



March 16, 2015

Dr. Carlos Vargas-Aburto
Acting President
Kutztown University of Pennsylvania
15200 Kutztown Road
Kutztown, PA 19530-9339

Sent Via E-Mail and UPS
Tracking Number:
1ZA879640299704501

RE: **Final Program Review Determination**
OPE ID: 00332200
PRCN: 201140327694

Dear Dr. Vargas:

The U.S. Department of Education's (Department's) School Participation Division - Philadelphia issued a program review report on February 1, 2012 covering Kutztown University of Pennsylvania's (Kutztown's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2010-2011 award year. Kutztown's final response was received on September 21, 2012. A copy of the program review report (and related attachments) and Kutztown's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Kutztown 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 the liabilities to the Department, and (3) notify the institution of its right to appeal.

The total liabilities due from Kutztown for this program review are \$400,853.57.

This final program review determination contains detailed information about the liability determination for all of the findings.

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

School Participation Division - Philadelphia

The Wanamaker Building, 100 Penn Square East, Suite 511, Philadelphia, PA 19107
StudentAid.gov

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the finding in the attached report does not contain any student PII. Instead, the finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Program Review Student Sample.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the February 1, 2012 program review report. If Kutztown wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Kutztown receives this FPRD. An original and four copies of the information Kutztown submits must be attached to the request. The request for an appeal must be sent to:

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

Kutztown's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures

followed with respect to Kutztown'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).

If Kutztown has any questions regarding this letter, please contact Mr. Manual Loera on (215) 656-8503. 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)

Nancy Paula Gifford
Director
School Participation Division - Philadelphia

Enclosures: Protection of Personally Identifiable Information
Attachment A (February 1, 2012 Program Review Report)
Attachment B (Finding # 1 Spreadsheet)
Attachment C (Cost of Funds Worksheets)
Attachment D (FEDWIRE Form)
Attachment E (Federal Direct Loan Liability Roster and Template Letter)
Attachment F (Kutztown's Official Program Review Response)

cc: Mr. Bernard L. McCree, Director of Financial Aid Services
Pennsylvania Commonwealth System of Higher Education
Middle States Commission on Higher Education

Prepared for

**Kutztown University of
Pennsylvania**

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

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OPE ID: 00332200

PRCN: 201140327694

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division - Philadelphia

**Final Program Review Determination
March 16, 2015**

School Participation Division - Philadelphia
The Wanamaker Building, 100 Penn Square East, Suite 511, Philadelphia, PA 19107
StudentAid.gov

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A. Institutional Information

Kutztown University of Pennsylvania
15200 Kutztown Road
Kutztown, PA 19530-9339

Type: Four Year Public University

Highest Level of Offering: Master's/Doctorate Degrees

Accrediting Agency: Middle States Commission on Higher Education

Student Enrollment: 10,707 (2010-2011 Award Year)

Percentage of Students Receiving Title IV Funds: 75% (2010-2011 Award Year)

Title IV Participation: 2010-2011 Award Year

Federal ACG Program	\$ 490,000
Federal Pell Grant Program	\$11,565,190
Federal SEOG Program	\$ 224,441
Federal SMART Grant Program	\$ 107,500
Federal TEACH Grant Program	\$ 44,000
Federal Work Study Program	\$ 247,648
William D. Ford Federal Direct Loan Program	\$61,124,078
TOTAL	\$73,802,857

FFEL/Direct Loan Default Rates	2011: 4.7%
	2010: 5.1%
	2009: 4.2%

Federal Perkins Loan Program Default Rates	6/30/2014: 26.5%
	6/30/2013: 15.5%
	6/30/2012: 17.2%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Kutztown University of Pennsylvania (Kutztown) from September 12, 2011 to September 15, 2011. Mr. Robert Gelfand and Mr. Manual Loera conducted the review.

The focus of the review was to determine Kutztown's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs (Title IV programs). The review consisted of, but was not limited to, an examination of Kutztown'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 15 files was identified for review from the 2010-2011 award year. The student files were selected randomly from a list of students who: 1) withdrew or ceased attendance for any reason other than graduation; 2) were selected for verification; and 3) received all non-passing grades ("0" GPA) for any term within the award year being reviewed. Appendix A identifies 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 Kutztown'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 Kutztown of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV programs.

C. Findings and Final Determinations

Resolved Findings

Kutztown has taken the corrective actions necessary to resolve Findings 2, 3 and 4 in the program review report. Therefore, these finding may be considered closed.

Finding with Final Determination

The program review report finding requiring further action is summarized in this section. At the conclusion of the finding is a summary of Kutztown's response, and the Department's final determination.

Finding # 1: Student Enrollment Status Not Verified Before Disbursement

Noncompliance:

If a student does not begin attendance in a payment period or period of enrollment, an institution must return all Title IV grant and loan funds that were credited to the student's account at the institution or disbursed directly to the student for that payment period or period of enrollment. 34 C.F.R. § 668.21(a)(1). The Secretary considers that a student has not begun attendance in a payment period or period of enrollment if an institution is unable to document the student's attendance at any class during the payment period or period of enrollment. 34 C.F.R. § 668.21(c). An institution must return those funds for which it is responsible to the respective Title IV program as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance. 34 C.F.R. § 668.21(b).

If a student fails to complete a payment period in which he/she began, an institution must determine the student's date of withdrawal and perform a Return of Title IV Funds calculation. 34 C.F.R. §§ 668.22(c) and (e). An institution, therefore, must have a procedure to determine whether a Title IV aid recipient who began attendance completed the period, or if the student unofficially withdrew. In this regard, if a student earns a passing grade in one or more classes, an institution may assume that the student completed the course and, therefore, the payment period. However, if a student who began attendance fails to earn a passing grade in at least one course in the payment period, an institution must assume that the student unofficially withdrew, unless the institution can document that the student completed at least one course in the period. An institution may use its policy and procedures for reporting final grades to determine whether a student who failed to earn a passing grade in any class completed the period or unofficially withdrew. See Dear Colleague Letter (DCL) Gen-04-03 (Revised).

If a student's projected enrollment status changes during a payment period before the student begins attendance in all classes for that payment period, an institution shall recalculate the enrollment status to reflect only those classes for which the student actually began attendance. 34 C.F.R. § 690.80(b)(2)(ii).

During the course of the review, Kutztown was not able to determine whether students who failed to receive a passing grade in any class in a semester during the 2010-2011 award year completed the courses in the semester or unofficially withdrew. The institution did not have official procedures in place to determine if a student was attending the institution after the Drop/Add period at the beginning of the semester.

As outlined in the program review report, Kutztown could not provide documentation to confirm that Students # 5, 8 and 12 earned non-passing grades instead of receiving the grades due to not attending the institution. Kutztown provided debit card receipts to show that Student # 5 was making regular food purchases on campus during the Spring

2011 semester, but this documentation alone was not confirmation of attendance in an academically related event. For Students # 8 and 12, Kutztown informed the Department that an e-mail was sent to the instructor of each non-passing grade class. The Director of Financial Aid Services provided the results of the inquiry on September 22, 2011. Both students attended part of the semesters, but the non-passing grades were the result of each student unofficially withdrawing from the institution. As such, the completion of a Return of Title IV Funds calculation for each student was necessary.

Directives From Program Review Report:

Kutztown was required to review the files of all Title IV aid recipients to identify any student who failed to receive at least one passing grade in a semester during the 2010-2011 award year. Kutztown was then instructed to compile the results of its file review in a spreadsheet and provide hardcopy documentation supporting the enrollment status of each student. The institution was informed to include Students # 5, 8, and 12 in the file review. In addition, Kutztown was required to establish policies and procedures that were applicable to all Departments within the institution to monitor the status of enrolled students. Kutztown was also required to send a copy of its policies and procedures with the official response to the program review report.

Final Determination:

In its response to the program review report, Kutztown concurred with the finding. The institution reported that it was not able to determine the enrollment status of those students who failed to receive at least one passing grade in a semester during the 2010-2011 award year without asking the instructors directly if the student attended each course. A copy of each instructor's e-mail reply to Kutztown's inquiry was provided to the Department with the response. However, the institution reported that some of the instructors were no longer with Kutztown and confirmation of student attendance in those courses could not be verified.

Included with Kutztown's response were the institution's procedures to avoid a recurrence of this finding. Kutztown reported that it would "develop an action plan to determine attendance for all students who are failing at the midpoint of the semester. An email will be sent to faculty to respond to our office indicating the student's attendance and their academic standing at that point. At that point, the Financial Aid Services office will determine whether a refund calculation is required."

The Department examined the documentation included with Kutztown's response to the program review report. The institution identified 176 students¹ (including Students # 5, 8

¹ The 176 students represent the total number of students with all non-passing grades for the Fall 2010 and Spring 2011 semesters. Seventeen of the students were listed twice on the spreadsheet since all non-passing grades were received for both semesters.

and 12 in the program review sample) in the file review who failed to receive at least one passing grade in any semester during the 2010-2011 award year. From the 176 students identified by Kutztown, the Department has determined that all or some Title IV program funds must be returned for 144 students².

Attachment B (Finding 1 Spreadsheet) contains a synopsis of the Department's review of the 144 students. The synopsis includes a summary of the documentation Kutztown sent to the Department for each student, the Department's final determination for that student, and the liability amount per student (separated by semester, if applicable).

Please be advised of the following when reviewing the Attachment B:

1. If Kutztown was not able to provide confirmation that the student was enrolled for a semester, all Title IV program funds disbursed for that semester were considered a liability.
2. If Kutztown was not able to provide confirmation that the student attended past the 60 percent point in a semester, a Return of Title IV Funds calculation was completed. If Kutztown was able to provide confirmation that the student was enrolled past the midpoint of the semester, but less than 60 percent of the semester, the Return of Title IV Funds calculation was completed based on the last day an instructor reported the student in attendance/taking an exam.
3. If Kutztown was not able to provide confirmation that the student was enrolled full-time, Federal Pell Grant Program funds were prorated to either $\frac{3}{4}$ time, half time or less than half time status based on the documentation the institution sent. For the Federal ACG Program³, the funds were prorated for the semester as well, unless the student, based on the documentation sent, was determined to be less than half time. A less than half time student was not eligible to receive Federal ACG Program funds. The Return of Title IV Funds calculations Kutztown completed were adjusted, if applicable, and the calculations the Department completed were prepared with the appropriate grant proration.

² The 144 students represent the total number of students in which a liability is assessed. Title IV program funds must be returned for 11 of the students for both the Fall 2010 and the Spring 2011 semesters.

³ The Federal ACG first year annual award for: 1) a full-time student was the lesser of \$750 or a reduced ACG Scheduled Award as determined by 34 C.F.R. § 691.62(a)(2), 2) a three-quarter-time student was the lesser of \$562.50 or 75 percent of a reduced ACG Scheduled Award, and 3) a half-time student was the lesser of \$375 or 50 percent of a reduced ACG Scheduled Award. 34 C.F.R. § 691.62(c).

The Federal ACG second year annual award for: 1) a full-time student was the lesser of \$1,300 or a reduced ACG Scheduled Award as determined by 34 C.F.R. § 691.62(a)(2), 2) a three-quarter-time student was the lesser of \$975 or 75 percent of a reduced ACG Scheduled Award, and 3) a half-time student was the lesser of \$650 or 50 percent of a reduced ACG Scheduled Award. 34 C.F.R. § 691.62(d).

- 4. If Kutztown completed a Return of Title IV Funds calculation based on a withdrawal date prior to the semester mid-point, the Department used the same withdrawal date in determining the liability amount.

Please see Section D, Summary of Liabilities, and Section E, Payment Instructions, regarding the total liability due for this finding. Please also see Attachment C (Cost of Funds Worksheet) for information about how the liability and interest was determined for each student.

The program review will be closed when Kutztown provides documentation to the Department that all liabilities associated with Finding 1 have been paid.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in this FPRD letter are as follows:

Established Liabilities	Pell	ACG	Direct Loan	
Finding # 1	\$145,870.37	\$8,998.50	\$241,836.00	
Interest/SA	\$ 1,706.01	\$ 94.69	\$ 2,348.00	
TOTAL	\$147,576.38	\$9,093.19	\$244,184.00	
Payable To:				Total
Department	\$147,576.38	\$9,093.19	\$244,184.00	\$400,853.57

E. Payment Instructions

Kutztown owes the Department \$400,853.57. Of this amount, \$159,017.57 must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. Kutztown must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If Kutztown’s bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of the \$159,017.57 liability.

The \$159,017.57 consists of the Federal Pell Grant Program and Federal ACG Program liabilities, along with the imputed interest for both grant programs and the imputed interest for the Federal Direct Loan Program liabilities. Please see Section 2 below for

the payment of the Federal Direct Loan Program liability of \$241,836. The 2010-2011 award year for the Federal Direct Loan Program has been archived and adjustments cannot be made in the Common Origination and Disbursement (COD) system for the loan liability.

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the institution must first make any required grant adjustments in COD, remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).

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

1. Liabilities Owed to the Department - Title IV Grants

Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$145,870.37	\$1,706.01	Pell	2010-2011
\$ 8,998.50	\$ 94.69	ACG	2010-2011
Total Principal	Total Interest		
\$154,868.87	\$1,800.70		

The disbursement record for each grant recipient identified in Attachment B must be adjusted downward in COD.

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

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

2. Liabilities Owed to the Department - Direct Loan (Archived Award Year)

Kutztown must pay the following Federal Direct Loan Program liabilities:

Amount (Principal)	Amount (Interest)	Award Year
\$241,836.00	\$2,348.00	2010-2011
Total Principal	Total Interest	
\$241,836.00	\$2,348.00	

Kutztown must pay the principal amount identified above to the servicer of the Federal Direct Loan on behalf of the students identified in Attachment B. The attachment lists each of the applicable students and the corresponding principal amount owed to the Department for each borrower. Kutztown must access NSLDS to determine the student's current Direct Loan Servicer. Once Kutztown has identified the correct servicer, payments should be made directly to the applicable Direct Loan Servicer payment address. Kutztown must issue an individual check to the loan servicer for each student borrower for whom funds must be returned. The borrower name, Social Security Number, and Direct Loan Award Identifier must be noted on the face of the check, to ensure correct processing of the payment amount. Kutztown must complete and include the Federal Direct Loan Liability Roster and corresponding letter from Appendix E with the check(s) submitted to the loan servicer. The imputed interest liability amount is included in the total amount due to the Department in the payment instructions above.

As proof of payment, a copy of the Federal Direct Loan Liability Roster provided to each loan servicer, along with a copy of the front and back of all cancelled checks, must be sent to Mr. Loera **within 45 days of the date of this letter, for each student loan borrower for whom funds were returned.** The students must be listed in alphabetical order. If any checks are returned to the institution from a loan holder, please contact Mr. Loera on (215) 656-8503.

Kutztown must notify all borrowers in writing regarding payments made on the student's behalf. This notice must include the amount and date of the payments, as well as the name of the Direct Loan Servicer that received the payment.

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter.** If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Kutztown is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, please contact the Department's Accounts Receivable Group on (202) 245-8080 and ask to speak to Kutztown's account representative.

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

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

If within 45 days of the date of this letter, Kutztown has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due Kutztown from the Federal Government. **Kutztown may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Kutztown must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

F. Appendices

Appendix A, Program Review Student Sample, along with the attachments, contains personally identifiable information. As a result, this FPRD will also be sent to Kutztown as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email.

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

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

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

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.

Attachment A



February 1, 2012

Dr. F. Javier Cevallos
President
Kutztown University of Pennsylvania
15200 Kutztown Road
Kutztown, PA 19530-9339

Certified Mail
Return Receipt Requested
7006 3450 0000 1573 7156

RE: **Program Review Report**
OPE ID: 00332200
PRCN: 201140327694

Dear Dr. Cevallos:

From September 12, 2011 through September 15, 2011, Mr. Robert Gelfand and Mr. Manuel Loera conducted a review of Kutztown University of Pennsylvania's (Kutztown's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by Kutztown. The response should include a brief, written narrative for each finding that clearly states Kutztown's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Kutztown must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;

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

Federal Student Aid, School Participation Team, NE - Philadelphia
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323
www.FederalStudentAid.ed.gov

- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by Kutztown upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Mr. Gelfand of this office within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Program Review Student Sample. The appendix was encrypted and sent separately to the institution via e-mail. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24 (e).

Kutztown University of Pennsylvania

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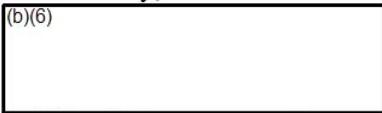
Page 3 of 3

Please refer to the Program Review Control Number (PRCN) in all correspondence relating to this report.

If you have any questions concerning this report, please contact Mr. Gelfand at (215) 656-8593 or by e-mail at Robert.Gelfand@ed.gov.

Sincerely,

(b)(6)



John S. Loreng
Team Leader

Enclosures: Protection of Personally Identifiable Information
Program Review Report

cc: Mr. Bernard McCree, Financial Aid Director

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).

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Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
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Prepared for

**Kutztown University of
Pennsylvania**



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Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team, NE - Philadelphia

Program Review Report

February 1, 2012

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A. Institutional Information

Kutztown University of Pennsylvania
15200 Kutztown Road
Kutztown, PA 19530-9339

Type: Four Year Public University

Highest Level of Offering: Master's/Doctorate Degrees

Accrediting Agency: Middle States Commission on Higher Education

Student Enrollment: 10,707 (2010-2011 Award Year)

Percentage of Students Receiving Title IV Funds: 75% (2010-2011 Award Year)

Title IV Participation (from G5 as of January 31, 2012):

2010-2011 Award Year

Federal ACG Program	\$ 490,000
Federal Pell Grant Program	\$11,565,190
Federal SEOG Program	\$ 201,997
Federal SMART Grant Program	\$ 107,500
Federal TEACH Grant Program	\$ 44,000
Federal Work Study Program	\$ 234,040
<u>William D. Ford Federal Direct Loan Program</u>	<u>\$61,124,078</u>
TOTAL	\$73,766,805

Federal Family Education Loan Program Default Rates	2009: 4.2%
	2008: 3.3%
	2007: 3.9%

Federal Perkins Loan Program Default Rates	6/30/2010: 18.9%
	6/30/2009: 20.3%
	6/30/2008: 15.4%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Kutztown University of Pennsylvania (Kutztown) from September 12, 2011 to September 15, 2011. Mr. Robert Gelfand and Mr. Manuel Loera conducted the review.

The focus of the review was to determine Kutztown's compliance with the statutes and Federal regulations as they pertain to the institution's administration of the Title IV programs. The review consisted of, but was not limited to, an examination of Kutztown's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and consumer information requirements.

A sample of 15 files was identified for review from the 2010-2011 award year. The student files were selected randomly from a list of students who: 1) withdrew or ceased attendance for any reason other than graduation; 2) were selected for verification; and 3) received all non-passing grades ("0" GPA) for any term within the award year being reviewed. Appendix A identifies 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 Kutztown'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 Kutztown 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 Kutztown to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding # 1: Student Enrollment Status Not Verified Before Disbursement

Citation:

If a student does not begin attendance in a payment period (or period of enrollment), an institution must return all Title IV grant and loan funds that were credited to the student's

account at the institution (or disbursed directly to the student) for that payment period (or period of enrollment). *34 C.F.R. § 668.21 (a)(1)*.

If a student's projected enrollment status changes during a payment period before the student begins attendance in all classes for that payment period, an institution shall recalculate the enrollment status to reflect only those classes for which the student actually began attendance. *34 C.F.R. § 690.80 (b)(2)(ii)*.

An institution must also return all Federal Family Education Loan (FFEL) and Federal Direct Loan Program funds credited to the student's account at the institution for that payment period (or period of enrollment). An institution must also return the amount of payments made directly by (or on behalf of) the student to the institution for that payment period (or period of enrollment) up to the total amount of the loan funds disbursed. An institution must return those funds for which it is responsible to the respective Title IV loan program as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not, or has not, begun attendance. *34 C.F.R. § 668.21 (a)(2) and (b)*.

The Secretary considers that a student has not begun attendance in a payment period (or period of enrollment) if an institution is unable to document the student's attendance at any class during the payment period (or period of enrollment). *34 C.F.R. § 668.21 (c)*.

An institution, therefore, must have a procedure to determine whether a Title IV aid recipient who began attendance completed the period, or if the student unofficially withdrew. Dear Colleague Letter (DCL) Gen-04-03 (Revised) provides guidance on how an institution should make this determination. The DCL explains that if a student earns a passing grade in one or more classes, an institution may assume that the student completed the course and, therefore, the payment period. However, if a student who began attendance fails to earn a passing grade in at least one course in the payment period, an institution must assume that the student unofficially withdrew, unless the institution can document that the student completed at least one course in the period. An institution may use its policy and procedures for reporting final grades to determine whether a student who failed to earn a passing grade in any class completed the period or unofficially withdrew.

If a student unofficially withdraws, an institution must determine the student's date of withdrawal and perform a Return of Title IV Funds calculation. *34 C.F.R. § 668.22 (b) and (c)*.

Noncompliance:

Kutztown did not have official procedures in place to determine if a student is attending the institution after the Drop/Add period at the beginning of a semester. As a result, Kutztown officials were unable to determine whether students who fail to receive a

passing grade in any class in a semester completed the courses in that semester or unofficially withdrew.

Kutztown was not able to provide documentation to show that Students # 5, 8 and 12 earned non-passing grades for completed semesters instead of receiving the grades due to not attending the institution.

The institution provided debit card receipts that Student # 5 was making regular food purchases on campus during the period in question. However, this is not documentation of attendance in an academically related event.

For Student's # 8 and 12, Kutztown informed the program review team that an e-mail was sent to the instructor of each class where the students had the non-passing grades. The Financial Aid Director provided the results of the inquiry to the team on September 22, 2011. It was reported that both students attended part of the semesters, but the non-passing grades were the result of each student unofficially withdrawing from the institution. As such, a Return of Title IV Funds calculation for each student was warranted.

An institution's failure to confirm student enrollment status prior to disbursing Title IV funds may result in students receiving funds to which they are not entitled.

Required Action:

As part of Kutztown's official response to this program review report, the institution is required to review the files of all Title IV aid recipients and identify any student who failed to receive at least one passing grade in any semester during the 2010-2011 award year. Using the guidance set forth in DCL Gen-04-03 (Revised) and the requirements specified in this finding, the institution must take the following actions:

1. If Kutztown is unable to document a student's attendance in at least one class, all Title IV funds received by the student may become an institutional liability.
2. For each student for whom Kutztown can document began attendance in some but not all of the classes in the payment period, the institution must recalculate the student's Federal Pell Grant Program award based on the student's actual enrollment status.
3. For each student that Kutztown is able to confirm began attendance but did not complete at least one course, the institution must treat the student as an unofficial withdrawal. Kutztown must perform a Return of Title IV funds calculation to determine the withdrawal date and use the procedures set forth at 34 C.F.R. § 668.22.

Kutztown must then compile the results of its file review in a spreadsheet, as detailed below for all students who failed to receive at least one passing grade in any term during the 2010-2011 award year. The institution must provide the spreadsheet in hardcopy and electronic format and include the following items:

1. Student Last Name;
2. Student First Name;
3. Social Security Number;
4. Title IV Aid Disbursed by Program (with each program in a separate column);
5. Documented Student's Attendance in at least one class (Yes/No);
6. Documented Student's Attendance in some but not all classes (Yes/No);
7. Documented Student Completed at least one class (Yes/No);
8. Recalculated Pell Amount based on actual enrollment status, if applicable;
9. Student's Last Date of Attendance (LDA), if applicable;
10. Return of Title IV Funds Calculation Performed, if applicable (Yes/No);
11. Date Return Was Made, if applicable; and
12. Date Return Was Due, if applicable.

In addition, Kutztown must submit copies of the following information for each student on the spreadsheet:

1. Documentation that the student began attendance;
2. Documentation that the student completed the class;
3. A copy of each student's account statement for the entire enrollment history;
4. A copy of the Return of Title IV Funds calculation for each student (if applicable), with supporting documentation of any funds returned; and
5. If the file review reveals errors in the original calculation, Kutztown must submit a copy of the corrected calculation.

Students # 5, 8, and 12 must be included in the file review. The three students should be highlighted in yellow on the spreadsheet and the appropriate documentation included.

Finally, Kutztown must establish policies and procedures that are applicable to all Departments within the institution to monitor the status of enrolled students. Kutztown must submit a copy of its policies and procedures as part of the official response to this program review report.

Payment instructions for any determined liability will be provided in the Final Program Review Determination letter.

Finding # 2: Untimely Reporting to NSLDS

Citation:

Federal regulations require participating institutions to confirm and report the enrollment status of students who receive FFEL and Federal Direct Loan Program funds. The reporting process is called Enrollment Reporting [formerly Student Status Confirmation Reporting (SSCR)].

An institution reports the enrollment status of all students who receive Title IV loans to the National Student Loan Data System (NSLDS). This enrollment information is reported to guarantors, lenders, and servicers of student loans. Since a student's enrollment status determines his or her deferment privileges and grace periods, as well as the government's payment of interest subsidies, Enrollment Reporting is critical for the effective administration of Title IV loans. The Department uses NSLDS to track and monitor all student loan borrowers. The Department incorporated Enrollment Reporting into NSLDS to centralize and fully automate the enrollment verification system.

Federal regulations at 34 C.F.R. § 685.309 (b) state that an institution shall upon receipt of an SSCR complete and return that report within 30 days of receipt; and unless it expects to submit its next SSCR within the next 60 days, notify the Secretary within 30 days if it discovers that a Title IV loan has been made to or on behalf of a student who:

- Enrolled at the institution but has ceased to be enrolled on at least a half-time basis;
- Has been accepted for enrollment at the institution but failed to enroll on at least a half-time basis or the period for which the loan was intended; or
- Has changed his or her permanent address.

Further, an institution may contract with a third-party servicer to administer any aspect of the institution's participation in any Title IV program. However, an institution's use of a third-party servicer does not alter the institution's responsibility for compliance with Federal regulations. *34 C.F.R. § 668.1 (a)*.

Noncompliance:

Kutztown failed to report timely changes in enrollment status to NSLDS for the six students identified in the chart on the next page.

Student #	Enrollment Change	Date of Enrollment Change	Date NSLDS Notified	Comment
1	Graduated	5/7/11	8/13/11	Clearinghouse Contract
4	Withdrawn	2/8/11	6/20/11	School Batch
7	Withdrawn	10/8/11	3/23/11	School Batch
10	Withdrawn	3/24/11	6/20/11	School Batch
11	Withdrawn	11/22/10	4/19/11	School Batch
14	Withdrawn	2/16/11	6/20/11	School Batch

Failure to report timely changes in enrollment information to NSLDS may delay the start date of the borrower's repayment period, thus creating additional interest expense for the Department.

Required Action:

Kutztown must revise its policies and procedures to ensure that student enrollment status changes are reported timely to NSLDS. The institution must also submit the revisions to its enrollment status reporting policies and procedures with its official response to this program review report.

Finding # 3: Failure to Submit COD Records Accurately

Citation:

Federal regulations at 34 C.F.R. § 668.164 state that an institution makes a disbursement of Title IV funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with funds received from the Secretary.

An institution may receive a payment from the Secretary for an award to a Federal grant recipient, if the institution submits to the Secretary the student's Payment Data for that award year in the manner and form by September 30 following the end of the award year in which the grant is made and the Secretary accepts the student's Payment Data. An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student.

The institution shall submit a student's Payment Data reporting any change to the Secretary - presently through the Common Origination and Disbursement (COD) System - by the reporting deadlines published by the Secretary in the Federal Register.

An institution must submit Federal Pell Grant Program and Academic Competiveness Grant (ACG) Program disbursement records to COD no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement. 34 C.F.R. § 690.83 and 34 C.F.R. § 691.83 (b)(1).

Noncompliance:

Kutztown failed to report actual Federal Pell Grant Program disbursement data to COD for Students # 2, 3, 5, 6, 8, 10, 12, 13 and 15. In addition, the institution failed to report actual ACG Program disbursement data for Student # 15.

The chart below provides details regarding these students.

Student #	Disbursement Date Reported to COD	Actual Disbursement Date (per Student Account Statement)	Title IV Program
2	7/9/10	7/14/10	Pell
	7/9/10	7/14/10	
	9/3/10	9/7/10	
	1/27/11	1/31/11	
3	9/3/10	9/7/10	Pell
	1/20/11	1/24/11	
5	9/3/10	9/7/10	Pell
	1/20/11	1/24/11	
6	1/27/11	1/31/11	Pell
8	9/3/10	9/7/10	Pell
10	9/3/10	9/7/10	Pell
	1/20/11	1/24/11	
12	7/9/10	7/14/10	Pell
	7/9/10	7/14/10	
	9/11/10	9/13/10	
	2/9/11	2/10/11	
13	9/3/10	9/7/10	Pell
	1/20/11	1/24/11	
15	9/3/10	9/7/10	Pell
	1/20/11	1/24/11	
	9/24/10	9/28/10	ACG
	2/16/11	2/17/11	

Inaccurate reporting causes an increase in expense for students and the Department.

Required Action:

During the on-site program review and in subsequent correspondence received on September 30, 2011 from Kutztown's Bursar, the institution reported that its new PeopleSoft Student Information System will ensure that all Title IV grant and Federal Direct Loan Program disbursement data is reported to COD on the same day the funds are disbursed to student accounts. Kutztown stated that the aforementioned discrepancies in Federal Pell Grant and ACG Program reporting were due to their previous financial aid computer system which is no longer in use. As such, no further action is required for this finding.

Finding # 4: Exit Loan Counseling Deficiencies

Citation:

An institution must ensure that exit loan counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time enrollment at the institution. *34 C.F.R. § 685.304 (b)*.

Exit loan counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, an institution 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. As an alternative, the student borrower may be provided with written counseling materials within 30 days after the student borrower completes the program. If a student withdraws from the institution without prior knowledge or fails to complete the exit loan counseling as required, the counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student's last known address within 30 days after the institution learns that the student has withdrawn or failed to complete the exit loan counseling as required. *34 C.F.R. § 685.304 (b)(2) and (3)*.

Further, an institution must maintain documentation substantiating compliance with the exit loan counseling requirement for each student borrower. *34 C.F.R. § 685.304 (b)(7)*.

Noncompliance:

Kutztown failed to complete exit loan counseling for Students # 1 and 10.

Student # 1 graduated on May 7, 2011. The institution failed to maintain documentation that the required exit loan counseling material was provided within 30 days after the student completed the program. The Director of Financial Aid reported that a list of graduating students are provided to the Bursar's office and a postcard with instructions to complete exit loan counseling are sent to the graduates from that office. However, documentation is not maintained for individual students that would substantiate the completion of exit loan counseling.

Student # 10 withdrew from Kutztown on March 24, 2011 and the institution failed to mail exit loan counseling documentation to the student's last known address within 30 days after the institution learned that the student had withdrawn. Kutztown subsequently mailed exit loan counseling documentation to the student while the program review team was on-site.

An institution's failure to provide exit loan counseling to students in accordance with Federal requirements may result in increased student loan defaults and cause increased expense for the Department.

Required Action:

In its official response to this finding, Kutztown must submit documentation to show that exit loan counseling documentation was sent to Student # 1. Further, the institution must revise its policies and procedures to ensure that all Title IV loan recipients receive exit loan counseling upon graduation or withdrawal and the institution maintains documentation to substantiate that the requirement has been completed. A copy of the institution's revised policies and procedures must also be sent with the official response to this program review report.

D. Appendices

Appendix A (Program Review Student Sample) contains personally identifiable information. As a result, the FPRD will be e-mailed to Kutztown as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email. **The mailed hardcopy report will not contain Appendix A.**