



February 9, 2015

DeRionne P. Pollard, PhD  
President  
Montgomery College  
900 Hungerford Drive  
Rockville, MD 20850-1195

*UPS Tracking #*  
*1ZA879640292837765*

RE: Final Program Review Determination  
OPE ID: 00691100  
PRCN: 201430328619

Dear Ms. Pollard:

The U.S. Department of Education's School Participation Division - Philadelphia issued a program review report on August 8, 2014 covering Montgomery College's administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2012-2013 and 2013-2014 award years. The institution's final response was received on August 25, 2014.

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

Montgomery College's response has resolved all findings. Montgomery College has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences for Findings 1, 2, 3 and 4. In addition, Montgomery College must continue its efforts with the Department to liquidate the Federal Perkins Loan fund, as indicated in its response to the Program Review Report. Therefore, Montgomery College may consider the program review closed.

**Federal Student**

AN OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division – Philadelphia

The Wannamaker Building, 100 Penn Square East, Suite 511, Philadelphia, PA 10107

[StudentAid.gov](http://StudentAid.gov)

Montgomery College

00691100

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

If you have any questions please call Laurie Carmean at 202-377-4834.

Sincerely,

(b)(6)

Ms. Nancy Paula Gifford  
Division Director

Enclosure: Program Review Report

cc: Melissa Gregory, Financial Aid Administrator



August 8, 2014

Dr. DeRionne P. Pollard  
President  
Montgomery College  
900 Hungerford Drive  
Rockville, MD 20850-1195

**Sent Via E-Mail and UPS**  
**Tracking Number:**  
**1ZA879640293831849**

RE: Program Review Report  
OPE ID: 00691100  
PRCN: 201430328619

Dear Dr. Pollard:

From June 2, 2014 through June 5, 2014, Ms. Laurie Carmean and Mr. Robert Gelfand conducted a review of Montgomery College's administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

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

Please note that pursuant to HEA section 498A(b), the U.S. Department of Education (the Department) is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report<sup>1</sup> 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.

<sup>1</sup> 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 - Philadelphia

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

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by Montgomery College 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.

Montgomery College's response should be sent directly to Ms. Carmean at the address noted below within 30 calendar days of receipt of this letter.

Ms. Laurie Carmean  
U.S. Department of Education  
Federal Student Aid  
830 1<sup>st</sup> Street, NE  
UPC 72B1  
Washington, DC 20202-5402

**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 and Appendix B. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data or 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).

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

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We would like to express our appreciation for the courtesy and cooperation extended during the review. If you have any questions concerning this report, please contact Ms. Carmean on (202) 377-4834 or at [laurie.carmean@ed.gov](mailto:laurie.carmean@ed.gov).

Sincerely,

(b)(6)

John S. Loreng  
Compliance Manager  
School Participation Division - Philadelphia

cc: Ms. Melissa F. Gregory, Chief Enrollment Services & Financial Aid Officer

Enclosures: Protection of Personally Identifiable Information  
Program Review Report

## 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 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 15.0) and are encrypted with AES encryption.

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 at least three of the following:

- Upper case letter;
- Lower case letter;
- A number; and/or,
- A 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  
**Montgomery College**

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OPE ID: 00691100  
PRCN: 201430328619

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

**Program Review Report**  
**August 8, 2014**

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## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review of Montgomery College from June 2-5, 2014. Ms. Laurie Carmean and Mr. Robert Gelfand conducted the review.

The focus of the review was to evaluate Montgomery College's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV, HEA programs (Title IV programs). The review consisted of, but was not limited to, an examination of Montgomery College'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 34 files was identified for review from the 2012-2013 and 2013-2014 (to June 2, 2014) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV program funds for each award year. Appendices A and B lists the names and social security numbers of the students whose files were examined during the program review.

### **Disclaimer:**

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

While this report reflects the initial findings of the Department, they are not final. The Department will issue a Final Program Review Determination (FPRD) letter at a later date.

## **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 Montgomery College to bring operations of the financial aid programs into compliance with the statutes and regulations.

### **Finding # 1: Return of Title IV Funds Made Late**

**Citation:** When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. 34 C.F.R. § 668.22(a)(1). An

institution must also return the amount of Title IV program funds for which it is responsible as soon as possible but no later than 45 days after the date the institution determines that the student withdrew. 34 C.F.R. § 668.22(j)(1).

**Noncompliance:** Student # 15 withdrew from the institution on January 5, 2013; however, Montgomery College did not post the return of Federal Pell Grant Program funds in the amount of \$633 to the student's account until March 5, 2013, which was 45 days late. Montgomery College also posted another return of Federal Pell Grant Program funds to the student's account in the amount of \$400 on June 5, 2013, which was 137 days late. Lastly, the institution returned an additional \$6.00 in error.

An institution's failure to return Title IV program funds in a timely manner may result in additional expenses for students, parent borrowers and the Department.

**Required Action:** Montgomery College should review its Return of Title IV Funds policies and procedures to prevent a recurrence of this matter. The institution should provide a copy of any revisions to its policies and procedures as a result of this finding with its response to the program review report.

#### **Finding # 2: National Student Loan Data System (NSLDS) Reporting Violations**

**Citation:** Participating institutions are required to confirm and report the enrollment status of students receiving Title IV loans. This process is called Student Status Confirmation Reporting (SSCR). The Department incorporated enrollment reporting into NSLDS to centralize and automate the enrollment verification system.

An institution shall, upon receipt of an SSCR from the Secretary or a similar report from any guaranty agency, complete and return that report within 30 days of receipt. Unless the institution expects to submit its next SSCR to the Secretary or the guaranty agency within the next 60 days, the institution must notify the Secretary, guaranty agency or the lender within 30 days if:

1. The institution discovers that a Federal loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis;
2. The institution discovers that a Federal loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; and
3. The institution discovers that a student who is enrolled has changed his or her permanent address. 34 C.F.R. § 685.309(b).

**Noncompliance:** Montgomery College reported late to NSLDS the withdrawal date for Student # 1 and Montgomery College failed to report the withdrawal date for Student # 15.

Student # 1 completed the Spring 2013 semester and withdrew from the institution on May 19, 2013. Montgomery College did not report to NSLDS the student's withdrawal from the institution until September 19, 2013.

Student # 15 withdrew from Montgomery College on January 5, 2013. The institution did not report to NSLDS the student's withdrawal from the institution. The student did subsequently re-enroll for the Summer 2013 semester.

Accurate enrollment information is a vital component of the federal student loan programs. The information reported to NSLDS determines if the student is considered to be attending an institution, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the effective graduation date determines when the grace period begins and how soon a student must begin repaying loan funds.

**Required Action:** Montgomery College must update NSLDS for Student # 15 and provide supporting documentation of the update to the Department with its response to this program review report. In addition, the institution must review its reporting policies and procedures to NSLDS to prevent a recurrence of this finding and provide a copy of its revised policies and procedures as a result of this finding with its response to the program review report.

**Finding # 3: Inaccurate Reporting to the Common Origination Disbursement (COD) System**

**Citation:** An institution makes a disbursement of Title IV 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 used in advance of receiving Title IV program funds. 34 C.F.R. § 668.164(a)(1)(i) and (iii).

An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register. 34 C.F.R. § 690.83(b)(1).

The Federal Register published February 28, 2013 established the reporting deadlines for COD for Federal Pell Grant Program and Federal Direct Loan Program disbursements. An institution was required to report disbursement information and adjustments to previously reported disbursement data to COD no later than: 1) 30 calendar days for

disbursements that occurred prior to April 1, 2013; and 2) 15 calendar days for disbursements that occur on or after April 1, 2013. (Federal Register, Volume 78, # 40).

**Noncompliance:** Montgomery College reported inaccurate information for Student # 15 to COD for two Federal Pell Grant Program downward adjustments. A return of Federal Pell Grant Program funds in the amount of \$633 was posted to the student's account on March 5, 2013; however, Montgomery College reported to COD that the return was made on March 11, 2013. In addition, a return of Federal Pell Grant Program funds in the amount of \$400 was posted to the student's account on June 5, 2013; however, the return was reported to COD as made on June 7, 2013.

An institution's failure to report accurate disbursement information may cause additional expense for students and the Department.

**Required Action:** Montgomery College must update COD to report the actual adjustment dates for Student # 15. The institution is advised to call the COD School Relations Center on 1-800-474-7268, if assistance is needed. Montgomery College must also provide supporting documentation of the corrections made to COD as a result of this finding with its response to the program review report.

In addition, Montgomery College should review its COD reporting policies and procedures to ensure that they are sufficient to prevent a recurrence of this matter. If the institution makes any revisions to its policies and procedures as a result of this finding, a copy of the updated policies and procedures should be sent with the program review report response.

#### **Finding # 4: Federal Funds Not Identified in Bank Account**

**Citation:** For each bank or investment account that includes Title IV program funds, an institution must clearly identify that Title IV program funds are maintained in that account by either including in the name of each account the phrase "Federal Funds." Alternatively, the institution may notify the bank or investment company of the accounts that contain Title IV program funds and retaining a record of that notice; and except for a public institution, file with the appropriate State or municipal government entity a UCC-1 statement disclosing that the account contains Federal funds and maintaining a copy of that statement. 34 C.F.R. § 668.163(a)(2).

**Noncompliance:** Montgomery College failed to notify its bank that the designated accounts for Title IV contain Federal funds. The bank accounts used by Montgomery College to deposit Title IV program funds were not identified as accounts containing "Federal Funds," nor did the institution have a record of a notice informing the bank that the accounts contained Federal funds. Federal Direct Loan Program funds drawn from the G5 system are deposited into the institution's "*Montgomery Community College Direct Lending*" account while other Title IV program funds drawn from the G5 system

are deposited into the institution's "Montgomery Community College Operating" account.

An institution's failure to notify its financial institution that its accounts contain Federal funds may result in increased expense for the Department.

**Required Action:** Montgomery College must either: 1) retitle the institution's two bank accounts described above to include the phrase "Federal Funds;" 2) open new accounts for the deposit of Title IV program funds that contain the phrase "Federal Funds;" or 3) provide a copy of the notice in which the institution informed its bank that the accounts contain Title IV program funds. Montgomery College must provide a copy of the institution's bank statements reflecting the revised account names, or provide a copy of the notification to the bank that the accounts contain Federal funds with its response to the program review report.

**Finding # 5: Federal Perkins Loan Default Rate Exceeds 15 Percent**

**Citation:** The Title IV Student Assistance General Provisions regulations at 34 C.F.R. § 668.16 establish certain standards that all participating institutions must operate within if they are to be deemed administratively capable. The Secretary considers an institution to have that administrative capability if the institution, among other requirements, has a cohort default rate on loans made under the Federal Perkins Loan Program that does not exceed 15 percent. 34 C.F.R. § 668.16(m)(1)(iii).

**Noncompliance:** Montgomery College's three most recent award year official default rates for the Federal Perkins Loan Program exceeds 15 percent. The default rates are as follows:

1. As of June 30, 2013, the default rate was 25.0%.
2. As of June 30, 2012, the default rate was 32.2%.
3. As of June 30, 2011, the default rate was 19.8%.

A high default rate is an indication of the institution's failure to properly administer the Federal Perkins Loan program. Loans that go into default status create increased expense for the Department.

**Required Action:** In response to the program review report, Montgomery College must provide an update of the efforts made to reduce the institution's Federal Perkins Loan Program default rates under its "Default Prevention and Default Management Plan." If there were any recent changes to the plan, a copy of the revised document must also be sent to the Department with the response.

Developed for Federal Direct Loan and Federal Perkins Loan borrowers, the plan contains nine default prevention strategies, along with an outline of Montgomery College's responsibilities and those of its servicer (Campus Partners). The plan states

that its purpose is to: 1) promote student success by "*increasing retention and reducing delinquency and default*;" and 2) reduce the Federal Perkins Loan cohort default rates to avoid restrictions that that may be placed on the institution.

Montgomery College is reminded that the institution may assign the rights to its Federal Perkins Loans to the Department without recompense.

Montgomery College is also reminded that an institution may submit a defaulted loan note to the Secretary for assignment to the United States if: 1) the institution has been unable to collect on the loan despite complying with the diligence procedures, including at least a first level collection effort as described in 34 C.F.R. § 674.45(a) and litigation, if required under 34 C.F.R. § 674.46(a), to the extent these actions were required by regulations in effect on the date the loan entered default; 2) the amount of the borrower's account to be assigned, including outstanding principal, accrued interest, collection costs and late charges is \$25 or greater; and 3) the loan has been accelerated. 34 C.F.R. § 674.50(a). An institution may submit a defaulted note for assignment only during the submission period established by the Secretary. 34 C.F.R. § 674.50(b).

#### **D. Appendices**

Appendices A (Student Sample) and B (Expanded Student Sample) contain personally identifiable information and will be sent to Montgomery College via e-mail as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate e-mail.