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April 22, 2015

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Dr. Ben Hancock, President  
Methodist University  
5400 Ramsey Street  
Fayetteville, NC 26311-1420

UPS Tracking Number:  
1ZA87964NY90036336

RE: **Final Program Review Determination**  
OPE ID: 00294600  
PRCN: 201510428847

Dear Dr. Hancock:

The U.S. Department of Education's (Department's) School Participation Division – Atlanta issued a program review report on January 28, 2015 covering Methodist University's (MU) 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 2013 and 2014 award years. The institution's final response was received on March 30, 2015.

The School Participation Division - Atlanta has reviewed MU's responses to the Program Review Report. A copy of the program review report (and related attachments) and MU's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by MU 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.

MU's responses have resolved all findings. In addition MU has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, MU 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)].

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**Methodist University**  
**PRCN: 201510428847**  
**Page 2 of 2**

If you have any questions please call Robert Scott at (404) 974-9300.

Sincerely,



Chris Miller  
Division Director

Enclosure: Program Review Report (with attachments)  
MU's Response to the Program Review Report

cc: Bonnie J. Adamson, Financial Aid Administrator  
North Carolina Board of Governors of the UNC  
Southern Association of Colleges and Schools Commission on Colleges  
Department of Defense  
Department of Veterans Affairs  
Consumer Financial Protection Bureau

Prepared for  
**Methodist University**

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**OPE ID 00294600**  
**PRCN 201510428847**

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

# **Program Review Report**

January 28, 2015

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### A. Institutional Information

Methodist University  
5400 Ramsey St.  
Fayetteville, NC 26311-1420

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Type: Private Nonprofit

Highest Level of Offering: Doctorate

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

Current Student Enrollment: 2,821 (2014)

% of Students Receiving Title IV: 74% (2014)

Title IV Participation (PC Net):

2013

|  |             |
|--|-------------|
| Federal Pell Grant Program (PELL)                          | \$3,563,393 |
| Federal Work Study (FWS)                                   | \$ 220,273  |
| Federal Supplemental Educational Opportunity Grant (FSEOG) | \$ 160,471  |
| Federal Perkins Loan Program (Perkins)                     | \$ 35,250   |
| Federal Direct Loan Program Subsidized (DLSUB)             | \$4,919,416 |
| Federal Direct Loan Program Unsubsidized (DLUNSUB)         | \$7,105,955 |
| Federal Direct Loan Program Parent PLUS (PLUS)             | \$3,802,112 |
| Federal Direct Loan Program Grad PLUS (GRAD)               | \$1,631,329 |

Default Rate FFEL/DL:      2011 – 11.2%  
   2010 – 12.5%  
   2009 – 12.2%

Default Rate Perkins:      2013 – 6.9%  
   2012 – 5.9%  
   2011 – 7.8%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Methodist University (MU) from November 3, 2014 to November 7, 2014. The review was conducted by Robert Scott and Meg McGinness.

The focus of the review was Satisfactory Academic Progress and Distance Education. The review consisted of an examination of MU's student files, school policies, and interviews with MU staff.

A sample of 30 files was identified for review from the 2014 and 2015 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

### **Disclaimer:**

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

### **Finding #1. Inaccurate COD/Ledger Disbursement Dates**

**Citation:** 34 C.F.R. § 668.24(c), Student Assistance General Provisions, states the records that an institution must maintain in order to comply with the provisions of this section include, but are not limited to, the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages.

34 C.F.R. § 668.24(d), Student Assistance General Provisions, states an institution shall maintain required records in a systematically organized manner. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

**Noncompliance:** Reviewers found that the disbursement dates in the Common Origination and Disbursement System (COD) did not match disbursement dates on the student ledgers at the school.

Student #1: For Title IV funds issued to the student, MU shows COD dates of 09/09/2013 and 01/28/2014 for Pell funds. The student ledger shows as 09/03/2013 and 01/21/2014 for Pell funds.

Student #2: For Title IV funds issued to the student, MU shows COD dates of 09/09/2013 and 01/28/2014 for Pell funds. The student ledger shows as 09/03/2013 and 01/21/2014 for Pell funds.

Student #5: For Title IV funds issued to the student, MU shows a COD date of 02/07/2014 for both disbursements of Pell funds. The student ledger shows as 12/16/2013 and 01/21/2014 for Pell funds.

Student #7: For Title IV funds issued to the student, MU shows COD dates of 09/03/2013 for subsidized and unsubsidized loans and 09/09/2013 for Pell funds. The student ledger shows as 09/03/2013 and 11/21/2013 for subsidized and unsubsidized loans and 09/03/2013 for Pell funds.

Student #9: For Title IV funds issued to the student, MU shows COD dates of 09/25/2013, 02/07/2014 and 03/28/2014 for disbursements of Pell funds. The student ledger shows Pell funds disbursed on 09/03/2013, 11/08/2013, 01/21/2014, 02/26/2014 and 03/25/2014.

Student #10: For Title IV funds issued to the student, MU shows a COD date of 01/28/2014 for disbursement of Pell funds. The student ledger shows as 01/21/2014 for Pell funds.

Student #11: For Title IV funds issued to the student, MU shows COD dates of 09/09/2013 and 01/28/2014 for disbursement of Pell funds. The student ledger shows as 09/03/2013 and 01/21/2014 for Pell funds.

Student #13: For Title IV funds issued to the student, MU shows a COD date of 09/09/2013 for disbursement of Pell funds. The student ledger shows as 09/03/2013 for Pell funds.

Student #18: For Title IV funds issued to the student, MU shows a COD date of 09/22/2014 for disbursement of Pell funds. The student ledger shows as 09/04/2014 for Pell funds.

Student #21: For Title IV funds issued to the student, MU shows COD dates of 09/05/2014 for subsidized and unsubsidized loans and 09/04/2014 for Pell funds. The student ledger dates show as 09/09/2014 for subsidized and unsubsidized loans and 09/02/2014 for Pell funds.

Student #22: For Title IV funds issued to the student, MU shows COD dates of 09/10/2014 for subsidized and unsubsidized loans and 09/04/2014 for Pell funds. The student ledger dates show as 09/11/2014 for subsidized and unsubsidized loans and 09/02/2014 for Pell funds.

Student #29: For Title IV funds issued to the student, MU shows a COD date of 11/05/2014 for Pell funds. The student ledger dates show as 09/09/2014 and 09/25/2014 for Pell funds.

**Required Action:** This issue is systemic across both award years. Therefore, MU must reenter the COD system and adjust the COD disbursement dates for any Title IV disbursements made for the 2013-2014 and 2014-2015 award years so that they accurately reflect the actual disbursement dates shown on the student ledgers.

MU must inform the Department of when this corrective action is expected to be resolved and provide written assurance that the adjustments have been made. Going forward, MU must work diligently to ensure that the COD disbursement dates are correct and in alignment with the student ledger disbursement dates. MU must update its procedures for processing Title IV funds and provide a copy of the updated procedures to the Department detailing resolution of this issue so that it will not occur in the future.

### **Finding #2. Award Letter Not Updated**

**Citation:** 34 C.F.R. § 668.165, Notices and authorizations, states that 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.

**Noncompliance:** The reviewers found an instance where Federal Supplemental Educational Opportunity Grant (FSEOG) funds were awarded but not included on the award letter (student #2).

**Required Action:** MU must update its procedures regarding this issue to ensure that students are informed of what they are being awarded. MU must provide a copy of its updated procedures to the Department as part of its response to this finding.

### **Finding #3. Credit Balance Deficiencies**

**Citation:** 34 C.F.R. § 668.164 (d) and (e) state that an institution may use Title IV program funds to credit a student's account to satisfy current year charges for—

- i. Tuition and fees;
- ii. Room and board, if the student contracts with the school for room and board;
- iii. With a student's authorization under 668.165(b), other educationally related charges; and prior award year charges for a total of not more than \$200.

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

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

An institution may secure a student's written permission to retain credit balance funds for budgeting purposes but it must be optional. The student must not be coerced into providing the school permission to retain the funds and the student must be informed of his or her right to rescind the authorization at any time. If an institution holds excess student funds, it must—

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

If a school has lost contact with a student who is due a credit balance, it must use all reasonable means to locate him or her. If it still cannot find the student, the school must return the credit balance to the lender to reduce the borrower's loan balance, or, to the appropriate Title IV program(s).

**Noncompliance:** The reviewers identified students from both the 2013/2014 and 2014/2015 award years in the student sample that did not have their credit balances paid within the required timeframe.

Student #9: Student had a Title IV credit balance as of 11/08/2013 for \$24.08. This credit balance was not paid to the student nor did MU have an authorization to hold Title IV funds.

Student #10: Student had a Title IV credit balance as of as of 09/15/2013 for \$914.81. This credit balance was not paid to the student nor did MU have an authorization to hold Title IV funds.

Student #19: Student had Title IV credit balance as of October 21, 2014 for \$67.02. As of 11/06/2014, the credit balance had not been paid to student nor did MU have an authorization to hold Title IV funds.

**Required Action:** MU must pay a credit balance directly to the student or parent as soon as possible but not later than **14** days after the credit balance occurred if it occurred after the first day of class. If the credit balance occurred on or before the first day of class, it must be returned no later than **14** days after the first day of class.

The Department also reminds the institution that Title IV aid credited to a student's account may be used to satisfy current year charges (per 34 C.F.R. 668.164[d]). If a student's aid package includes a Title IV loan, the year is the loan period. If the student does not have a loan, the year

is the award year. **The maximum amount of prior year charges that may be paid with current year funds is \$200.**

MU revised its credit balance policy and credit balance authorization forms while the reviewers were on site. A copy of each was provided to the reviewers prior to departure that were acceptable and within Department guidelines. However, MU must address the students listed and actions taken if any, to correct their individual situations.

**Finding #4. Loans Awarded or Disbursed Prior to Midpoint**

**Citation:** 34 C.F.R. § 668.164, Disbursing funds, states that an institution must disburse title IV, HEA program funds on a payment period basis. An institution must disburse title IV, HEA program funds once each payment period unless—

- (i) For FFEL and Direct Loan funds, 34 C.F.R. 682.604(c)(6)(ii) or 34 C.F.R. 685.301(b)(3) applies;
- (ii) For federal Perkins Loan, FSEOG, Federal Pell Grant, ACG and National SMART Grant funds, an institution chooses to make more than one disbursement in each payment period in accordance with 34 C.F.R. 674.16(b)(3), 34 C.F.R. 676.16(a)(3), 34 C.F.R. 690.76, or 34 C.F.R. 691.76, as applicable; or
- (iii) Other program regulations allow or require otherwise.

34 C.F.R. § 682.604, Processing the borrowers loan proceeds and counseling borrowers, states that unless the provision of 682.207(d) applies, if a loan period is more than one payment period, the school must deliver loan proceeds at least once in each payment period; and for a loan certified under 682.602(f)(1)(i)(B), the school may not make the second delivery until the student successfully completes half of the number of credit hours or clock hours and half of the number of weeks of instructional time in the payment period. The school must deliver loan proceeds in substantially equal installments and no installment may exceed one-half of the loan.

**Noncompliance:** Although the students advanced to the next payment period, the reviewers found instances where more than 50% of loan funds were disbursed prior to the mid-point of the actual loan period.

Student #1: Student has subsidized and unsubsidized two (2) term loans in the amounts of \$3,500 and \$4,000 respectively. Disbursement made on September 10, 2013 for the subsidized loan was \$3,464 (net) and on January 21, 2014 for the unsubsidized loan was \$3,958 (net).

Student 19: Student has subsidized and unsubsidized two (2) term loans in the amounts of \$3,500 and \$6,000 respectively. Disbursement made on October 2, 2014 for the subsidized loan was \$3,463 (net) and for the unsubsidized loan was \$3,150 (net).

**Required Action:** MU must update its procedures for processing Title IV funds and provide a copy of the updated procedures to the Department detailing resolution of this issue so that it will not occur in the future.

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**Finding #5. Federal Work Study – Conflicting Schedules**

**Citation:** 34 C. F. R. § 675.16, Federal Work-Study Program, states that it is the school's responsibility to monitor the FWS program. Students may not be scheduled for work and miss class time to perform FWS jobs.

**Noncompliance:** The reviewers found multiple instances where students were working during hours that their class schedules showed that they should have been engaged in classroom instruction. Although several discrepancies were resolved on-site, two (2) remain outstanding.

Student #15: Student worked on 02/26/2014, 03/12/2014, 03/14/2014 and 03/21/2014 during scheduled class time.

Student #19: Student worked on 09/26/2014, on 10/01/2014 and on 10/08/2014 during scheduled class time.

**Required Action:** MU must update its procedures to monitor FWS schedules and class attendance of students. Please provide a copy of the institution's updated procedures with the response to this report.

Any liabilities for this finding will be addressed in the Final Program Review Determination (FPRD) letter.

**Finding #6. Satisfactory Academic Progress (SAP) Policy & Procedures not Adequately Monitored**

**Citation:** Pursuant to 34 C.F.R. § 668.32, of the General Provisions regulations a student must maintain satisfactory progress in his or her course of study according to the institution's published standards of satisfactory academic progress that satisfy the provisions of Section 668.16(e). Federal regulations require an institution to consistently apply its SAP standards to all students within categories of students (i.e., full-time, part-time, undergraduate and graduate students, and educational programs established by the institution). The school must determine, prior to disbursing Title IV funds, if a student is meeting satisfactory progress standards.

**Noncompliance:** MU did not follow and/or monitor SAP adequately in relation to student notification of academic probation and school suspension according to their institutional policies and procedures.

The reviewers identified a student (student #1) who should have been placed on school suspension but no documentation was in the student's file showing that the student was notified that the action should have taken place.

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**Required Action:** MU must follow and/or monitor SAP adequately according to their institutional SAP policies and procedures. The institution's response must provide a description of the steps that will be taken to prevent a repeat of this finding in the future.

**Finding #7. Late Enrollment Reporting**

**Citation:** All schools participating in the Federal Student Aid (FSA) programs must have some arrangement to report student enrollment to the NSLDS through a Roster file (formerly called the SSCR). Student information is extremely important because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

34 C.F.R. § 685.309(b), Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program, states that unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that—

- (i) A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- (ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

**Note:** On July 1, 2014, the Department began requesting enrollment information from schools every 60 days and schools are required to respond to those requests **within 15 days** of the date that the Department sent the enrollment reporting roster to the school.

**Noncompliance:** Enrollment updates to the National Student Loan Data System (NSLDS) were not provided in a timely manner.

Student #4: The student withdrew from MU as of 05/10/2014. The update to NSLDS was not reported until 10/16/2014.

Student #5: The student arrived at MU for fall semester 2013. The update to NSLDS was not reported until 04/24/2014.

Student #8: The student withdrew from MU as of 05/10/2014. The update to NSLDS was not reported until 10/16/2014.

Student #12: The student withdrew from MU as of 12/14/2013. The update to NSLDS was not reported until 08/22/2014.

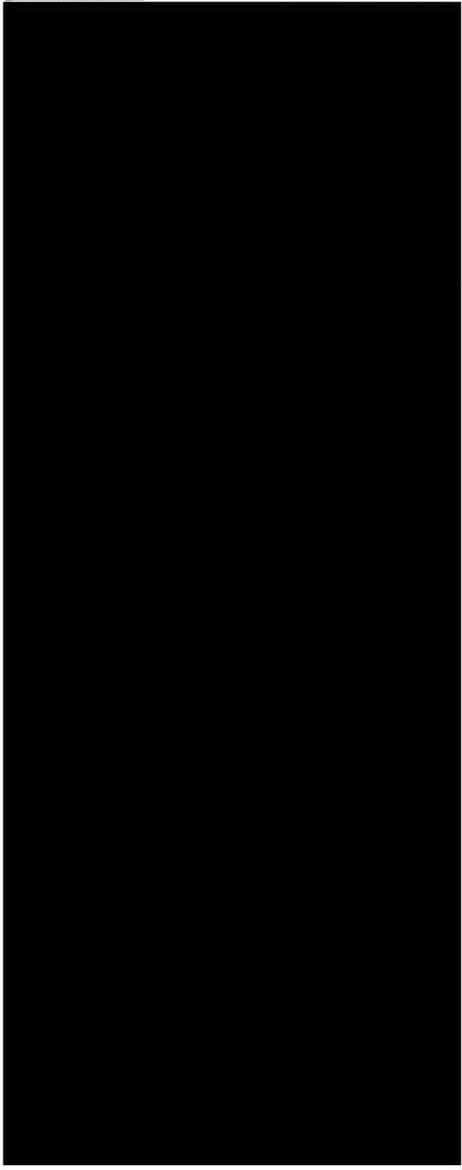
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**Required Action:** MU must provide a description of the steps that it will take to ensure this finding does not occur in the future. The institution must also update its procedures and forward a copy of the updated procedures to the Department.

**D. Appendices**

**Appendix A: Student Sample**

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| <u>Student #</u> | <u>Last Name</u>   | <u>First Name</u> |
|------------------|--|-------------------|
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