



May 27, 2015

Mr. Karl J.T. Petersen
President
Missouri College
1405 South Hanley Rd.
Brentwood, MO 63144

Track #IZ A87 964 01 9828 4399

RE: Final Program Review Determination

OPE ID: 00979500

PRCN: 201320728231

Dear Mr. Petersen:

The U.S. Department of Education's (Department's) School Participation Division – Kansas City issued a program review report on June 10, 2014 covering Missouri College's (MC) 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 2011-2012 and 2012-2013 award years reviewed. MC's final response was received on August 8, 2014. A copy of the program review report (and related attachments) and MC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by MC upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) notify MC of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

The total liabilities due from the institution from this program review are \$159,171.83.

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

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, Student Sample. In addition, Appendices **A-2-Students Identified During Missouri College's File Review**, **A-3-Students with Federal Pell Grant Liabilities**, **A-4-Students with Federal Direct Loan Liabilities**, **B-1-Finding 2, Failure to Prorate Federal Direct Loan Awards**, **B-2-Finding 2, Estimated Actual Loss/Failure to Prorate Federal Direct Loan Awards**, **B-3-Estimated Actual Loss Formula**, **C-1-Finding 3, 2011-2012 Award Year/Failure to Prorate Federal Pell Grant Awards in the Massage Therapy Program**, **C-2-Finding 3, 2012-2013 Award Year/Failure to Prorate Federal Pell Grant Awards in the Massage Therapy Program**, **C-3-Finding 3, 2013-2014 Award Year/Failure to Prorate Federal Pell Grant Awards in the Massage Therapy Program**, **D-1-Finding 4, Return of Federal Pell Grant Funds/Calculation Errors**, **D-2-Finding 4, Return of Federal Direct Loan Funds/Calculation Errors**, **E-1-Finding 5, Federal Pell Grant/Failure to Complete Student Verification Process**, **F-Program Review Report**, **G-Missouri College Program Review Response** also contain PII. These appendices were encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the June 10, 2014, program review report. If MC 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 MC receives this FPRD. An original and four copies of the information MC 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

MC'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 MC's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Charles Glasper at 816-268-0437. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

(b)(6)


Ralph A. LoBosco
Division Director

Enclosures:
Protection of Personally Identifiable Information
Program Review Report (and appendices)
Final Program Review Determination Report (and appendices)

cc: Tony Canale, Financial Aid Administrator
Missouri Coordinating Board for Higher Education
Accrediting Council for Independent Colleges and Schools

Prepared for

Missouri College

Federal Student Aid
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OPE ID 00979500
PRCN 201320728231

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division – Kansas City

Final Program Review Determination

May 27, 2015

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A. Institutional Information

Missouri College
 1405 South Hanley Road
 Brentwood, MO 63144-2901

Type:	Proprietary
Highest Level of Offering:	Bachelor's Degree
Accrediting Agency:	Accrediting Council for Independent Colleges and School
	MO Coordinating Board for Higher Education
Current Student Enrollment:	916 (2011-2012)
% of Students Receiving Title IV, HEA funds:	90.62% (2011-2012)
Title IV, HEA Program Participation [Department of Education Grants Management System G5]	

	Award Year	
	<u>2011-2012</u>	<u>2012-2013</u>
Federal Pell Grant	\$4,545,771.00	\$2,140,048.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$55,850.00	\$71,800.00
Federal Work Study (FWS)	\$44,236.00	25,842.00
William D. Ford Federal Direct Loan (Direct Loan)	\$10,617,597.00	4,102,127.00

Default Rate FFEL/DL:	2011	18.3%
	2010	19.0%
	2009	22.2%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Missouri College (MC) from March 25, 2013 to March 29, 2013. The review was conducted by Mr. Charles E. Glasper, Ms. Kathy Feith, and Ms. Jan Brandow.

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

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 16 files were selected based on the institution's FSEOG and FWS selection policies and procedures and Return of Title IV Funds process. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on June 10, 2014.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning MC'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 MC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Findings 1, 7, 8, 9, and 10

Missouri College has taken the corrective actions necessary to resolve findings 1, 7, 8, 9, and 10 of the program review report. Therefore, these findings may be considered closed. Findings requiring further action by Missouri College are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution, and may be considered closed contingent on the information requested below.

Finding 6. Accounting Records Not Reconciled

Citation Summary: Federal regulations require an institution to establish and maintain, on a current basis, financial records that reflect all Title IV, HEA Program transactions, and general ledger control accounts, and related subsidiary accounts that identify each Title IV program transaction and separate those transactions from all other institutional financial activity. An institution shall account for the receipt and expenditure of Title IV, HEA Program funds in accordance with generally accepted accounting principles and reconcile its oversight of Title IV funds on at least a monthly basis. 34 C.F.R. §§ 668.24(a-b), 674.19(d)(1), 675.19(b)(2)(iv), 676.19(b)(2), and 690.81(a); The Blue Book, October 2013, Vol., Chapter 5, Page 1-50

Noncompliance Summary: MC failed to reconcile its Title IV, HEA Program accounts on at least a monthly basis. The 2011-2012 Fiscal Operations Report and Application to Participate (FISAP), Grants Management System (G5), and Student Ledgers show the following data:

Program	FISAP	G5	Student Ledgers
Federal Pell Grant	\$4,455,039.00	\$4,510,824.00	\$4,545,771.00
FSEOG	\$54,444.00	\$55,850.00	\$55,850.00
FWS	\$42,350.00	\$44,236.00	n/a
Direct Loan	n/a	\$10,502,929.00	\$10,617,597.00

Required Action Summary: MC must reconcile the above accounts for the 2011-2012 award year as well as the 2012-2013 award year. Excess cash, if any, must be returned to the appropriate program. Additionally, MC must review and revise, if necessary, its

procedures to ensure that all Title IV, HEA Program accounts are reconciled on at least a monthly basis in the future. The reconciliation procedures must accompany MC's response to the PRR.

Instructions for repayment of excess cash and liabilities, if any, will be provided in the FPRD letter. MC must not repay any funds owed to the Department until the FPRD is issued.

Missouri College's Response: Missouri College agrees with the finding and has taken the steps to reconcile the Fiscal Operation Report and Application to Participate, Grants Management, and Student Ledgers for the 2011-2012 and 2012-2013 award years. Furthermore, the institution has strengthened its procedures to ensure all accounts are reconciled on at least a monthly basis. Missouri College also provided a copy of its reconciliation policy and procedures.

Final Determination: Missouri College must inform the Department in writing when the corrected FISAP Report data for the 2011-2012 award year is updated in the Campus-Based Operation database. In addition, Missouri College must submit an Excel spreadsheet verifying that all Title IV, HEA accounts are reconciled for the aforementioned award years. This notification must be sent to Charles E. Glasper via e-mail at charles.glasper@ed.gov before this finding can be closed.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Missouri College's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on June 10, 2014 is attached as *Appendix F*. Also, a copy of Missouri College's response to the program review report is attached as *Appendix G*.

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

Finding 2. Failure to Prorate Federal Direct Loan Awards

Citation Summary: *Federal regulations state that the annual maximum loan amount an undergraduate student may borrow must be prorated in certain situations, including:*

- *when the student is enrolled in a program that is shorter than a full academic year; and*

- *when the student is enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.*

Loan limit proration determines the maximum loan amount that a student may borrow for a program or remaining balance of a program, not the loan amount that the student actually receives. In some cases, the actual loan amount that a student is eligible to receive (based on costs, EFC, and other aid) may be less than the prorated loan limit. 2011-2012 and 2012-2013 Student Financial Aid Handbook, Vol. 3, Chapter 5, Page 3-108

Federal regulations at 34 C.F.R. §668.8(k)(ii)(B)(2) state that a program is considered to be a clock-hour program for purposes of the Title IV, HEA programs if, except as provided in paragraph (k)(3) of this section, a program is required to measure student progress in clock hours when –

- *Receiving Federal or State approval or licensure to offer the program; or*
- *Completing clock hours is a requirement for graduates to apply for licensure or the authorization to practice the occupation that the student is intending to pursue.*

When an academic program is shorter than a full academic year in length, the institution must multiply the applicable loan limit(s) by the lesser of –

Semester, trimester, quarter, or clock hours enrolled in program
Semester, trimester, quarter, clock hours in academic year

or

Weeks enrolled in program
Weeks in the academic year

The result is the prorated annual loan limit for that program.
34 C.F.R. §685.203(a), (c)

Noncompliance Summary: *MC's Eligibility and Certification Approval Report (ECAR) on file with the Department indicates that the Massage Therapy Program consists of 810 clock-hours, which is less than an academic year. Federal regulations stipulate that a program is considered to be a clock-hour program for purposes of the Title IV, HEA programs if a program is required to measure student progress in clock hours when receiving Federal or State approval or licensure to offer the program. On page 36 in MC's 2011-2012 Catalog, under the heading State Licensure Information, the catalog states, "The state of Missouri requires massage therapists to be licensed in order to practice in the state. Passage of the NCBTMB certification exam is required in order to apply for state licensure and may be required to practice in other states".*

*While reviewing the financial aid records, the reviewers found that MC is administering the program as a credit-hour program, rather than a clock-hour program, and failed to prorate Federal Direct Loan awards for students who are enrolled in the program. Of the files reviewed, this affected **Students 5, 10, 12, 13, 19, and 42.***

Below are examples of students selected from the samples that were awarded Title IV, HEA funds and their Direct Loan was not prorated.

Student 5: *This student enrolled in the Massage Therapy Program on 01/03/2011 and graduated on 02/08/2012. The student's EFC is zero on the 2010-2011 ISIR. For the first award year, the student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan. In addition, MC awarded the student \$3,938 in Direct Subsidized Loan and \$5,250 in Direct Unsubsidized Loan for the second award year.*

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$6,000 \times 810/900 = \$5,400$ in Direct Unsubsidized Loan. For the second award year, the student was not eligible to receive any Direct Loan funds, because the program is less than an academic year.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$600 in Direct Unsubsidized Loan for the first award year. In addition, MC must return \$3,938 and \$5,250 in Direct Subsidized and Unsubsidized Loans awarded for the second award year.

MC also failed to prorate the student's Federal Pell Grant award, which is discussed in Finding 3.

Student 10: *This student enrolled in the Massage Therapy Program on 08/08/2011 and graduated on 07/08/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan for the first award year. For the second award year, the student was awarded \$2,250 in Direct Subsidized Loan and \$3,000 in Direct Unsubsidized Loan.*

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$6,000 \times 810/900 = \$5,400$ in Direct Unsubsidized Loan. For the second award year, the student was not eligible to receive any Direct Loan funds, because the program is less than an academic year.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$600 in Direct Unsubsidized Loan for the first award year. In

addition, MC must return \$2,250 in Direct Subsidized Loan and \$3,000 in Direct Unsubsidized Loan awarded for the second award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Student 12: *This student enrolled in the Massage Therapy Program on 08/08/2011 and graduated on 07/08/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan for the first award year. For the second award year, the student was awarded \$2,250 in Direct Subsidized Loan and \$3,000 in Direct Unsubsidized Loan. Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$6,000 \times 810/900 = \$5,400$ in Direct Unsubsidized Loan. For the second award year, the student was not eligible to receive any Direct Loan funds, because the program is less than an academic year.*

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$600 in Direct Unsubsidized Loan for the first award year. In addition, MC must return \$2,250 in Direct Subsidized Loan and \$3,000 in Direct Unsubsidized Loan awarded for the second award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Student 13: *This student enrolled in the Massage Therapy Program on 04/23/2012 and withdrew on 03/20/2013. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan for the first award year.*

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$6,000 \times 810/900 = \$5,400$ in Direct Unsubsidized Loan.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$600 in Direct Unsubsidized Loan for the first award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Student 19: This student enrolled in the Massage Therapy Program on 09/17/2012. The student's EFC is 646 on the 2012-2013 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$2,000 in Direct Unsubsidized Loan for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$2,000 \times 810/900 = \$1,800$ in Direct Unsubsidized Loan.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$200 in Direct Unsubsidized Loan for the first award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Student 42: This student enrolled in the Massage Therapy Program on 08/11/2011 and graduated on 10/21/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$5,981 in Direct Unsubsidized Loan for the first award year. For the second award year, the student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$5,981 \times 810/900 = \$5,383$ in Direct Unsubsidized Loan. For the second award year, the student was not eligible to receive any Direct Loan funds, because the program is less than an academic year.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$598 in Direct Unsubsidized Loan for the first award year. In addition, MC must return \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan awarded for the second award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Required Action Summary: In response to this finding, MC must conduct a file review of all students who received Federal Direct Loan funds and were/are enrolled in the Massage Therapy Program during the 2011-2012, 2012-2013, and 2013-2014 award years. A report detailing the results of MC's review must be submitted in spreadsheet format and include:

1. Award year;
2. Student's name;

3. Last four digits of social security number (SSN);
4. Amount of Federal Direct Loan funds awarded by program;
5. Amount of Federal Direct Loan funds to be returned to program; and
6. A copy of each student's ISIR, award worksheet, COD disbursement screen, academic transcript, and student account ledger indicating all financial transactions.

Award Year	Student's Name	Last 4 Digits of SSN	Amount of Federal Direct Loan Funds Awarded by Program			Amount of Federal Direct Loan Funds to be Returned to Program		
			Direct-Sub	Direct-Unsub	PLUS	Direct-Sub	Direct-Unsub	PLUS
2010-2011	Doe, Joe	1234	\$3,500	\$6,000	\$4,000	\$500	\$750	\$600
2011-2012	Doe, Mary	2345	\$3,500	\$6,000	\$4,000	\$500	\$750	\$600

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

MC must review and revise its procedures to ensure that all students enrolled in academic programs shorter than a full academic year in length are prorated. A copy of these procedures must accompany MC's response to this finding.

The FPRD letter will provide repayment instructions for any identified liabilities. MC must not repay any funds owed to the Department until the FPRD is issued.

Missouri College's Response: Missouri College agrees with the finding. All students beginning enrollment in the Massage Therapy Program as of June 2013 had their annual loan limits prorated. In addition, Missouri College conducted a comprehensive file review and compiled a list of students who received Federal Direct Loan funds and were enrolled in the Massage Therapy Program during the 2011-2012, 2012-2013, and 2013-2014 award years. A copy of each student's ISIR, award worksheet, COD disbursement screen, academic transcript, and student account ledger was provided. Missouri College also provided a copy of the revised policies and procedures relative to students enrolled in academic programs shorter than a full academic year.

Final Determination: Missouri College provided revised policies and procedures relative to its compliance with the Department's proration regulations. In addition, Missouri College conducted a comprehensive file review and provided documentation to resolve the issues associated with the institution's failure to prorate Federal Direct Loan awards for students enrolled in programs shorter than an academic year. As a result of the file review, the Department determined Missouri College to be liable for **\$239,505.00**

for ineligible Federal Direct Loans improperly disbursed to 99 students during the 2011-2012, 2012-2013, and 2013-2014 award years as indicated below as well as detailed in *Appendix B-1*.

Award Year	Number of Students	Amount of Federal Direct Loan Funds to be Returned by Programs		
		Direct-Sub	Direct – Unsub	Direct-PLUS
2011-2012	60	70,774.00	89,518.00	2,438.00
2012-2013	38	33,719.00	41,868.00	0
2013-2014	1	1,188.00	0	0
Total Amount		\$105,681.00	\$131,386.00	\$2,438.00

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loans from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loans or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on Missouri College’s most recent available cohort default rate. As a result, the estimated actual loss that Missouri College must pay to the Department for these ineligible loans is **\$9,693.00** (rounded from \$9,692.56). A copy of this calculation is included as *Appendix B-2*.

Finding 3. Failure to Prorate Federal Pell Grant Awards

Citation Summary: *For a student enrolled in an eligible program that measures progress in a program offered in clock hours, the first payment period for the program is the period of time in which the student successfully completes half of the number of clock hours in the program and half of the number of weeks of instructional time in the program; the second payment period is the period of time in which the student successfully completes the program or the remainder of the program.*

Federal regulations at 34 C.F.R. §690.63(e) state that the Federal Pell Grant for a payment period for a student in a program using clock hours is calculated by—

- (1) *Determining the student's Scheduled Federal Pell Grant using the Payment Schedule; and*
- (2) *Multiplying the amount determined under paragraph (1) of this section by the lesser of—*
 - i.

The number of credit or clock hours in the payment period
The number of credit or clock hours in the program's academic year
or

ii.

The number of weeks of instructional time in the payment period
The number of weeks of instructional time in the program's academic year

Notwithstanding paragraphs (b), (c), (d), and (e) of 34 C.F.R. §§690.63 and 668.66, the amount of a student's award for an award year may not exceed his or her Scheduled Federal Pell Grant award for that award year except as provided in 34 C.F.R. §690.67.

As established in Finding 2, Federal regulation requires that proration be measured in clock hours for clock-hour programs. 34 C.F.R. §668.8

Noncompliance Summary: MC's ECAR on file with the Department indicates that the Massage Therapy Program consists of 810 clock-hours, which is less than an academic year. The ECAR indicates that the Massage Therapy Program consists of 810 clock-hours, which is less than an academic year. Federal regulations stipulate that a program is considered to be a clock-hour program for purposes of the Title IV, HEA programs if a program is required to measure student progress in clock hours when receiving Federal or State approval or licensure to offer the program. On page 36 in MC's 2011-2012 Catalog, under the heading State Licensure Information, the catalog states, "The state of Missouri requires massage therapists to be licensed in order to practice in the state. Passage of the NCBTMB certification exam is required in order to apply for state licensure and may be required to practice in other states".

While reviewing the financial aid records, the reviewers found that MC is administering the program as a credit-hour program, rather than a clock-hour program, and failed to prorate Federal Pell Grant awards for students who are enrolled in the program. Of the files reviewed, this affected **Students 5, 10, 12, 13, 19, 30, and 42**. These students are also cited in Finding 2.

Below are examples of students selected from the samples that were awarded Title IV, HEA funds and their Federal Pell Grant award was not prorated.

Student 5: This student enrolled in the Massage Therapy Program on 01/03/2011 and graduated on 02/08/2012. For the 2010-2011 and 2011-2012 award years, the student's EFC is zero on the ISIR. The student was awarded \$5,550 and \$4,162 in Pell Grant funds for the first and second award year. Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year only. For example: $\$5,550 \times 810/900 = \$4,995$. For the second award year, the student was not eligible to receive any Pell Grant funds due to the program being less than a full academic year. Because MC failed

to prorate the award, the institution must return \$555 in Pell Grant funds for the first award year and \$4,162 in Pell Grant funds for the second award year.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 10: *This student enrolled in the Massage Therapy Program on 08/08/2011 and graduated on 07/08/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$5,550 in Pell Grant funds for the first award year.*

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$5,550 \times 810/900 = \$4,995$. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 12: *This student enrolled in the Massage Therapy Program on 08/08/2011 and graduated on 07/08/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$5,550 in Pell Grant funds for the first award year.*

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$5,550 \times 810/900 = \$4,995$. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 13: *This student enrolled in the Massage Therapy Program on 04/23/2012 and withdrew on 03/20/2013. For the 2011-2012 and 2012-2013 award years, the student's EFC is zero on the ISIR. The student was awarded \$2,775 and \$2,775 in Pell Grant funds for the first and second payment period. Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for each payment period. For example: $\$2,775 \times 810/900 = \$2,498$ during the first award year and $\$2,497$ during the second award year. Because MC failed to prorate the awards, the institution must return a total of \$555 in Pell Grant funds.*

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 19: This student enrolled in the Massage Therapy Program on 09/17/2012. The student's EFC is 646 on the 2012-2013 ISIR. The student was awarded \$4,990 in Pell Grant funds for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$4,990 \times 810/900 = \$4,491$. Because MC failed to prorate the award, the institution must return \$499 in Pell Grant funds.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 30: This student enrolled in the Massage Therapy Program on 11/28/2012 and graduated on 10/24/2013. The student's EFC is zero on the 2012-2013 ISIR. The student was awarded \$5,550 in Pell Grant funds for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$5,550 \times 810/900 = \$4,495$. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds.

Student 42: This student enrolled in the Massage Therapy Program on 08/11/2011 and graduated on 10/21/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$5,550 in Pell Grant funds for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$5,550 \times 810/900 = \$4,495$. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds.

Required Action Summary: In response to this finding, MC must conduct a file review of all students who received Federal Pell Grant funds and were/are enrolled in the Massage Therapy Program during the 2011-2012, 2012-2013, and 2013-2014 award years. A report detailing the results of MC's review must be submitted in spreadsheet format and include:

1. Award year;
2. Student's name;
3. Last four digits of social security number (SSN);
4. Amount of Federal Pell Grant awarded;
5. Amount of Federal Pell Grant funds to be returned to program; and
6. A copy of each student's ISIR, award worksheet, COD disbursement screen, academic transcript, and student account ledger indicating all financial transactions.

<i>Award Year</i>	<i>Student's Name</i>	<i>Last 4 Digits of SSN</i>	<i>Amount of Federal Pell Grant Awarded</i>	<i>Amount of Federal Pell Grant to be Returned to Program</i>
2010-2011	Doe, Robert	1234	\$5,550	\$1,900
2011-2012	Doe, Mary	2345	\$4,000	\$1,400

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

MC must review and revise its procedures to ensure that all students enrolled in academic programs shorter than a full academic year in length are prorated. A copy of these procedures must accompany MC's response to this finding.

The FPRD letter will provide repayment instructions for any identified liabilities. MC must not repay any funds owed to the Department until the FPRD is issued.

Missouri College's Response: Missouri College agrees with the finding. All students beginning enrollment in the Massage Therapy Program as of June 2013, the institution prorated their Federal Pell Grant award according to formula four. In addition, Missouri College conducted a comprehensive file review and compiled a list of students (*see Appendices C-1, C-2, and C-3*) who received Federal Pell Grant funds and were enrolled in the Massage Therapy Program during the 2011-2012, 2012-2013, and 2013-2014 award years. A copy of each student's ISIR, award worksheet, COD disbursement screen, academic transcript, and student account ledger was provided. Missouri College also provided a copy of the revised policy and procedures relative to students enrolled in academic programs shorter than a full academic year.

Final Determination: Missouri College has acknowledged that in order for a massage therapist to practice in Missouri, licensure is required; that a therapist must have passed the certification exam offered by the NCBTMB to be licensed; and that NCBTMB establishes its requirements for taking the exam in clock hours. As a result, Missouri College must apply the clock hour formula in prorating Federal Pell Grant awards.

Missouri College provided revised policies and procedures relative to its compliance with the Department's proration regulations. In addition, Missouri College conducted a comprehensive file review and provided documentation to resolve the issues associated with the institution's failure to prorate Federal Pell Grant awards for students enrolled in programs shorter than a full academic year. As a result of the file review, the Department determined Missouri College is required to return **\$95,025.00** (*rounded from \$95,025.34*) for ineligible Federal Pell Grant awards improperly disbursed to 109 students during the

2011-2012, 2012-2013, and 2013-2014 award years as indicated below as well as detailed in *Appendices C-1, C-2, and C-3*.

Award Year	Number of Students	Amount of Federal Pell Grant to be Returned to Program
2011-2012	53	\$24,192.00
2012-2013	52	\$69,960.09
2013-2014	4	\$873.25
Total Amount		\$95,025.34

In addition, Missouri College must pay for the cost of funds (COF) related to the improper Federal Pell Grant disbursements in the sum of **\$1,534.00** (*rounded from \$1,533.57*). The COF was computed by using a current value fund rate (CVFR) of 1% to 5% determined by calculating the actual number of days from the date of disbursement to the date of receipt of the response to the program review report. The CVFR can be found at the U.S. Treasury website at the following link: <http://fms.trea.gov/cvfr/index.html>

The total liability to be remitted for this finding is **\$96,559.00**. The COF calculation is included as *Appendices C-1, C-2, and C-3*.

Finding 4. *Return of Title IV Funds Calculation Errors*

Citation Summary: *Federal regulations require that when a recipient of Title IV, HEA funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all the elements of a Return calculation identified in pertinent Federal regulations. Additionally, the regulations define "institutional charges" as tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution. 34 C.F.R. §668.22(g)(2)*

An institution must return the amount of Title IV, HEA funds for which it is responsible as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. 34 C.F.R. §668.22(j)(1) As required by 34 C.F.R. §668.22(l)(3)(ii), for a student who does not provide notification of his or her withdrawal, the institution's date of determination that the student withdrew is the date that the institution becomes aware that the student ceased attendance. An institution must determine the withdrawal date for a student who withdraws without providing

notification to the institution, no later than 30 days after the end of the payment period.
34 C.F.R. §668.22(j)(2)

The regulations further state that when calculating Returns, the nonfederal share of FSEOG Program funds is excluded when an institution meets its FSEOG matching share by either the individual recipient method or the aggregate method. If an institution meets its matching share requirement through the use of a fund-specific match, 100% of the FSEOG award (both the federal and nonfederal shares) must be included in the Return calculation. Otherwise, the nonfederal share of FSEOG awards is excluded from the calculation. FSA Handbook, Chapter 1, Vol. 5, Page 5-27

Noncompliance Summary: *In two areas, the reviewers found that MC calculated Returns incorrectly. Specifically, (1) MC uses a credit-hour worksheet to calculate Returns for students withdrawn from a clock-hour program, and (2) officials stated that the institution matches FSEOG recipients' award on an aggregate basis and includes the nonfederal share in the Return calculations.*

1. Incorrect worksheet used to calculate Returns for students withdrawing from the Massage Therapy Program

*MC uses an internal worksheet, identified as "Title IV Return of Funds", to calculate Returns for students withdrawing from the 810 clock-hour Massage Therapy Program. The worksheet is formatted to calculate Returns for students withdrawing from a credit-hour program. For example, in Step 2, the credit hour worksheet requires completed days and total days in section H to calculate the percentage of Title IV aid earned, while the clock-hour worksheet requires hours scheduled to complete and total hours in the period to calculate the Title IV aid earned. Because the Massage Therapy Program is a clock-hour program, MC must use a worksheet formatted for clock hours to calculate the Returns for students withdrawing from the program. According to the procedures MC used to calculate Returns, all Returns were calculated incorrect for students withdrawing from the Massage Therapy Program. Of the files reviewed, this affected **Students 20 and 43**. Student 20 and 43 are also cited in Finding 2 and 3.*

2. Nonfederal share of FSEOG Program funds included in calculations

Student 8: *MC uses the aggregate method of matching FSEOG awards. For example, the student received \$300 in FSEOG funds (\$225 federal share and \$75 nonfederal share) for the 08/08/2011 to 11/20/2011 payment period and withdrew on 10/31/2011. On 11/29/2011, MC incorrectly performed a Return calculation by including the nonfederal share of the FSEOG award in the calculation. Federal regulations state that nonfederal share of FSEOG Program funds must be excluded in the calculations when an institution meets its FSEOG matching share by either the individual recipient method or the aggregate method.*

Required Action Summary: *In response to this finding, MC must conduct a file review of all students who withdrew from a clock-hour program during the 2011-2012, 2012-2013, and 2013-2014 award years to determine if the appropriate worksheet was used and completed correctly. Because the regulations prohibit an institution from including nonfederal share when matching on an aggregate basis, MC must also review the Returns completed for all students who were awarded FSEOG funds and withdrew during the years indicated above. A report detailing the results of MC's review must be submitted in the following format:*

1. Award year;
2. Student's name;
3. Last four digits of social security number (SSN);
4. Amount of Title IV, HEA funds awarded by program;
5. Amount of Title IV, HEA funds to be returned by program; and
6. A copy of each student's ISIR, award worksheet, Return worksheet, COD disbursement screen, academic transcript, and student account ledger indicating all financial transactions.

Award Year	Student's Name	Last 4 Digits of SSN	Amount of Title IV, HEA Funds Awarded by Program					Amount of Title IV, HEA Funds to be Returned by Program				
			Pell Grant	FSEOG	Direct-Sub	Direct-Sub	PLUS	Pell Grant	FSEOG	Direct-Sub	Direct-Unsub	PLUS
2011-2012	Doe, Joe	1234	\$2,700	\$400	\$3,500	\$6,000	\$900				\$1,800	\$200
2012-2013	Ford, Sue	5678	\$2,700	\$400	\$3,500	\$6,000					\$2,300	

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

In addition, MC must revise its Return calculation worksheet to ensure that the correct information is used to determine the correct percentage of Title IV aid earned. A copy of the revised worksheet must accompany MC's response to this finding.

Instructions for repayment of liability, if any, will be provided in the FPRD letter. MC must not repay any funds owed to the Department until the FPRD is issued.

Missouri College Response: Missouri College agrees with the finding. Immediately, upon the completion of the on-site review, Missouri College adjusted the administration of Title IV, HEA funds in the Return calculations for student enrolled in the Massage Therapy Program. All students who received FSEOG funds during the 2013-2014 award

year had their returns calculated using a clock hour worksheet. Additionally, Missouri College adjusted the awarding of FSEOG funds to separate the federal and nonfederal portion of the grant to ensure that nonfederal funds are not included in Return calculations.

Missouri College also completed a file review and compiled in an Excel spreadsheet the results of the review. All students who withdrew from the Massage Therapy Program during the 2011-2012, 2012-2013, and 2013-2014 award years, a copy of their ISIR, award worksheet, Return worksheet, COD disbursement screen, academic transcript, and student account ledger was provided.

Final Determination: Missouri College has acknowledged that in order for a massage therapist to practice in Missouri, licensure is required; that a therapist must have passed the certification exam offered by the NCBTMB to be licensed; and that NCBTMB establishes its requirements for taking the exam in clock hours. As a result, Missouri College must use the clock hour worksheet to perform Return to Title IV calculations.

Missouri College was required to review the files of all students who withdrew from a clock hour program during the 2011-2012, 2012-2013, and 2013-2014 award years to determine (1) if the appropriate worksheet was used, and (2) if the worksheet was completed correctly. In addition, Missouri College was required to expand the review to insure that nonfederal matching funds were not included in the Returns calculations for students awarded FSEOG funds and withdrew.

As a result, the Department determined that 39 Returns (four Federal Pell Grant recipients and 35 Federal Direct Loan recipients) were incorrectly processed as indicated in *Appendices D-1 and D-2*. Therefore, Missouri College must pay to the Department **\$3,521.00** (rounded from \$3,520.66) for Federal Pell Grant funds improperly disbursed and not returned to the program. Missouri College must also pay **\$67.00** (rounded from \$67.43) for the COF related to the improper use of Federal Pell Grant funds. The COF was computed by using a current value fund rate (CVFR) of 1% to 5% determined by calculating the actual number of days from the date of disbursement to the date of receipt of the response to the program review report. The CVFR can be found at the U.S. Treasury website at the following link: <http://fms.trea.gov/cvfr/index.html>

Additionally, Missouri College failed to return **\$46,194.00** in Federal Direct Loan funds to the program for students during the 2011-2012, 2012-2013, and 2013-2014 award years (*Appendix D-2*). This amount along with the COF in the sum of **\$999.00** must be returned to the Department for a total liability of **\$47,193.00**. Instructions for repayment are provided in Section E.

Finding 5. Failure to Complete Student Verification Process

Citation Summary: *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 Free Application for Federal Student Aid (FAFSA), as well as resolving any conflicting information that presents itself regarding the application.*

If an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate, it shall require the applicant to verify the information that it has reason to believe is inaccurate. 34 C.F.R. § 668.54(a)(3) Institutions are required to review all subsequent transactions for a student for the entire processing year even if an earlier transaction has been verified to determine if a change to the EFC occurs and make any required changes which affect the pertinent data elements. 2012-2013 Application and Verification Guide

Beginning with the 2012-2013 award year, the Secretary published in the Federal Register the FAFSA information that an institution and an applicant may be required to verify. For each applicant whose FAFSA information is selected for verification by the Secretary, the Secretary will specify the specific information that must be verified. 34 C.F.R. § 668.56 (as revised 07/01/2012). The following chart from the July 13, 2011 Federal Register (Volume 76, Number 134) specifies the items required for verification for the 2012-2013 award year.

FAFSA information selected for verification	Acceptable documentation for FAFSA information selected for verification
<p>All Applicants:</p> <ul style="list-style-type: none"> • Number of household members 	<p><i>A statement signed by both the applicant and one of the parents of a dependent student, or only the applicant if the applicant is an independent student, that lists—</i></p> <ol style="list-style-type: none"> <i>(1) The name and age of each household member; and</i> <i>(2) The relationship of that household member to the applicant.</i> <p><i>Verification of number of household members is not required if:</i></p> <ol style="list-style-type: none"> <i>(1) For a dependent student, the household size reported on the FAFSA is two and the parent is single, separated, divorced, or widowed; or three if the parents are married; or</i> <i>(2) For an independent student, the household size reported on the FAFSA is one and the applicant is single, separated, divorced, or widowed; or two if the applicant is married. 34 C.F.R. § 668.57(b)</i>
<p>All Applicants:</p>	<p><i>(1) A statement signed by both the applicant and one of</i></p>

<ul style="list-style-type: none"> • <i>Number of household members enrolled at least half-time in eligible postsecondary institutions</i> 	<p><i>the parents of a dependent student, or only the applicant if the applicant is an independent student, listing—</i></p> <ul style="list-style-type: none"> (a) <i>The name and age of each household member who is or will be attending an eligible postsecondary educational institution as at least a half-time student in the 2012–2013 award year; and</i> (b) <i>The name of the eligible institution(s) that each household member is or will be attending during the 2012–2013 award year. (34 C.F.R § 668.57(c))</i> <p>2) <i>If an institution has reason to believe that an applicant's FAFSA information or the statement provided by the applicant regarding the number of household members enrolled in eligible postsecondary institutions is inaccurate, the institution must obtain a statement from each institution named by the applicant that the household member in question is or will be attending that institution on at least a half-time basis unless—</i></p> <ul style="list-style-type: none"> (a) <i>The institution the student is attending determines that such a statement is not available because the household member in question has not yet registered at the institution he or she plans to attend; or</i> (b) <i>The institution has information indicating that the household member in question will be attending the same institution as the applicant.</i> <p><i>Verification of household size is not required if the reported number of household members enrolled at least half-time in eligible postsecondary institutions is one. (34 C.F.R § 668.57(c)(2))</i></p>
<p>All Applicants:</p> <ul style="list-style-type: none"> • <i>Food Stamps—Supplemental Nutrition Assistance Program (SNAP).</i> 	<p><i>Documentation from the agency that issues the Food Stamps benefit or alternative documentation as determined by the institution to be sufficient to confirm that the applicant received Food Stamps in 2010 or 2011. (34 C.F.R. § 668.57(d))</i></p>
<p>All Applicants:</p> <ul style="list-style-type: none"> • <i>Child Support Paid</i> 	<ul style="list-style-type: none"> (1) <i>A statement signed by the applicant, spouse, or parent who paid child support certifying—</i> <ul style="list-style-type: none"> (a) <i>The amount of child support paid;</i> (b) <i>The name of the person to whom child support was paid; and</i> (c) <i>The name of the children for whom child support was paid.</i> (2) <i>If the institution believes the information provided in the signed statement is inaccurate, the applicant must provide the institution with documentation such as—</i> <ul style="list-style-type: none"> (a) <i>A copy of the separation agreement or divorce</i>

	<p>decree that shows the amount of child support to be provided;</p> <p>(b) A statement from the individual receiving the child support showing the amount provided; or</p> <p>(c) Copies of the child support checks or money order receipts. 34 C.F.R. § 668.57(d)</p>
<p>Income information for tax filers :</p> <ul style="list-style-type: none"> • Adjusted Gross Income (AGI) • U.S. income tax paid • Untaxed IRA Distributions • Untaxed Pensions • Education Credits • IRA Deductions • Tax Exempt Interest 	<p>(1) Information that the Secretary has identified as having been obtained from the Internal Revenue Service (IRS) (commonly referred to as the IRS Data Retrieval Process) and not having been changed. 34 C.F.R. § 668.57(a)(2)</p> <p>(2) If a tax filer is unable to provide the income information through the IRS Data Retrieval Process, a transcript obtained from the IRS that lists tax account information of the tax filer for tax year 2011. 34 C.F.R. § 668.57(a)(1)(i)</p>
<p>Income information for nontax filers</p> <ul style="list-style-type: none"> • Income earned from work 	<p>For an individual that has not filed and, under IRS rules or other applicable government agency rules, is not required to file an income tax return—</p> <p>(1) A copy of IRS Form W-2 3 for each source of employment income received for tax year 2011. 34 C.F.R. § 668.57(a)(3)(i) and (a)(4)(i)(B)</p> <p>(2) A signed statement certifying—</p> <p>(a) That the individual has not filed and is not required to file an income tax return for tax year 2011. 34 C.F.R. § 668.57(a)(3)(i) and (a)(4)(i); and</p> <p>(b) The sources of income earned from work as reported on the FAFSA and amounts of income from each source from tax year 2011 that is not reported on IRS Form W-2. 34 C.F.R. § 668.57(a)(3)(i) and (a)(4)(i)</p>

Noncompliance Summary: MC failed to complete the verification process for two students selected for verification during the 2012-2013 award year.

Student 19: This student's 2012-2013 ISIR was selected for verification. The name reported on the ISIR for the student's father did not match the Social Security Administration Office records. In addition, the student failed to verify his AGI of \$3,655 as well as his parents' AGI of \$31,449. The student was disbursed \$2,450 in Pell Grant funds \$1,733 in Direct Subsidized Loan, and \$990 in Direct Unsubsidized Loan for the 2012-2013 award year. This student is also cited in Findings 2 and 3.

Student 29: This student's 2012-2013 ISIR was selected for verification. The parent's AGI and household size were correct. However, the ISIR reflects zero for U.S. income tax paid, while the 2011 Federal tax return indicates \$6,793 was paid. The student was disbursed \$1,000 in Pell Grant funds, \$2,105 in Direct Subsidized Loan, and \$496 in Direct Unsubsidized Loan for the 2012-2013 award year.

Required Action Summary: *In response to this finding, MC must resolve the conflicting information for the above-referenced students, which may include obtaining the documentation necessary to complete the process. If the resolution of the issue involves changes to the student's income, or the addition of parental income not previously reported, MC must attempt to collect the required tax returns or other income-related information and recalculate the student's Title IV, HEA eligibility accordingly. If MC is unable to properly complete the verification process for the students, the institution may be held liable for all Title IV, HEA funds disbursed to those students during the relevant award year.*

In addition, MC must conduct a file review for all students who were selected for verification during the 2012-2013 and 2013-2014 award years and confirm that the verification process was correct and complete. For any incorrect or incomplete student's file, the data must be submitted in spreadsheet format and include:

1. Award year;
2. Student's name;
3. Last four digits of social security number (SSN);
4. Verification that cannot be completed;
5. Difference in Title IV, HEA programs for incorrect or incomplete verification;
6. A complete copy of pertinent verification documentation must be submitted for each student;
7. A copy of each student's account statement showing the adjustment of Title IV, HEA disbursements, if any; and,
8. A copy of each student's COD screen showing that the adjustment was made to the Title IV, HEA program.

Award Year	Student's Name	Last Four Digits of SSN	Verification Not Completed	Difference in Title IV, HEA Programs					
				Pell Grant	FSEOG	FWS	Direct-Sub	Direct-Unsub	PLUS
2012-2013	Doe, Joe	1234		\$700	\$200	\$500 0	\$800	\$900	
2013-2014	Bowie, Ann	4523	x	\$2,500	\$600	\$850	\$3,500	\$4,000	\$2,000

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. For students where MC cannot complete verification, all Title IV, HEA Funds may be a liability.

Additionally, MC must review its policies and procedures to ensure that all information is received and evaluated for students selected for verification. A statement verifying that

the policies and procedures were reviewed and are in compliance with the new regulations must accompany the response to this finding.

Instructions for repayment of liability, if any, will be provided in the FPRD letter. MC must not repay any funds owed to the Department until the FPRD is issued.

Missouri College's Response: Missouri College disagreed with this finding and provided documentation to support its position. Missouri College also conducted a file review for all students who were selected for verification during the 2012-2013 award year to confirm that the verification process was and remains correct and complete. Additionally, the institution provided a copy of its policies and procedures relative to the verification process, and a complete copy of pertinent verification documents related to the students' files.

Final Determination: Reviewers found that Missouri College resolved verification correctly for all students in their file reconstruction except in one instance. A review of **Student #164** reflects that the student was selected for verification during the 2012-2013 award year by the Department via CPS. A review of documents collected by Missouri College and provided to the Department indicated the student was married and filed taxes separately; however, Missouri College failed to collect documentation for spousal taxes.

Because Missouri College failed to complete the verification process through improperly omitting all required elements, the institution did not complete verification for this student. Consequently, all Title IV, HEA funds awarded and disbursed to **Student #164** based on the 2012-2013 collected document was done improperly. Therefore, Missouri College must return **\$2,115.00** (*rounded from \$2,115.28*) in Federal Pell Grant funds (*Appendix E-1*). Furthermore, Missouri College is liable for the COF related to the improper use of Federal Pell Grant funds in the sum of **\$24.00** (*rounded from \$23.99*). The COF was computed by using a current value fund rate (CVFR) of 1% to 5% determined by calculating the actual number of days from the date of disbursement to the date of receipt of the response to the program review report. The CVFR can be found at the U.S. Treasury website at the following link: <http://fms.trea.gov/cvfr/index.html>

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows.

<u>Established Liabilities</u>	<u>Pell (Closed Award Year)</u>	<u>DL (Closed Award Year)</u>	<u>Cost of Funds</u>	<u>EALF DL</u>
Finding 2				9,692.56
Finding 3	95,025.34		1,533.57	
Finding 4	3,520.66		67.43	
Finding 4		46,194.00	999.00	
Finding 5	2,115.28		23.99	
Subtotal 1	\$100,661.28	\$46,194.00	\$2,623.99	\$9,692.56
Interest/SA				
Subtotal 2				
TOTAL (add subtotal 1 + 2)	\$100,661.28	\$46,194.00	\$2,623.99	\$9,692.56
Payable To:				
Department	\$100,661.28	\$46,194.00	\$2,623.99	\$9,692.56
				Totals
				\$159,171.83

E. Payment Instructions

A. Liabilities Owed to the Department \$100,000 or More

Missouri College owes to the Department **\$159,171.83**. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. Missouri College 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 Missouri College'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 these liabilities.

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable findings and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award.

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

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. Missouri College is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Debt and Payment Management Group at (202) 245-8080 and ask to speak to Missouri College's account representative.

If full payment cannot be made within **45** days of the date of this letter, contact the Department's Debt and Payment Management 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
Debt and Payment Management Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, Missouri College 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 Missouri College from the Federal Government. Missouri College **may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Missouri College 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.

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

1. Direct Loan Closed Award Years (Request Extended Processing)

- A. Findings #4
- B. Appendix D-2
- C. Appendix A-4

Missouri College must repay the following Direct Loan liabilities:

DL Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$41,635.00	\$945.00	2011-2012
\$4,559.00	\$54.00	2012-2013
Total Principal	Total Interest	
\$46,194.00	\$999.00	

The disbursement record for each student identified in *Appendix A-4* must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix. A copy of the adjustment to each student's COD record must be sent to Charles E. Glasper **within 45 days of the date of this letter.**

Request Extended Processing

COD adjustments are necessary for the closed award years listed above. Before any student level adjustments can be processed, Missouri College must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award years.

2. Direct Loan Estimated Actual Loss

- A. Findings #2
- B. Appendix B-1
- C. Appendix B-2

DL Estimated Actual Loss	
Amount	Award Year
\$8,116.72	2011-2012
\$1,575.84	2012-2013
Total	
\$9,692.56	

The total Direct Loan liability for estimated actual loss is **\$9,692.56**.

Missouri College must pay the amount reflected above in Direct Loan estimated loss liabilities for the award years reflected in Appendix B-2. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in Section D.

C. Liabilities Owed to the Department in the case of Title IV Grants

1. Federal Pell Grant–Closed Award Year

- A. Finding 3
- B. Appendices: C-1, C-2, and C-3

Federal Pell Grant–Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$24,192.00	\$536.84	Federal Pell Grant	2011-2012
\$69,960.09	\$992.00	Federal Pell Grant	2012-2013
\$873.25	\$4.73	Federal Pell Grant	2013-2014
Total Principal	Total Interest		
\$95,025.34	\$1,533.57		

- D. Finding 4
- E. Appendix D-1

Federal Pell Grant–Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$1,678.20	\$38.35	Federal Pell Grant	2011-2012
\$1,842.46	\$29.08	Federal Pell Grant	2012-2013
Total Principal	Total Interest		
\$3,520.66	\$67.43		

- F. Finding 5
- G. Appendix E-1

Federal Pell Grant–Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$2,115.28	\$23.99	Federal Pell Grant	2012-2013
Total Principal	Total Interest		
\$2,115.28	\$23.99		

Missouri College must repay **\$100,661.28** in Federal Pell Grant for the above closed award years as detailed in each finding above and *Appendix A-3*. Additionally, Missouri College must pay **\$1,624.99** in accrued interest as detailed in *Appendices C-1, C-2, C-3, D-1, and E-1*.

The disbursement record for each student identified in *Appendix A-3* must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix.

Note that 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 Charles E. Glasper at charles.glasper@ed.gov **within 45 days of the date of this letter.**

F. Appendices

All appendices with personally identifiable information as well as non-personally identifiable information will be e-mailed to Missouri College as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip files will be sent in a separate email.

1. **Appendix A-1:** Student Samples
2. **Appendix A-2:** Students Identified During Missouri College's File Review
3. **Appendix A-3:** Students with Federal Pell Grant Liabilities
4. **Appendix A-4:** Students with Federal Direct Loan Liabilities
5. **Appendix B-1:** Finding 2, Failure to Prorate Federal Direct Loan Awards
6. **Appendix B-2:** Finding 2, Estimated Actual Loss–Failure to Prorate Federal Direct Loan Awards
7. **Appendix B-3:** Estimated Actual Loss Formula
8. **Appendix C-1:** Finding 3, 2011-2012 Award Year–Failure to Prorate Federal Pell Grant Awards in the Massage Therapy Program
9. **Appendix C-2:** Finding 3, 2012-2013 Award Year–Failure to Prorate Federal Pell Grant Awards in the Massage Therapy Program
10. **Appendix C-3:** Finding 3, 2013-2014 Award Year–Failure to Prorate Federal Pell Grant Awards in the Massage Therapy Program
11. **Appendix D-1:** Finding 4, Return of Federal Pell Grant Funds–Calculation Errors
12. **Appendix D-2:** Finding 4, Return of Federal Direct Loan Funds, Calculation Errors

- 13. **Appendix E-1:** Finding 5, Federal Pell Grant–Failure to Complete Student Verification Process
- 14. **Appendix F:** Program Review Report
- 15. **Appendix G:** Missouri College Program Review Response



June 10, 2014

Mr. Karl Petersen
President
Missouri College
1405 South Hanley Rd.
Brentwood, MO 63144-2902

Tracking # IZ A87 964 01 9360 5176

RE: **Program Review Report**
OPE ID: 00979500
PRCN: 201320728231

Dear Mr. Petersen:

From March 25, 2013 through March 28, 2013, Charles Glasper, Kathy Feith, and Jan Brandow conducted a review of Missouri College's (MC) 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 MC. The response should include a brief, written narrative for each finding that clearly states MC's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, MC 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;
- (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

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

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

School Participation Division – Kansas City

1010 Walnut Street, Suite 336, Kansas City, MO 64106-2147

StudentAid.gov

response will not be attached to the FPRD. However, it will be retained and available for inspection by MC 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 Charles Glasper 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, Student Sample. The appendix was encrypted and sent separately to the institution via e-mail. If institution's response will contain PII- 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).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Mr. Glasper at 816-268-0437 or charles.glasper@ed.gov.

(b)(6)

Dvak Corwin
Compliance Manager

cc: Nicole Gramlich, Campus Director

Enclosure:
Protection of Personally Identifiable Information

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.

Prepared for
Missouri College

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

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OPE ID 00979500
PRCN 201320728231

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-Kansas City

Program Review Report

June 10, 2014

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A. Institutional Information

Missouri College
1405 South Hanley Road
Brentwood, MO 63144-2901

Type: Proprietary
Highest Level of Offering: Bachelor's Degree
Accrediting Agency: Accrediting Council for Independent Colleges and School
MO Coordinating Board for Higher Education

Current Student Enrollment: 916 (2011-2012)

% of Students Receiving Title IV: 90.62 % (2011-2012)

Title IV Participation [Department of Education Grants Management System (G5)]:

	Award Years	
	<u>2011-2012</u>	<u>2012-2013</u>
Federal Pell Grant	\$4,510,824.00	\$2,146,665.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$55,850.00	\$71,800.00
Federal Work-Study (FWS)	\$44,236.00	\$28,214.00
William D. Ford Federal Direct Loan (Direct Loan)	\$10,502,929.00	\$4,067,749.00

Default Rate FDSLPL:	2011	11.0%
	2010	10.4%
	2009	11.4%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Missouri College (MC) from March 25, 2013 to March 28, 2013. The review was conducted by Mr. Charles E. Glasper, Ms. Kathy Feith, and Ms. Jan Brandow.

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

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 16 files were selected to examine the institution's FSEOG and FWS selection policies and procedures and Return of Title IV Funds process. 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 MC'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 MC of its obligation to comply with all 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 (FPRD).

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 MC to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Failure to Properly Monitor Student's Lifetime Eligibility Used (LEU) Prior to Awarding and Disbursement of Federal Pell Grant Funds

Citation: Federal regulations state that the amount of a student's Federal Pell Grant for an academic year is based on the payment and disbursement schedules published by the Secretary for each award year. The Federal Pell Grant for a payment period, e.g., an academic term, for a student in a program using standard terms with at least 30 weeks of instructional time in two semesters is calculated by (1) determining the student's enrollment status for the term, (2) based on that enrollment status, determining the student's annual award from the Federal Pell Grant Payment Schedule for full-time students or the disbursement schedule for three-quarter-time, half-time, or less-than-half-time students, and (3) dividing the amount by two at institutions using semesters or trimester or three at institutions using quarters or the number of terms over which the institution chooses to distribute the student's annual award. *34 C.F.R. §§690.62 and 690.63*

The Consolidated Appropriations Act, 2012 (Public Law 112-74) was enacted on December 23, 2011. The new law, as discussed in GEN 12-01, impacts the Federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. Specifically, Public Law 112-74 amended HEA section 401(c)(5) to reduce the duration of a student's eligibility to receive a Federal Pell Grant from 18 semesters (or its equivalent) to 12 semesters (or its equivalent) effective with the 2012-2013 award year. This change in the duration of students' Federal Pell Grant eligibility encompasses all students who have received Federal Pell Grant funds during their postsecondary years, including students who received funds from 1973 to present. The 12 semester equivalency is calculated by adding the annual percentages of a student's scheduled award that was disbursed together. When a student has received the equivalent of 12 semesters (600%), the student has reached their Federal Pell Grant funds eligibility maximum; thus, no further Pell Grant funds can be disbursed.

Noncompliance: The reviewers identified four students who exceeded the Federal Pell Grant LEU limitations and were incorrectly awarded Federal Pell Grant funds.

Student 31: A review of the student's file indicates the student had utilized 540.42% of the allowed 600% LEU at the conclusion of the 2011-2012 award year. Overall, the student's ISIR history reflects four transactions, which were produced by the Central Processing System (CPS) for the 2012-2013 award year. The first two transactions were processed without incident or caution code; however, a review of subsequent transactions produced due to the NSLDS post-screening process, indicates the student's LEU was close to the maximum allowed amount. For the 2012-2013 award year, the student's EFC was calculated to be zero, which would yield a

scheduled Pell Grant award of \$5,550. MC disbursed 100% of the scheduled award on 01/03/2013 and 01/07/2013 respectively. However, as the student had already utilized 540.42%, MC was only permitted to disburse 59.58% or \$3,306 of the scheduled award. The student was over awarded by \$2,244 for the 2012-2013 award year.

Student 32: A review of the student's file indicates the student had utilized 562.54% of the allowed 600% LEU at the conclusion of the 2011-2012 award year. Overall, the student's ISIR history reflects three transactions, which were produced by CPS for the 2012-2013 award year. The first transaction was processed with no caution code; however, a review of subsequent transactions produced due to the NSLDS post-screening process, indicates the student's LEU was close to the maximum allowed amount. For the 2012-2013 award year, the student's EFC was calculated to be zero, which would yield a scheduled Pell Grant award of \$5,550. MC disbursed 100% of the scheduled award on 01/07/2013. However, as the student had already utilized 562.54%, MC was only permitted to disburse 37.45% or \$2,079 of the scheduled award. The student was over awarded by \$3,471 for the 2012-2013 award year.

Student 33: A review of the student's file indicates the student had utilized 587.85% of the allowed 600% LEU at the conclusion of the 2011-2012 award year. Overall, the student's ISIR history reflects four transactions, which were produced by CPS for the 2012-2013 award year. The first transaction was processed with no caution code; however, a review of subsequent transactions produced due to the NSLDS post-screening process, indicates the student's LEU was close to the maximum allowed amount. For the 2012-2013 award year, the student's EFC was calculated to be zero, which would yield a scheduled Pell Grant award of \$5,550. MC disbursed 50% of the scheduled award on 01/03/2013. However, as the student had already utilized 587.85%, MC was only permitted to disburse 12.14% or \$674 of the scheduled award. The student was over awarded by \$4,876 for the 2012-2013 award year.

Student 34: A review of the student's file indicates the student had utilized 556.13% of the allowed 600% LEU at the conclusion of the 2011-2012 award year. Overall, the student's ISIR history reflects four transactions, which were produced by CPS for the 2012-2013 award year. The first two transactions were processed with no caution code; however, a review of subsequent transactions produced due to the NSLDS post-screening process, indicates the student's LEU was close to the maximum allowed amount. For the 2012-2013 award year, the student's EFC was calculated to be zero, which would yield a scheduled Pell Grant award of \$5,550. MC disbursed 50% of the scheduled award on 01/07/2013. However, as the student had already utilized 556.13%, MC was only permitted to disburse 43.86% or \$2,434 of the scheduled award. The student was over awarded by \$3,116 for the 2012-2013 award year.

Required Action: Subsequent to the program review, MC adjusted the above students' Pell Grant awards based on the LEU percentage in COD. However, MC is required to review the LEU history of all students who are identified in COD as being close to LEU limits for the 2012-2013 and 2013-2014 award years to ensure these students were packaged properly.

The file review must be submitted in spreadsheet format and include:

1. Award year;
2. Student's name;
3. Last four digits of social security number (SSN#);
4. Percentage of LEU;
5. Percentage of LEU exceeded limitation;
6. Amount of Pell Grant awarded;
7. Amount of ineligible Pell Grant over awarded;
8. A complete copy of Pell Grant LEU history screen in COD for each student;
9. A copy of each student's ledger card showing Pell Grant over award adjustments, if any; and,
10. A copy of each student's COD screen showing that the adjustment was made to the Pell Grant program, if any.

Award Year	Student's Name	Last Four Digits of SSN	Percentage of Pell Grant LEU	Percentage of Pell Grant that Exceeded LEU Limitation	Amount of Pell Grant Awarded	Amount of Ineligible Pell Grant Awarded
2012-2013	Doe, Robert	1234	540.42	40.42	\$5,550	\$2,243

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Finally, MC must review its policies and procedures relative to the monitoring process for students who are considered to be potential LEU concerns. A copy of these procedures must accompany MC's response to the program review report (PRR).

The FPRD letter will provide repayment instructions for any identified liabilities. MC must not repay any funds owed to the Department until the FPRD is issued.

Finding 2. Failure to Prorate Federal Direct Loan Awards

Citation: Federal regulations state that the annual maximum loan amount an undergraduate student may borrow must be prorated in certain situations, including:

- when the student is enrolled in a program that is shorter than a full academic year; and
- when the student is enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

Loan limit proration determines the maximum loan amount that a student may borrow for a program or remaining balance of a program, not the loan amount that the student actually

receives. In some cases, the actual loan amount that a student is eligible to receive (based on costs, EFC, and other aid) may be less than the prorated loan limit. *2011-2012 and 2012-2013 Student Financial Aid Handbook, Vol. 3, Chapter 5, Page 3-108*

Federal regulations at *34 C.F.R. §668.8(k)(ii)(B)(2)* state that a program is considered to be a clock-hour program for purposes of the Title IV, HEA programs if, except as provided in paragraph (k)(3) of this section, a program is required to measure student progress in clock hours when –

- Receiving Federal or State approval or licensure to offer the program; or
- Completing clock hours is a requirement for graduates to apply for licensure or the authorization to practice the occupation that the student is intending to pursue.

When an academic program is shorter than a full academic year in length, the institution must multiply the applicable loan limit(s) by the lesser of –

Semester, trimester, quarter, or clock hours enrolled in program
Semester, trimester, quarter, clock hours in academic year

or

Weeks enrolled in program
Weeks in the academic year

The result is the prorated annual loan limit for that program.
34 C.F.R. §685.203(a), (c)

Noncompliance: MC's Eligibility and Certification Approval Report (ECAR) on file with the Department indicates that the Massage Therapy Program consists of 810 clock-hours, which is less than an academic year. Federal regulations stipulate that a program is considered to be a clock-hour program for purposes of the Title IV, HEA programs if a program is required to measure student progress in clock hours when receiving Federal or state approval or licensure to offer the program. On page 36 in MC's 2011-2012 Catalog, under the heading State Licensure Information, the catalog states, "*The state of Missouri requires massage therapists to be licensed in order to practice in the state. Passage of the NCBTMB certification exam is required in order to apply for state licensure and may be required to practice in other states*".

While reviewing the financial aid records, the reviewers found that MC is administering the program as a credit-hour program, rather than a clock-hour program, and failed to prorate Federal Direct Loan awards for students who are enrolled in the program. Of the files reviewed, this affected *Students 5, 10, 12, 13, 19, and 4, discussed below*.

Student 5: This student enrolled in the Massage Therapy Program on 01/03/2011 and graduated on 02/08/2012. The student's EFC is zero on the 2010-2011 ISIR. For the first award year, the student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan.

In addition, MC awarded the student \$3,938 in Direct Subsidized Loan and \$5,250 in Direct Unsubsidized Loan for the second award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$6,000 \times 810/900 = \$5,400$ in Direct Unsubsidized Loan. For the second award year, the student was not eligible to receive any Direct Loan funds, because the program is less than an academic year.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$600 in Direct Unsubsidized Loan for the first award year. In addition, MC must return \$3,938 and \$5,250 in Direct Subsidized and Unsubsidized Loans awarded for the second award year.

MC also failed to prorate the student's Federal Pell Grant award, which is discussed in Finding 3.

Student 10: This student enrolled in the Massage Therapy Program on 08/08/2011 and graduated on 07/08/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan for the first award year. For the second award year, the student was awarded \$2,250 in Direct Subsidized Loan and \$3,000 in Direct Unsubsidized Loan.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$6,000 \times 810/900 = \$5,400$ in Direct Unsubsidized Loan. For the second award year, the student was not eligible to receive any Direct Loan funds, because the program is less than an academic year.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$600 in Direct Unsubsidized Loan for the first award year. In addition, MC must return \$2,250 in Direct Subsidized Loan and \$3,000 in Direct Unsubsidized Loan awarded for the second award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Student 12: This student enrolled in the Massage Therapy Program on 08/08/2011 and graduated on 07/08/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan for the first award year. For the second award year, the student was awarded \$2,250 in Direct Subsidized Loan and \$3,000 in Direct Unsubsidized Loan.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$6,000 \times 810/900 = \$5,400$ in Direct

Unsubsidized Loan. For the second award year, the student was not eligible to receive any Direct Loan funds, because the program is less than an academic year.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$600 in Direct Unsubsidized Loan for the first award year. In addition, MC must return \$2,250 in Direct Subsidized Loan and \$3,000 in Direct Unsubsidized Loan awarded for the second award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Student 13: This student enrolled in the Massage Therapy Program on 04/23/2012 and withdrew on 03/20/2013. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$6,000 \times 810/900 = \$5,400$ in Direct Unsubsidized Loan.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$600 in Direct Unsubsidized Loan for the first award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Student 19: This student enrolled in the Massage Therapy Program on 09/17/2012. The student's EFC is 646 on the 2012-2013 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$2,000 in Direct Unsubsidized Loan for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$2,000 \times 810/900 = \$1,800$ in Direct Unsubsidized Loan.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$200 in Direct Unsubsidized Loan for the first award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Student 42: This student enrolled in the Massage Therapy Program on 08/11/2011 and graduated on 10/21/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$3,500 in Direct Subsidized Loan and \$5,981 in Direct Unsubsidized Loan for the first award year. For the second award year, the student was awarded \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Direct Loan annual award limit for the first award year. For example: $\$3,500 \times 810/900 = \$3,150$ in Direct Subsidized Loan and $\$5,981 \times 810/900 = \$5,383$ in Direct Unsubsidized Loan. For the second award year, the student was not eligible to receive any Direct Loan funds, because the program is less than an academic year.

Because MC failed to prorate the awards, the institution must return \$350 in Direct Subsidized Loan and \$598 in Direct Unsubsidized Loan for the first award year. In addition, MC must return \$3,500 in Direct Subsidized Loan and \$6,000 in Direct Unsubsidized Loan awarded for the second award year.

MC also failed to prorate the student's Pell Grant award, which is discussed in Finding 3.

Required Action: In response to this finding, MC must conduct a file review of all students who received Federal Direct Loan funds and were/are enrolled in the Massage Therapy Program during the 2011-2012, 2012-2013, and 2013-2014 award years. A report detailing the results of MC's review must be submitted in spreadsheet format and include:

1. Award year;
2. Student's name;
3. Last four digits of social security number (SSN);
4. Amount of Federal Direct Loan funds awarded by program;
5. Amount of Federal Direct Loan funds to be returned to program; and
6. A copy of each student's ISIR, award worksheet, COD disbursement screen, academic transcript, and student account ledger indicating all financial transactions.

Award Year	Student's Name	Last 4 Digits of SSN	Amount of Federal Direct Loan Funds Awarded by Program			Amount of Federal Direct Loan Funds to be Returned to Program		
			Direct-Sub	Direct-Unsub	PLUS	Direct-Sub	Direct-Unsub	PLUS
2010-2011	Doe, Joe	1234	\$3,500	\$6,000	\$4,000	\$500	\$750	\$600
2011-2012	Doe, Mary	2345	\$3,500	\$6,000	\$4,000	\$500	\$750	\$600

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

MC must review and revise its procedures to ensure that all students enrolled in academic programs shorter than a full academic year in length are prorated. A copy of these procedures must accompany MC's response to this finding.

The FPRD letter will provide repayment instructions for any identified liabilities. MC must not repay any funds owed to the Department until the FPRD is issued.

Finding 3. Failure to Prorate Federal Pell Grant Awards

Citation: For a student enrolled in an eligible program that measures progress in a program offered in clock hours, the first payment period for the program is the period of time in which the student successfully completes half of the number of clock hours in the program and half of the number of weeks of instructional time in the program; the second payment period is the period of time in which the student successfully completes the program or the remainder of the program.

Federal regulations at 34 C.F.R. §690.63(e) state that the Federal Pell Grant for a payment period for a student in a program using clock hours is calculated by—

- (1) Determining the student's Scheduled Federal Pell Grant using the Payment Schedule;
and
- (2) Multiplying the amount determined under paragraph (1) of this section by the lesser of—
 - i.
$$\frac{\text{The number of credit or clock hours in the payment period}}{\text{The number of credit or clock hours in the program's academic year}}$$
or
 - ii.
$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

Notwithstanding paragraphs (b), (c), (d), and (e) of 34 C.F.R. §§690.63 and 668.66, the amount of a student's award for an award year may not exceed his or her Scheduled Federal Pell Grant award for that award year except as provided in 34 C.F.R. §690.67.

As established in Finding 2, Federal regulation requires that proration be measured in clock hours for clock-hour programs. 34 C.F.R. §668.8(k)(2)

Noncompliance: MC's ECAR on file with the Department indicates that the Massage Therapy Program consists of 810 clock-hours, which is less than an academic year. The ECAR indicates that the Massage Therapy Program consists of 810 clock-hours, which is less than an academic year. Federal regulations stipulate that a program is considered to be a clock-hour program for purposes of the Title IV, HEA programs if a program is required to measure student progress in clock hours when receiving Federal or State approval or licensure to offer the program. On page 36 in MC's 2011-2012 Catalog, under the heading State Licensure Information, the catalog states, "*The state of Missouri requires massage therapists to be licensed in order to practice in the state. Passage of the NCBTMB certification exam is required in order to apply for state licensure and may be required to practice in other states*".

While reviewing the financial aid records, the reviewers found that MC is administering the program as a credit-hour program, rather than a clock-hour program, and failed to prorate Federal Pell Grant awards for students who are enrolled in the program. Of the files reviewed, this affected *Students 5, 10, 12, 13, 19, 30, and 42*. *These students are also cited in Finding 2.*

Student 5: This student enrolled in the Massage Therapy Program on 01/03/2011 and graduated on 02/08/2012. For the 2010-2011 and 2011-2012 award years, the student's EFC was zero. The student was awarded \$5,550 and \$4,162 in Pell Grant funds for the first and second award year. Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year only. For example: $\$5,550 \times 810/900 = \$4,995$. For the second award year, the student was not eligible to receive any Pell Grant funds due to the program being less than a full academic year. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds for the first award year and \$4,162 in Pell Grant funds for the second award year.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 10: This student enrolled in the Massage Therapy Program on 08/08/2011 and graduated on 07/08/2012. The student's EFC was zero on the 2011-2012. The student was awarded \$5,550 in Pell Grant funds for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$5,550 \times 810/900 = \$4,995$. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 12: This student enrolled in the Massage Therapy Program on 08/08/2011 and graduated on 07/08/2012. The student's EFC was zero on the 2011-2012. The student was awarded \$5,550 in Pell Grant funds for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$5,550 \times 810/900 = \$4,995$. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 13: This student enrolled in the Massage Therapy Program on 04/23/2012 and withdrew on 03/20/2013. For the 2011-2012 and 2012-2013 award years, the student's EFC is zero. The student was awarded \$2,775 and \$2,775 in Pell Grant funds for the first and second payment period. Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for each

payment period. For example: $\$2,775 \times 810/900 = \$2,498$ during the first award year and $\$2,497$ during the second award year. Because MC failed to prorate the awards, the institution must return a total of \$555 in Pell Grant funds.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 19: This student enrolled in the Massage Therapy Program on 09/17/2012. The student's EFC is 646 on the 2012-2013 ISIR. The student was awarded \$4,990 in Pell Grant funds for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$4,990 \times 810/900 = \$4,491$. Because MC failed to prorate the award, the institution must return \$499 in Pell Grant funds.

MC also failed to prorate the student's Direct Loan award, which is discussed in Finding 2.

Student 30: This student enrolled in the Massage Therapy Program on 11/28/2012 and graduated on 10/24/2013. The student's EFC is zero on the 2012-2013 ISIR. The student was awarded \$5,550 in Pell Grant funds for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$5,550 \times 810/900 = \$4,995$. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds.

Student 42: This student enrolled in the Massage Therapy Program on 08/11/2011 and graduated on 10/21/2012. The student's EFC is zero on the 2011-2012 ISIR. The student was awarded \$5,550 in Pell Grant funds for the first award year.

Since the program is less than a full academic year, the student was only eligible to receive a maximum of 90% of the Pell Grant scheduled annual award for the first award year. For example: $\$5,550 \times 810/900 = \$4,995$. Because MC failed to prorate the award, the institution must return \$555 in Pell Grant funds.

Required Action: In response to this finding, MC must conduct a file review of all students who received Federal Pell Grant funds and were/are enrolled in the Massage Therapy Program during the 2011-2012, 2012-2013, and 2013-2014 award years. A report detailing the results of MC's review must be submitted in spreadsheet format and include:

1. Award year;
2. Student's name;
3. Last four digits of social security number (SSN);
4. Amount of Federal Pell Grant awarded;

5. Amount of Federal Pell Grant funds to be returned to program; and
6. A copy of each student's ISIR, award worksheet, COD disbursement screen, academic transcript, and student account ledger indicating all financial transactions.

Award Year	Student's Name	Last 4 Digits of SSN	Amount of Federal Pell Grant Awarded	Amount of Federal Pell Grant to be Returned to Program
2010-2011	Doe, Robert	1234	\$5,550	\$1,900
2011-2012	Doe, Mary	2345	\$4,000	\$1,400

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

MC must review and revise its procedures to ensure that all students enrolled in academic programs shorter than a full academic year in length are prorated. A copy of these procedures must accompany MC's response to this finding.

The FPRD letter will provide repayment instructions for any identified liabilities. MC must not repay any funds owed to the Department until the FPRD is issued.

Finding 4. Return of Title IV Funds Calculation Errors

Citation: Federal regulations require that when a recipient of Title IV, HEA funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all the elements of a Return calculation identified in pertinent Federal regulations. Additionally, the regulations define "institutional charges" as tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution. *34 C.F.R. §668.22(g)(2)*

An institution must return the amount of Title IV, HEA funds for which it is responsible as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. *34 C.F.R. §668.22(j)(1)* As required by *34 C.F.R. §668.22(l)(3)(ii)*, for a student who does not provide notification of his or her withdrawal, the institution's date of determination that the student withdrew is the date that the institution becomes aware that the student ceased attendance. An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution, no later than 30 days after the end of the payment period. *34 C.F.R. §668.22(j)(2)*

The regulations further state that when calculating Returns, the nonfederal share of FSEOG Program funds is excluded when an institution meets its FSEOG matching share by either the

individual recipient method or the aggregate method. If an institution meets its matching share requirement through the use of a fund-specific match, 100% of the FSEOG award (both the federal and nonfederal shares) must be included in the Return calculation. Otherwise, the nonfederal share of FSEOG awards is excluded from the calculation. *FSA Handbook, Chapter 1, Vol. 5, Page 5-27*

Noncompliance: In two areas, reviewers found that MC calculated Returns incorrectly. Specifically, (1) MC used a credit-hour worksheet to calculate Returns for students withdrawn from a clock-hour program, and (2) officials stated that the institution matches FSEOG recipients' award on an aggregate basis and includes the nonfederal share in the Return calculations.

1. Incorrect worksheet used to calculate Returns for students withdrawing from the Massage Therapy Program

MC uses an internal worksheet, identified as "Title IV Return of Funds", to calculate Returns for students withdrawing from the 810 clock-hour Massage Therapy Program. The worksheet is formatted to calculate Returns for students withdrawing from a credit-hour program. For example, in Step 2, the credit hour worksheet requires completed days and total days in section H to calculate the percentage of Title IV aid earned, while the clock-hour worksheet requires hours scheduled to complete and total hours in the period to calculate the Title IV aid earned. Because the Massage Therapy Program is a clock-hour program, MC must use a worksheet formatted for clock hours to calculate the Returns for students withdrawing from the program. According to the procedures MC used to calculate Returns, all Returns were calculated incorrect for students withdrawing from the Massage Therapy Program. Of the files reviewed, this affected ***Students 20 and 43***. *Student 20 and 43 are also cited in Finding 2 and 3.*

2. Nonfederal share of FSEOG Program funds included in calculations

Student 8: MC uses the aggregate method of matching FSEOG awards. For example, the student received \$300 in FSEOG funds (\$225 federal share and \$75 nonfederal share) for the 08/08/2011 to 11/20/2011 payment period and withdrew on 10/31/2011. On 11/29/2011, MC incorrectly performed a Return calculation by including the nonfederal share of the FSEOG award in the calculation. Federal regulations state that nonfederal share of FSEOG Program funds must be excluded in the calculations when an institution meets its FSEOG matching share by either the individual recipient method or the aggregate method.

Required Action: In response to this finding, MC must conduct a file review of all students who withdrew from a clock-hour program during the 2011-2012, 2012-2013, and 2013-2014 award years to determine if the appropriate worksheet was used and completed correctly. Because the regulations prohibit an institution from including nonfederal share when matching on an aggregate basis, MC must also review the Returns completed for all students who were awarded FSEOG funds and withdrew during the years indicated above. A report detailing the results of MC's review must be submitted in the following format:

1. Award year;
2. Student's name;
3. Last four digits of social security number(SSN);
4. Amount of Title IV, HEA funds awarded by program;
5. Amount of Title IV, HEA funds to be returned by program; and
6. A copy of each student's ISIR, award worksheet, Return worksheet, COD disbursement screen, academic transcript, and student account ledger indicating all financial transactions.

Award Year	Student's Name	Last 4 Digits of SSN	Amount of Title IV, HEA Funds Awarded by Program					Amount of Title IV, HEA Funds to be Returned by Program				
			Pell Grant	FSEOG	Direct-Sub	Direct-Unsub	PLUS	Pell Grant	FSEOG	Direct-Sub	Direct-Unsub	PLUS
2011-2012	Doe, Joe	1234	\$2,700	\$400	\$3,500	\$6,000	\$900				\$1,800	\$200
2012-2013	Ford, Sue	5678	\$2,700	\$400	\$3,500	\$6,000					\$2,300	

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

In addition, MC must revise its Return calculation worksheet to ensure that the correct information is used to determine the correct percentage of Title IV aid earned. A copy of the revised worksheet must accompany MC's response to this finding.

Instructions for repayment of liability, if any, will be provided in the FPRD letter. MC must not repay any funds owed to the Department until the FPRD is issued.

Finding 5. Failure to Complete Student Verification Process

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 Free Application for Federal Student Aid (FAFSA), as well as resolving any conflicting information that presents itself regarding the application.

If an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate, it shall require the applicant to verify the information that it has reason to believe is inaccurate. *34 C.F.R. § 668.54(a)(3)* Institutions are required to review all subsequent transactions for a student for the entire processing year even if an earlier transaction has been verified to determine if a change to the EFC occurs and make any required changes which affect the pertinent data elements. *2012-2013 Application and Verification Guide*

Beginning with the 2012-2013 award year, the Secretary published in the Federal Register the FAFSA information that an institution and an applicant may be required to verify. For each applicant whose FAFSA information is selected for verification by the Secretary, the Secretary will specify the specific information that must be verified. *34 C.F.R. § 668.56 (as revised 07/01/2012)*. The following chart from the July 13, 2011 Federal Register (Volume 76, Number 134) specifies the items required for verification for the 2012-2013 award year.

FAFSA information selected for verification	Acceptable documentation for FAFSA information selected for verification
<p>All Applicants:</p> <ul style="list-style-type: none"> • Number of household members 	<p>A statement signed by both the applicant and one of the parents of a dependent student, or only the applicant if the applicant is an independent student, that lists—</p> <ol style="list-style-type: none"> (1) The name and age of each household member; and (2) The relationship of that household member to the applicant. <p>Verification of number of household members is not required if:</p> <ol style="list-style-type: none"> (1) For a dependent student, the household size reported on the FAFSA is two and the parent is single, separated, divorced, or widowed; or three if the parents are married; or (2) For an independent student, the household size reported on the FAFSA is one and the applicant is single, separated, divorced, or widowed; or two if the applicant is married. <i>34 C.F.R. § 668.57(b)</i>
<p>All Applicants:</p> <ul style="list-style-type: none"> • Number of household members enrolled at least half-time in eligible postsecondary institutions 	<ol style="list-style-type: none"> (1) A statement signed by both the applicant and one of the parents of a dependent student, or only the applicant if the applicant is an independent student, listing— <ol style="list-style-type: none"> (a) The name and age of each household member who is or will be attending an eligible postsecondary educational institution as at least a half-time student in the 2012–2013 award year; and (b) The name of the eligible institution(s) that each household member is or will be attending during the 2012–2013 award year. <i>(34 C.F.R § 668.57(c))</i> 2) If an institution has reason to believe that an applicant's FAFSA information or the statement provided by the applicant regarding the number of household members enrolled in eligible postsecondary institutions is inaccurate, the institution must obtain a statement from each institution named by the applicant that the household member in question is or will be attending that institution on at least a half-time basis unless— <ol style="list-style-type: none"> (a) The institution the student is attending determines that such a statement is not available because the household member in question has not yet registered at the institution he or she plans to attend; or

	<p>(b) The institution has information indicating that the household member in question will be attending the same institution as the applicant.</p> <p>Verification of household size is not required if the reported number of household members enrolled at least half-time in eligible postsecondary institutions is one. <i>(34 C.F.R. § 668.57(c)(2))</i></p>
<p>All Applicants:</p> <ul style="list-style-type: none"> • Food Stamps—Supplemental Nutrition Assistance Program (SNAP). 	<p>Documentation from the agency that issues the Food Stamps benefit or alternative documentation as determined by the institution to be sufficient to confirm that the applicant received Food Stamps in 2010 or 2011. <i>(34 C.F.R. § 668.57(d))</i></p>
<p>All Applicants:</p> <ul style="list-style-type: none"> • Child Support Paid 	<p>(1) A statement signed by the applicant, spouse, or parent who paid child support certifying—</p> <ul style="list-style-type: none"> (a) The amount of child support paid; (b) The name of the person to whom child support was paid; and (c) The name of the children for whom child support was paid. <p>(2) If the institution believes the information provided in the signed statement is inaccurate, the applicant must provide the institution with documentation such as—</p> <ul style="list-style-type: none"> (a) A copy of the separation agreement or divorce decree that shows the amount of child support to be provided; (b) A statement from the individual receiving the child support showing the amount provided; or (c) Copies of the child support checks or money order receipts. <i>34 C.F.R. § 668.57(d)</i>
<p>Income information for tax filers :</p> <ul style="list-style-type: none"> • Adjusted Gross Income (AGI) • U.S. income tax paid • Untaxed IRA Distributions • Untaxed Pensions • Education Credits • IRA Deductions • Tax Exempt Interest 	<p>(1) Information that the Secretary has identified as having been obtained from the Internal Revenue Service (IRS) (commonly referred to as the IRS Data Retrieval Process) and not having been changed. <i>34 C.F.R. § 668.57(a)(2)</i></p> <p>(2) If a tax filer is unable to provide the income information through the IRS Data Retrieval Process, a transcript obtained from the IRS that lists tax account information of the tax filer for tax year 2011. <i>34 C.F.R. § 668.57(a)(1)(i)</i></p>
<p>Income information for nontax filers</p> <ul style="list-style-type: none"> • Income earned from work 	<p>For an individual that has not filed and, under IRS rules or other applicable government agency rules, is not required to file an income tax return—</p> <ul style="list-style-type: none"> (1) A copy of IRS Form W-2 3 for each source of employment income received for tax year 2011. <i>34 C.F.R. § 668.57(a)(3)(i) and (a)(4)(i)(B)</i> (2) A signed statement certifying— <ul style="list-style-type: none"> (a) That the individual has not filed and is not required to file an income tax return for tax year 2011. <i>34</i>

	<p><i>C.F.R. § 668.57(a)(3)(i) and (a)(4)(i); and</i></p> <p>(b) The sources of income earned from work as reported on the FAFSA and amounts of income from each source from tax year 2011 that is not reported on IRS Form W-2. <i>34 C.F.R. § 668.57(a)(3)(i) and (a)(4)(i)</i></p>
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Noncompliance: MC failed to complete the verification process for two students selected for verification during the 2012-2013 award year.

Student 19: This student's 2012-2013 ISIR was selected for verification. The name reported on the ISIR for the student's father did not match the Social Security Administration Office records. In addition, the MC failed to verify his AGI of \$3,655 as well as his parents' AGI of \$31,449. The student was disbursed \$2,450 in Pell Grant funds \$1,733 in Direct Subsidized Loan, and \$990 in Direct Unsubsidized Loan for the 2012-2013 award year. *This student is also cited in Findings 2 and 3.*

Student 29: This student's 2012-2013 ISIR was selected for verification. The parent's AGI and household size were correct. However, the ISIR reflects zero for U.S. income tax paid, while the 2011 Federal tax return indicates \$6,793 was paid. The student was disbursed \$1,000 in Pell Grant funds, \$2,105 in Direct Subsidized Loan, and \$496 in Direct Unsubsidized Loan for the 2012-2013 award year.

Required Action: In response to this finding, MC must resolve the conflicting information for the above-referenced students, which may include obtaining the documentation necessary to complete the process. If the resolution of the issue involves changes to the student's income, or the addition of parental income not previously reported, MC must attempt to collect the required tax returns or other income-related information and recalculate the student's Title IV, HEA eligibility accordingly. If MC is unable to properly complete the verification process for the students, the institution may be held liable for all Title IV, HEA funds disbursed to those students during the relevant award year.

In addition, MC must conduct a file review for all students who were selected for verification during the 2012-2013 award year and confirm that the verification process was correct and complete. For any incorrect or incomplete student's file, the data must be submitted in spreadsheet format and include:

1. Award year;
2. Student's name;
3. Last four digits of social security number (SSN);
4. Verification that cannot be completed;
5. Difference in Title IV, HEA programs for incorrect or incomplete verification;
6. A complete copy of pertinent verification documentation must be submitted for each student;
7. A copy of each student's account statement showing the adjustment of Title IV, HEA disbursements, if any; and,

8. A copy of each student's COD screen showing that the adjustment was made to the Title IV, HEA program.

Award Year	Student's Name	Last Four Digits of SSN	Verification Not Completed	Difference in Title IV, HEA Programs					
				Pell Grant	FSEOG	FWS	Direct-Sub	Direct-Unsub	PLUS
2012-2013	Doe, Joe	1234		\$700	\$200	\$5000	\$800	\$900	
2013-2014	Bowie, Ann	4523	x	\$2,500	\$600	\$850	\$3,500	\$4,000	\$2,000

The spreadsheet must be compiled in an Excel spreadsheet and submitted either via e-mail or in CD-ROM format as indicated above. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. For students where MC cannot complete verification, all Title IV, HEA Funds may be a liability.

Additionally, MC must review its policies and procedures to ensure that all information is received and evaluated for students selected for verification. A copy of these policies and procedures must accompany the response to this finding.

Instructions for repayment of liability, if any, will be provided in the FPRD letter. MC must not repay any funds owed to the Department until the FPRD is issued.

Finding 6. Accounting Records Not Reconciled

Citation: Federal regulations require an institution to establish and maintain, on a current basis, financial records that reflect all Title IV, HEA Program transactions, and general ledger control accounts, and related subsidiary accounts that identify each Title IV program transaction and separate those transactions from all other institutional financial activity. An institution shall account for the receipt and expenditure of Title IV, HEA Program funds in accordance with generally accepted accounting principles and reconcile its oversight of Title IV funds on at least a monthly basis. *34 C.F.R. §§ 668.24(a-b), 674.19(d)(1), 675.19(b)(2)(iv), 676.19(b)(2), and 690.81(a); The Blue Book, October 2013, Vol., Chapter 5, Page 1-50*

Noncompliance: MC failed to reconcile its Title IV, HEA Program accounts on at least a monthly basis. The 2011-2012 Fiscal Operations Report and Application to Participate (FISAP), Grants Management System (G5), and Student Ledgers show the following data:

Program	FISAP	G5	Student Ledgers
Federal Pell Grant	\$4,455,039.00	\$4,510,824.00	\$4,545,771.00
FSEOG	\$54,444.00	\$55,850.00	\$55,850.00
FWS	\$42,350.00	\$44,236.00	n/a
Direct Loan	n/a	\$10,502,929.00	\$10,617,597.00

Required Action: MC must reconcile the above accounts for the 2011-2012 award year as well as the 2012-2013 award year. Excess cash, if any, must be returned to the appropriate program. Additionally, MC must review and revise, if necessary, its procedures to ensure that all Title IV, HEA Program accounts are reconciled on at least a monthly basis in the future. The reconciliation procedures must accompany MC's response to the PRR.

Instructions for repayment of excess cash and liabilities, if any, will be provided in the FPRD letter. MC must not repay any funds owed to the Department until the FPRD is issued.

Finding 7. Failure to Perform Federal Direct Loan Exit Counseling

Citation: A school must ensure that exit counseling is conducted with each Direct Loan (DL) 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, HEA 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, 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.

Schools may rely on Web counseling services, if these services provide all information required by regulation. Regulations also require that knowledgeable financial aid staff be reasonably available to answer questions from student borrowers. Institutions must document student files to illustrate that the counseling was performed. If exit counseling is conducted by electronic interactive means, the school must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the counseling. The school must maintain documentation substantiating the school's compliance with this section for each student borrower. *34 C.F.R. § 682.604(f) and 682.604(g)*

Noncompliance: MC failed to provide DL exit counseling for *Students 18, 20, 22, and 29* either in person, by audiovisual presentation, or by interactive electronic means, as required by Federal regulations. While reviewing the financial aid files, it was noted there was no documentation of an exit interview having been performed, nor any documentation that MC sent the required exit counseling information to the students via mail. *These students are also cited in Findings 2, 3, and 5.*

Required Action: MC must provide exit counseling materials to the students cited above last known address, and provide documentation, with its response, indicating that the materials were sent. A receipt of certified mailing is considered adequate documentation.

Additionally, MC must review its procedures to ensure that students receive the appropriate DL exit counseling either in person, by audiovisual presentation, or by interactive electronic means. A copy of the revisions, if any, must accompany MC's response to this finding.

Finding 8. Inaccurate Disbursement Reporting to Common Origination and Disbursement (COD)

Citation: An institution makes a disbursement of Title IV, HEA program 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 or institutional funds before receiving Title IV, HEA program funds. *34 C.F.R. §668.164(a)*

A school participating in the Direct Loan Program shall ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements of *34 C.F.R. §685.200*. A school shall provide to the Secretary borrower information that includes but is not limited to the borrower's eligibility for a loan, as determined in accordance with *34 C.F.R. §§685.200 and 685.203*; the student's loan amount; and the expected and actual disbursement date or dates and disbursement amounts of the loan proceeds. *34 C.F.R. §685.301(a)*

34 C.F.R. §690.83 requires institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit Federal Pell Grant and Federal Direct Loan disbursement records to the COD system no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement information. The disbursement date to be reported to COD is the date that the funds are credited to a student's account or pays funds to a student or parent directly. *COD Technical Reference, 2011-2012, Volume II*

Noncompliance: Disbursement dates reported to COD by MC did not reflect dates posted on the student's account. The following chart illustrates a sample of the differences between dates Title IV, HEA funds were disbursed to student accounts versus disbursement dates reported to COD:

Student #	Student Ledger Disbursement Dates	COD Disbursement Dates	Title IV Program	Amount of Disbursement
1	01/23/2012	01/16/2012	Federal Pell Grant	\$413.00
	02/21/2012	02/20/2012	Federal Pell Grant	\$825.00

	05/04/2012	05/01/2012	Federal Pell Grant	\$413.00
	Not credited	06/05/2012	Federal Pell Grant	\$137.00
	02/08/2012	05/02/2012	Direct Unsubsidized Loan	\$2,985.00
2	01/23/2012	01/16/2012	Federal Pell Grant	\$413.00
	02/21/2012	02/20/2012	Federal Pell Grant	\$825.00
	05/04/2012	05/01/2012	Federal Pell Grant	\$413.00
	02/08/2012	05/02/2012	Federal Direct-sub	\$2,985.00
4	02/21/2012	02/20/2012	Federal Pell Grant	\$1,388.00
	06/11/2012	06/05/2012	Federal Pell Grant	\$925.00
5	08/16/2011	08/15/2011	Federal Pell Grant	\$694.00
	10/25/2011	10/24/2011	Federal Pell Grant	\$693.00
	12/05/2011	12/01/2011	Federal Pell Grant	\$694.00
	01/26/2012	01/16/2012	Federal Pell Grant	\$693.00
6	08/19/2011	08/15/2011	Federal Pell Grant	\$694.00
8	08/16/2011	08/15/2011	Federal Pell Grant	\$1,388.00
	10/06/2011	09/19/2011	Federal Pell Grant	\$1,387.00
9	10/25/2011	10/24/2011	Federal Pell Grant	\$171.22
10	12/02/2011	12/01/2011	Federal Pell Grant	\$1,388.00
	02/21/2012	02/20/2012	Federal Pell Grant	\$1,387.00
11	12/15/2011	12/01/2011	Federal Pell Grant	\$694.00
	01/17/2012	01/16/2012	Federal Pell Grant	\$1,388.00
	05/04/2012	05/01/2012	Federal Pell Grant	\$1,388.00
12	02/21/2012	02/20/2012	Federal Pell Grant	\$693.00
14	07/11/2011	07/04/2011	Federal Pell Grant	\$1,388.00
	08/16/2011	08/19/2011	Federal Pell Grant	\$1,387.00
15	11/17/2011	10/25/2011	Federal Pell Grant	\$1,388.00
	12/05/2011	12/01/2011	Federal Pell Grant	\$1,387.00

Required Action: MC must revise its policy and procedures to comply with COD reporting procedures to ensure that the institution accurately reports to COD the date that the institution disburses Title IV, HEA funds to each student's account. A copy of these procedures must accompany MC's response to this report.

MC must also credit the Pell Grant funds disbursed to the account of *Student 1*. A copy of the student's revised student account ledger and the adjusted COD screen must accompany Mc's response to this PRR.

Hard copy and electronic files containing PII must be safeguarded as describe in the enclosure to the cover letter of this report.

Finding 9. National Student Loan Data System (NSLDS) Reporting Incorrect/Untimely

Citation: Federal regulations state that a school shall—

1. Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and
2. Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct or FFEL Subsidized, Unsubsidized, or PLUS Loan, has been made to or on behalf of a student who—
 - a. Enrolled at that school but has ceased to be enrolled on at least a half-time basis;
 - b. Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or
 - c. Has changed his or her permanent address.
3. The Secretary provides student status confirmation reports to a school at least semi-annually.
4. The Secretary may provide the student status confirmation report in either paper or electronic format. *34 C.F.R. §§682.610 and 685.309*

The Secretary provides student status confirmation reports to a school at least semi-annually. At scheduled times during the year, not less than semiannually, NSLDS sends Roster files electronically to the institution (or its designated servicer) through its SAIG mailbox. The file includes all the institution's students who are identified in NSLDS as Direct (Direct and FFEL) borrowers (or the beneficiaries of a PLUS loan). The file is not necessarily connected to loans made at the institution—the institution must also report information for students who received some or all their FSA loans at other schools but are currently attending the reporting institution. The institution (or servicer) must certify the information and return the Roster file within 30 days of receiving it. The institution may also go to *www.nslsdfap.ed.gov* and update information for students online. The institution is required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half time, graduated, or withdrawn must be reported within 30 days. However, if a Roster file is expected within 60 days, the institution may provide the data on that roster file. *2011-2012 and 2012-2013 Federal Student Aid Handbook, Volume 2, Chapter 3*

Student enrollment information is extremely important, because it is used to determine if the student is still considered enrolled 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. *2011-2012 and 2012-2013 Federal Student Aid Handbook, Volume 2, Chapter 3*

Noncompliance: In four of the 45 student files reviewed, MC did not accurately report student enrollment status to NSLDS, or submit it in a timely manner. In addition, MC failed to

record the correct loan period as entered in COD for *Students 13, 18, 20, and 22*. *These students are also cited in Findings 2, 3, and 4.*

Required Action: MC must review the enrollment status of all students who were enrolled at the institution during the 2011-2012 and 2012-2013 award years and either verify that the listed enrollment status is current, or update the enrollment status in NSLDS to bring it current. In addition, MC must review and correct the loan periods for the students indicated above. The institution is also required to review its procedures for reporting enrollment status changes to NSLDS to ensure accurate and timely reporting and, as necessary, revise them. A discussion of the results of MC review of its enrollment status reporting and its NSLDS reporting procedures must accompany its response to this PRR.

Finding 10. Fiscal Operations Report and Application to Participate (FISAP) Data Discrepancies

Citation: An institution that participates in the Title IV, HEA Campus-Based programs must annually file an application on the Department's form containing the necessary information to determine the institution's allocation or reallocation of Federal Perkins, FWS, and FSEOG funds. *34 C.F.R. §673.3* Furthermore, the institution must insure that information submitted on the Fiscal Operations Report is accurate. *34 C.F.R. §§674.19(d), 675.19(b)(3), and 676.19(b)(3)*

Noncompliance: MC incorrectly reported data on the institution's 2011-2012 FISAP application. For example, on Line 23 of Part II of the FISAP, MC reported \$4,455,039 total Federal Pell Grant expenditures for the 2011-2012 award year; however, the total expenditures reported in G5 and on the student ledger cards are \$4,510,824 and \$4,545,771 respectively. Additionally, MC reported \$54,444 on Line 16, Section D of Part IV of the FISAP as the total Federal funds disbursed in FSEOG; however, the total Federal Funds disbursed in FSEOG in G5 and on the student ledger cards is \$55,850. Finally, MC reported on Line 17, Section D of Part V of the FISAP \$42,350 as total Federal funds spent for FWS, while G5 shows \$44,236 spent in FWS funds.

Required Action: MC must review the FISAP report for the 2011-2012 award year and correct the deficiencies identified above. The institution must also submit a corrected FISAP report to the Department's Campus-Based Operations office. A copy of the corrected FISAP must be included in MC's response to this PRR.

To make changes to an existing FISAP for recent award years, MC must report the corrected FISAP information through the Department's eCB system. Changes must be made to the working copy of the FISAP for the applicable award year. At the time of submission, the institution will be asked to provide an explanation of why changes are being made. Detailed instructions for submitting FISAP corrections can be obtained by contacting the eCB Call Center at 877-801-7168.

In addition, MC must submit written assurances that the institution will accurately report FISAP expenditures in the future.