

Index Sheet

Ope Id No: 00247300

School Name: KANSAS CITY ART INSTITUTE

Subfolder: Program Review/FPRD

Doc Type: FPRD with Attachments

Rec Date:

Org Date: 01/02/2013

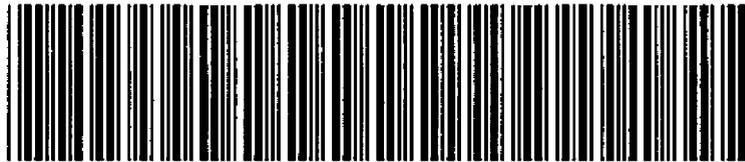
School Year: 2013

ACN:

PRCN:

Box ID: 1473

Unique ID: SC1000000818867





December 13, 2012

Ms. Jacqueline Chanda
President
Kansas City Art Institute
4415 Warwick Boulevard
Kansas City, MO 64111-1874

Shipment via United Parcel Service
Tracking No. 1Z A54 67Y 01 9966 7232

RE: Final Program Review Determination
OPE ID: 00247300
PRCN: 201120727459

Dear President Chanda:

The U.S. Department of Education's (Department's) School Participation Division – Kansas City issued a program review report on March 30, 2011, covering Kansas City Art Institute's (KCAI) 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 2009-10 and 2010-11 award years. The institution's final response was received on July 3, 2012.

The School Participation Division – Kansas City has reviewed KCAI's response(s) to the Program Review Report. A copy of the program review report (and related attachments) and KCAI's initial response are attached. Any supporting documentation submitted with the response or subsequent is being retained by the Department and is available for inspection by KCAI 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.

KCAI's responses have resolved all findings. In addition, KCAI has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, KCAI may consider the program review closed with no further action required.

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division – Kansas City

8930 Ward Parkway, Suite 2028, Kansas City, MO 64114

Kansas City Art Institute,
OPE: 00247300
PRCN: 201120727459
Page 2 of 2

If you have any questions please call Rick Moore at 816-268-0421 or via email at richard.moore@ed.gov.

Sincerely,

(b)(6)

Ralph A. LoBosco
Division Director

Enclosure: Program Review Report
KCAI Response to the Program Review Report

cc: Darci Webster, Financial Aid Director
Director, Missouri Coordinating Board for Higher Education
Director, North Central Association of Colleges and Schools, Higher Learning
Commission

Prepared for

Kansas City Art Institute



START HERE
GO FURTHER
FEDERAL STUDENT AID

OPE ID: 00247300

PRCN: 201120727459

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team – Kansas City

Program Review Report

March 30, 2011

Table of Contents

A. Institutional Information	ii
B. Scope of Review.....	iii
C. Findings.....	1
1. STUDENT CREDIT BALANCE DEFICIENCIES	1
2. VERIFICATION VIOLATIONS	2
3. ENTRANCE/EXIT COUNSELING NOT DOCUMENTED/PERFORMED	4
4. IMPROPER DIRECT LOAN DISBURSEMENT – DECLINED ON AWARD LETTER.....	6
5. PROFESSIONAL JUDGMENT NOT PROPERLY DOCUMENTED	6
6. IMPROPER CERTIFICATION OF FEDERAL FAMILY EDUCATION LOAN ..	7
7. INCORRECT RETURN TO TITLE IV CALCULATION.....	8
8. INADEQUATE FSEOG SELECTION POLICY	9
D. Appendix A - Student Samples	10

Kansas City Art Institute
OPE ID: 00247300
PRCN: 201120727459
Page ii

A. Institutional Information

Kansas City Art Institute
4415 Warwick Boulevard
Kansas City, MO 64111-1874

Type: Private, Nonprofit

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: North Central Association of Colleges and Schools

Current Student Enrollment: 734

% of Students Receiving Title IV: 78%

Title IV Participation (Source: G5, Institutional Disbursement Records)

	<u>2009-2010</u>
Federal Pell Grant	\$1,087,235
Federal Family Educational Loan Program (FFELP)	5,440,030
Academic Competitiveness Grant (ACG)	57,775
FSEOG	149,294
Federal Work Study (FWS)	136,785
Federal Perkins Loan Program	258,800

Default Rate FFEL:	2008	7.5%
	2007	4.7%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Kansas City Art Institute (KCAI) from January 24th to January 28th, 2011. The review was conducted by Mr. Rick Moore, Mrs. Jenny Hendrickson, Ms. Joy Frazier, and Mr. Jim Wyant.

The focus of the review was to determine KCAI'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 KCAI's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, six files were selected based on withdrawn enrollment status for additional review of Return to Title IV calculations. Appendix A lists the names 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 KCAI's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve KCAI of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by KCAI to bring operations of the financial aid programs into compliance with the statutes and regulations.

1. STUDENT CREDIT BALANCE DEFICIENCIES

Citation: Federal regulations stipulate that whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible, but no later than 14 days after the balance occurred. 34 C.F.R. § 668.164(e)

An institution may hold on behalf of a student any Title IV funds that would otherwise be paid directly to the student, if the institution obtains a written authorization from the student. 34 C.F.R. § 668.165(b)(1)(ii) In obtaining such authorization, the institution (1) may not require or coerce the student to provide the authorization; (2) must allow the student to cancel or modify the authorization at any time; and (3) must clearly explain how it will hold those funds on behalf of the student. 34 C.F. R. § 668.165(b)(2)

If an institution holds excess student funds, the institution must (1) identify the amount of funds it holds for each student in a subsidiary ledger account designed for that purpose; (2) maintain cash in its bank account at all times at least equal to the amount of funds the institution holds for the student; and (3) notwithstanding any authorization, must pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. § 668.15(b)(5)

In addition, notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary, lender, or guaranty agency, any Title IV, HEA program funds, except Federal Work Study program funds, that it attempts to disburse directly to a student or parent that the student or parent does not receive or negotiate those funds. If an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check. If a check is returned to the institution, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. In cases where the institution does not make another attempt, the funds must be returned before the end of this 45 day period. 34 C.F.R § 668.164(h)

Noncompliance: During the review, it was found that KCAI does not routinely attempt to resolve any outstanding checks previously issued to students resulting from credit balances. KCAI staff provided the reviewers a listing of outstanding checks dating back to July 1, 2000. KCAI has failed to abide by regulations as stated above that require these funds to be returned to the Department if they are not negotiated. It did not appear that the institution routinely made any additional efforts to locate the intended recipient or to follow up on the outstanding credit balance checks.

Required Action: In response to this finding, KCAI is required to confirm the previous information provided during the program review for all outstanding credit balances from July 1, 2000 to the present. For all Title IV, HEA credit balances that have not been disbursed and delivered to each student, the following information must be provided. The required format for submission of the results is indicated below, including example data:

Student's Name	Award Year	Student Account Disbursement Date	Number of Disbursement Days Late	Amount of Title IV Program Funds Disbursed or Not Disbursed To Student's Account			Amount of Credit Balance Refund, If any	Date Credit Balance Refund Processed
				FPell	FSEOG	ACG		
	2009-10	10/14/09	27	2,000				

All Title IV, HEA credit balance refunds that KCAI failed to disburse and deliver must be disbursed to the student or returned to the appropriate Title IV program. For any undisbursed funds, an updated copy of the student's account statement must be submitted along with the above spreadsheet. In addition, KCAI is required to review and revise its internal policies and procedures to ensure that all Title IV, HEA program funds are disbursed in a timely manner in the future. The policy must also incorporate the procedures for handling outstanding credit balance checks. A copy of these procedures must accompany KCAI's response to this finding.

2. VERIFICATION VIOLATIONS

Citation: The purpose of verification is to ensure accuracy in determining a student's eligibility for Title IV, HEA program funds. If a student is selected for verification, an institution is responsible for confirming information reported on the student's application for Federal student aid, as well as resolving any conflicting information that presents itself regarding the application. The five required data elements that must be verified are: (1) household size; (2) number enrolled in college; (3) adjusted gross income (AGI); (4) U.S. income tax paid; and (5) other untaxed income and benefits. Supporting documentation collected from the student or parents is compared to the information that

was reported on the student's ISIR. An institution must retain in the student's file any verification documentation it collects to serve as evidence that it completed the verification process. 34 C.F.R. §§ 668.16(f), 668.24(c)(1)(i), and 668.56; the Department's *2009-10 Application and Verification Guide*.

Noncompliance: As a result of verification violations found in KCAI's compliance audit covering the period July 1, 2008 through June 30, 2009, KCAI was required to perform a file review of all students selected for verification during that period. The institution submitted the necessary information and paid liabilities in the amount of \$109,472.00. Subsequent to that audit review, the institution reviewed the files of students selected for verification from July 1, 2009 to the present.

During the onsite program review, no verification violations were found in the files of the students selected for sampling. However, the institution was requested to provide the information it had compiled regarding its file review of students selected for verification since July 1, 2009. There were approximately five student files in that report for whom verification could not be completed and/or was not completed properly

Student #2: This student indicated on the Verification Worksheet that he had untaxed income from Supplemental Security Income (SSI) in the amount of \$859 a month. Wellspring then entered this information on the FAFSA to reflect \$10,308 in untaxed SSI benefits. However, SSI was removed from consideration in the EFC calculation starting with the 2009-10 FAFSA by the College Cost Reduction and Access Act of 2007. The student's EFC was calculated to be 1500. If the erroneous SSI amount had been removed from the FAFSA, the resulting calculation would have reduced the student's EFC to zero, thereby increasing his Federal Pell Grant eligibility.

Student #7: The institution did not complete verification correctly for this student by not correcting discrepant information. The student's actual tax liability was zero. However, the amount of taxes withheld was \$3,342.00. This amount was erroneously entered on the Student Aid Report as the student's tax liability and was not corrected during verification. Using the correct tax liability of zero would have resulted in a lower EFC for this student.

Required Action: In response to this report, KCAI must provide the documentation of its file review for all students who were Title IV recipients for the 2009-10 and 2010-11 award years and who were selected for verification. For any student who was selected for verification, KCAI must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

- (1) Student's first and last name;
- (2) Social Security number (last four digits only);
- (3) Award year;
- (4) Date of Disbursement;

- (5) Amount of Disbursement;
- (6) Title IV program;
- (7) Indication of whether verification was completed for that student (Y/N)
- (8) Legible copy of student's original account card;
- (9) Legible copy of all transactions of the student's Institutional Student Aid Report(s) (ISIR); and
- (10) Legible copy of student's verification worksheet and all documentation used by the institution to complete the verification process.

The Excel spreadsheet should be compiled in the following format:

Student	SSN (last 4)	Award Year	Title IV programs	Disbursement Dates	Disbursement Amounts	Verification Completed (yes/no)	Adjusted EFC

If KCAI is unable to properly complete the verification process for the identified students, the institution will be liable for all Title IV aid disbursed to those students in the affected award year(s).

KCAI is also required to develop policies and implement procedures that will ensure that, in the future, the verification process is adequately completed for all students. A copy of the policies and procedures for verification must be included with KCAI's response.

Instructions for the payment of any identified liabilities will be provided in the FPRD letter.

3. ENTRANCE/EXIT COUNSELING NOT DOCUMENTED/PERFORMED

Citation: Federal regulations require a school to ensure that initial counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means prior to its release of the first disbursement, unless the student borrower has received a prior Federal Stafford, Federal SLS, or Direct subsidized or unsubsidized loan. A school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions regarding those programs. As an alternative, in the case of a student borrower enrolled in a correspondence program or a student borrower enrolled in a study-abroad program that the home institution approves for credit, the counseling may be provided through written materials, prior to releasing those loan proceeds. A school must maintain documentation substantiating the school's compliance with requirement for each student borrower. 34 C.F.R. § 685.304(a).

Federal regulations also require a school to ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program. If a student borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required. 34 C.F.R. § 685.304(b)

Noncompliance: In two instances, KCAI failed to maintain documentation in the student's file indicating that the student completed Direct/FFEL loan entrance and exit counseling.

Student #6 - The student's records indicated that the student withdrew on 07/02/09. However, the student's financial aid file contained no documentation reflecting that the student had undergone Direct/FFEL loan exit counseling.

Student #23 - The student's financial aid file and account card indicate that the student was awarded and disbursed \$1,750 in Direct Subsidized Loans, \$1,000 in Direct Unsubsidized Loans and \$5,000 in Direct Plus Loan in the 2010/11 award year. However, the student's financial aid file contained no documentation reflecting that the student had undergone Direct Loan entrance counseling.

Required Action: In response to this report, KCAI must provide appropriate entrance and exit counseling materials to the students as stated above, in a manner consistent with the Department's requirements. A discussion of KCAI's resolution of this finding, with supporting documentation, should be included in its response.

Additionally, KCAI must provide the Department with assurances that KCAI will perform all required entrance and exit counseling to student borrowers in the future.

4. IMPROPER DIRECT LOAN DISBURSEMENT – DECLINED ON AWARD LETTER

Citation: Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized Loans. 34C.F.R. § 668.165(a)(1)

A student or parent must inform the institution if he or she wishes to cancel all or a portion of a loan or loan disbursement. 34 C.F.R. § 668.165(a)(4)(i)

The institution must return the loan, cancel the loan or do both, in accordance with program regulations provided that the institution receives a loan cancellation request. 34 C.F.R. § 668.165(a)(4)(ii)

Noncompliance: In one instance, KCAI failed to properly disburse Direct Stafford loan funds due to the student declining the award on their award letter.

Student # 20 - The student had declined a \$2,000, 2010-2011, Direct Unsubsidized Stafford Loan on an award letter dated 04/26/2010. \$1000 (\$995.00 Net) of the Direct Unsubsidized Stafford Loan was disbursed to the student's account on 9/7/2010 even though the student had declined the award.

Required Action: In response to this report, KCAI must verify with the student that they intended to decline the \$2000, 2010-2011 Direct Unsubsidized Stafford Loan. If the student intended to accept the loan, a signed confirmation must be provided by the student. If the student did not intend to accept the loan, KCAI must remove the disbursement from the student's account and cancel the loan.

5. PROFESSIONAL JUDGMENT NOT PROPERLY DOCUMENTED

Citation: Although the Expected Family Contribution (EFC) is defined by law, a financial aid administrator can make individual adjustments, based on his or her professional judgment, to adjust the components of a student's cost of attendance, and to adjust the data elements used to calculate a student's EFC-including a student's parent's adjusted gross income. Such adjustments must be made on a case-by-case basis and the reasons for the adjustment must be documented in the student's file. A professional judgment decision must be based on conditions that differentiate an individual student, rather than conditions that exist for a whole class of students. Higher Education Act of 1965, Section 479A (a), as amended - *Federal Student Aid Handbook*, Application and Verification Guide

Noncompliance: In one instance, KCAI performed professional judgment to adjust a student's EFC but failed to adequately document the decision.

Student # 14 - While reviewing the student's file it was noted that an adjustment was made to the parent's income on the 2009-2010 Institutional Student Information Record (ISIR) resulting in a zero EFC for this student. The ISIR did not reflect that a professional judgment action had been taken by the Financial Aid Director, but only that an adjustment in income and assets had been made. In addition, the basis for the professional judgment could not be determined due to the lack of documentation in the student's file. There was an unsigned document in the student's file that appeared to be from the student's parent indicating that both parents had recently become unemployed. There was no other evidence to support this statement. Such evidence could include dates of unemployment, unemployment check stubs, letter from previous employer, etc. The Financial Aid Director also unnecessarily adjusted the amount of cash on hand.

Required Action: KCAI must provide the Department with documentation substantiating the reasons for professional judgment for this student. Lack of proper documentation may result in KCAI having to return ineligible Title IV funds for this student. KCAI must also provide written assurances that KCAI will adhere to all applicable documentation requirements when performing professional judgment in the future.

Instructions for the payment of any identified liabilities will be provided in the FPRD letter.

6. IMPROPER CERTIFICATION OF FEDERAL FAMILY EDUCATION LOAN

Citation: Federal regulations, state that the institution's primary responsibility in the Federal Family Education Loan (FFEL) application process is to certify that the borrower is eligible for the loan amounts requested based on annual and aggregate loan limits. The institution must substantiate that the information it provides in connection with a loan application about the student borrower, as well as the parent borrower, is complete and accurate. This information must include the student's (1) Cost of Attendance (COA), (2) Expected Family Contribution (EFC), and eligible (3) Estimated Financial Assistance (EFA) for the loan period. In addition, the information must be made available to the lender, the guarantor as well as the Department upon request. The regulation further states that an institution may not certify a loan for more than the amount the borrower requests, borrower's unmet financial need, borrower's cost of attendance, or borrower's maximum borrowing limit. 34 C.F.R. §§ 682.201 and 682.603

Noncompliance: In one instance, KCAI certified and disbursed a Federal Family Education Stafford Unsubsidized loan to a student with a zero EFC without first exhausting the student's Subsidized Loan limit.

Student # 14 - A professional judgment was performed on the student's file resulting in a zero EFC for the 2009-2010 award year. The student's aid package did not include Federal Subsidized Stafford Loans for which she would have qualified based on her EFC and unmet need.

Required Action: KCAI must properly reclassify this student's unsubsidized loan amounts to the proper subsidized loan amounts. In addition, KCAI must provide the Department with written assurances that it will package all student borrowers in accordance with the applicable Federal Regulations as noted above.

7. INCORRECT RETURN TO TITLE IV CALCULATION

Citation: Federal regulations in the Student Assistance General Provisions state that when a student withdraws from an institution during a payment period or period of enrollment the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the withdrawal date. A statutory calculation, Return of Title IV Funds, is used to determine the amount of Title IV funds a student earned as of the date the student ceased attendance. 34 C.F.R. § 668.22

Noncompliance: The program review revealed two instances where the institution's Return to Title IV calculations had been performed incorrectly.

Student 31 - During the review, an error was found in Step 1 of the refund calculation for this student. According to the "Treatment of Title IV Funds When A Student Withdraws From A Credit-Hour Program" worksheet in the student file, the student withdrew on September 21, 2009 and the school's date of determination is September 28th. However, no aid was disbursed to the student on or before September 21st. Therefore, the Unsubsidized and Subsidized FFEL Loan amounts should have been listed in the "Amount that Could Have Been Disbursed" column instead of the "Amount Disbursed" column. The funds received in this situation were placed on the student's account on September 22, 2009 and could be treated as an "inadvertent overpayment" as discussed in the *FSA Handbook, Volume 5, Chapter 2*.

Student 36 - During the review, an error was found in Step 1 of the refund calculation for this student. According to the "Treatment of Title IV Funds When A Student Withdraws From A Credit-Hour Program" worksheet in the student file, the student withdrew on September 2, 2010, and the school's date of determination is September 2nd. However, no aid was disbursed to the student on or before September 2nd. Therefore, the Federal Pell Grant, Federal Unsubsidized and Subsidized Direct Stafford Loan amounts should

have been listed in the "Amount that Could Have Been Disbursed" column instead of the "Amount Disbursed" column. See *FSA Handbook, Volume 5, Chapter 2 and CFR §668.22(a)(3)(ii)*.

Required Action: Institutions are expected to have the administrative capability to prevent inadvertent overpayments on a routine basis. Specifically, an institution is expected to have in place a mechanism for making the necessary eligibility determinations prior to the disbursement of any Title IV, HEA program funds. For example, a process should be in place by which withdrawals are reported immediately to those individuals at the institution who are responsible for making Title IV, HEA program disbursements. Kansas City Art Institute is required to submit its R2T4 procedures to this office, ensuring it adequately addresses how it determines what aid is considered to be classified as "Aid That Could Have Been Disbursed".

8. INADEQUATE FSEOG SELECTION POLICY

Citation: In each award year, an institution must select its FSEOG recipients from among those eligible students with the lowest EFC's who will also receive Federal Pell Grant funds in that award year. 34 C.F.R. § 676.10 (a)(1). If, after awarding FSEOG to all eligible Federal Pell Grant recipients, additional FSEOG funds remain, the institution must then award FSEOG to those eligible students with the lowest EFC's who did not receive Federal Pell Grant funds in that award year. 34 C.F.R. § 676.10(a)(2). Finally, if an institution's allocation of FSEOG funds is directly or indirectly based on the financial need of less-than-full-time students or independent students, the institution must offer a reasonable portion of its FSEOG allocation to those students. 34 C.F.R. § 676.10(b).

Noncompliance: The institution has a limited amount of FSEOG funds available. However, during the review, it was found that the institution did not always award FSEOG funds to the students with greatest economic need (lowest EFC's). The institution's FSEOG awarding policy appears to be inadequate. Priority should be given to those students with the lowest EFC's. One student with a higher EFC was awarded FSEOG funds while several other students with zero EFC's did not receive FSEOG funds.

Student #23: This student had an EFC of 3784 for the 2010-11 award year and received an FSEOG award of \$2,000.00. Although the student was Pell eligible, there were several other students who had zero EFC amounts that did not receive FSEOG awards.

Required Action: With its response to this report, KCAI must submit a copy of its policies and procedures that will ensure it awards FSEOG funds to the neediest students and that FSEOG funds are made reasonably available to those students.

D. Appendix A - Student Samples

2009-10 Award Year Sample

Student No.	SSN (last 4)	Last Name	First Name
1	(b)(6)		
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			

2010-11 Award Year Sample

Student No.	SSN (last 4)	Last Name	First Name
16	(b)(6)		
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			

Additional Files for Review – Withdrawal/R2T4

Student No.	SSN (last 4)	Last Name	First Name
31	(b)(6)		
32			
33			
34			
35			
36			

**Kansas City Art Institute Program Review
Response**

FINDING #1 – STUDENT CREDIT BALANCE DEFICIENCIES

See attached information.

FINDING #2 – VERIFICATION VIOLATIONS

9: Verification

9.1 Introduction

Verification is the process of confirming the accuracy of student reported data on financial aid applications. Only a portion of the student population is selected for verification.

9.2 Selection of Applications to be verified

The FAO verifies those applicants identified by the Department of Education (DOE). Typically, the DOE selection criteria translate into verifying thirty percent of the financial aid population at KCAI. In addition, the Director may select a student for verification if there is a discrepancy or a condition which is unusual and warrants investigation.

9.2.1 Conflicting Information for Non-selected Applicants

Aid Administrators are required to resolve any discrepancies discovered in a student's file. Because need analysis information is only collected from the DOE, and additional information is typically not requested from students who are not selected for verification, conflicting information is systematically rare.

9.3 Verification Time Frame

Upon receipt of any documentation that a student intends to apply for financial aid, a Tracking Letter listing missing items is sent to the student when the student record is activated after receipt of a federal transmission. This letter informs the student of any additional information which is required to complete his/her financial aid file. If the FAO has received DOE information identifying the student as being selected for verification, the tracking items letter requests the appropriate verification documents (i.e., verification form, student and parent tax returns).

9.4 Verification Process

Upon receipt of required verification documentation (verification worksheet, parent & student tax returns and w-2s), an inner office verification worksheet is created along with the submitted documentation and given to the appropriate staff member. The inner office verification worksheet requires initials and dates to clarify when and who processed the file. All files verified require a second review by the Executive Director of Financial Aid Compliance. All ISIR corrections will be processed via PowerFAIDS; this way the EFC is automatically updated and the student will not be over/under awarded.

In the case where a student fails to submit verification documentation, then no federal aid will be processed or disbursed for this student.

FINDING #3 – ENTRANCE/EXIT COUNSELING NOT DOCUMENTED OR PERFORMED

In regard to Student #6, KCAI has sent this student required notification to complete exit counseling, in compliance with regulations. A copy of this notification is included with this documentation. In regard to Student #23, the student had completed entrance counseling on 07/11/2010 via the Direct Loan website. A copy of this confirmation is also included in this documentation.

12.3.5.7 Entrance & Exit Loan Counseling

The Department of Education requires all first time Stafford loan borrowers to complete Entrance Loan Counseling prior to receiving a Federal Stafford Loan. The counseling session is designed assist the student in understanding his/her rights, responsibilities and obligations regarding repayment of federal loans. Session instructions are provided on the web page to inform the student of the information they will need to complete the counseling, the approximate amount of time required, and other basic guidelines.

Once a student completes the entrance counseling session, the FAO will be notified electronically. A copy of the entrance counseling confirmation will be printed and placed in the student's file. Loan proceeds will not be released until this process is completed.

A student withdrawing, graduating or leaving KCAI is also required to complete exit loan counseling. A student who fails to complete exit loan counseling is contacted by the Office of Financial Aid within 30 days and, if necessary, sent the information via e-mail. Exit counseling sessions are offered in person or online through www.nsls.ed.gov.

If at any time during these sessions the student has any questions, he/she may contact the FAO. During in person exit counseling sessions, students are encouraged to ask questions and are informed that they may contact the FAO at any time with further questions.

FINDING #4 – IMPROPER DIRECT LOAN DISBURSEMENT

KCAI contact student #20 in regard to the unsubsidized loan that was disbursed to the student's account/ The student confirmed that they did not want the unsubsidized Stafford loan. The funds were returned to the Department of Education and removed from the student's account.

To prevent this type of mistake in the future. Once a loan is declined the loan is removed from the student's packaging screen. This will help to eliminate processing a declined loan.

FINDING #5 – PROFESSIONAL JUDGMENT NOT PROPERLY DOCUMENTED

In regard to student #14, additional documentation in regard to the professional judgment could not be retrieved. KCAI will return all ineligible Title IV funds for this student. The following policy has been put into place to ensure proper documentation of professional judgments.

11: Professional Judgment

The Higher Education Act of 1992 allows financial aid administrators to make professional judgment decisions for special or unusual family or student circumstances. These circumstances must be documented. Circumstances requiring professional judgment decisions must be analyzed on a case-by-case basis.

Aid Administrators may treat a student with special circumstances differently than the strict application of the methodology would otherwise permit. Adjustments can either increase or decrease a student's EFC or cost of attendance. In the case of an adjustment to a student's EFC or cost of attendance, specified adjustments may be made to data elements. The reason for the adjustment must relate to that student's special circumstances and must be documented in the student's file.

11.1 Areas of Administration

Professional judgment decisions may be made to adjust eligibility for all institutional, Title IV, and campus-based aid. Documentation supporting special circumstances must be maintained in the student's folder.

11.2 Staff Authority

The Director has the authority to adjust a student's eligibility using professional judgment.

11.3 Circumstances

Student circumstances which may warrant a professional judgment decision include, but are not limited to:

1. Cancellation of parental contribution due to an abusive relationship with a family member. A letter from the student explaining the situation and requesting consideration must be on file. A signed letter (on business stationary) from a Priest, a Rabbi, a therapist, an adult, non-family member would be an example of appropriate documentation. If possible, three letters documenting the situation should be collected.
2. Cancellation of parental contribution due to parental abandonment of the student. A letter from an adult explaining the circumstances of the abandonment would be appropriate documentation. Typically, another adult is assisting the student (lives with a grandparent, a girlfriend/boyfriend's parent). If the student is receiving other assistance, in-kind support should be checked and documented.

11.4 Student Appeals

Students may appeal decisions of Aid Administrators. A student must first submit a written appeal to the Financial Aid Director. The decision of the Director is final, and no further means for appeal are available.

11.5 Documentation

Aid Administrators are required to document professional judgment decisions. This documentation must be maintained in the student's file. Because professional judgment situations are unique, specific required documentation is not listed for each case. It is left to the discretion of the Aid Administrator to select what is appropriate documentation. However, all students requesting professional judgment, if not already, will be selected for verification by KCAI. All verification documentation must also be submitted with any other supporting documentation.

FINDING #6 – IMPROPER CERTIFICATION OF FEDERAL FAMILY EDUCATIONAL LOAN

In regard to reclassifying the loan for Student #14 please see the explanation in Finding #5. Since this student will need funds returned, reclassifying the loan may not be the correct action. If the student is awarded based on the original ISIR on file the student would only be eligible for unsubsidized loans.

To ensure that students are packaged in accordance to regulation, the financial aid staff will use the awarding calculator for new students and an awarding worksheet for returning students. The worksheets and/or calculator will be reviewed by a second staff member to ensure accuracy.

FINDING #7 -- INCORRECT RETURN TO TITLE IV CALCULATION

19: Refunds/Repayments

When a student withdraws from classes, he/she may be entitled to receive money back which had been paid to the Institute. The Institute may be able to refund all or a portion of the tuition, fees, housing costs, etc. the student paid. If the tuition, fees, housing costs, etc. were paid with financial aid dollars, then all or a portion of the student's refund must be returned to the student aid programs from which the money was awarded. A student who receives a cash disbursement to assist with living expenses and then withdraws, drops out, or is expelled, may be required to repay money to the aid programs from which the money was awarded. The Institute has designed the following policies and procedures to ensure proper accountability when a student leaves Kansas City Art Institute.

19.1 Tuition refund policy

On or before the first day of class: 100% refund

Second day to 1.5 weeks: 90% refund

1.6 to 3.75 weeks: 50% refund

3.76 to 7.5 weeks: 25% refund

No refunds will be made after 7.5 weeks of enrollment period

19.2 The date used to calculate the refund is determined as follows:

The refund will be calculated based on the date the student begins the official withdrawal process, the last date of documented attendance or for an unofficial withdrawal, the mid-point of the term or the last documented date of attendance.

If a student withdraws from school on or before the 60% point in the term, then the Financial Aid Office will perform a Return to Title IV Funds (R2T4) calculation. When processing the calculation all disbursed and aid that could have been disbursed will be included in the calculation. The percentage of unearned Title IV Federal financial aid shall be returned by the school and possibly the student.

The following distribution of returned funds is as follows:

1. Federal Unsubsidized Stafford Loan
2. Federal Subsidized Stafford Loan
3. Federal Perkins Loan
4. Federal PLUS Loan
5. Federal Pell Grant
6. FSEOG(Federal Supplemental Educational Opportunities Grant)
7. ACG
8. Other Title IV Aid Programs
9. Other Federal Sources
10. State, Private or Institutional Aid
11. The Student

19.4 Refund Procedures

Withdrawal record processed in Financial Aid Office (FAO). FAO consults with Business Office(B/O) on calculation. If Direct Loans are refunded, then funds are returned via COD, with a copy of the transaction placed in the student's file. If private loans are refunded to the lender--request to return funds submitted to Business Office. Business Office prepares check, gives to FAO. FAO sends check and letter to lender with last date of attendance notification. Copy of check and letter to lender also sent to student for their records.

19.4.1 Official Withdrawal

Students may find it necessary to withdraw from the college before the completion of the semester. To do so, students must complete a Change in Enrollment Form and follow the

FINDING #8 – INADEQUATE FSEOG POLICY

12.3.2 Federal Supplemental Educational Opportunity Grant (FSEOG)

The FSEOG is a gift program for students who demonstrate financial need. Priority is given to students who file their FAFSA on or before March 15 and are Pell eligible with a zero EFC.

12.3.2.1 Purpose of Program

The FSEOG program is federally funded for the purpose of helping the financially needy students meet the cost of postsecondary education. This program is administered by the institution.

12.3.2.2 Institutional Policy Statement

Determining Eligibility

In order to determine eligibility for any federal financial aid program, students must file a Free Application for Federal Student Aid (FAFSA) and have the results sent to KCAI. The FAO will accept results through electronic transmission with the Central Processing System (CPS). Student eligibility is determined only through the CPS of the Department of Education using the Federal Methodology need analysis formula. The FAO must have an official EFC before eligibility for any federal fund may be determined. FSEOG grants are awarded only to students who qualify for a Pell Grant. Students are notified of the amount of their FSEOG eligibility through an award letter. With the award letter, the student receives documentation stating how funds are to be disbursed and when the student may receive a cash disbursement.

Matching Requirement

KCAI matches the federal allocation of FSEOG funds by 25% as prescribed by law.

Payment

FSEOG funds are disbursed to students within 2 days after the add/drop period for those students who have a valid award letter.

The FSEOG is disbursed through the Business Office which subtracts tuition and other appropriate outstanding charges before releasing the remaining proceeds to the student.

Overawards

In the event of an overaward, the student's account is placed on hold until such time that the overpayment is rectified.

Recordkeeping

Financial aid records are maintained in students folders as well as on computer tape. Student records include the demonstration of need and FSEOG eligibility. The Director is responsible for account management and appropriate record security for all student aid transactions and how need was met for all aided students.

12.3.2.3 Student Eligibility

Students must meet the eligibility requirements described in Section 12.2. In addition, the FSEOG is awarded initially to Pell eligible students with a zero efc who file their FAFSA by March 15. Student eligibility is determined only through the Central Processing System of the Department of Education using the Federal Methodology need analysis formula.

12.3.2.4 Amount of Award

The regulated maximum amount of FSEOG is \$4,000 and the minimum is \$100. However, the FAO self-imposes minimum and maximum awards to ensure that the greatest number of students have an opportunity to receive a portion of the FSEOG allocation.