational program who is not receiving Title IV assistance.

- The policy provides for consistent application of standards to all students within categories of students, e.g., full-time, part-time, undergraduate, and graduate students, and educational programs established by the institution.
- 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 a **qualitative standard**, or grade point average (GPA) that a student must achieve at each evaluation (if a GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm).
- If a student is enrolled in an educational program of more than two academic years, the policy specifies that at the end of the second academic year, the student must have a GPA of at least a "C" or its equivalent.

- The policy specifies a **quantitative standard**, or the pace at which a student must progress through his or her educational program to ensure that he will complete the program within the maximum timeframe, and provides for measurement of the student's progress at each evaluation. For an undergraduate program maximum timeframe means a period that is no longer than 150% of the published length of the educational program. For a graduate program, it means a period defined by the institution that is based on the length of the program.

- An institution calculates the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted.

- The policy describes how a student's GPA and pace of completion are affected by course incompletes, withdrawals, repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours. However, an SAP policy cannot exclude courses in which a student remained past the add/drop period and earned a grade of "W," nor can it routinely exclude certain hours attempted, such as those taken during a summer term.

- The policy provides that, at the time of each evaluation, a student who has not achieved the required GPA, or who is not successfully completing his or her educational program at the required pace, is no longer eligible to receive assistance. If the institution places students on financial aid warning, or on financial aid probation, the policy describes these statuses as—

- Financial aid warning is a status assigned to a student who fails to make SAP only at an institution that evaluates academic progress at the end of each payment period. Financial aid warning may be assigned without an appeal or other action by the student. It is good for one payment period.

➤ Financial aid probation is a status assigned by an institution to a student who fails to make SAP but who has appealed, and has had eligibility for aid reinstated. A student on financial aid probation may receive Title IV funds for one payment period. However, a student on financial aid probation may not receive Title IV funds for the *subsequent* payment period unless the student makes satisfactory academic progress or the institution places him on probation and develops an academic plan.

- If the school permits appeals, the policy must explain that the student may appeal on the basis of his injury or illness, the death of a relative, or other special circumstances. The appeal must also explain why he or she failed to make satisfactory progress and *what has changed* in his situation that will allow him to make satisfactory progress at the next evaluation.
- If the institution does not permit a student to appeal a determination that he or she is not making SAP, the policy must describe how the student may reestablish his or her eligibility to receive assistance under the Title IV programs.
- The institution must have a policy to notify students of the results of an SAP evaluation that impacts his or her eligibility for funds

**Noncompliance:** JCSU's Title IV SAP policy contained a published qualitative standard, but students' GPA was not always calculated correctly. Further, the institution *excluded* grades of 'W' and 'F' from the number of course attempts on the student's academic transcript. **Omitting attempted credits is a violation of the requirement to measure a student's maximum timeframe limitation of 150%.** Note: Monitoring a student's progress (cumulative hours attempted versus completed) was *not* a change in the Department's published amendments; *pace*, or maximum timeframe, has always been a component of determining SAP for Title IV recipients.

In addition, the published SAP policy did not contain all required components; therefore it was not in compliance. For example, the policy—

- Did not specify when SAP would be monitored for Title IV recipients.
- Did not contain a quantitative standard, the pace at which a student must progress through his or her educational program was not monitored.
- Did not address course incompletes, withdrawals, repeats or transfer credits.
- The appeal process did not explain that a student who appeals must explain his or her special circumstances and what has changed to allow him to make satisfactory progress at the next evaluation.
- With respect to the definitions of *financial aid warning* and *financial aid probation*, JCSU did not update its Title IV SAP policy as required by the Department's amendments, which became effective on July 1, 2011.

Of the 30 student files examined, SAP was not properly monitored as follows:

**Student 1:** The student began at JCSU in Fall 2010. By the end of Summer 2011, he earned 22 of 40 credits attempted (55%), which is below the required standard of 67%. (As noted above, the institution failed to monitor pace for Title IV purposes.) Also, at the end of the 3<sup>rd</sup> term the student was required to have a 1.9 cumulative GPA, but his GPA was 1.60. Despite not meeting the qualitative or the quantitative component of SAP, the institution disbursed Title IV funds for the 2011-2012 award year. By the end of 2011-2012, the student was still not meeting SAP but was eventually placed on academic suspension following the Fall 2012 term. However, JCSU disbursed aid for both Fall 2012 and Spring 2013 terms. The file contained no indication that the student was placed on financial aid warning/probation for 2011-2012 or 2012-2013, nor was there an appeal of SAP. All 2011-2012 and 2012-2013 aid was ineligible.

**Student 2:** After a 5-year break, the student returned to JCSU in Fall 2009. The academic transcript shows that the student earned 88 of 104 credits before returning in 2009, however this is not correct because the transcript did not correctly factor in all courses as 'attempted'. For example, courses that were repeated, or in which the student earned an 'F' or a 'W' were excluded from the calculation of GPA and pace. Regardless of an incorrect determination of SAP, the student continued to receive Title IV funds between Fall 2009 and the end of Spring 2012.

(Note: This student is noted in Findings 2, 7 and 8.)

**Student 3:** The student enrolled part-time at JCSU in Fall 2010. The academic transcript showed that he earned 21 of 24 attempted credits by the end of the Summer 2011 term. However, the academic transcript appeared to be in error because the reviewers' calculation showed that the student earned 24 of 33 credits attempted.

**Student 4:** The student began classes at JCSU in Fall 2007. Beginning with the Spring 2009 term, the student either withdrew from or failed several courses through Spring 20012. However, the academic transcript showed instances where grades of 'W' or 'F' were not included as 'attempted' credits for the Spring 2009; Spring 2010; Fall 2010 and Spring 2012. Therefore, the institution failed to monitor the student's pace for SAP purposes. It does not appear that the student's Title IV aid for Spring 2012 was eligible.

**Student 8:** The student began classes at JCSU in Fall 2009. The academic transcript reported that he earned 45 of 53 attempted credits by the end of the Spring 2011 term. (It showed that grades of 'F' were excluded from credits 'attempted'.) In reality, the student earned 45 of 71 attempted credits (63.3%) by the end of the Spring 2011 term, placing him below the standard pace of 67%. The student should have been placed on financial aid warning for the Fall

2011 but was not. By the end of Fall 2012, the student's GPA was below the standard of 2.0. Although SAP was not properly monitored, the school continued to disburse Title IV aid to the student for 2011-2012 and 2012-2013.

**Student 12:** The student enrolled at JCSU in Summer 2010. By the end of the Spring 2011 term, he attempted 33 credits but earned only 7 for a completion rate of 21%. At the end of the 3<sup>rd</sup> term the student was required to have a 1.9 cumulative GPA but his GPA was a 8.26. Despite not meeting the qualitative or the quantitative component of SAP, the institution disbursed Title IV funds for the Fall 2011 term. The file contained no indication that the student was placed on financial aid warning, nor was there an appeal of SAP. All aid for the Fall 2011 term was ineligible.

**Student 13:** This student was conditionally admitted to JCSU and was required to obtain a GPA of 2.0 at the end of 12 credit hours. She began at JCSU in Fall 2010 but was placed on academic warning for the Spring 2011 due to her low GPA. By the end of Spring 2011, she earned 6 of 18 credits attempted (33%), and her GPA was only 1.40. Despite not meeting the qualitative or the quantitative component of SAP, the institution disbursed Title IV funds for the Fall 2011 semester. All aid for the Fall 2011 term was ineligible.

**Student 25:** Although the student was making SAP, the academic transcript showed his (24) transfer credits as 'earned' but not 'attempted'. As required by Title IV SAP regulations, credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours.

**Student 30:** To date, the student's cumulative pace met the minimum requirements. However, his academic transcript showed that grades of 'F' were excluded from the total number of attempted credits for the Spring 2012 and Fall 2012 terms. As noted above, a school cannot exclude attempted hours in a student's calculation of pace for SAP.

**Required Action:** During the 2012-2013 award year, the institution implemented a revised SAP policy for Title IV recipients. The revised policy contains most of the required elements, including a quantitative component that requires students to successfully complete at least 67% of all credit hours attempted. However, the corrected policy has not yet been used to evaluate SAP for Title IV recipients.

JCSU must immediately clarify its SAP policy for Title IV recipients: it must be expanded by providing a clearer definition of "financial aid probation". It must also explain that credits transferring from another institution that are accepted toward the student's educational program will be counted as both attempted and completed. Within the published SAP policy,

clarify how repeat courses will be treated in a student's GPA. (Note: If a student has passed a course, you may include only one repetition in a student's enrollment status. Any subsequent repetition may not be included in the student's enrollment status.) Lastly, the SAP Appeal Form correctly states that the student must explain what has changed to allow him to make SAP at the next evaluation. However, that requirement must be included in the published SAP policy as well.

**Once all required elements of your SAP policy have been clarified, you must apply the corrected policy to all new and returning Title IV recipients starting with Fall 2011 enrollees through the current term.**

Your review must provide for the calculation of qualitative and quantitative standards by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted. Please be sure to include grades of incomplete, withdrawal, transfer and repeat courses in your calculation. You may not exclude repeat courses or grades of "W" or "F" from the calculation of pace. In accordance with your published policy, you may allow for warning, probation and approved appeals, however, retroactive appeals of eligibility for Title IV aid may not be permitted.

**In cases where students remain eligible for Title IV aid, no further action is required. However if Title IV aid was disbursed for a term in which a student was not meeting SAP, those funds must be reported as ineligible (by program). Please provide this data in an Excel spreadsheet (or similar format), by term, in alphabetical order as follows:**

- Student last, first name and social security number
- Date aid was disbursed to the student or account\*
- Amount of Federal Pell Grant
- Amount of Federal Supplemental Education Opportunity (FSEOG)
- Amount of Subsidized Federal Direct Loan (FDL)
- Amount of Unsubsidized FDL
- Amount of Parent Loan For Undergraduate Students (PLUS)
- Amount of Federal Perkins Loan
- Amount of TEACH Grant

Name	SSN	Date of Disbursement	Spring 2012					TEACH
			Pell	FSEOG	Sub	Unsub	PLUS	
1	09152611	\$2775	\$200	\$2750	\$0	\$2300	\$0	\$0

\*You may use a common disbursement date for all students for the term

Please send the file review summary report (spreadsheets) for this finding to Lisa Lancaster by e-mail at [lisa.lancaster@ed.gov](mailto:lisa.lancaster@ed.gov). See the enclosure Protection of Personally Identifiable Information for instructions regarding electronic submissions to the Department for data

containing PII. Separate from the institution's spreadsheet, JCSU must email an access password to Ms. Lancaster.

Please provide a copy of your revised SAP policy showing that all elements have been updated.

#### **Finding 7: Verification Errors and Discrepant Applicant Data**

##### **Citation:**

An institution must establish procedures to request, receive, and verify applicant data for students selected by the Central Processing System (CPS) each award year. The purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount (34 C.F.R. §§ 668.16 (f), 668.51 through 668.61, and the Department's *Application and Verification Guide*). Students are selected for verification on the basis of application edits specified by the Secretary. There are five required data elements that must be verified. These five items are:

- Household size (HHS);
- Number enrolled in college;
- Adjusted Gross Income (AGI);
- U.S. income tax paid; and,
- Certain untaxed income and benefits

Supporting documentation obtained from the student (and parents or spouse) is compared to the information reported on the Institutional Student Information Record (ISIR). Documentation must be retained in the student's file as evidence that the verification process was completed.

In addition to reviewing applications selected for verification by the CPS, a school must have an adequate system to identify conflicting information – regardless of the source and regardless of whether the student is selected for verification – that would affect a student's eligibility, such as information from the financial aid, admissions, or any other office. The school must resolve all such conflicting information, except when a student dies during the award year.

If a school has conflicting applicant information, it must resolve the discrepancies before disbursing funds. If an institution discovers discrepancies *after* disbursing funds, it must still reconcile the conflicting information and take appropriate action under the specific program requirements.

Regardless of whether the CPS or the school selects an application for verification, all other verification requirements such as deadlines and interim disbursement rules apply.

**Noncompliance:** The reviewers noted errors for the following students during the 2011-2012 and 2012-2013 award years:

**Student 2:** The student was selected for verification for the 2011-2012 award year. His ISIR reported that he had two dependents, but that he earned no income in 2010. The independent verification worksheet agreed with the ISIR, showing two dependent children. However, the student's 2010 tax return reported an AGI of \$11,609. This \$11,609 discrepancy should have been resolved so the institution could recalculate the student's Expected Family Contribution (EFC) before disbursing a \$5500 Pell Grant for the 2011-2012 award year. The student also received a \$3000 Sub FDL for the year.

*(Note: This student is noted in Findings 2, 5 and 8.)*

**Student 6:** It appears that JCSU officials adjusted the student's mother's income based on special circumstances. The file documented the special circumstances but verification was not completed as required. One ISIR (transaction 03) reported the mother's 2010 AGI as \$740, and another ISIR (transaction 07) reported the 2010 AGI to be \$8800. There was no tax return as part of the student's records, therefore this discrepancy was not identified by the institution prior to disbursing a \$2775 Pell Grant for the 2011-2012 year. The student also received a \$1750 Sub FDL for the year.

**Student 12:** The student was selected for verification for the 2011-2012 award year, however verification was not conducted. JCSU disbursed a \$2775 Pell Grant for 2011-2012. The student also received a \$2250 Sub FDL for the year.

*(Note: This student is noted in findings 5 and 8.)*

**Student 18:** The student was selected for verification for the 2012-2013 award year. The amount of taxes paid and the number of family members conflicted with data on the student's ISIR. However, these discrepancies were not identified by the institution prior to disbursing a \$2775 Pell Grant for the year. The student also received a \$1750 Sub FDL for 2012-2013.

**Student 20:** The dependent student was selected for verification for the 2012-2013 award year. The number of family members conflicted with data on the student's ISIR. It appears that an official from JCSU attempted to correct this discrepancy by writing a note in the file, but that notation was never confirmed by the student or her parent. This discrepancy was not identified prior to disbursing a \$5550 Pell Grant for the year. The student also received a \$3500 Sub FDL for 2012-2013.

**Student 21:** The student was selected for verification for 2012-2013. The student's AGI on the tax transcript matched the ISIR but the amount of taxes paid showed a \$140 discrepancy (and there is no longer a \$400 tolerance option). This discrepancy was not identified prior to disbursing a \$5550 Pell Grant; a \$1500 FSEOG; and a \$3500 Sub FDL for 2012-2013.

**Student 22:** The student was selected for verification for the 2012-2013 award year. The parent's AGI and taxes paid reported by the tax transcript matched the ISIR. However, the ISIR reported that the student earned \$2400 in 2011 but the verification worksheet stated that the student had no income from work in 2011. This discrepancy should have been resolved so the institution could recalculate the student's EFC before disbursing a \$1450 Pell Grant and a \$4500 Sub FDL for 2012-2013.

**Required Action:** Due to the high percentage of error, JCSU is required to review applicant data for all students who were selected for verification and received need-based Title IV funds during the 2011-2012 and 2012-2013 award years. If information is conflicting, the student's EFC must be recalculated based upon the correct applicant data. If the revised EFC results in a change to the student's amount of Pell Grant, FSEOG, Perkins Loan, TEACH, and/or Subsidized FDL funds disbursed, JCSU must report the difference between the correct and incorrect amount for each student.

If applicant information (e.g., verification worksheet, statement of non-filing, etc.) is missing or cannot be obtained from the student (and/or parents or spouse), the institution must report the total amount of Pell FSEOG Perkins Loan, TEACH, and/or Sub FDL funds disbursed to each student. These funds are considered to be ineligible.

JCSU must provide the following data in a spreadsheet or similar format for each Title IV program by award year. The results must include the following data:

Incomplete Verification							
2011-2012 Federal Pell Grant							
Name	SSN	Original EFC	Corrected EFC	Disbursement Date	Incorrect Pell Paid	Corrected Pell	Difference/Overaward
1.		0	850	9/16/2011	\$275	\$250	\$25

Incomplete Verification							
2012-2013 Subsidized FDL							
Name	SSN	Original EFC	Corrected EFC	Disbursement Date	Incorrect Sub Paid	Corrected Sub	Difference/Overaward
1.		0	850	9/16/2012	\$2250	\$2100	\$150

There must be a separate spreadsheet for each need-based program in which an overaward exists.

Please send the file review summary report (spreadsheets) to Lisa Lancaster by e-mail at [lisa.lancaster@ed.gov](mailto:lisa.lancaster@ed.gov). See the enclosure Protection of Personally Identifiable Information for instructions regarding electronic submissions to the Department for data containing PII. Separate from the institution's spreadsheet, JCSU must email an access password to Ms. Lancaster.

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

JCSU's response to this finding must also explain corrective actions the institution will take to complete verification and resolve applicant discrepancies in the future.

#### Finding 8: Admissions Policy Not Followed for Applicants

##### Clarity:

34 C.F.R. § 668.32 (a) specifies that a student is eligible to receive Title IV funds if he or she is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution. A school must document a student's enrollment in an eligible program at the time of admission.

Title IV regulations make no provisions for attempted credits and grades earned in previous semesters to be excluded from a determination of SAP for students who are readmitted.

**Noncompliance:** The admission of two students was not clear to demonstrate that they were properly admitted to JCSU as follows:

**Student 2** applied to JCSU as a freshman student in 1998. Records show that the student was not accepted because his GPA was too low. The student was notified he was not accepted via a letter from the Director of Admission on August 12, 1998. However, on August 26, 1998, a letter from the Dean of Registration notified the student that he was accepted. One year later, on September 2, 1999, the student was informed that he did not have the required GPA to continue as a member of JCSU's football team.

By the end of Fall 2004 the student did not earn enough credits to graduate and he ceased attendance. However, he was re-admitted to JCSU in Fall 2009. Records did not indicate the basis for admission. Note that this student was not making SAP when he was re-admitted in 2009 (refer to Finding 5).

**Student 12** applied to JCSU as a freshman student in 2010. Records show that the student was notified that he was not accepted via a letter from the Director of Admission on May 13, 2010. However, on August 6, 2010, a letter from the Senior Associate Director of Admissions notified the student that he was accepted into the Biddle Cohort for the Fall of 2010. Biddle Cohorts are freshman students who

require academic support to ensure successful matriculation at JCSU. The reviewers were unclear on whether or not the student was accepted for enrollment as a regular student. *Note that this student failed all 15 courses attempted between Fall 2010 and Fall 2012 and was not meeting SAP (refer to Finding 5)*

**Required Action:** The institution's admissions office must carefully determine whether or not each of the above students was properly admitted to JCSU. Please provide a response to explain the school's criteria for admitting both students, along with any supporting documentation. If either student was accepted in error, please note so accordingly.

Additional information may be requested by the Department for this finding.

#### **Finding 9: Federal Pell Grant Overaward - Incorrect Enrollment Status**

##### **Citation:**

Per 34 C.F.R. § 690.63 (b), a Pell Grant amount for a payment period (or an academic term) for a program using standard terms with at least 30 weeks of instructional time in two semesters or in three quarters is calculated by—

- (1) Determining the student's enrollment status for the term;
- (2) Based upon that enrollment status, determining the student's annual award from the Pell Payment Schedule for either full-time students, 3/4-time, 1/2-time, or less-than-1/2-time; and
- (3) Dividing the Pell amount by two at institutions using semesters, or three at institutions using quarters.

**Noncompliance:** The institution incorrectly disbursed a full-time Pell Grant to a student who was enrolled as a 1/2-time student. **Student 25** took 6 credits in Spring 2013 and should have received \$1388 in Pell. Instead, the school drew down and disbursed \$2775 which resulted in a \$1387 overaward.

**Required Action:** The overaward appears to be an isolated incident.

*Instructions for the repayment of the \$1388 Pell Grant overaward will be provided in the Final Program Review Determination letter.*

#### **Finding 10: Annual Subsidized Loan Limit Exceeded**

##### **Citation:**

34 C.F.R. § 685.203 explains that Subsidized and Unsubsidized FDLs have annual loan limits based on a student's dependency status and grade level. (There are higher annual loan limits for some health professions students, and special loan limits for certain students who

are not enrolled in a degree or certificate program. In some cases, the annual loan limits must be prorated). The annual loan limits are the maximum amounts that a student may receive for an academic year.

A student who has reached the annual loan limit cannot receive another loan until he or she either begins another academic year, or progresses within an academic year to a grade level with a higher annual loan limit.

Annual loan limits for dependent undergraduates are:

- \$3500 combined Sub and/or Unsub plus \$2000 additional Unsub for first-year undergraduate students;
- \$4500 combined Sub and/or Unsub plus \$2000 additional Unsub for second-year undergraduate students; and
- \$5500 combined Sub and/or Unsub plus \$2000 additional Unsub for third-, fourth-, or fifth-year undergraduate students.

**Noncompliance:** JCSU certified loan amounts that exceeded the annual limits for two dependent students. As first-year students, the annual loan limit for a Sub FDL was \$3500 for **students 12 and 18**. However, the institution certified their first-year Sub loans for \$4500 resulting in a \$1000 overaward for each student. The overawards for both students were made from the 2011-2012 award year.

**Required Action:** The institution is required to return all 2011-2012 aid for **student 12** as a result of the student's failure to meet SAP (see Finding 5) therefore no further action will be required.

With respect to **student 18**, the institution will be required to return \$500 of the \$1000 overaward because the student did not attend the Spring 2012 term and the second Sub loan disbursement was not made.

*Instructions for the repayment of the \$500 overaward will be provided in the Final Program Review Determination letter.*

JCSU must implement a remedial action to prevent this finding from being repeated in a future audit or program review. Please provide a copy of this action plan with your response.

#### **Finding 11: Delayed Loan Disbursement Requirement Not Met**

##### **Citation:**

Per 34 C.F.R. § 685.303 (b), if a student is enrolled in the first year of an undergraduate program of study and has not previously received a Subsidized or Unsubsidized FDL, a school may not disburse the proceeds of a FDL until 30 days after the first day of the

student's program of study unless the school has a cohort default rate, calculated under subpart M of 34 C.F.R. part 668, of less than 10% for each of the three most recent fiscal years for which data are available.

**Noncompliance:** JCSU's cohort default rates are not below 10% for each of the past three years; therefore it is required to delay FDL disbursements for applicable students. However, the school did not delay the disbursement of FDL funds as follows:

- **Student 6:** The student was a first-year, first-time borrower who began classes on August 17, 2011. The earliest FDL funds should have been disbursed was September 16, 2011, but the school disbursed FDL funds on September 9, 2011 (seven days early).

- **Student 10:** This student was a first-year, first-time borrower who also began classes on August 17, 2011. The earliest FDL funds should have been disbursed was September 16, 2011, but the school disbursed FDL funds on September 9, 2011 (seven days early).

**Required Action:** No further action is required as both students became eligible for their FDL funds (after 30 days). However, effective immediately, the institution must take measures to ensure this finding is not repeated in an audit or program review. Your response must explain how loan disbursements for first-year students who have not previously received a FDL will be monitored and delayed for 30 days.

#### **Finding 12: Late Payment of Title IV Credit Balance**

##### **Citation:**

34 C.F.R. § 668.164 (d) and (e) of the Student Assistance General Provisions state that an institution may use Title IV program funds to credit a student's account to satisfy current year charges for

- Tuition and fees;
- Room and board, if the student contracts with the school for room and board; and
- With an authorization from the student or parent, other educationally related charges incurred by the student.

Title IV funds may also be used to pay educationally related expenses from the prior year as long as the charges do not exceed \$200 and the institution obtains a student's or parent's authorization (under 34 C.F.R. § 668.165 [b]) to use funds to pay these charges.

If current year Title IV funds credited to a student's account exceed the amount of current year tuition, fees, and other authorized charges, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after the

credit balance occurred if it occurred *after* the first day of class. If the credit balance occurred on or *before* the first day of class, it must be returned no later than 14 days after the first day of class.

An institution may secure a student's (or parent's) written permission to retain credit balance funds for budgeting purposes. However, the student must not be coerced into providing the school permission to retain the funds and the student must be informed of his or her right to cancel or modify that authorization at any time. If a student modifies an authorization, the modification takes effect on the date the institution receives the modification notice, and the institution must pay these funds directly to the student (or parent) as soon as possible but no later than 14 days.

If an institution holds excess Title IV funds, it must--

- Identify the amount of funds it holds for each student or parent in a subsidiary ledger account designed for that purpose;
- Maintain, at all times, cash in its bank account in an amount at least equal to the amount of funds the institution holds for the student; and
- Notwithstanding any authorization obtained by the institution, pay any remaining balance on loan funds by the end of the loan period and any other remaining Title IV funds by the end of the last payment period in the award year for which they were awarded.

**Noncompliance:** JCSU did not timely pay a Title IV credit balance within the required 14-day timeframe for student 25. A \$3913 Title IV credit balance was created on February 13, 2013, therefore the student should have received the credit balance payment no later than February 27, 2013. However, the credit balance was not paid until March 7, 2013 (eight days late).

**Required Action:** The late credit balance payment appears to be an isolated case. The institution must ensure this finding will not be repeated in the future.

#### **Finding 13: Title IV Awarding Policy Missing**

##### **Citation:**

After a student completes a Free Application for Federal Student Aid (FAFSA) and the Department determines an official EPC for the student, the school must award financial aid based on the student's eligibility, the maximum amounts for each Title IV program, and the institution's awarding (or "packaging") policy. (34 C.F.R. § 673.5 and *Volume 3 of The Federal Student Aid Handbook*.)

To properly package the various types of aid (Federal, school, state, private, etc.), the coordinating official must be aware of all aid received by the student, regardless of the

source. When creating a financial aid package, an aid administrator must include all aid to ensure that a student's aid does not exceed his or her financial need. An institution must have written policies and procedures for awarding Title IV aid.

Federal Pell Grants are considered to be the first source of aid to the student. A correctly determined Pell Grant is never adjusted to take into account other forms of aid. Therefore, if a student's aid package exceeds his or her need, the school must attempt to eliminate the overaward by reducing other aid it controls.

An institution should consider a number of things when developing a packaging policy. For instance, some schools give more grant assistance to beginning students who may have more difficulty adjusting to campus life, increasing the proportion of loans and work-study in subsequent years. For the campus-based programs and other programs where the available funds may not be sufficient to meet every eligible student's need, some schools decide to give a higher proportion of aid to the neediest students. Other schools award funds as an equal proportion of each student's need.

An institution must be aware of funding limitations for each of the campus-based programs as well as the following awarding policies:

- In selecting eligible students for FSEOG awards, an institution shall select those students with the lowest EFC who will also receive Pell Grants in the same year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Pell Grant recipients, it shall award the remaining FSEOG funds to those eligible students with the lowest EFC who will not receive Pell. (34 C.F.R. § 676.10.)
- Per 34 C.F.R. § 675.10, an institution shall make employment under Federal Work Study (FWS) reasonably available, to the extent of available funds, to all students with need by establishing selection procedures that are—
  - (1) Uniformly applied,
  - (2) In writing; and
  - (3) Maintained in the institution's files.
- Per 34 C.F.R. § 674.10, an institution shall make Federal Perkins Loans reasonably available, to the extent of available funds to all students with financial need. The institution shall establish selection procedures and these procedures must be—
  - (1) In writing;
  - (2) Uniformly applied; and
  - (3) Maintained in the institution's files.

**Noncompliance:** JCSU did not have written policies and procedures for awarding Title IV aid. However, school officials acknowledged this deficiency and plan to create and implement an awarding policy as soon as possible.

In addition, the award notification (signed on August 26, 2011) for student 2 did not inform him of his FSEOG award for the 2011-2012 year. However, \$1600 was posted to the student's account ledger on February 2, 2012.

**Required Action:** In response to this finding, the institution is required to submit a copy of its financial aid packaging and award notification policies to be used for Title IV recipients in the 2013-2014 and future award years.

#### **Finding 14: Federal Work Study Violation - Student Worked During Class Hours**

##### **Citation:**

Under the Federal Work Study (FWS) program, an institution is responsible for ensuring that students are paid for work performed. Students are not permitted to work in FWS positions during scheduled class times unless the work performed meets the conditions specified in 34 C.F.R. § 675.20(d).

**Noncompliance:** The institution failed to monitor the class times and schedule for one FWS recipient as illustrated.

For the Fall 2012 term, student 16 worked FWS hours during the same period classes were scheduled. A review of the student's academic schedule and timetcard indicated that she was paid for hours worked (1:00 a.m.-1:00 p.m.) that conflicted with her scheduled class-hours on Tuesdays and Thursdays. There were also several Wednesday mornings in which the student was paid for FWS hours that conflicted with the student's scheduled class-hours.

For the Spring 2013 term, student 16 worked FWS hours during the same period classes were scheduled. A review of the student's academic schedule and timetcard indicated that she was paid for hours worked (11:00 a.m.-1:30 p.m.) that conflicted with her scheduled class-hours on Tuesdays and Thursdays. In addition, there were numerous Monday, Wednesday and Fridays in which the student was paid for FWS hours that conflicted with the student's scheduled class-hours.

Funds earned by students worked during scheduled class times are considered as ineligible.

**Required Action:** Effective immediately the institution is required to notify all active FWS supervisors and FWS students that it is not permissible for students to work during scheduled

class-hours. In addition, JCSU must establish a procedure to ensure that FWS students do not work in FWS positions during scheduled class times.

Your response to this finding must provide a copy of your revised FWS procedures to monitor employment. Should this finding be repeated in the future, the institution may be required to return ineligible FWS funds.

**Finding 15: Insufficient Fund Balance - Federal Perkins Loan Account**

**Citation:**

34 C.F.R. § 674.19 requires that participating schools ensure that the cash balance of the account into which it deposits Federal Perkins Loan Fund does not fall below the amount of Fund assets deposited in those accounts but not yet expended on authorized purposes in accordance with applicable Title IV program requirements, as determined from the records of the institution. In other words, a school must determine whether the cash available in its Perkins Loan Fund is sufficient to make loan advances to students. If the balance is not sufficient to cover loans advanced to students, the school must make subsequent deposits into the account from its own sources (with the intent to restore that amount). To the extent that these institutional deposits restore the amount previously withdrawn, they are deemed to be Fund assets.

**Noncompliance:** Fiscal records provided to the reviewers report that since the close of the 2008-2009 award year, the Perkins Loan Fund has been operating without enough cash to cover loans advanced to students. At the close of the 2011-2012 award year (6/30/12), the school had advanced \$39,521 more than it had. During the course of the 2012-2013 year, the school advanced \$268,906 to Perkins Loan borrowers, but, collected approximately \$174,694 during the same period. In sum, the cumulative variance is as follows:

Estimated Dates	Fund Balance (estimated)
2011-12 Cumulative Shortfall	<\$ 39,521>
2012-13 Perkins Advanced	<\$268,906>
May 2013 Fund Balance	\$174,694
Cumulative Shortfall as of May 2013	<\$133,733>

The issue is that the institution expended more funds than the cash balance of the Fund, and it did not deposit funds from its own resources as required. (As of the above dates, JCSU should have deposited \$133,733 into the Fund to cover the shortage.)

**Required Action:** Because the institution does not have sufficient liquidity in its Perkins Fund, it must conduct an up-to-date reconciliation and deposit funds from its own source to make the Fund whole. Also, if JCSU intends to advance Perkins Loans to students in the 2013-2014 award year, it must not do so until the balance of the Fund is sufficient to cover those loans.

In response to this finding, the institution is required to submit a summary of its reconciliation of the Perkins Loan bank statements, ledgers, and close-out for 2012-2013.

Please also include copies of any deposits made to the Fund, and a summary of the institution's plans for awarding 2013-2014 loans.

**Finding 16: FISAP Error - Federal Perkins Loan Program**

**Citation:**

To participate in the Federal Perkins Loan, FWS, or FSEOG programs, an institution must file an application before the deadline date established annually by the Secretary through publication of a notice in the Federal Register. The application (Fiscal Operations Report and Application to Participate, or, FISAP) for the Federal Perkins Loan, FWS, and FSEOG programs must be on a form approved by the Secretary and must contain the information needed to determine the institution's allocation or reallocation of funds under sections 462, 442, and 413D of the Higher Education Amendments, respectively. (34 C.F.R. § 673.3)

**Noncompliance:** The institution did not accurately complete Section B of Part III of the FISAP reporting Annual Perkins Loan Activity for two years as follows:

- *Section B: Fund Activity (Annual) During the 2010-2011 Award Year* reports that JCSU collected \$0 in principal (Lines 9, 10 and 11). This conflicts with the Loan Principal Collected (of \$220,583) on Line 5 of *Part III, Section A: Fiscal Report (Cumulative) as of June 30, 2012* of the FISAP for the following award year.
- *Section B: Fund Activity (Annual) During the 2011-2012 Award Year* reports that JCSU collected \$240,746 (Line 9) but that it did not collect any principal from defaulted borrowers.

- In addition to errors in reporting Perkins collections, the cumulative amount of *Administrative Cost Allowance (ACA) plus Collections Costs (Part III, Section A)* for the 2011-2012 award year was \$706,114 less than those amounts in the 2010-2011 year. Unless this was a correction to the FISAP, it is not possible to report a negative amount in *Section A* because Perkins Loan cumulative expenditures for a year must always be the same, or exceed the amount in the previous year.

**Required Action:** The institution is required to determine the accurate amount of annual and cumulative Perkins Loan expenditures as well as loan principal and interest amounts collected from borrowers for the past two years and correct the applicable FISAPs.

Once your reconciliation has been completed, you must submit the above corrections to the Department/CampusBased Programs via (<https://chilsan.ed.gov/cecb/CBSWebApp>)

The school's corrections must be made prior to submitting the FISAP reporting 2012-2013 expenditures (due by October 1, 2013).

#### Finding 17: Federal Perkins Loan Promissory Note Not Retained

##### Citation:

Per 34 C.F.R. § 674.16, a Federal Perkins Loan is made when the borrower has signed a promissory note, and the school makes the first disbursement of loan funds under that promissory note for that award year. The promissory note is the legally binding document that is evidence of a borrower's indebtedness to a school. The promissory note includes information about the loan's interest rate, repayment terms, and minimum rates of repayment, deferment, forbearance, and cancellation provisions; credit bureau reporting, late charges, attorney fees, collections costs, and consequences of default.

An institution must keep the original promissory notes and repayment schedules until students' loans are satisfied. (If a promissory note was signed electronically, the institution must store it electronically and the promissory note must be retrievable in a coherent format.)

After the loan obligation is satisfied, the institution must return the original or a true and exact copy of the note marked "paid in full" to the borrower, or otherwise notify the borrower in writing that the loan is paid, and retain a copy for at least three years after the date the loan was paid in full (34 C.F.R. § 674.19 [e]).

If the school does not have a valid note or other written evidence that would be upheld in a court of law, it has no recourse against a borrower who defaults. Without a valid promissory note, the school is required to repay its Perkins Loan Fund any amounts loaned, as well as any ACA claimed on those amounts.

**Noncompliance:** Student 30 received a \$5500 Perkins Loan for the 2012-2013 award year, however JCSU was not able to provide a copy of the original Perkins Loan promissory note.

**Required Action:** Your response to this finding must explain whether or not the school was able to locate the original note. If the institution is unable to locate the original Perkins Loan promissory note for student 30, it must deposit \$5500 into the Perkins Loan Fund and notify the student of the cancellation of this loan.

If applicable, you must provide documentation of the loan cancellation notification to the student, as well as documentation of the \$5500 returned to the Fund.

JCSU's response to this finding must provide an assurance that will be in compliance with the above regulations regarding the storage of Perkins Loan records and legal documents in the future.

#### Finding 18: Federal Perkins Loan Not Reported to NSLDS

##### Citation:

Per 34 C.F.R. § 668.17 (7), an institution must submit reports to the Secretary and, in the case of an institution participating in the FDL and Perkins Loan Program, to holders of loans made to the institution's students under that program at such times and containing such information as the Secretary may reasonably require to carry out the purpose of the Title IV programs. After a Perkins Loan disbursement has been made, schools are required to report new loans or updated data on existing loans to the National Student Loan Data System (NSLDS) once a month on a schedule established by the Department.

A school must complete its NSLDS reporting requirements in accordance with the instructions in the NSLDS Enrollment Reporting Guide posted January 11, 2013. NSLDS reporting must continue until all of a school's outstanding Perkins Loans are fully retired, accepted for assignment by the Department, or purchased by the school.

Schools are also required to report to NSLDS when the student's loan has been repaid.

**Noncompliance:** As noted in the previous finding, student 30 received a \$5500 Perkins Loan for the 2012-2013 award year. However, JCSU officials did not report the Perkins Loan to NSLDS.

**Required Action:** The institution is required to report the student's Perkins Loan to NSLDS in accordance with the Department's reporting requirements. Your response to this finding must provide documentation to demonstrate this has been done.

#### Finding 19: Federal Perkins Loan Default Rate - Due Diligence Errors

##### Citation:

Federal Perkins Loan due diligence procedures (34 C.F.R. §§ 674.41 through 674.50) require all institutions to maintain borrower contact and disclose information in a written statement either shortly before the borrower ceases at least half-time study, and during the exit interview. Information to be disclosed during exit counseling is as follows:

- Inform the student of the monthly anticipated balance owed and the date repayment is scheduled to begin.
- Explain to the borrower, the options to prepay each loan

- Review the option to consolidate, including the consequences of consolidating
- Suggest debt management strategies
- Explain the likely consequences of default, including adverse credit, litigation, and referral to a collection agency
- Emphasize repayment obligations and that the borrower is obligated to repay the full amount of the loan even if he has not completed the program, or is unable to obtain employment upon completion
- Describe the terms and conditions under which a borrower may obtain full or partial forgiveness, cancellation, or deferment
- Inform the borrower of availability of loan information on the NSLDS system and the Student Loan Ombudsman's office.

The institution must also require the borrower to provide:

- Name, SSN and current address
- Expected permanent address
- Driver's license number
- References
- Address of next of kin.

A school must contact the borrower during both initial and post-deferment grace periods to remind him or her when repayment will begin or resume.

If a payment is overdue and the school has not received a request for forbearance, deferment, or cancellation, it must send the borrower:

- The *first* overdue notice 15 days after the payment due date
- The *second* overdue notice 30 days after the first overdue notice
- The *final demand letter* 15 days after the second overdue notice.

A borrower is considered to have an unsatisfactory repayment history if he or she has failed to make payments when due, has failed to request deferment, forbearance, or cancellation on time, or has received a final demand letter

If mail sent to a borrower is returned undelivered, or if the borrower fails to respond, you must take steps to locate the borrower. These steps must include:

- Reviews of borrower records in all appropriate school offices
- Reviews of telephone directories or inquiries to directory assistance at the borrower's last known address, and attempting to reach him by phone
- Attempt to locate and contact the borrower by electronic means.

If the institution concludes that the borrower does not intend to repay the loan or seek deferment or cancellation requests, or who does not respond to billing attempts, the institution is required to take the following steps:

- Demand immediate repayment (loan acceleration)
- Contact the borrower by phone
- Conduct address searches and IRS/SED Skip-tracing
- Follow collection procedures and credit bureau reporting (report the account as being in default to a national credit bureau, and use school personnel, or engage a collection firm to collect the amount.
- Follow litigation procedures (sue the borrower if the loan amount owed exceeds \$500 and he has assets attachable under State law or income which may be garnished)
- Assess costs chargeable to the Fund (the institution shall assess against the borrower, the cost of actions taken with regard to past-due loan payments)
- Use contractors to perform billing (the institution is responsible for ensuring compliance with billing and collections, and procedures such as making decisions regarding cancellation, postponement, or deferrals, extension of the repayment period, other billing and collection matters, and the safeguarding of all funds collected by its employees and contractors)
- Be aware of bankruptcy of borrower (if an institution receives notice that a borrower has filed a petition for relief in bankruptcy, it must immediately suspend collection efforts)
- Follow "Assignment of Perkins Loans Assignment Procedures" (April 19, 2013 Electronic Announcement).

**Noncompliance:** JCSU's Perkins Loan default rates for the past three years are as follows:

YEAR	DEFAULT RATE
2012	18.2%
2011	41.8%
1010	30.6%

The institution's Perkins Loan default rate for the most recent year has dropped to 18.2%. However, there are approximately 116 JCSU students in default. The records of five defaulted borrowers were tested and revealed that Perkins Loan due diligence procedures were not thoroughly completed as follows:

**Student 31:** The student's loan has been in default for 1403 days. A review of his Perkins Loan file did not contain documentation to show that JCSU maintained contact with the borrower during the grace period, billing period,

or that it sent overdue and final demand notices. The loan was sent to a collection agency but the date is unknown.

**Student 32:** The student's loan has been in default for over 100 days. A review of the Perkins Loan file showed that exit loan counseling was incomplete. Also, records did not contain documentation to show that JCSU maintained contact with the borrower during the grace period, billing period, or that it sent overdue and final demand notices. The student may have had a loan deferment through October 28, 2012, but records were unclear.

**Student 33:** The student's loan has been in default for less than 270 days. A review of her Perkins file did not contain documentation to show that JCSU maintained contact during the grace period, billing period, or that it sent overdue and final demand notices. The loan was sent to a collection agency and a repayment arrangement schedule was sent to the student in March 2013.

**Student 34:** The student's loan has been in default for 1554 days. Overdue notices were sent. However, the reviewers were unable to determine if the loan was assigned to the Department, or if the school attempted to contact the borrower during this time.

**Student 35:** The student's loan has been in default for 855 days. A review of his Perkins Loan file did not contain documentation to show that JCSU maintained contact with the borrower during the grace period, billing period, or that it sent overdue and final demand notices. The loan was sent to a collection agency but the date is unknown.

**Required Action:** The institution is required to improve contact with Perkins Loan borrowers during his or her grace period. In addition, the institution must continue its collection efforts for late, delinquent and defaulted borrowers.

As a reminder, the institution may be eligible for loan collection assistance via the Department's Default Reduction Assistance Program (DRAP) which assists schools in bringing defaulted Perkins Loan borrowers back into repayment before their accounts are sent to collection agencies. For additional information about DRAP, contact the Campus-Based Call Center at 1-877-801-7168.

In addition, schools may assign defaulted Perkins Loans, and, if a school is withdrawing from the Perkins Loan program, it may assign non-defaulted loans to the Department at any time during the year.

The institution's response to this finding must provide a brief summary of the status of the borrowers currently in default as well as an explanation of steps it will take to improve its due diligence process.

## Finding 20: Entrance Loan Requirements Not Met for FDL Borrowers

### Citation:

Per 34 C.F.R. § 685.304 (a), an institution must ensure that entrance counseling is conducted with each FDL borrower prior to making the first disbursement of the loan unless the student borrower has received a prior FDL. Entrance counseling must provide the borrower with comprehensive information on the terms and conditions of the loan and on the responsibilities of the borrower. Information may be provided to the borrower—

- During an entrance counseling session conducted in person.
- In a written form that the borrower signs and returns to the school, or
- Online or by interactive electronic means, with the borrower acknowledging receipt of the information.

Entrance counseling for FDL borrowers must—

- Explain the use of a Master Promissory Note (MPN);
- Emphasize the seriousness and importance of repayment obligation;
- Describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures under Federal law, and litigation;
- Emphasize that the borrower is obligated to repay the full amount of the loan even if he or she does not complete the program;
- Inform the student of sample monthly repayment amounts;
- Provide information on how interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the Secretary;
- Provide information on NSLDS and how the borrower can access his or her records; and,
- Inform the borrower of the option to pay the interest on an Unsub loan while in school.

A school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer any borrower's questions. The school also must maintain documentation substantiating its compliance with entrance loan counseling for each borrower.

**Noncompliance:** Student 26 enrolled in Fall 2012. The institution awarded her a Sub and Unsub FDL, but could not document that the student completed entrance loan counseling. Loan counseling was a requirement because the student was a first-year, first-time borrower (who attended JCSU for one semester before dropping out).

**Required Action:** The institution is required to implement an entrance loan counseling program for all required FDL borrowers effective immediately. Please be aware of the

negative impact that defaulted loans have on borrowers and institutions participating in the Title IV loan programs.

**Finding 21: Exit Loan Requirements Not Met for FDL Borrowers**

**Citation:** In accordance with 34 C.F.R. § 685.304 (b), a school must ensure that exit counseling is conducted with each FDL borrower shortly before he or she ceases at least half-time study at the school.

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

The exit 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 FDLs at the same school or in the same program of study at the same school;
- Review available repayment plan options;
- Explain to the borrower the options to prepay each loan, to pay each loan on a shorter schedule, and to change repayment plans;
- Provide information on the effects of loan consolidation;
- Include debt-management strategies that are designed to facilitate repayment;
- Explain how to contact the party servicing the borrower's loans;
- Describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures under Federal law, and litigation;
- Provide a general description of the terms and conditions under which a borrower may obtain full or partial forgiveness or discharge of principal and interest, defer repayment of principal or interest, or be granted forbearance on a Title IV loan;
- Review for the student, information on the availability of the Department's Student Loan Ombudsman's office;
- Inform the borrower of the availability of NSLDS and how it can be used to obtain Title IV loan status information;
- Review a general description of the types of tax benefits that may be available; and,
- Require the student to provide current information concerning name, address, social security number, references, and driver's license number and State of issuance, as well as the student's expected permanent address, the address of the student

borrower's next of kin, and the name and address of the student borrower's expected employer (if known).

If exit counseling is conducted through interactive electronic means, a school must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the exit counseling.

The school must maintain documentation substantiating the school's compliance with this section for each student borrower.

**Noncompliance:** JCSU did not conduct exit loan counseling for students 2, 4 – 7, 9, 11, 13, 18, 24 or 26. School officials stated that in the 2011-2012 award year exit loan counseling was conducted only for borrowers who were preparing to graduate. In 2012-2013, this practice has been corrected.

**Required Action:** The institution is required to identify all FDL borrowers who withdrew from JCSU between July 1, 2011 and the current term. If exit loan counseling cannot be documented for any borrowers, including students 2, 4 – 7, 9, 11, 13, 18, 24 or 26, you must mail exit loan counseling materials at his or her last known address.

**Finding 22: Cash Reconciliation Needs Improvement**

**Citation:**

34 C.F.R. § 668.24 states that an institution must account for the receipt and expenditures of Title IV funds in accordance with generally accepted accounting principles. Records must be established and maintained on a current basis; reflect each program transaction; and, be supported by general ledger (GL) control accounts and related subsidiary accounts that identify each transaction and all other institutional financial activity.

Schools are required to reconcile funds they receive (and return) for each Title IV program with actual disbursements to students. An institution must maintain records to support funds requested, such as the date and amount of each disbursement by payment period. Schools must also maintain records of the date and amount of each payment of FWS wages and Federal Perkins loan transactions.

Reconciliation should take place on a monthly basis, with a final reconciliation that is conducted after the award year ends (June 30).

**Noncompliance:** The Department's payment system (known as G-5) currently reports unresolved balances for JCSU's Pell Grant program as follows:

Pell Grant / Award Year	COB / Drawn Down	G-5 Net Accepted & Posted Disbursement (NAPD)	Difference
2009-10	\$4,816,177	\$4,832,466	\$ 16,289

2012-13	\$5,453,402	\$3,507,204	\$1,946,198
---------	-------------	-------------	-------------

In addition to the discrepancy between COD and the NAPD for 2012-2013 Pell expenditures, institutional ledgers reported only \$5,330,955 as the total amount of 2012-2013 Pell disbursements to students.

**Required Action:** According to the above, the institution's Pell Grant expenditures / disbursements exceed the amount it has drawn down for the 2009-2010 award year. In order to resolve this discrepancy, JCSU must finalize the Pell Grant reconciliation process and make all necessary adjustments in COD. (Because the 2009-2010 year is closed, please contact COD School Relations at codsupport@jcsu.edu or by telephone at 1-800-848-0978 to request expedited processing before any student-level adjustments can be processed. Extended processing will allow JCSU to transmit student-level adjustments to COD for a closed year.)

The Department acknowledges that the 2012-2013 year is still 'open' and the institution's Pell Grant reconciliation may be in process. Once you have reconciled institutional ledgers, drawdowns, student disbursements, COD and GS NAPD records, you must provide the status of that reconciliation in response to this finding.

The school's response must also provide an assurance that reconciliation will be performed on a monthly basis for all Title IV programs.

**Finding 23: Conflicting Disbursement Dates in COD**

**Citation:**

Institutions are required to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register (FR). According to FR Volume 78, Number 130 (2013-2014 Deadline Dates for Reports and Other Records), an institution must submit Pell Grant, EDL and TEACH Grant disbursement records to COD system no later than 15 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement. In accordance with 34 C.F.R. 668.164 (u), Title IV funds are disbursed on the date that the institution: (a) Credits those funds to a student's account in the institution's general ledger or any sub-ledger of the general ledger, or (b) pays those funds to a student directly. Title IV funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Secretary.

Records an institution must maintain include but are not limited to —

- Documentation relating to each student's or parent borrower's receipt of Title IV funds, including documentation of the amount of aid, the payment period, and loan period, if applicable; and

- The date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of FWS wages.

**Noncompliance:** Disbursement information reported to COD did not always match what was posted on the student's account ledgers. For example, the account ledger for student 3 reported a \$1388 Pell Grant disbursement on 11/2/2011; a \$2775 disbursement on 3/26/2012; another \$694 on 3/30/2012; and two disbursements of \$346 each on 7/14/2012. Aside from the total Pell amount, none of these disbursements or dates match what the school reported to COD.

In other cases, disbursement dates reported to COD did not always match the dates funds were credited to student ledgers. The following illustrates the difference between dates that Title IV funds were disbursed to the student's account versus disbursement dates reported to COD:

Student	Program	Account Ledger	COD
6	Pell	1/19/12	8/17/11
14	Pell	12/7/11 and 2/29/12	8/17/11 and 1/20/12
14	FDL	2/21/12 and 3/22/12	8/17/11 and 3/1/12
15	Pell	9/14/11 and 11/2/11	8/18/11 and 10/1/11
15	FDL	9/13/11	9/9/11 and 9/27/11

**Required Action:** Note that for FDL recipients, interest costs begin to accrue on the date that loans are disbursed.

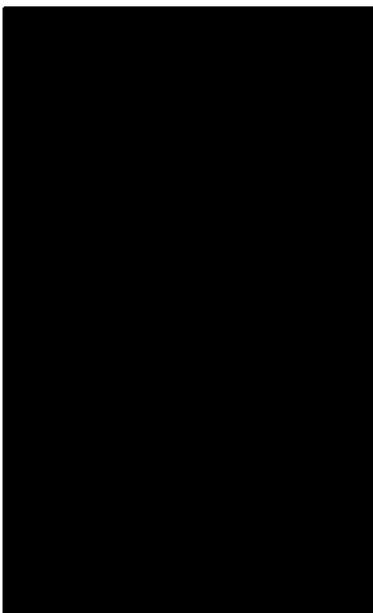
Please refer to the *COD Technical Reference, 2013-2014* for current guidance regarding deadlines and requirements. JCSU may also refer to the *Director Loan School Guide* for additional information. The institution is required to monitor its procedures so that disbursement dates reported to COD are the dates that funds are credited to the student's account, or paid to the student directly.

**D. Appendices**

**Appendix A** (Student Sample) is attached to this report. This appendix contains personally identifiable information (PII). Also attached, **Appendix B** contains instructions for the submission of PII to the Department.

**APPENDIX A**  
**STUDENT SAMPLE**

**2011-2012 Non-Passing Grades**



**2012-2013 General**



**APPENDIX A (Continued)**  
**STUDENT SAMPLE**

**Federal Perkins Loan Borrowers**





February 18, 2015

Ronald Carter, Ph.D.  
President  
Johnson C. Smith University  
100 Beatties Ford Road  
Charlotte, NC 28216-5398

UPS Next Day Air  
1ZA879640293171928

**RE: Final Program Review Report**  
**OPE ID: 00293600**  
**PRCN: 201330428280**

Dear Dr. Carter:

The U.S. Department of Education's (Department's) School Participation Division – Atlanta issued a program review report on August 6, 2013 covering Johnson C. Smith University's (JCSU's) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2011-2012 and 2012-2013 award years. JCSU's final response was received on July 30, 2014. A copy of the program review report (and related attachments) and JCSU's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by JCSU 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) to close the review.

The total liabilities due from the institution from this program review are \$3,324,853.00. This FPRD contains detailed information about the liability determination for each finding.

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

Atlanta School Participation Division  
61 Forsyth St., SW, Room 18T40  
Atlanta, GA 30303-8918

***Protection of Personally Identifiable Information:***

*Personally Identifiable Information (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 finding in the attached report does not contain any student PII. Instead, the finding references students by the Appendices attached to this report.*

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the findings identified from the August 6, 2013 program review report. If JCSU 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 JCSU receives this FPRD. An original and four copies of the information JCSU 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

JCSU'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. 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 JCSU'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 Lisa Lancaster at (404) 974-9296. 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)

Chris Miller, Director  
School Participation Division-Atlanta

cc: Shelline Warren, Director of Financial Aid  
Southern Association of Colleges and Schools, Commission on Colleges  
NC Board of Governors of the University of North Carolina (EXEMPT)  
Department of Defense  
Department of Veterans Affairs  
Consumer Financial Protection Bureau

Enclosures

## 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).

If applicable, hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.

---

Prepared for-  
Johnson C. Smith University

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

PROUD SPONSOR of  
the AMERICAN MIND™

OPE ID: 00293600  
PRCN: 201330428280

Prepared by-  
U.S. Department of Education  
Federal Student Aid  
School Participation Team - Atlanta

**Final Program Review Determination**  
**February 18, 2015**

## Table of Contents

<b>A. INSTITUTIONAL INFORMATION</b>	3
<b>B. SCOPE OF REVIEW</b>	4
<b>C. FINDINGS</b>	4
1 Lack of Administrative Capability	5
2 Ineligible Disbursements - Students Not in Attendance	8
3 Failure to Perform Returns for Unofficial Withdrawals	8
4 Incorrect Return Calculations for Withdrawn Students	13
5 Ineligible Students - Satisfactory Academic Progress Policy Not Acceptable	15
6 Satisfactory Academic Progress - Does Not Contain All Required Elements	15
7 Verification Errors and Discrepant Applicant Data	21
9 Federal Pell Grant Overaward - Incorrect Enrollment Status	25
10 Annual Subsidized Loan Limit Exceeded	26
13 Title IV Awarding Policy Missing	27
15 Insufficient Fund Balance - Federal Perkins Loan Account	28
16 FISAP Error -- Federal Perkins Loan Program	30
19 Federal Perkins Loan Default Rate - Due Diligence Errors	31
22 Cash Reconciliation Needs Improvement	35
<b>D. SUMMARY OF LIABILITIES</b>	37
<b>E. PAYMENT LANGUAGE</b>	38
<b>F. LIST OF APPENDICES</b>	41

## A. INSTITUTIONAL INFORMATION

Johnson C. Smith University  
100 Beatties Ford Road  
Charlotte, NC 28216-5398

Type: Private, Nonprofit

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: Southern Association of Colleges and Schools Commission on Colleges

Current Student Enrollment: 1607 (2012-2013)

% of Students Receiving Title IV: 86% (2012-2013)

### Title IV Participation

#### Program

2012-2013

Federal Direct Loan (FDL)	\$15,482,448
Federal Pell Grant (Pell)	\$ 5,561,527
Federal Supplemental Education Grant (FSEOG)	\$ 341,510
Federal Work Study (FWS)	\$ 556,591
Federal Perkins Loan (Perkins)	\$ 268,906
National Teach Grant Program	\$ 44,000

3-Year Default Rate / FDL:	2011	27.4%
	2010	23.5%
	2009	24.4%

Default Rate / Perkins:	2013	36.6%
	2012	18.2%
	2011	41.8%

## **B. SCOPE OF REVIEW**

The U.S. Department of Education (the Department) conducted a program review at Johnson C. Smith University (JCSU) from May 20 – May 24, 2013. The review was conducted by Lisa Lancaster, Angélique James and Lonnie Seal.

The focus of the review was to examine records of student's with all non-passing grades for a term, and, to determine JCSU'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 JCSU'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 35 files was identified for review from the 2011-2012 and 2012-2013 (year to date) award years. The 2011-2012 files were selected randomly from a sample of students with non-passing grades. The 2012-2013 files were selected randomly from a statistical sample of the total population of students receiving Title IV, HEA program funds for each award year. Federal Perkins Loan records were also reviewed for five borrowers.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning JCSU's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, the program review does not relieve JCSU 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**

JCSU has taken the corrective actions necessary to resolve **Findings 11, 12, 14, 17, 18, 20, 21 and 23** of the program review report. Therefore, these findings may be considered closed. Findings requiring further actions are discussed below. In addition, JCSU provided sufficient documentation to close **Finding 8**.

### **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 JCSU's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on August 6, 2013, including the sampled students, is attached to this letter as **Appendix A**. JCSU's response is attached as **Appendix B**.

## **Finding 1: Lack of Administrative Capability**

### **Noncompliance:**

In order to participate in the Title IV programs, an institution shall demonstrate to the Secretary that it is capable of adequately administering each program. The Secretary considers an institution to have that administrative capability under the following standards if it —

- A. Administers the Title IV programs in accordance with all statutory provisions;
- B. Designates a capable individual to be responsible for administering the programs in which it participates;
- C. Uses an adequate number of qualified persons to administer the programs;
- D. Has written procedures for indicating the responsibilities of the various offices to ensure a system of checks and balances and internal controls;
- E. Divides the functions of authorizing payments and disbursing funds so that no one office has responsibility for both functions;
- F. Establishes and maintains systematically organized records;
- G. Establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program;
- H. Develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid;
- I. Refers fraud or false claims to the Department's Office of Inspector General (OIG) for investigation;
- J. Provides adequate financial aid counseling to eligible students;
- K. Provides reports, audits and financial statements required for compliance timely;
- L. Shows no evidence of significant problems that affect the institution's ability to administer the Title IV programs as identified in reviews conducted by the Secretary, the Department's OIG, nationally recognized accrediting agencies, State agency or official by whose authority the institution is legally authorized to provide postsecondary education, or any other law enforcement agency; or findings made in any criminal, civil, or administrative proceeding;
- M. Is not, and does not have any principal or affiliate of the institution that is debarred or suspended under Executive Order 12549 (3 C.F.R., 1986 Comp.);
- N. Does not otherwise appear to lack the ability to administer the Title IV programs competently;
- O. Participates in the electronic processes that the Secretary provides; and,
- P. Develops and follows procedures to evaluate the validity of a student's high school completion if the institution or the Secretary has reason to believe that a high school diploma is not valid or was not obtained from an entity that provides secondary school education. 34 C.F.R. § 668.16.

Significant areas of non-compliance and problems reflected JCSU's inability to administer the Title IV programs. Findings identified by a review of institutional records are:

- Ineligible Students - Title IV Funds Disbursed to Students Not in Attendance
- Failure to Perform Returns for Unofficial Withdrawals
- Incorrect Return Calculations for Withdrawn Students
- Ineligible Students - Satisfactory Academic Progress Policy Not Acceptable
- Satisfactory Academic Progress - Does Not Contain All Required Elements
- Verification Errors and Discrepant Applicant Data
- Admissions Policy Not Followed for Applicants
- Federal Pell Grant Overaward - Incorrect Enrollment Status
- Annual Subsidized Loan Limit Exceeded
- Delayed Loan Disbursement Requirement Not Met
- Late Payment of Title IV Credit Balance
- Title IV Awarding Policy Missing
- Federal Work Study Violation - Student Worked During Class Hours
- Insufficient Fund Balance - Federal Perkins Loan Account
- FISAP Error - Federal Perkins Loan Program
- Federal Perkins Loan Promissory Note Not Retained
- Federal Perkins Loan Not Reported to NSLDS
- Federal Perkins Loan Default Rate - Due Diligence Errors
- Entrance Loan Requirements Not Met for FDL Borrowers
- Exit Loan Requirements Not Met for FDL Borrowers
- Cash Reconciliation Needs Improvement
- Reporting Conflicting Disbursement Dates to COD

When signing the Program Participation Agreement with the Secretary, JCSU agreed to comply with all applicable policies and regulations and to administer the Federal Student Aid programs with the highest standards of care and diligence expected of a fiduciary. JCSU had several financial aid directors over the past few years resulting in high staff-turnover. The director who was appointed in August of 2012 was no longer employed as of May 2013; therefore, the institution was without a financial aid director for many months. Although the school hired a temporary, part-time financial aid consulting agency, JCSU was required to hire a qualified financial aid director and adequate staff to be responsible for administering the Title IV programs on a permanent basis.

#### **Directives From Program Review Report:**

JCSU was required to ensure that Title IV funds are disbursed, reconciled and returned to the Department (and students) on a timely basis. The institution was reminded of its responsibility to follow Title IV cash management regulations and to make sure its crime reports, campus security policies and consumer information is updated as well.

Also in response to this finding, JCSU was required to develop a comprehensive plan of action in order to correct the findings and deficiencies noted in this report.

**Final Determination:**

JCSU officials acknowledge that the administration of the Title IV programs is an institution-wide responsibility.

The response notes future plans to improve JCSU's operations in the area of financial aid, specifically as follows:

- Conduct a review of all processes pertaining to Title IV policies, procedures and systems of internal controls to address noted deficiencies;
- Conduct staff training for personnel from the Registrar, Bursar and Financial Aid offices;
- The hiring of a new and experienced Financial Aid Director (effective December 16, 2013);
- Expand the Financial Aid office by adding two positions to focus on reconciliation and default management; and,
- The relocation of the Financial Aid office to Division of Business and Finance to improve communication between the offices responsible for authorizing payments and disbursing funds.

An institution's Admissions; Registrar's; Academic; Financial Aid and Business offices must have a system to coordinate information to ensure that only eligible students are accepted and receive Title IV funds; and, that students maintain eligibility for funds on an ongoing basis because they maintain enrollment status; are making SAP; verification is complete; and any conflicting applicant data is resolved.

The Department acknowledges JCSU's above plans. However, the response did not address how JCSU will avoid another repeat finding for disbursing Title IV aid to students not in attendance.

Please refer to the next finding.

## **Finding 2: Ineligible Disbursements - Students Not in Attendance**

## **Finding 3: Failure to Perform Returns for Unofficial Withdrawals**

### **Noncompliance:**

If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV funds that were credited to the student's account or disbursed directly to the student for that payment period or period of enrollment. 34 C.F.R. § 668.21(a). The Secretary considers the student to have dropped out before the first day of classes, if an institution cannot document a student's attendance. 34 C.F.R. § 668.21(c). The institution must return those funds for which it is responsible to the respective program as soon as possible, but no later than 30 days after the date it becomes aware that the student has not begun attendance. 34 C.F.R. § 668.21(d).

At an institution not required to take attendance such as JCSU, the withdrawal date for a student who unofficially withdraws (also known as a 'dropout') is the midpoint of the payment period (50%), or, the last date of an academically related activity that the student participated in. 34 C.F.R. § 668.22(c)(1)(iii). The institution is responsible for completing a Return to Title IV Funds ('R2T4') calculation to determine the earned and unearned portions of aid based on his or her attendance, therefore the percentage of time spent in class. 34 C.F.R. § 668.22(e).

In order to comply with these provisions, an institution must have a procedure to determine whether a Title IV recipient who does begin attendance in a payment period either completes the period, or is a withdrawn student. See 34 C.F.R. § 668.22(a)(2). If a student earns a passing grade in one or more of his or her classes for the period, the institution may presume that the student completed the course and thus completed the period. If a student who began attendance and has not officially withdrawn does not earn a passing grade in at least one course over the entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn unless it can document that the student completed the period. (*Federal Student Aid Handbook, Volume 1, Chapter 1*). An institution may have an official grading policy that provides professors with the ability to differentiate between students who completed a course but failed, versus those who did not complete the course.

During the course of the review, the Department discovered that the institution disbursed and retained Title IV funds for students who did not begin attendance in any class in a payment period (or term).<sup>1</sup> Records examined during the current program review revealed that this finding was repeated up to and including the 2012-2013 award year. This continued finding may have been caused by an incorrect policy which was implemented following a JCSU

---

<sup>1</sup> It should be noted that the failure to identify students who did not begin attendance in a payment period for which they received Title IV funds was also an audit finding for the period ended June 30, 2011.

November 2011 faculty meeting. Notes from that meeting show a new grading policy as follows:

- **F:** Student earned a failing grade
- **FN:** Student came a few times and unofficially dropped
- **W:** Student never came (e.g., 'no-show')

While it appears that JCSU officials attempted to avoid a repeat of this finding by implementing a new policy in November 2011, the use of 'W's may have resulted in the institution retaining Title IV funds for students not in attendance. Typically a grade of 'W' refers to a withdrawn student, not a 'no-show.'

In addition to retaining aid for 'no-shows', the institution did not always identify unofficial withdrawals, thereby failing to perform return calculations and return funds to the Department. In the sample files reviewed, the Department found that Title IV aid was improperly disbursed and retained for the following students:

**Student 2:** The student's academic transcript reported that he received a grade of 'W' for all of his Spring 2011 courses as follows: ACC-235; ENG-232; MGT-333; ORT-112; PED-430; and SPM-433. Although the student received Title IV funds for this term, his instructors confirmed that he never began attendance. Ineligible Federal Pell Grant and Federal Direct Loan (FDL) funds retained by the institution included:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
2/7/2011	\$2775		
2/23/2011		\$2750	\$3500

The following award year, the student ceased attendance in Spring 2012; his last day of attendance was February 29, 2012. Although the student did not officially withdraw, school officials did not perform an R2T4 calculation as required for unofficial withdrawals.

(Note: This student is noted in Findings 5, 7 and 8.)

**Student 7:** The student's academic transcript showed 'W's for all five classes in which the student enrolled in the Spring 2012 term. Based on the grading policy, (the incorrect use of 'W'), the student was a 'no-show' and should not have received Title IV funds for the term. When school officials were questioned about why funds were disbursed, they provided the reviewers with conflicting student-attendance records from February 2012 for one course; and a roster showing the student as 'present' for April 24 and 26, 2012 for another course. School officials were not able to provide further documentation to clarify the accuracy of these records. The student never

began attendance in any of the other courses shown on the academic transcript. It appears that the following aid was improperly disbursed:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
1/20/2012	\$2775		
2/1/2012		\$2250	\$3000

**Student 11:** The student enrolled for two courses in the Spring 2012 term. The file contained an email from one instructor stating that the student attended the first day of class (only) and another email from the second instructor stating that the student never attended. However, the student's academic transcript showed that both instructors gave the student a grade of 'W'. This file illustrates how the incorrect grading policy affected the institution's ability to confirm whether or not a student began attendance in a class.

**Student 13:** The student enrolled for three courses in the Fall 2011 term. The student's academic transcript showed that she earned two 'F's and one 'W'. The file did not contain documentation to demonstrate that the student began attendance in a class. Upon request, the reviewers were provided with records from the attendance portal that showed she did not attend any of the three classes. Regardless, the school drew down and disbursed funds in October 2011 and in April 2012 (for Fall 2011) as follows:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
10/31/2011	\$1388		
4/3/2012		\$1500	\$1258

**Student 14:** The student officially withdrew from JCSU in October 2011. The academic transcript for the following term (Spring 2012) reported that she received four grades of 'F' and one 'W' for a total of five courses. The student's file contained no records to indicate she was present for the Spring 2012 term at all, nor was there an R2T4 calculation (which would indicate she began attendance before withdrawing). Absent documentation to confirm the student began classes, the institution retained funds for a 'no-show' as follows:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
1/20/2012	\$2775		
2/1/2012		\$1750	\$3000

**Student 24:** The student ceased attendance in Fall 2012; her last day of attendance was October 17, 2012. Although the student did not officially withdraw, school officials did not perform an R2T4 calculation as required for unofficial withdrawals.

Additionally, student 24's academic transcript for Spring 2013 reported that she received two grades of 'F' plus two grades of 'FN' for a total of four courses. However, the student's account ledger reported that the student was a 'no-show' for the Spring 2013 term, and, all tuition charges were reversed from the student's account. However, institutional officials reported false grades of 'F' and 'FN', and, drew down and retained funds as follows:

Date of Ineligible Aid	Pell Grant	Sub FDL	Unsub FDL
2/11/2013	\$1387		
2/15/2013		\$1750	\$3000

**Student 25:** The student registered for and attended two courses during the Spring 2013 term but she officially withdrew from both courses on April 5, 2013. A 'drop' form was contained in the file; however, school officials had not yet performed an R2T4 calculation as required.

**Student 26:** The student enrolled full-time in the Fall 2012 term. The student's academic transcript showed that she earned all failing grades and did not return to JCSU for the Spring 2013 term. Although she was not enrolled for Spring, the school disbursed a \$1750 Sub loan and a \$3000 Unsub loan to the student's account on February 4, 2013. The institution retained these funds until May 9, 2013 when they were returned via the Department's Common and Origination Disbursement (COD) system.

#### **Directives From Program Review Report:**

Due to the error rate noted for **Finding 2**, JCSU was required to identify Title IV recipients who had all non-passing grades for any payment periods (including Summer terms) between July 1, 2011 and June 30, 2013. With regard to **Finding 3**, JCSU was required to identify Title IV recipients who withdrew from a term, but for whom an R2T4 calculation was not performed for the same timeframe.

#### **Final Determination for Finding 2:**

In response to this finding, the institution acknowledged that 2011-2012 award year funds were retained for students who did not begin classes in a term. Of the students cited in this finding as 'no-shows', JCSU officials were able to confirm attendance for all students except **Student 13**. Officials did however; report four additional students for whom it could not confirm attendance. (Please refer to **Appendix B-1** which lists the names of the five Title IV recipients not in attendance.)

JCSU also identified 2012-2013 funds it retained for students who did not begin classes in a term; however, those funds were returned to the Department.

A repayment due to the Department in the amount of \$13,658 (for five students and/or parents), plus \$176 in interest is identified below. The amounts to be returned to the Department are identified by FDL type.

APPENDIX B-1 2011-2012			
UNSUB	SUB	PLUS	COF
\$ 3,158	\$ 3,250	\$ 7,250	\$ 176

Please refer to **Appendix B-1** for the student listing and loan amounts to be adjusted for each student. The institution may also refer to **Appendix B-1** for the Interest/Cost of Funds (COF) calculation. The COF is the expense the Department incurred as a result of the institution retaining ineligible funds. The rate of interest is based on when the funds should have been returned to the Department.

Please refer to Section E (Payment Instructions) provided on page 38 of this letter for the detailed steps the institution must follow to make the necessary adjustments and pay the liability resulting from this finding.

**Final Determination for Finding 3:**

In response to this finding, the institution acknowledged that 2011-2012 and 2012-2013 award year funds were retained for students who were not correctly identified as withdrawn.

JCSU is required to return \$432,335 in FDL funds; \$2,787 in Pell Grant funds; plus \$3,402 in the COF. The amounts to be returned to the Department are identified as follows:

APPENDIX A-1 (2011-2012) & APPENDIX C-1 (2012-2013)					
TERM	UNSUB	SUB	PLUS	COF on FDL	PELL
FALL 2011	\$ 32,660	\$ 25,550	\$ 31,219	\$ 1,320	\$ 0
SPRING 2012	\$ 110,213	\$ 37,001	\$ 14,941	\$ 1,735	\$ 0
SUMMER 2012	\$ 1,109	\$ 2,242	\$ 0	\$ 30	\$ 0
FALL 2012	\$ 66,643	\$ 14,737	\$ 3,260	\$ 292	\$ 0
FALL 2012	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,599
SPRING 2013	\$ 72,414	\$ 14,695	\$ 4,036	\$ 25	\$ 0
SUMMER 2013	\$ 0	\$ 1,615	\$ 0	\$ 0	\$ 0
SUMMER 2013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 188

Please refer to **Appendix A-1 (by term)** for the 2011-2012 student listing and amounts to be adjusted for each student. Please refer to **Appendix C-1 (by term)** for the 2012-2013 student listing and amounts to be adjusted for each student.

The institution may also refer to **Appendix A-1 and C-1** for the applicable COF calculations.

Any duplicated liabilities have been removed in the final liability table.

Please refer to Section E (Payment Instructions) provided on page 38 of this letter for the detailed steps the institution must follow to make the necessary adjustments and pay the liability resulting from this finding.

The school's updated policies and procedures for performing R2T4 calculations in the future are acceptable. However, the institution's "*Process for Addressing Students with Non-Attendance*" does not address FDL recipients who fail to attend; the policy only addresses Pell Grant recipients.

JCSU must update its policy to account for all Title IV recipients who are registered for, but who fail to begin attendance in a class.

**Finding 4: Incorrect Return Calculations for Withdrawn Students**

**Noncompliance:**

When a Title IV recipient 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. 34 C.F.R. § 668.22(a). When calculating the returns, the payment period or period of enrollment should include all days within the period, except that scheduled breaks of at least five consecutive days must be excluded from the payment period and the number of days completed. 34 C.F.R. § 668.22 (f)(2)(i).

R2T4 calculations for the 2011-2012 award year were incorrect because the institution failed to exclude scheduled breaks of five days or more in the calculations. This resulted in an incorrect calculation for the percentage of Title IV aid earned. In each of these cases, the institution returned more funds to Title IV programs than was required. This error, however, could, and did, result in the institution not refunding the correct amount of Title IV funds. The following table demonstrates the difference in the percentage of completion by using the correct number of days in the term:

Student	Incorrect R2T4 Calculation: Days Completed/Days in Term	% of Completion	Correct R2T4 Calculation: Days Completed/Days in Term	% of Completion
1.	68 / 111 days (Spring 2012)	61.3%	68 / 107 days (Spring 2012)	63.6%
10.	58 / 111 days (Spring 2012)	52.3%	58 / 107 days (Spring 2012)	54.2%
14.	24 / 116 days (Fall 2011)	20.7%	24 / 111 days (Fall 2011)	21.6%