



February 18, 2015

Dr. Neil Nuttall, President
North Central Missouri College
1301 Main Street
Trenton, MO 64683-1824

Shipment via United Parcel Service
UPS Tracking #: 1Z A87 964 01 9873 3199

RE: **Final Program Review Determination**
OPE ID: 00251400
PRCN: 2011 4 07 27598

Dear Dr. Nuttall:

The U.S. Department of Education's (Department's) School Participation Division – Kansas City issued a program review report on June 20, 2012 covering North Central Missouri College's (NCMC) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2010-2011 and 2011-2012 award years. NCMC's final response was received on June 2, 2014. A copy of the program review report (and related attachments) and NCMC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by NCMC 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, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$1,420,991.97.

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

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION
Kansas City School Participation Division

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

www.FederalStudentAid.ed.gov

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the June 20, 2012 program review report. If NCMC 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 NCMC receives this FPRD. An original and four copies of the information NCMC submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, 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

NCMC'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 NCMC'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**

North Central Missouri College

OPE ID: 00251400

PRCN: 2011 4 07 27598

Page 3 of 3

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 Angela Beam at (816) 268-0534. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

for
Ralph LoBosco
Division Director

Enclosure:

Protection of Personally Identifiable Information

Program Review Report (and appendices)

Final Program Review Determination Report (and appendices)

cc: Ms. Megan DeWitt, Financial Aid Administrator
Mr. Leroy Wade, Missouri Department of Higher Education
Ms. Karen Peterson Solinski, Higher Learning Commission
Ms. Dawn Bilodeau, Department of Defense
Mr. Bill Spruce, Department of Veterans Affairs
Mr. Richard Cordray, Consumer Financial Protection Bureau

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
North Central Missouri College

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

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID: 00251400
PRCN: 2011 4 07 27598

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

Final Program Review Determination February 18, 2015

Table of Contents

A.	Institutional Information.....	4
B.	Scope of Review.....	5
C.	Findings and Final Determinations.....	6
	Resolved Findings.....	6
	Findings with Final Determinations.....	6
	Finding 1. Lack of Administrative Capability	6
	Finding 3. Admissions Policy Not Followed/Documented	9
	Finding 4. Ability to Benefit Violation	11
	Finding 5. Incorrect Determination of Expected Family Contribution.....	13
	Finding 8. Failure to Adequately Monitor and Enforce Satisfactory Academic Progress Standards	16
	Finding 9. Attendance Not Documented.....	20
	Finding 11. Failure to Prorate Federal Direct Loans.....	23
	Finding 12 and 13. Late Return of Title IV Fund/Incorrectly Calculated Returns...	25
	Finding 17. Inadequate Monitoring of Title IV, HEA Credit Balances – Uncashed Checks.....	30
	Finding 20. Failure to Pay Title IV, HEA Credit Balances According to Cash Management Regulations – Debit Card.....	32
D.	Summary of Liabilities.....	36
E.	Payment Instructions.....	40
F.	Appendices.....	47
	Appendix A: Student Sample	47
	Appendix B: Outstanding Title IV, HEA Checks	49
	Appendix C: 2010-2011 Finding 1 Student Level Liabilities - Master File Reconstruction for Findings 3 thru 13.....	50
	Appendix D: 2011-2012 Finding 1 Student Level Liabilities - Master File Reconstruction for Findings 3 thru 13.....	68
	Appendix E: 2010-2011 Finding 3 Student Level Liabilities.....	80
	Appendix F: 2011-2012 Finding 3 Student Level Liabilities.....	83

Appendix G:	2010-2011 Finding 4 Student Level Liabilities.....	85
Appendix H:	2010-2011 Finding 5 Student Level Liabilities.....	86
Appendix I:	2011-2012 Finding 5 Student Level Liabilities.....	95
Appendix J:	2010-2011 Finding 8 Student Level Liabilities.....	101
Appendix K:	2011-2012 Finding 8 Student Level Liabilities.....	107
Appendix L:	2010-2011 Finding 9 Student Level Liabilities.....	111
Appendix M:	2011-2012 Finding 9 Student Level Liabilities.....	116
Appendix N:	2010-2010 Finding 11 Student Level Liabilities.....	119
Appendix O:	2011-2012 Finding 11 Student Level Liabilities.....	119
Appendix P:	2010-2011 Finding 12 Student Level Liabilities.....	120
Appendix Q:	2011-2012 Finding 12 Student Level Liabilities.....	123
Appendix R:	Finding 17 Student Level Liabilities.....	125
Appendix S:	Finding 20 Student Level Liabilities.....	127
Appendix T:	Program Review Report.....	129
Appendix U:	NCMC's Response to the Program Review Report.....	130
Appendix V:	Estimated Actual Loss Formula.....	131
Appendix W:	Estimated Actual Loss Formula Description.....	132
Appendix X:	Cost of Funds.....	134
Appendix Y:	Federal Direct/FFEL Student Loan Liability Roster and Letter.....	135
Appendix Z:	FEDWIRE.....	136

A. Institutional Information

North Central Missouri College
1301 Main Street
Trenton/ MO/ 64683-1824

Type: Public

Highest Level of Offering: Associate

Accrediting Agency: North Central Association of Colleges and Schools

Current Student Enrollment: 2,399 (2010-2011)

% of Students Receiving Title IV: 55.74% (2010-2011)

Title IV Participation (G5; PEPS):

	2010-2011 Award Year
Federal Pell Grant	\$4,181,192
Federal Supplemental Education Opportunity Grant (SEOG)	\$ 48,900
Federal Academic Competitiveness Grant (ACG)	\$ 83,715
Federal Work-Study (FWS)	\$ 56,528
Direct Subsidized Loan	\$2,485,398
Direct Unsubsidized Loan	\$2,174,766
Direct PLUS Loan	\$ 56,912
FFEL Subsidized Loan	\$ 1,750
FFEL Unsubsidized Loan	\$ 2,250

Default Rate FFEL/DL:	2011:	16.1%
	2010:	16.9%
	2009:	9.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at North Central Missouri College (NCMC) from July 11, 2011 to July 14, 2011. The review was conducted by Angela Beam, John Nading, and Rhonda Puffer.

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

A sample of 15 files was identified for review from the 2010-2011 (year to date) award year. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. A sample of 17 files was judgmentally selected to test NCMC's compliance with Return of Title IV Fund procedures. In addition, 15 files were judgmentally selected to test NCMC's compliance with distance education procedures. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on June 20, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning NCMC'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 NCMC 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 2, 6, 7, 10, 13, 14, 15, 16, 18, 19, and 21.

NCMC has taken the corrective actions necessary to resolve Findings 2, 6, 7, 10, 13, 14, 15, 16, 18, 19, and 21 of the program review report. Therefore, these findings may be considered closed.

Findings requiring further action by NCMC are discussed below.

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 NCMC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on June 20, 2012 is attached as Appendix T.

Finding 1. Lack of Administrative Capability

Noncompliance:

To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program. Among other factors, the Secretary considers an institution to have administrative capability if the institution:

- (1) Administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA;
- (2) Designates a capable individual to be responsible for administering all the Title IV, HEA programs in which it participates and for coordinating those programs with the institutions other Federal and non-Federal programs of student financial assistance;
- (3) Uses an adequate number of qualified persons to administer the Title IV, HEA programs in which the institution participates;
- (4) Communicates to the individual designated to be responsible for administering Title IV, HEA programs, all the information received by any institutional office that bears on a student's eligibility for Title IV, HEA program assistance;
- (5) Has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV,

- HEA program assistance and the preparation and submission of reports to the Secretary;
- (6) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls;
 - (7) Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs;
 - (8) Establishes and maintains records required under this part and the individual Title IV, HEA program regulations;
 - (9) For purposes of determining student eligibility for assistance under a Title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program. The Secretary considers an institution's standards to be reasonable if the standards are in accordance with the provisions specified in 34 C.F.R. § 668.34;
 - (10) Develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs;
 - (11) Provides adequate financial aid counseling to eligible students who apply for Title IV, HEA program assistance;
 - (12) Shows no evidence of significant problems that affect, as determined by the Secretary, the institution's ability to administer a Title IV, HEA program and that are identified in reviews of the institution conducted by the Secretary, the Department of Education's Office of Inspector General, nationally recognized accrediting agencies, guaranty agencies as defined in 34 CFR part 682, the State agency or official by whose authority the institution is legally authorized to provide postsecondary education, or any other law enforcement agency.

34 C.F.R. § 668.16.

As discussed in detail throughout the program review report, program reviewers were unable to complete the on-site portion of the program review due to the severity of the systemic issues identified during the first two days of the review. The program reviewers identified significant data integrity issues in NCMC's financial aid management system that prevented the institution from properly administering Title IV, HEA funds. NCMC did not have required written policies and procedures. NCMC did not have an adequate number of qualified financial aid staff members to administer the Title IV, HEA programs.

Directives From Program Review Report:

Due to the global issues outlined above, the Department directed NCMC to consolidate the file reviews for the various findings into one comprehensive reconstruction. The comprehensive file reconstruction was to include all Title IV, HEA recipients during the 2010-2011 and 2011-

2012 award years. NCMC was required to incorporate the required actions of all the findings in the program review report to determine the unduplicated liability for each student (the difference between the amount of Title IV, HEA funds disbursed and the amount of Title IV, HEA funds that should have been disbursed to each student).

Final Determination:

NCMC concurred with the finding and described the circumstances that attributed to one or more areas of noncompliance identified during the program review. NCMC provided written assurance that the institution is committed to and capable of adequately administering all Title IV, HEA programs in which the institution participates. NCMC explained that the institution voluntarily entered into a management improvement plan with the Department; initiated mandatory campus-wide compliance training; hired additional financial aid personnel; designated IT staff to the development and enhancement of Title IV related technologies; developed comprehensive policies and procedures; and allocated sufficient resources for ongoing training and development of financial aid staff members.

NCMC submitted the required file reconstructions for the 2010-2011 and 2011-2012 award years.

The Department reviewed NCMC's written response and noted the institution implemented appropriate corrective action to demonstrate the institution is capable of adequately administering the Title IV, HEA programs.

The Department also reviewed the supporting documentation submitted for each student cited in the program review report as well as a statistical sample of students included in each of the required file reconstructions. The Department coordinated with NCMC to correct deficiencies noted during this review and required resubmission of documents and reconstruction spreadsheets as needed.

Based on the file reconstructions and documentation submitted with NCMC's response, the Department identified total unduplicated liabilities of \$2,610,673 for Findings 3 thru 13. Those liabilities are outlined in the specific findings below and are also consolidated in the summary of liabilities outlined in Section D of this determination. The Department did not establish liabilities and no additional action is required for those students that NCMC did not offer and/or disburse the full amount of Title IV, HEA funds for which a student was eligible to receive. In addition, the Department did not establish liabilities and no additional action is required for those students that NCMC previously returned more Title IV, HEA funds than was required or did not offer and/or disburse the full amount of Title IV, HEA funds earned in the case of post withdrawal disbursements.

Finding 3. Admissions Status Not Documented

Noncompliance:

A student is eligible for Title IV, HEA assistance only if the student is a regular student enrolled or accepted for enrollment in an eligible program at an eligible institution. 34 C.F.R. § 668.32(a)(1)(i). For institutions of higher education, such as NCMC, an eligible program must lead to an associate, bachelor's, professional, or graduate degree; be a two year program that is acceptable for full credit towards a bachelor's degree, or be at least a one year program that leads to a certificate or other recognized credential and prepares students for gainful employment in a recognized occupation. 34 C.F.R. § 668.8(c). Students are not eligible for financial aid if they are merely taking classes and are not enrolled in a degree or certificate program. For each Title IV, HEA recipient, the institution must maintain, on a current basis, records regarding the student's admission to and enrollment status at the institution, as well as the student's program of study and the courses in which the student was enrolled.

2010-2011 Federal Student Aid Handbook.

While reviewing student files and admission's applications during the on-site program review, program reviewers discovered NCMC had inadequate systems in place to ensure students who applied and enrolled at the institution were doing so as degree-seeking students. NCMC could not provide consistent documentation to validate each student's degree status. Furthermore, in speaking with school personnel, NCMC did not have adequate procedures for collecting, entering, or tracking student admission statuses in the institution's software system or have a method for communicating changes in enrollment or degree statuses to the financial aid office in a timely manner to prevent ineligible disbursements of Title IV, HEA funds. Changes to a student's degree status could be made without written instruction from a student.

As a result, program reviewers could not confirm that the students cited below were enrolled in an eligible program.

Student 14: This student attended NCMC beginning with the Fall 2008 term and graduated from NCMC upon completion of the Spring 2010 term. The student's initial admission's application submitted in October of 2007 indicated the student was not completing a degree at NCMC and that the student planned on taking selected courses to transfer to another college/university. The student also marked the area of concentration of undecided/other box on the application and wrote in "Medical Lab Tech". The student submitted a student information maintenance form on 08/26/2010 indicating a program change to the "AA Transfer Degree and Certificate Business Technology" programs. NCMC certified this change was effective for the "Fall 2010" term. Although the student went on to graduate from NCMC, program reviewers were unable to obtain an admission's application form or student information maintenance form required for a student to officially update their degree program for the entire period of enrollment at NCMC. NCMC did not have adequate documentation to certify eligibility for Title IV, HEA funds prior to the Fall 2010 term.

Student 23: This student graduated from NCMC with an Associate of Science degree on 12/09/2010. The student enrolled in eight hours for the Spring 2011 term at NCMC and six hours at Northwest Missouri State University. The consortium agreement in the student's file indicates the student was working on a degree or certificate at NCMC; however, program reviewers were unable to obtain documentation indicating the degree program the student was pursuing.

Student 25: The admission's application submitted by Student 25 indicates the student enrolled as a non-degree seeking to take continuing education courses.

Student 34: This student attended NCMC during the Fall 2010 and Spring 2011 terms. In reviewing the student's admission application, the student enrolled as a "non-degree/continuing education/non-degree" student status. Based on this information, the student was not eligible for Title IV, HEA funds for the 2010-2011 award year.

Directives From Program Review Report:

NCMC was required to review the admission's application and enrollment status for each Title IV, HEA recipient enrolled during the 2010-2011 and 2011-2012 award years and identify each student that did not enroll as a degree seeking student. NCMC was required to prepare a spreadsheet listing all the students included in this file review. In cases where liabilities were identified as a result of the file review, the institution was required to list the liability amount by Title IV, HEA program.

Final Determination:

NCMC concurred with this finding. NCMC reviewed all Title IV, HEA recipients enrolled during the 2010-2011 and 2011-2012 award years and documented the program of study and degree status of each student identified.

NCMC updated written policies and procedures to ensure that all degree statuses will be documented in the future. The institution no longer accepts verbal degree changes. NCMC revised its online application and "Request to Change Degree Form". NCMC indicated that paper applications with conflicting degree status data are no longer processed.

NCMC submitted the required file reconstructions for the 2010-2011 and 2011-2012 award years in its response to Finding 3.

The Department reviewed NCMC's written response and noted the institution implemented appropriate corrective action to demonstrate the institution developed adequate policies and procedures to prevent the disbursement of Title IV, HEA funds to non-degree seeking students in the future.

The Department also reviewed the supporting documentation submitted for each student cited in Finding 3 of the program review report as well as a statistical sample of students included in the file reconstruction submitted for Finding 3. The Department did not assess liabilities for those students that graduated from NCMC, regardless of whether or not NCMC was able to provide documentation to support the student's degree seeking status. Based on the results of the file reconstruction and the supporting documentation submitted, the Department calculated liabilities in the amount of **\$391,987** for the ineligible students identified.

Title IV, HEA Program	2010-2011 Non-Degree Seeking	2011-2012 Non-Degree Seeking	Total Non- Degree Seeking Liabilities
Federal Pell Grant	\$112,763	\$59,854	\$ 172,617
FSEOG	\$ 900	\$400	\$ 1,300
Direct Subsidized Loan	\$ 76,384	\$40,440	\$ 116,824
Direct Unsubsidized Loan	\$ 62,978	\$33,392	\$ 96,370
Direct PLUS	\$ 4,876	\$0	\$ 4,876
Totals	\$257,901	\$134,086	\$ 391,987

The total amount of Federal Grant funds disbursed to ineligible students for Finding 3 is \$173,917. The total amount of Direct Loan funds (Subsidized, Unsubsidized, and PLUS) disbursed to ineligible students is \$218,070. Student specific liabilities are outlined in Appendices E and F.

Finding 4. Ability to Benefit Violation

Noncompliance:

During the award years relevant to this review, a student was eligible to receive Title IV, HEA program assistance only if the student:

- (1) Had obtained a high school diploma or its recognized equivalent;
- (2) Had obtained a passing score specified by the Secretary on an independently administered ability to benefit test;
- (3) Was enrolled in an eligible institution that participates in a State "process" approved by the Secretary;
- (4) Was home-schooled, and either
 - (a) Obtained a secondary school completion credential for home school (other than a high school diploma or its recognized equivalent) provided for under State law; or
 - (b) If State law does not require a home-schooled student to obtain the credential described above, has completed a secondary school education in a home school setting that qualifies as an exemption from compulsory attendance requirements under State law; or

- (5) Had been determined by the institution to have the ability to benefit from the education or training offered by the institution based on the satisfactory completion of 6 semester hours, 6 trimester hours, 6 quarter hours, or 225 clock hours that are applicable toward a degree or certificate offered by the institution.

34 C.F.R. § 668.32(e)(2011).

During the on-site program review, NCMC self-identified one student who received Title IV, HEA funds that had not graduated from high school or obtained a recognized equivalent. NCMC's policy prior to the program review required students to complete GED requirements in the first semester of enrollment if a student was admitted without a high school diploma.

Student 48: The student applied for admissions to NCMC on 08/09/2010. The student indicated that she did not graduate from high school or receive a GED certificate. A copy of the student's high school transcript confirmed the student dropped out of high school on 01/21/1991. The student did not take an ability to benefit test and there was no documentation in the student's file that the student was home-schooled or had successfully completed six hours applicable toward a degree or certificate at NCMC.

The student received \$3,469 in Federal Pell Grant funds, \$1,750 in Federal Direct Subsidized Loan funds, and \$1,273 in Federal Direct Unsubsidized Loan funds for the 2010-2011 award year. The student was dismissed from NCMC due to poor academic performance on 08/04/2011.

Directives From Program Review Report:

NCMC was required to review and revise its internal policies and procedures to ensure that the institution does not disburse Title IV, HEA funds to individuals who do not graduate from high school or receive a recognized equivalent. A copy of these procedures was required to accompany NCMC's response to the program review report.

Final Determination:

NCMC revised its internal policies and procedures to eliminate the admission of ability-to-benefit students. All students must now submit a high school transcript, GED certificate, or home school verification of completion documentation.

NCMC was unable to locate documentation supporting high school graduation or a GED certificate for **Student 48**.

NCMC is liable for the ineligible Title IV, HEA disbursements made to **Student 48** during the 2010-2011 award year. The total liability for this student includes **\$3,469** in Federal Pell Grant funds, **\$1,750** in Direct Subsidized Loan funds, and **\$1,273** in Direct Unsubsidized Loan funds. Student specific liabilities are outlined in Appendix G.

Finding 5. Incorrect Determination of Expected Family Contribution

As the first step to receiving any form of Title IV assistance, a student must complete a Free Application for Federal Student Aid (FAFSA) and have his/her expected family contribution (EFC) calculated to determine the student's Federal Pell Grant (Pell) eligibility. See 34 C.F.R. §§ 685.201(a), 691.12(a). A student is not eligible to obtain a Direct Subsidized Loan or a Direct Unsubsidized Loan for a loan period until a Pell eligibility determination is made. 34 C.F.R. § 685.200(a)(1)(iii). A student at an institution of higher education is eligible to receive an FSEOG and/or part-time employment under the FWS program if the student's need has been established under the specific guidelines set forth in the Title IV statute. 34 C.F.R. §§ 675.9(c), 676.9(c).

Once an application is submitted and processed, the Secretary sends the application information and EFC to the student on a SAR and allows each institution designated by the student to obtain an ISIR for that student. See 34 C.F.R. § 690.13. An institution then uses the calculated EFC to determine the amount of financial aid the student is entitled to receive. A student may then be selected for the verification process which is done to confirm the information on a student's application. If a student is selected for verification, an institution is responsible for confirming information reported on the student's application for Federal student aid, as well as resolving any conflicting information that presents itself during the process. See 34 C.F.R. §§ 668.54; 668.59.

Institutions are required to review all subsequent transactions for a student for the entire processing year, even if the institution has already verified an earlier transaction. If the institution pays a student based on information that is updated later, the institution is required to use the revised EFC to determine the correct award and adjust future disbursements or require a repayment by the student if necessary. 2010-2011 Federal Student Aid Handbook, Application and Verification Guide.

The Department found that NCMC did not have a process in place to designate the student ISIR transaction that NCMC relied on to calculate student eligibility and disburse Title IV, HEA funds in the institution's financial management system. As a result, when the institution imported subsequent ISIR records into the system, previous ISIR records and/or disbursement information was overwritten and the system automatically repackaged and disbursed Title IV, HEA funds based on data that was not reviewed by NCMC staff. This issue resulted in the incorrect awarding/disbursing of Title IV, HEA funds and inaccurate reporting of student level data to the Department.

This error affected the students below.

Student 14: NCMC completed student 14's required verification based on the student's ISIR transaction number 02. NCMC determined the information provided on the 02 transaction was accurate when compared to the student's Federal tax returns and verification worksheet that was submitted. NCMC intended to package and disburse Title IV, HEA funds based on the

EFC of 1938 calculated on the 02 transaction that resulted in a Federal Pell Grant award of \$3,600. Five subsequent transactions were processed for this student through the Department's CPS system. NCMC was not aware of, and did not verify, the subsequent ISIR transactions that were received. NCMC's financial management system recalculated the student's eligibility and exported data to the Department's COD system that incorrectly indicated NCMC disbursed Title IV, HEA funds off of the 07 transaction with an EFC of 1744 and an annual Federal Pell Grant award of \$3,800. As discussed above, NCMC did not have a mechanism in place to identify and review subsequent ISIR transactions, and did not have a method to ensure Title IV, HEA funds were packaged and disbursed on the ISIR transaction that was determined to be accurate by the institution. This resulted in the incorrect awarding/dispersing of Title IV, HEA funds and inaccurate reporting of student level data to the Department.

Student 17: The ISIR NCMC used to disburse Title IV, HEA funds did not match the documentation in the student's file. NCMC marked a number of items as inaccurate on the student's ISIR transaction number 02 located in the student's file (GO 02) as needing corrections during the verification process. Documentation in the file indicated NCMC had approved the student's request for a professional judgment to remove her spouse's income. The transaction number of the ISIR provided to program reviewers during the on-site review was AM 01. NCMC was unable to locate any of the original ISIR transaction numbers GO 01, GO 02, or GO 03 in the financial aid management system at the time of the on-site program review. Upon further investigation, it was discovered that NCMC did not have a mechanism in place to prevent subsequent ISIR transactions from over writing the ISIR transaction that NCMC had performed verification on or to prevent updating of Title IV, HEA disbursements that had been made to students. In the case of student 17, the student had filed a new FAFSA for the same award year under a new name generating an additional ISIR transaction number 01 (AM 01). Fields required for verification did not match the data elements previously verified by NCMC or adjustments processed as a result of the professional judgment request. NCMC had no procedures in place to re-verify ISIRs received as a result of NCMC initiated corrections or for reviewing subsequent ISIR transactions received as a result of student, the Department, or other non-NCMC school initiated changes. NCMC failed to review new information received to validate the accuracy of the data reported by the student or to substantiate the student had received the funds for which she was eligible. The EFC on the transactions received for student 17 ranged from 0 to 8,317.

NCMC disbursed \$2,775 for the Fall 2010 term based on an EFC of 0. NCMC disbursed \$1,950 for the Summer 2011 term based on an EFC of 328. Based on the verification and professional judgment documentation in the student's file, and disregarding any required Return of Title IV Fund calculations, student 17 was eligible to receive \$2,775 for the Fall 2010 term and \$2,081 for the Summer 2011 term. The student was under awarded \$131 in Federal Pell Grant funds for the Summer 2011 term.

Directives From Program Review Report:

NCMC was required to review the student files of all Title IV, HEA recipients in the 2010-2011 and 2011-2012 award years. For each student, NCMC was required to provide specific information in spreadsheet format, along with the required hard copy documentation listed in the program review report. In addition, NCMC was required to resolve the verification deficiencies and/or satisfactorily resolve instances of conflicting information as outlined in the required action for Finding 6 in the program review report. If the resolution of the issue involved changes to the student's income, or the addition of parental income not previously reported, NCMC was required to attempt to collect the required tax returns or other income-related information and recalculate the student's Title IV, HEA eligibility accordingly.

NCMC was also required to review and revise its internal policies and procedures to ensure that the institution could appropriately identify student application and disbursement records in the institution's financial management system in the future. A copy of these procedures was required to accompany NCMC's response to the program review report.

Final Determination:

NCMC concurred with the deficiencies cited in Findings 5 and 6 of the program review report and described the circumstances that attributed to the issues identified. NCMC implemented procedures that eliminated the overwriting of previous ISIR information and the repackaging/dispersing of Title IV funds based on incorrect data.

NCMC incorporated the results of the comprehensive file review performed to resolve the verification deficiencies and/or resolve instances of conflicting information outlined in Finding 6 of the program review report with its response to Finding 5 as instructed in the program review report.

NCMC indicated that after an extensive campaign to contact students that it was able to collect 95% of the 2011-2012 and 87% of the 2010-2011 documents necessary to complete the verification process. NCMC indicated that it determined that only 1.01% of the Title IV funds disbursed to students during the 2010-2011 award year were incorrectly awarded. The error rate calculated for 2011-2012 was 1.23%. NCMC requested that the Department apply the same error rate to calculate the liabilities associated with the verifications that could not be performed because documents could not be collected.

NCMC submitted the required file reconstructions for the 2010-2011 and 2011-2012 award years in its response.

The Department reviewed NCMC's written response and noted the institution implemented procedures to import, review, and lock both initial and subsequent ISIRs, as well as to properly complete verification of student files and resolve conflicting information.

The Department also reviewed the supporting documentation submitted for each student cited in Findings 5 and 6 of the program review report as well as a statistical sample of students included in the file reconstruction submitted for Findings 5 and 6. Based on the results of the file reconstruction and the supporting documentation submitted, the Department calculated liabilities in the amount of **\$1,107,043** for the ineligible students identified.

Title IV, HEA Program	2010-2011 Incorrect EFC/ Incomplete Verification	2011-2012 Incorrect EFC/ Incomplete Verification	Total Incorrect EFC/ Incomplete Verification
Federal Pell Grant	\$504,386	\$226,716	\$ 731,102
FSEOG	\$ 5,400	\$ 1,150	\$ 6,550
ACG	\$ 9,550	\$ 0	\$ 9,550
Direct Subsidized Loan	\$271,817	\$ 88,024	\$ 359,841
Totals	\$791,153	\$315,890	\$1,107,043

The total amount of Federal Grant funds disbursed to ineligible students for Findings 5 and 6 is **\$747,202**. The total amount of Direct Subsidized Loan funds disbursed to ineligible students is **\$359,841**. Student specific liabilities are outlined in Appendices H and I. It should be noted that the Department did not apply NCMC's suggested reductions as they are not consistent with the regulatory requirements.

Finding 8. Failure to Adequately Monitor and Enforce Satisfactory Academic Progress Standards

Noncompliance:

An institution participating in the Title IV programs must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress (SAP) in his or her educational program. 34 C.F.R. § 668.16(e). An institution's policy must contain both quantitative and qualitative measurements for determining student progress. See 34 C.F.R. §§ 668.34(a)(4)-(a)(6). The policy must also include the actions that will be taken by the institution if a student fails to meet required standards. See 34 C.F.R. §§ 668.34(a)(8)-(a)(10). If a student is not meeting an institution's SAP policy he/she is ineligible to receive additional Title IV funds. See 34 C.F.R. § 668.32(f).

During the on-site program review, reviewers discovered that NCMC's academic transcripts did not accurately or consistently calculate the number of hours attempted by students. The total attempted hours did not consistently take into account hours transferred in, remedial coursework, hours that a student subsequently repeated, or withdrawals. When researching the issues discovered during the on-site review, NCMC staff determined that data had not migrated correctly during the institution's system conversion and the system had not been properly set-

up to appropriately calculate the various enrollment statuses. Based on this information, it was determined that the data the financial aid office relied on for evaluating student satisfactory academic progress evaluations each term was unreliable and had resulted in the disbursement of Title IV, HEA funds to ineligible students.

In addition, NCMC had not adequately addressed the calculation of attempted hours in the institution's SAP policy and inappropriately allowed for consecutive probationary periods if a student maintained a 2.0 term GPA. NCMC staff indicated that the financial aid office had been unable to run the SAP process at the end of each payment period as indicated in NCMC's policy due to competing priorities and resource limitations within the office.

The students below all had issues stemming from NCMC's SAP problems.

Student 5: The student began attendance at NCMC during the Summer 2004 term. The student fell below the 67% completion requirement after the Spring 2006 term in which the student completed 34 of the 59 hours attempted. The student did not return to NCMC until the Fall 2008 term. The student should have been placed on satisfactory academic progress probation for the Fall 2008 term. The student completed 11 of 14 hours attempted for the term (45 out of 73 cumulative) with a cumulative completion percentage of 61.6%. The student should have been terminated from receiving Title IV, HEA funds for violating SAP standards during a probationary period. However, the student enrolled and received Title IV, HEA funds for an additional two semesters before exceeding the maximum SAP timeframe of 93 hours. The student continued to receive Title IV, HEA funds for an additional five terms after exceeding the maximum time frame allowed. It should also be noted that the academic transcript provided to program reviewers during the on-site program review indicated the student had attempted 136 credit hours after completion of the Summer 2011 term. The student actually attempted 161 hours.

Based on these violations, the student was not eligible for \$2,365 in Pell funds received for the 2008-2009 award year; \$6,687 in Pell funds; \$3,500 in Subsidized Loan funds; and \$2,500 in Unsubsidized Loan funds for the 2009-2010 award year; and \$7,631 in Pell funds; \$4,500 in Subsidized Loan funds; and \$2,261 in Unsubsidized Loan funds received for the 2010-2011 award year.

Student 6: The student entered the Fall 2010 term having attempted 67 credit hours. The student attempted 17 hours for the Fall 2010 term and 12 hours for the Spring 2011 term for a total of 96 cumulative attempted hours. The published length of the student's Nursing Level 1 – PN Certificate program is 64 credit hours. The maximum time frame (150%) for the program is 96 credit hours. The student should have been terminated from receiving Title IV, HEA funds after the Spring 2011 term. It should be noted that the academic transcript provided to program reviewers during the on-site program review indicated the student had attempted 87 credit hours after completion of the Summer 2011 term. The student actually attempted 96 hours.

The student was not eligible for \$2,775 in Pell funds and \$1,000 in Subsidized Loans for the Summer 2011 term.

Student 7: The student completed the Fall 2009 term having attempted and completed 91 hours. The published length of the student's Associate in Applied Science/Nursing program is 55 hours. The maximum time frame (150%) of the program is 82.5 credit hours. The student should have been terminated from receiving Title IV, HEA funds after the Fall 2009 term. It should be noted that the academic transcript provided to program reviewers during the on-site program review indicated the student had attempted 120 credit hours after completion of the Spring 2011 term. The student actually attempted 155 hours.

The student was not eligible for \$4,300 in Pell, \$4,500 in Subsidized Loan funds and \$1,500 in Unsubsidized Loan funds for the 2010-2011 award year.

Student 17: The student returned to NCMC for the Summer 2009 term. Prior to Summer 2009, the student had completed 3 of 20 hours attempted at NCMC. The student should have been terminated from receiving Title IV, HEA funds after the Summer 2005 term until the student obtained a 2.0 cumulative GPA, 67% completion rate, or submitted a successful appeal.

The student enrolled and received Title IV, HEA funds for the Summer 2009, Fall 2009, and Spring 2010 terms during the 2009-2010 award year. The student enrolled in the Fall 2010 term and withdrew from all of her courses. The student received \$1,842 in Federal Pell Grant funds for the Fall 2010 term. The student did not return for the Spring 2011 term. At the completion of the Fall 2010 term, the student earned a 3.0 cumulative GPA and a 51.2% completion rate. The student was enrolled in the Summer 2011 term at the time of the on-site program review and received \$1,950 in Federal Pell Grant funds. It should be noted that the academic transcript provided to program reviewers during the on-site program accurately reflected the student had completed 33 of 64 credit hours attempted at the end of the Fall 2010 term.

The student was not eligible for \$4,600 in Pell funds received during the 2009-2010 award year, and the \$3,792 in Pell funds received during the 2010-2011 award year.

Student 37: The student returned to NCMC for the Fall 2009 term. Prior to Fall 2009, the student had completed 15 of 30 hours attempted at NCMC. The student should have been placed on satisfactory academic progress probation for the Fall 2009 term. The student completed 6 of 12 hours attempted for the Fall 2009 term. The student should have been terminated from receiving Title IV, HEA funds for violating SAP standards during a probationary period. The student enrolled and received Title IV, HEA funds for an additional three terms in which the student completed 0 of 38 hours attempted. It should be noted that the academic transcript provided to program reviewers during the on-site program accurately reflected the student had completed 21 of 80 credit hours attempted at the end of the Spring 2011 term.

The student was not eligible for \$2,081 in Pell funds received for the 2009-2010 award year; and the \$4,856 in Pell funds, \$4,500 in Subsidized Loan funds, and \$3,803 Unsubsidized Loan funds received for the 2010-2011 award year.

Student 41: The student began attendance at NCMC during the Fall 2009 term. The student withdrew from all six hours attempted. The student should have been placed on SAP probation. The student enrolled in 12 hours for the Spring 2010 term and failed all 12 hours. The student should have been terminated from receiving Title IV, HEA funds for failing to meet SAP standards during a probationary period. The student, however, enrolled for the Fall 2011 term and received \$1,388 in Federal Pell Grant funds; \$2,000 in Federal Direct Unsubsidized Loan funds; and \$1,167 in Federal Direct Subsidized Loan funds for which the student was not eligible to receive.

Directives From Program Review Report:

NCMC was required to submit a revised SAP policy for the 2010-2011 award year that addressed each deficiency cited in the program review report and that complied with the minimum regulatory requirements in effect during the 2010-2011 award year. NCMC was also required to submit a revised Satisfactory Academic Progress policy that took into account all of the regulatory changes that became effective July 1, 2011.

NCMC was required to review the financial aid files of all Title IV, HEA recipients who attended the institution during the 2010-2011 and 2011-2012 award years and calculate the student's Satisfactory Academic Progress status based on the revised SAP policies submitted and identify each student who received a disbursement of Title IV, HEA funds without meeting the institution's SAP requirements.

Final Determination:

NCMC concurred with this finding and described the circumstances that attributed to the issues identified in the program review report. NCMC revised procedures and resolved technology issues to ensure the institution identifies students that do not meet the institution's satisfactory academic progress standards and appropriately initiates actions for students that do not meet the standards in the future.

NCMC reviewed all Title IV, HEA recipients enrolled during the 2010-2011 and 2011-2012 award years and identified each student that received a disbursement of Title IV, HEA funds without meeting the institutions satisfactory academic progress standards. NCMC analyzed the students identified and noted that 53% of the students who were awarded Title IV funds without meeting the institution's satisfactory academic progress standards successfully progressed and completed his or her academic program at NCMC, transferred to another post-secondary institution, or both. NCMC requested that the Department remove the liabilities for the 75 students that subsequently completed their academic studies.

NCMC indicated that 67% of the students that failed to meet NCMC's satisfactory academic progress standards during the 2011-2012 award year were granted probation based on successful appeals due to mitigating circumstances. NCMC requested that the Department apply the 67% to the 66 students who did not complete their academic program or transfer and that did not submit an appeal during the 2010-2011 award year.

The Department reviewed NCMC's written response and noted the institution implemented procedures to properly monitor satisfactory academic progress standards and prevent disbursement of Title IV, HEA funds to ineligible students.

The Department also reviewed the supporting documentation submitted for each student cited in the program review report as well as a statistical sample of students included in the file reconstruction submitted for Finding 8. Based on the results of the file reconstruction and the supporting documentation submitted, the Department calculated liabilities in the amount of **\$879,670** for the ineligible students identified.

Title IV, HEA Program	2010-2011 Satisfactory Academic Progress	2011-2012 Satisfactory Academic Progress	Total Satisfactory Academic Progress
Federal Pell Grant	\$271,394	\$106,648	\$378,042
FSEOG	\$ 1,500	\$ 400	\$ 1,900
ACG	\$ 750	\$ 0	\$ 750
Direct Subsidized Loan	\$168,684	\$ 77,288	\$245,972
Direct Unsubsidized Loan	\$169,912	\$ 83,094	\$253,006
Totals	\$612,240	\$267,430	\$879,670

The total amount of Federal Grant funds disbursed to ineligible students for Finding 8 is **\$380,692**. The total amount of Direct Loan funds disbursed to ineligible students is **\$498,978**. Student specific liabilities are outlined in Appendices J and K. It should be noted that the Department did not apply NCMC's suggested reductions as they are not consistent with the regulatory requirements.

Finding 9. Attendance Not Documented

Noncompliance:

In order to demonstrate to the Secretary that the institution is capable of adequately administering the Title IV, HEA programs, it must establish and maintain records required under the individual Title IV, HEA program regulations. 34 C.F.R. § 668.16(d)(1). An institution is required to establish and maintain, on a current basis, program records that document its disbursement and delivery of Title IV, HEA funds. 34 C.F.R. § 668.24(a)(6). A

school must keep records that substantiate the eligibility of students for Title IV, HEA funds. This includes documentation of a student's program of study and the courses in which the student was enrolled, and data used to establish a student's admission, enrollment status, and period of enrollment. 2010-2011 Federal Student Aid Handbook.

If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV funds that were credited to the student's account or disbursed directly to the student for that payment period or period of enrollment.

34 C.F.R. § 668.21(a). The Secretary considers the student to have dropped out before the first day of classes, if an institution cannot document a student's attendance. 34 C.F.R. § 668.21(c).

If a student's projected enrollment status changes during a payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. See 34 C.F.R. §§ 690.80(b)(2)(ii), 691.80(2)(ii). If a student's projected enrollment status changes to less-than-half-time during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution must determine that the student is ineligible for a Pell Grant or Academic Competitiveness Grant for that payment period. 34 C.F.R. § 668.32(a)(2).

NCCMC staff in the Financial Aid and Registrar's offices indicated that faculty members did not consistently report a student's failure to begin attendance in a course to the Registrar and Financial Aid Office as required by the institution's internal policies and procedures. In addition, the Financial Aid Office frequently noted attendance discrepancies when collecting a student's last day of attendance for completion of the Return of Title IV fund calculation when a student withdrew from the institution or earned all failing grades at the end of a term.

The reviewers found attendance issues for the following students:

Student 31: The student received a Federal Pell Grant and ACG disbursement based on a full-time enrollment status of at least 12 credit hours in the amounts of \$2,775 and \$375, respectively. The student did not begin attendance in one three hour course, dropping the student's enrollment status to three-quarter time. At a three-quarter time enrollment status, the student was only eligible for a Federal Pell Grant award of \$2,081 and ACG award of \$281.

Student 41: The student received a Federal Pell Grant disbursement based on a half-time enrollment status in the amount of \$1,388. The student did not begin attendance in one three hour course, dropping the student's enrollment status to less than half-time. At a less than half time enrollment status, the student was only eligible for a Federal Pell Grant award of \$694.

Directives From Program Review Report:

NCCMC was required to review and revise its internal policies and procedures to ensure information regarding students who failed to begin attendance in a course is reported to the

financial aid office in a timely fashion. A copy of these procedures was required to accompany NCMC's response to the program review report.

In addition, NCMC was required to review the financial aid files of all Title IV, HEA recipients who attended the institution during the 2010-2011 and 2011-2012 award years (year to date) and validate that each student who received a disbursement of Title IV, HEA funds began attendance in enough hours to substantiate the amount of Title IV, HEA funds disbursed.

Final Determination:

NCMC initially concurred with this finding and described the circumstances that attributed to the issues identified in the program review report. NCMC revised its policies and procedures and improved technologies to ensure faculty members confirm and report attendance information in a timely manner.

NCMC reviewed all Title IV, HEA recipients enrolled during the 2010-2011 and 2011-2012 award years and identified each student that received a disbursement of Title IV, HEA funds without beginning attendance in enough hours to substantiate the amount of Title IV, HEA funds disbursed.

In response to issues identified by the Department in NCMC's initial program review response, NCMC reevaluated its attendance records and the spreadsheets submitted to the Department. During this subsequent file review, NCMC determined that the institution needed to expand the scope of documentation utilized to validate student attendance. NCMC indicated that reliance on the expanded documentation resulted in the institution identifying a number of students with Pell Grant under-awards based on the fact that the institution did not utilize these newly identified sources of attendance documentation at the time Title IV funds were disbursed to students. NCMC requested that the Department net the amount of the Pell Grant under-awards against the institution's overall liabilities owed to the Department.

The Department reviewed NCMC's written response and noted the institution implemented procedures to properly confirm and report attendance information in a timely manner and prevent disbursement of Title IV, HEA funds to ineligible students.

The Department also reviewed the supporting documentation submitted for each student cited in Finding 9 of the program review report as well as a statistical sample of students included in the file reconstruction submitted for Finding 9. Based on the results of the file reconstruction and the supporting documentation submitted, the Department calculated liabilities in the amount of **\$215,046** for the ineligible students identified.

Title IV, HEA Program	2010-2011 Undocumented Attendance	2011-2012 Undocumented Attendance	Total Undocumented Attendance
Federal Pell Grant	\$ 87,562	\$46,257	\$133,819
ACG	\$ 2,925	\$ 0	\$ 2,925
Direct Subsidized Loan	\$ 34,268	\$ 8,751	\$ 43,019
Direct Unsubsidized Loan	\$ 23,740	\$11,543	\$ 35,283
Totals	\$148,495	\$66,551	\$215,046

The total amount of Federal Grant funds disbursed to ineligible students for Finding 9 is **\$136,744**. The total amount of Direct Loan funds disbursed to ineligible students is **\$78,302**. Student specific liabilities are outlined in Appendices L and M.

The Department did not offset the liabilities with the awards the institution could have, but did not, disburse. These liabilities are student specific and cannot be offset. NCMC must use the appropriate procedures for requesting any additional Title IV funds the institution believes it is entitled to receive.

Finding 11. Failure to Prorate Federal Direct Loans

Noncompliance:

For a program of study with less than a full academic year remaining, the scheduled annual loan limit for the student’s grade level is multiplied by the following fraction to determine the prorated loan limit:

$$\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year.}}$$

34 C.F.R. § 685.203(a)(2)(ii), 2011-2012 Federal Student Aid Handbook.

NCMC staff was unaware of the regulatory requirement to prorate a student’s annual maximum loan amount when an undergraduate student is enrolled in a program of study 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. NCMC did not have a process in place to timely notify the financial aid office of pending graduates to allow for adjustments to Federal Direct Loan awards prior to certification or disbursement of loan funds.

The reviewers found violations for the following students:

Student 14: The student submitted two student loan request forms with conflicting information. The form submitted on 07/09/2010 indicated the student was planning on

graduating or transferring from NCMC in December 2010. The form submitted on 07/19/2010 indicated the student planned on graduating or transferring in May 2011. The student submitted her graduation application on 09/30/2010. The student graduated with her Associate of Arts degree on 12/09/2010.

The student requested \$10,500 on the loan request form submitted on 07/19/2010. NCMC certified a Federal Direct Subsidized Loan for the loan period of 08/23/2010 to 05/05/2011 and disbursed \$2,250 in Federal Direct Subsidized and \$3,000 in Federal Direct Unsubsidized Loans on 09/24/2010. Based on an enrollment of 15 credit hours, the student was eligible to receive \$2,812.50 in Federal Direct Subsidized and \$3,750 in Federal Direct Unsubsidized Loans for the loan period of 08/23/2010 to 12/09/2010.

Student 21: The student graduated with her Associate of Arts degree on 12/09/2010. The student indicated she planned to graduate or transfer from NCMC in December 2010 on her student loan request form. The student requested \$4,500 in Federal Direct Subsidized Loan funds. NCMC certified a Federal Direct Subsidized Loan for the period of 08/23/2010 to 12/09/2010 and disbursed \$2,250 on 09/27/2010. Based on an enrollment of 13 credit hours, the student was eligible to receive \$2,437 in Federal Direct Subsidized Loan funds.

Directives From Program Review Report:

NCMC was required to review and revise its internal policies and procedures to ensure that the institution properly calculated the student's cost of attendance budget and prorated Federal Direct Loans for students enrolled in a final period of study that was less than a full academic year in length. A copy of these procedures was required to accompany NCMC's response to the program review report.

In addition, NCMC was required to review the financial aid files of all Title IV, HEA recipients who attended the institution during the 2010-2011 and 2011-2012 award years (year to date). For each student who received a disbursement of Title IV, HEA funds and graduated without completing a full academic year of study, NCMC was required to recalculate the student's Title IV, HEA eligibility and identify each student who received funds in excess of the recalculated amount.

Final Determination:

NCMC concurred with this finding. NCMC revised its policies and procedures to ensure the institution prorates the annual maximum loan amount a student can borrow when the remaining period of a study is shorter than a full academic year.

NCMC reviewed all Title IV, HEA recipients enrolled during the 2010-2011 and 2011-2012 award years and identified each student that received Title IV, HEA funds in excess of the

amount allowed for a student enrolled in a final period of study that was less than a full academic year in length.

The Department reviewed NCMC's written response and noted the institution implemented procedures to properly prorate Federal Direct Loans for students enrolled in a final period of study that is less than a full academic year in length.

The Department also reviewed the supporting documentation submitted for each student cited in Finding 11 of the program review report as well as a statistical sample of students included in the file reconstruction submitted for Finding 11. Based on the results of the file reconstruction and the supporting documentation submitted, the Department calculated liabilities in the amount of **\$3,878**.

Title IV, HEA Program	2010-2011 Failure to Prorate Loans	2011-2012 Failure to Prorate Loans	Total Failure to Prorate Loans
Direct Subsidized Loan	\$2,292	\$0	\$2,292
Direct Unsubsidized Loan	\$1,586	\$0	\$1,586
Totals	\$3,878	\$0	\$3,878

The total amount of ineligible Direct Loan funds disbursed is **\$3,878**. Student specific liabilities are outlined in Appendices N and O.

Findings 12 and 13. Late Return of Title IV Funds/Incorrectly Calculated Returns

Noncompliance:

When a recipient of Title IV, HEA 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, HEA grant or loan assistance that the student earned as of the student's withdrawal date. 34 C.F.R. § 668.22(a). A school must calculate the amount of earned Title IV, HEA funds by applying a percentage to the total amount of Title IV, HEA program assistance that was disbursed and that could have been disbursed. See 34 C.F.R. § 668.22(e). Under step one of the Return worksheet, a school fills in the amount of each type of Title IV, HEA funds that were disbursed and could have been disbursed. When entering the amount of loan funds, a school should enter the net amount disbursed and that could have been disbursed. The school must return the unearned Title IV, HEA aid for which the school is responsible by repaying funds up to the total net amount disbursed from each source. 2010-2011 Federal Student Aid Handbook, Volume 5.

For an institution that is not required to take 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 earlier of the payment period or period of enrollment; the academic year in which the student withdrew; or the educational program from which the student withdrew. 34 C.F.R. § 668.22(j)(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).

In eight Return of Title IV Funds calculations reviewed, NCMC failed to make the necessary Returns within the required time frames.

In seven Return of Title IV Funds calculations reviewed, NCMC returned an incorrect amount of Federal Direct Subsidized or Unsubsidized loan funds. NCMC incorrectly returned the amount of loan funds calculated in step six of the Return calculation as the gross amount. Institutions are required to return the net amount of loan funds calculated in step six of the Return calculation.

Return issues were discovered in the following students' files:

Student 32: Student enrolled for the Fall 2010 term and received grades of all F. On 01/27/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 01/27/2011 that identified a required return of \$996 in Federal Direct Unsubsidized Loan funds and \$766 in Federal Direct Subsidized Loan funds. Based on the Department's COD records, NCMC returned \$996 in Federal Direct Unsubsidized Loan funds and \$762 in Federal Direct Subsidized Loan funds on 03/15/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Subsidized Loan funds.

Student 33: Student enrolled for the Fall 2010 term and received grades of all F. On 03/01/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 03/11/2011 that identified a required return of \$664 in Federal Direct Unsubsidized Loan funds and \$409 in Federal Direct Subsidized Loan funds. Based on the Department's COD records, NCMC returned \$664 in Federal Direct Unsubsidized Loan funds and \$407 in Federal Direct Subsidized Loan funds on 03/17/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any

funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Subsidized Loan funds.

Student 34: Student enrolled for the Fall 2010 term and received grades of all F. On 02/17/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 02/17/2011 that identified a required return of \$924 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$919 in Federal Direct Unsubsidized Loan funds on 03/14/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Unsubsidized Loan funds.

Student 35: Student enrolled for the Fall 2010 term and received grades of all F. On 03/01/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 03/11/2011 that identified a required return of \$680 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$677 in Federal Direct Unsubsidized Loan funds on 03/17/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Unsubsidized Loan funds.

Student 36: Student enrolled for the Fall 2010 term and withdrew from three courses and received grades of all F in her remaining courses. On 01/27/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 01/27/2011 that identified a required return of \$1,224 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$1,218 in Federal Direct Unsubsidized Loan funds on 03/15/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Unsubsidized Loan funds.

Student 38: Student withdrew from the Fall 2010 term. NCMC determined the student withdrew on 10/27/2010 via an e-mail from the student indicating that the student had not attended the institution for "almost a month." NCMC performed the required calculation on 11/02/2010 that identified a required return of \$1,009 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$1,004 in Federal Direct Unsubsidized Loan funds on 11/02/2010. NCMC did not return the correct net amount of Federal Direct Unsubsidized loan funds.

Student 39: Student enrolled for the Fall 2010 term and received grades of all F. On 03/01/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 03/11/2011 that identified a required return of \$1,048 in Federal Pell Grant funds. Based on the Department's COD records, NCMC returned \$1,048 in Federal Pell Grant funds on 05/09/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely.

Student 40: Student enrolled for the Fall 2010 term and received grades of all F. On 01/27/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 01/27/2011 that identified a required return of \$517 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$514 in Federal Direct Unsubsidized Loan funds on 03/15/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely.

As discussed in Finding 13 of the report, NCMC used an incorrect disbursement amount for the amount of Federal Pell Grant funds disbursed. In addition, NCMC did not return the correct net amount of Federal Direct Unsubsidized loan funds.

Directives From Program Review Report:

NCMC was required to provide comprehensive information for all Title IV, HEA recipients who officially or unofficially withdrew during the 2010-2011 and 2011-2012 award years with its response to Findings 12 and 13 of the program review report. The institution was required to identify, review, and report on the files of all Title IV, HEA recipients for whom a Return of Title IV Fund calculation was performed or should have been performed. For Return of Title IV Fund calculations that were found to be improperly calculated and Return of Title IV Fund calculations that should have been calculated but were not, NCMC was required to perform a correct calculation or recalculation.

NCMC was also required to review and revise its internal policies and procedures to ensure that Returns of Title IV Fund are performed in a timely manner in the future.

Final Determination:

NCMC revised its policies and procedures to ensure the institution properly calculates Return of Title IV Fund calculations and returns funds within the applicable timeframes.

NCMC reviewed all Title IV, HEA recipients who withdrew officially or unofficially withdrew during the 2010-2011 and 2011-2012 award years and reviewed, recalculated, or performed the required Return of Title IV Fund calculation as required.

The Department reviewed NCMC's written response and noted the institution implemented procedures to properly perform Return of Title IV Fund calculations in the required timeframes.

The Department also reviewed the supporting documentation submitted for each student cited in Findings 12 and 13 of the program review report as well as a statistical sample of students included in the file reconstructions submitted for Findings 12 and 13. Based on the results of the file reconstructions and the supporting documentation submitted, the Department calculated liabilities in the amount of **\$57,488**.

Title IV, HEA Program	2010-2011 Incorrect/Late Return of Title IV Fund Calculations	2011-2012 Incorrect/Late Return of Title IV Fund Calculations	Total Incorrect/Late Return of Title IV Fund Calculations
Federal Pell Grant	\$16,098	\$ 5,223	\$21,321
Direct Subsidized Loan	\$ 2,085	\$ 9,365	\$11,450
Direct Unsubsidized Loan	\$ 9,508	\$15,209	\$24,717
Totals	\$27,691	\$29,797	\$57,488

The total amount of Federal Grant funds disbursed to ineligible students for Findings 12 and 13 is **\$21,321**. The total amount of ineligible Direct Loan funds disbursed is **\$36,167**. Student specific liabilities are outlined in Appendices P and Q.

Finding 17. Inadequate Monitoring of Title IV, HEA Credit Balances – Uncashed Checks

Noncompliance:

When an institution disburses Title IV, HEA program funds by crediting a student’s account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. § 668.164(e). A Title IV, HEA credit balance occurs whenever a school credits Title IV, HEA program funds to a student’s account and the total amount of Title IV, HEA funds exceeds the student’s allowable charges. 2010/11 Federal Student Aid Handbook, Volume 4.

An institution must return to the Secretary, lender, or guaranty agency, any Title IV, HEA program funds that it attempts to disburse directly to a student or parent but the student or parent does not receive or negotiate those funds. For FWS program funds, the institution is required to return only the federal portion of the payroll disbursement. 34 C.F.R. § 668.164(h)(1). If an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check. 34 C.F.R. § 668.164(h)(2). If a check is returned to the institution, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. In cases where the institution does not make another attempt, the funds must be returned before the end of this 45-day period. In cases where the institution makes further attempts, the institution

must cease any additional disbursement attempts and return the funds no later than 240 days after the date it issued the check. 34 C.F.R. § 668.164(h)(3).

A school must have a process that ensures Title IV, HEA funds never escheat to a state, or revert to the school or any other third party. A failure to have such a process in place would call into question a school's administrative capability, its fiscal responsibility, and its system of internal controls required under the Title IV, HEA regulations. 2010-2011 Federal Student Aid Handbook, Volume 4.

NCMC failed to return Title IV, HEA credit balances to the Department in a timely manner after attempts to pay the credit balances to students were unsuccessful.

Directives From Program Review:

NCMC was required to review the student accounts of all Title IV, HEA recipients, beginning with the 2000-2001 award year and working forward to the present, and identify all Title IV, HEA credit balances that the institution disbursed via check that were not cashed by the student (or parent, in the case of PLUS Loan funds), and that the institution failed to repay to the Department within the prescribed timeframe. NCMC was required to compile a report based on this file review, and submit the report with its response to the program review report.

Final Determination:

NCMC stated that it has revised policies and procedures to ensure the institution properly monitors uncashed checks and returns funds to the Department within the applicable timeframes. NCMC reviewed the student accounts of all Title IV, HEA recipients beginning with the 2000-2001 award year and identified 25 students with \$3,920.34 in uncashed credit balance checks. NCMC returned \$3,897.37 to the Department between 06/30/2011 and 10/30/2012.

The Department reviewed NCMC's written response and noted the institution implemented procedures to properly monitor uncashed checks and return funds to the Department within the applicable timeframes. The Department also reviewed the supporting documentation submitted for each of the students identified by NCMC and confirmed that the institution returned \$3,897.37 in Title IV funds to the Department for 20 of the 25 students identified between 06/30/2011 and 10/30/2012.

Based on the results of the file reconstruction and the supporting documentation submitted, the Department determined that NCMC did not return undeliverable Title IV credit balances consisting of \$2,720.84 in Federal Pell Grant funds; \$650.00 in ACG funds; and \$526.53 in Federal Work-Study funds within the requisite timeframe. NCMC has not returned undeliverable Title IV credit balances consisting of \$22.97 to the Federal Family Education Loan program.

The cost of funds liability due to the Department as a result of the holding of FFEL Loan funds is \$6 (\$5.90, rounded). The cost of funds liability due to the Department as a result of the holding of Federal Grant funds is \$457 (\$457.41, rounded). The interest charges were computed using the cost of funds for Direct Loan and Grants published in the Federal Register by the Department of the Treasury.

A copy of the results of the cost of funds calculations is included as Appendix X. Student specific liabilities are outlined in Appendix R.

The unpaid liabilities noted above must be returned to the Department and the FFEL lenders.

Finding 20. Failure to Pay Title IV, HEA Credit Balances According to Cash Management Regulations – Debit Card

Noncompliance:

As noted above, institutions must return credit balance funds within time frames established in the regulations. For purposes of these regulations, the Department considers an institution to have paid a student or parent directly by issuing a check payable to and requiring the endorsement of the student or parent. An institution issues a check on the date that it:

- (1) Mails the check to the student or parent; or
- (2) Notifies the student that the check is available for immediate pickup at a specified location at the institution. The institution may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate Title IV, HEA program;
- (3) Initiating an EFT to a bank account designated by the student or parent; or
- (4) Dispensing cash for which the institution obtains a signed receipt from the student or parent.

34 C.F.R. § 668.164(c). For purposes of this section, “bank account” means an account insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). This account may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.

An institution may establish a policy requiring its students to provide bank account information or open an account at a bank of their choosing as long as this policy does not delay the disbursement of Title IV, HEA program funds to students. In cases where the institution opens a bank account on behalf of a student or parent, establishes a process the student or parent

follows to open a bank account, or similarly assists the student or parent in opening a bank account, the institution must;

- (1) Obtain in writing affirmative consent from the student or parent to open that account;
- (2) Before the account is opened, inform the student or parent of the terms and conditions associated with accepting and using the account;
- (3) Not make any claims against the funds in the account without the written permission of the student or parent, except for correcting an error in transferring the funds in accordance with banking protocols;
- (4) Ensure that the student or parent does not incur any cost in opening the account or initially receiving any type of debit card, stored-value card, other type of automated teller machine (ATM) card, or similar transaction device that is used to access the funds in that account;
- (5) Ensure that the student has convenient access to a branch office of the bank or an ATM of the bank in which the account was opened (or an ATM of another bank), so that the student does not incur any cost in making cash withdrawals from that office or these ATMs. This branch office or these ATMs must be located on the institution's campus, in institutionally-owned or operated facilities, or, consistent with the meaning of the term "Public Property" as defined in § 668.46(a), immediately adjacent to and accessible from the campus;
- (6) Ensure that the debit, stored-value or ATM card, or other device can be widely used, e.g., the institution may not limit the use of the card or device to particular vendors; and
- (7) Not market or portray the account, card, or device as a credit card or credit instrument, or subsequently convert the account, card, or device to a credit card or credit instrument.

34 C.F.R. § 668.164 (c).

A school that enters into a contract with a servicer to provide debit, demand or smart cards through which Title IV, HEA credit balances are paid to students must have a system to ensure compliance with all regulatory timeframes, including having access to any credit balance within the 14 days, and to any FWS wages at least once per month. 2010-2011 Federal Student Aid Handbook, Volume 4. A school may not require a student to take any actions to obtain his or her credit balance. It is the sole responsibility of the school to pay, or make available, any FSA credit balance within the regulatory timeframes. 2010-2011 Federal Student Aid Handbook, Volume 4. If a student does not comply with the institution's policy regarding selection of a card or bank account, the institution must disburse the funds to the student in the manner and time frames established in the regulations. See 34 C. F. R. §§ 668.164(c)(1), 668.164(e).

NCMC contracts with a third party servicer to disburse Title IV, HEA credit balances to students. Upon receiving an enrollment file from NCMC, the third party servicer mails a debit card with instructions to each student enrolled. Students are instructed to go online to

activate/accept their Discover prepaid debit card through the third party servicer's web-site. From this point, any funds sent to the card by NCMC are immediately posted to the account for immediate access where students may transfer funds to another financial account, request a paper check, withdraw funds at the Heartland ATM, or use the card to make purchases. NCMC notifies students via their campus e-mail address when their Title IV, HEA funds are being disbursed to a student's Pirate Gold/NCMC Discover debit card account. To withdraw funds, students are required to:

- (1) Use the ATM located inside the Ketcham Community Center on the NCMC campus (transaction limits and daily limits apply);
- (2) Ask for cash back at no cost when shopping at national chain stores, such as Wal-Mart (cash-back limits set by the store);
- (3) Utilize the "Manage Your Account" feature on the debit card web-site to transfer funds to a financial account of the student's choice;
- (4) Utilize the "Bill Payment" feature on the debit card web-site to have a paper check mailed; or
- (5) Take the NCMC debit card to the student's bank and request the bank to move funds from the card to the bank account using the "cash advance" feature (students are responsible for asking their bank if any fees are associated with the cash advance service).

NCMC failed to issue credit balances timely to students who did not activate their debit cards. As set forth above, an institution cannot require a student to take any action to obtain his or her credit balance. NCMC, through their agreement with a third party servicer, requires students to activate the Pirate One Gold Card and/or the NCMC prepaid Discover debit card to access their Title IV, HEA credit balance. Although the regulations allow an institution to establish a policy requiring its students to provide bank account information or open an account at a bank of the student's choosing, the policy cannot delay the disbursement of Title IV, HEA program funds to students. A student who fails to make a disbursement preference must be able to receive their credit balance within the 14 day regulatory timeframe. During the onsite program review, NCMC provided a list of students who had inactive cards over 240 days old. It was clear that NCMC did not have a mechanism in place to ensure the student or parent received the Title IV, HEA credit balance with the regulatory time frame.

Directives From Program Review Report:

NCMC was required to review and revise written policies and procedures to ensure Title IV, HEA credit balances are disbursed to students within the 14 day regulatory timeframe.

In addition, NCMC was required to review the accounts of all Title IV, HEA recipients who attended the institution in the 2009-2010, 2010-2011, and 2011-2012 award years and identify any late or unmade credit balances resulting from Title IV, HEA disbursements to the NCMC debit card that were not activated within 14 days of the disbursement. A report listing the Title

IV, HEA credit balances identified was required to be submitted with NCMC's response to the program review report.

Final Determination:

NCMC described the contractual relationship maintained with its third party servicer and the circumstances that resulted in the deficiencies cited in the program review report. NCMC updated its revised internal policies and procedures and provided assurances that the institution will disburse and refund Title IV, HEA credit balances to students within the regulatory time frames.

NCMC reviewed the student accounts of all Title IV, HEA recipients who attended NCMC during the 2009-2010, 2010-2011, and 2011-2012 award year. NCMC identified 24 students that received \$12,455.51 in Title IV, HEA credit balance refunds delivered to inactivated prepaid debit cards. NCMC returned the funds to the Department between 10/21/2011 and 11/28/2012.

The Department reviewed NCMC's written response and noted the institution implemented procedures to properly monitor inactivated prepaid debit cards and return funds to the Department within the applicable timeframes.

The Department also reviewed the supporting documentation submitted for each of the students identified by NCMC and noted that NCMC returned funds for all 24 students between 10/21/2011 and 11/28/2012. Based on the results of the file reconstruction and the supporting documentation submitted, the Department determined that NCMC did not return undeliverable Title IV credit balances consisting of \$8,652.10 in Federal Pell Grant funds; \$375.00 in ACG funds; and \$3,428 in Direct Loan funds within the requisite timeframe.

The cost of funds liability due to the Department as a result of the holding of Federal Direct Loan funds is **\$20**. The cost of funds liability due to the Department as a result of the holding of Federal Grant and Federal Work-study funds is **\$126** (\$126.42, rounded). The interest charges were computed using the cost of funds for Direct Loan and Grants published in the Federal Register by the Department of the Treasury.

A copy of the results of the cost of funds calculations is included as Appendix X. Student specific liabilities are outlined in Appendix S.

D. SUMMARY OF LIABILITIES

Findings 3 – 13:

As noted in Finding 1 above, NCMC provided a consolidated file review that encompassed students included in the file reviews for findings 3 -13. The Department reviewed the consolidated file review to determine the total amount of unduplicated liabilities associated with these findings. Below is the summary of those liabilities.

A. Total Loan Liabilities

The total unduplicated amount of Direct Loan funds (Subsidized, Unsubsidized, and PLUS) disbursed to ineligible students for Findings 3 through 11 is \$1,290,480.

Title IV, HEA Program	2010-2011 Unduplicated Liabilities	2011-2012 Unduplicated Liabilities	Total Unduplicated Liabilities
Direct Subsidized Loan	\$ 470,248	\$211,111	\$ 681,359
Direct Unsubsidized Loan	\$ 412,124	\$192,121	\$ 604,245
Direct PLUS	\$ 4,876	\$ 0	\$ 4,876
Total Direct Loan Funds	\$ 887,248	\$403,232	\$1,290,480

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 loan or loan amounts. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on NCMC's most recent cohort default rate available 16.1% (2011). The estimated actual loss that NCMC must pay to the Department for the ineligible loans is **\$91,169** (\$91,168.79 rounded). A copy of the results of the calculation is included as Appendix V.

The total unduplicated Federal Direct Loan liability established as a result of the incorrect/unmade returns identified in Findings 12 and 13 during the 2010-2011 and 2011-2012 award years is **\$36,167**.

Title IV, HEA Program	2010-2011 Unduplicated Liabilities	2011-2012 Unduplicated Liabilities	Total Unduplicated Liabilities
Direct Subsidized Loan (Return of Title IV)	\$ 9,365	\$ 2,085	\$11,450
Direct Unsubsidized Loan (Return of Title IV)	\$15,209	\$ 9,508	\$24,717
Total	\$24,574	\$11,593	\$36,167

These liabilities are not subject to the estimated loss formula.

B. Total Grant Liabilities

The total amount of Federal Grant funds disbursed to ineligible students and/or as a result of incorrect/unmade returns identified during the 2010-2011 and 2011-2012 award years for Findings 3 through 13 is **\$1,284,026**.

Title IV, HEA Program	2010-2011 Unduplicated Liabilities	2011-2012 Unduplicated Liabilities	Total Unduplicated Liabilities
Federal Pell Grant (Ineligible Disbursement)	\$827,863	\$436,151	\$1,264,014
FSEOG (Ineligible Disbursement)	\$ 6,900	\$ 1,950	\$ 8,850
ACG (Ineligible Disbursement)	\$ 11,162	\$ 0	\$ 11,162
Total	\$845,925	\$438,101	\$1,284,026

Cost of Funds Assessed for Findings 3-13:

NCMC is also responsible for the cost of funds associated with the unmade/incorrect Returns of Federal Direct Loan and Federal Grant funds as well as the ineligible disbursement of Federal Grant funds. The cost of funds liability due to the Department as a result of the holding of Federal Direct Loan funds is **\$302**. The cost of funds liability due to the Department as a result of the holding of Federal Grant funds is **\$8,252** (\$8,251.80 rounded). Additionally, NCMC is liable to the Department for Administrative Cost Allowance (ACA) in the amount of **\$443.00** (\$442.50, rounded) claimed for the ineligible FSEOG disbursements. The interest charges were computed using the cost of funds for Direct Loans and Federal Pell Grants published in the Federal Register by the Department of the Treasury.

A copy of the results of the cost of funds calculations is included as Appendix X. Student specific liabilities are outlined in Appendices C and D (Ineligible Disbursements and Grant Return of Title IV); P2; P3; Q2; and Q3 (Direct Loan Return of Title IV).

NCMC must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

Findings 17 and 20:

As noted in Findings 17 and 20 above, NCMC provided file reviews for each finding as required. The Department reviewed the file reviews to determine the total amount of

unduplicated liabilities associated with these findings. Below is the summary of those liabilities.

Total Loan, Grant, and Federal Work-Study Liabilities

The total amount of undeliverable credit balances from FFEL and Direct Loan funds (Subsidized, Unsubsidized, and PLUS) for Findings 17 and 20 is \$3,450.97.

Title IV, HEA Program	Finding 17	Finding 20	Total
FFEL	\$22.97	\$ 0	\$ 22.97
Direct Loan Funds	\$ 0.00	\$3,428	\$3,428.00
Total Loan Funds	\$22.97	\$3,428	\$3,450.97

NCMC returned \$3,428.00 in Direct Loan Funds to the Department between 10/21/2012 and 11/28/2012. NCMC is required to return **\$22.97** in outstanding FFEL Loan funds to the students' loan holders. NCMC is also responsible for the cost of funds associated with the late return of undeliverable credit balances. The cost of funds liability due to the Department as a result of the holding of Federal Direct Loan funds is **\$20**. The cost of funds liability due to the Department as a result of the holding of FFEL Loan funds is **\$6** (\$5.90, rounded). The interest charges were computed using the cost of funds for Direct Loans published in the Federal Register by the Department of the Treasury.

The total amount of undeliverable credit balances from Federal Grant and Federal Work-Study funds for Findings 17 and 20 is **\$12,924.47**

Title IV, HEA Program	Finding 17	Finding 20	Total
Federal Pell Grant	\$2,720.84	\$8,652.10	\$11,372.94
Federal ACG	\$ 650.00	\$ 375.00	\$ 1,025.00
Federal FWS	\$ 526.53	\$ 0.00	\$ 526.53
Total	\$3,897.37	\$9,027.10	\$12,924.47

NCMC returned \$12,924.47 to the Department between 06/30/2011 and 11/28/2012. NCMC is responsible for the cost of funds associated with the late return of undeliverable credit balances. The cost of funds liability due to the Department as a result of the holding of Federal Grant and Federal Work-Study funds is **\$584** (\$583.83, rounded). The interest charges were computed using the cost of funds for Federal Grants published in the Federal Register by the Department of the Treasury.

E. Payment Instructions

1. Liabilities Owed to the Department

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

NCMC owes to the Department **\$1,375,509**. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. NCMC 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 NCMC'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 finding(s) 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 (if applicable).

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

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

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

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

2. Liabilities Owed to FFEL Lenders and the Department in the case of Direct Loans

Federal Family Education Loan (FFEL) Liabilities:

Finding: 17
 Appendix: R (FFEL Loan Liability)

FFEL		
Amount (Principal)	Amount (Interest)	Award Year
\$ 9.24	\$4	2006-2007
\$ 7.53	\$1	2008-2009
\$ 6.20	\$1	2009-2010
Total Principal	Total Interest	
\$22.97	\$6	

NCMC must pay **\$22.97** to the holder(s) of the FFEL loans on behalf of the students identified in Appendix R. NCMC must access NSLDS to determine the student's current FFEL Loan Servicer. Once NCMC has identified the correct servicer, payments should be made directly to the applicable Servicer payment address. NCMC must issue an individual check to the loan servicer for each student borrower for whom funds must be

returned. The borrower name, Social Security Number, and FFEL Loan Award Identifier must be noted on the face of the check to ensure correct processing of the payment amount. NCMC must complete and include the Federal Direct/FFEL Student Loan Liability Roster and corresponding letter from Appendix Y with the check(s) submitted to the loan servicer.

As proof of payment, a copy of the front and back of the canceled checks, or proof of electronic transfer of the funds, and a copy of all Federal Direct/FFEL Student Loan Liability Rosters must be provided to **Angela Beam within 45 days of the date of this letter, for each student loan borrower for whom funds were returned.**

The imputed interest liability amount (\$6) is included in the total amount due to the Department in the payment instructions in Section 1 above.

NCMC must notify all borrowers in writing regarding payments made on their behalf. This notice must include the amount and date of the payments made.

If any checks are returned to your school from a loan holder, please contact Angela Beam.

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

Direct Loan Archived Award Years

Finding: 1, 12, and 13
 Appendices: P-2; P-3; Q-2; Q-3

NCMC must repay the following Direct Loan liabilities:

DL Archived Award Years		
Amount (Principal)	Amount (Interest)	Award Year
\$24,574	\$276	2010-2011
\$11,593	\$ 26	2011-2012
\$ 0	\$ 20	Finding 20
Total Principal	Total Interest	
\$36,167	\$322	

NCMC must pay the principal amount of **\$36,167** to the servicer(s) of the Direct Loans on behalf of the students identified in Appendices P-2; P-3; Q-2; and Q-3. These appendices list each of the applicable students and the corresponding amount owed. NCMC must access NSLDS to determine the student's current Direct Loan Servicer.

Once NCMC has identified the correct servicer, payments should be made directly to the applicable Direct Loan Servicer payment address. NCMC must issue an individual check to the loan servicer for each student borrower for whom funds must be returned. The borrower name, Social Security Number, and Direct Loan Award Identifier must be noted on the face of the check to ensure correct processing of the payment amount. NCMC must complete and include the Federal Direct/FFEL Student Loan Liability Roster and corresponding letter from Appendix Y with the check(s) submitted to the loan servicer.

The imputed interest liability amount (\$322) is included in the total amount due to the Department in the payment instructions in Section 1 above.

As proof of payment, a copy of the front and back of the canceled checks, or proof of electronic transfer of the funds, and a copy of all Federal Direct/FFEL Student Loan Liability Rosters must be provided to Angela Beam **within 45 days of the date of this letter, for each student loan borrower for whom funds were returned.**

NCMC must notify all borrowers in writing regarding payments made on their behalf. This notice must include the amount and date of the payments made.

If any checks are returned to your school from a loan holder, please contact Angela Beam.

Direct Loan Estimated Actual Loss

Findings: 1 - 11

Appendices: C; D (Direct Loan Ineligible Disbursements); and V

DL Estimated Actual Loss	
Amount	Award Year
\$56,235	2010-2011
\$34,934	2011-2012
Total	
\$91,169	

NCMC must pay the amount reflected above in Direct Loan estimated loss liabilities for the award years reflected above. 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 1 above.

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

Pell or ACG – Closed Award Year

Findings: 1 - 13

Appendices: C; D; (Federal Pell Grant and ACG Ineligible Disbursements) and X

NCMC must repay:

Pell or ACG Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$ 827,863	\$8,076	Federal Pell Grant	2010-2011
\$ 11,162	\$ 109	ACG Grant	2010-2011
\$ 436,151	\$ 0	Federal Pell Grant	2011-2012
\$ 0	\$ 407	Federal Pell Grant Finding 17	N/A
\$ 0	\$ 15	ACG Grant Finding 17	N/A
\$ 0	\$ 123	Federal Pell Grant Finding 20	N/A
\$ 0	\$ 4	ACG Grant Finding 20	N/A
Total Principal	Total Interest		
\$1,275,176	\$8,734		

The disbursement record for each student identified in Appendix C and D (Federal Pell Grant and ACG only) must be adjusted in the Common Origination and Disbursement (COD) system based on the amount identified. The principal and imputed interest liability amount (\$1,283,361) is included in the total amount due to the Department in the payment instructions in Section 1 above.

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 Angela Beam **within 45 days of the date of this letter.**

4. Liabilities Owed to the Department in the case of Campus Based Programs

Federal Supplemental Education Opportunity Grant (SEOG)

Finding: 1 - 11

Appendices: C; D (SEOG Ineligible Disbursements); and X

NCMC must repay:

SEOG – FISAP Corrections Required			
Amount (Principal)	Amount (Interest)	Administrative Cost Allowance	Award Year
\$ 6,900	\$67	\$345	2010-2011
\$ 1,950	\$ 0	\$ 98	2011-2012
Total Principal	Total Interest	Total ACA	
\$ 8,850	\$67	\$443	

The imputed interest liability amount (\$67) is reflected in the total amount owed to the Department in Section 1 above.

NCMC must make corrections to its FISAP for award years 2010-2011 and 2011-2012 as follows to reflect the return of SEOG funds for the students identified in Appendices C and D:

- Log into eCB and make changes to the Working Copy, click on Submit and choose “Change Request”. Provide the justification for the changes in the comments box, including that the changes are a result of a program review and include the Program Review Control Number.
- Once the request is approved, submit the changes within five days.
- Changes to the FISAP may result in changes to subsequent FISAPS. Contact the eCB Call Center at (877) 801-7168 for assistance in making this determination.
- If the recalculation of the school’s funding results in an unprocessed deobligation (negative balance) because the school has drawn down its full authorization, return those funds via G5 in accordance with the automated notification from eCB. If the school has not drawn down its full authorization, the authorization will be reduced.

NCMC must submit proof of the FISAP corrections and payment via G5 for any unprocessed deobligation (if applicable) to Angela Beam **within 45 days of the date of this letter**.

Finding: 17 and 20
Appendices: R; S; and X

NCCMC must repay:

Federal Work-Study – NO FISAP Corrections Required			
Amount (Principal)	Amount (Interest)	Administrative Cost Allowance	Award Year
\$ 0	\$35	\$0	N/A
Total Principal	Total Interest	Total ACA	
\$ 0	\$35	\$0	

The imputed interest liability for the undeliverable Federal Work-Study funds identified in Finding 17 is reflected in the total amount owed to the Department in Section 1 above.

Prepared for
North Central Missouri College



START HERE
GO FURTHER 
FEDERAL STUDENT AID™

OPE ID 00251400
PRCN 2011 4 07 27598

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

Program Review Report

June 20, 2012

Table of Contents

	Page
A. Institutional Information.....	3
B. Scope of Review.....	4
C. Findings and Final Determinations.....	5
Finding 1. Lack of Administrative Capability.....	5
Finding 2. Failure to Develop Written Policies and Procedures.....	9
Finding 3. Admissions Policy Not Followed/Documented.....	11
Finding 4. Ability to Benefit Violation.....	14
Finding 5. Incorrect Determination of Expected Family Contribution..	15
Finding 6. Incomplete Verification – Failure to Collect Proper Documentation.....	19
Finding 7. Failure to Adequately Document Professional Judgment Decisions.....	23
Finding 8. Failure to Adequately Monitor and Enforce Satisfactory Academic Progress Standards (SAP).....	25
Finding 9. Attendance Not Documented.....	32
Finding 10. Incorrect Federal Direct Loan Certifications / Disbursements.....	35
Finding 11. Failure to Prorate Federal Direct Loans.....	35
Finding 12. Late Return of Title IV Funds.....	38
Finding 13. Incorrect Return of Title IV Fund Calculation.....	45
Finding 14. Failure to Meet FWS Community Service Requirements.....	46
Finding 15. Failure to Identify Federal Funds.....	49
Finding 16. Untimely Reconciliation of Title IV, HEA Funds.....	50
Finding 17. Inadequate Monitoring of Title IV, HEA Credit Balances/Uncashed Checks.....	51
Finding 18. Failure to Report Third Party Servicer.....	53
Finding 19. Failure to Obtain Written Authorization to Open Bank Account on Behalf of Students.....	54
Finding 20. Failure to Pay Title IV, HEA Credit Balances According to Cash Management Regulations – Debit Card.....	55
Finding 21. Exit Counseling Deficiencies.....	59

D. Recommendations.....	60
E. Appendices	
Appendix A: Student Sample	62
Appendix B: Outstanding Title IV, HEA Checks	64

North Central Missouri College
OPE ID 00251400
PRCN 2011 4 07 27598
Page 3

A. Institutional Information

North Central Missouri College
1301 Main Street
Trenton/ MO/ 64683-1824

Type: Public

Highest Level of Offering: Associate

Accrediting Agency: North Central Association of Colleges and Schools

Current Student Enrollment: 2,399 (2010-2011)

% of Students Receiving Title IV: 55.74% (2010-2011)

Title IV Participation (G5):

	2010-2011 Award Year
Federal Pell Grant	\$4,181,192
Federal Supplemental Education Opportunity Grant (SEOG)	\$48,900
Federal Academic Competitiveness Grant (ACG)	\$83,715
Federal Work-Study (FWS)	\$56,528
Direct Subsidized Loan	\$2,485,398
Direct Unsubsidized Loan	\$2,174,766
Direct PLUS Loan	\$56,912
FFEL Subsidized Loan	\$1,750
FFEL Unsubsidized Loan	\$2,250

Default Rate FFEL/DL: 2009: 9.0%
 2008: 8.2%
 2007: 10.3%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at North Central Missouri College (NCMC) from July 11, 2011 to July 14, 2011. The review was conducted by Angela Beam, John Nading, and Rhonda Puffer.

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

A sample of 15 files was identified for review from the 2010-2011 (year to date) award year. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. A sample of 17 files was judgmentally selected to test NCMC's compliance with Return of Title IV Fund procedures. In addition, 15 files were judgmentally selected to test NCMC's compliance with distance education procedures. 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 NCMC'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 NCMC 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.

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

Finding 1. Lack of Administrative Capability

Citation: To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program. Among other factors, the Secretary considers an institution to have administrative capability if the institution:

- Administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA;
- Designates a capable individual to be responsible for administering all the Title IV, HEA programs in which it participates and for coordinating those programs with the institutions other Federal and non-Federal programs of student financial assistance. The Secretary considers an individual to be “capable” under this paragraph if the individual is certified by the State in which the institution is located, if the State requires certification of financial aid administrators. The Secretary may consider other factors in determining whether an individual is capable, including, but not limited to, the individual's successful completion of Title IV, HEA program training provided or approved by the Secretary, and previous experience and documented success in administering the Title IV, HEA programs properly;
- Uses an adequate number of qualified persons to administer the Title IV, HEA programs in which the institution participates. The Secretary considers the following factors to determine whether an institution uses an adequate number of qualified persons:
 - The number and types of programs in which the institution participates;
 - The number of applications evaluated;
 - The number of students who receive any student financial assistance at the institution and the amount of funds administered;
 - The financial aid delivery system used by the institution;
 - The degree of office automation used by the institution in the administration of the Title IV, HEA programs;
 - The number and distribution of financial aid staff; and
 - The use of third-party servicers to aid in the administration of the Title IV, HEA programs;

- Communicates to the individual designated to be responsible for administering Title IV, HEA programs, all the information received by any institutional office that bears on a student's eligibility for Title IV, HEA program assistance; and
- Has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance and the preparation and submission of reports to the Secretary;
- Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls; and
- Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any particular student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, as defined in 34 C.F.R. §668.15, or who do not together exercise substantial control, as defined in 34 C.F.R. §668.15, over the institution;
- Establishes and maintains records required under this part and the individual Title IV, HEA program regulations; and
- For purposes of determining student eligibility for assistance under a Title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program. The Secretary considers an institution's standards to be reasonable if the standards are in accordance with the provisions specified in 34 C.F.R. §668.34.
- Develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs. In determining whether the institution's system is adequate, the Secretary considers whether the institution obtains and reviews:
 - All student aid applications, need analysis documents, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant;
 - Any documents, including any copies of State and Federal income tax returns, that are normally collected by the institution to verify information received from the student or other sources; and
 - Any other information normally available to the institution regarding a student's citizenship, previous educational experience, documentation of the student's social security number, or other

factors relating to the student's eligibility for funds under the Title IV, HEA programs;

- Provides adequate financial aid counseling to eligible students who apply for Title IV, HEA program assistance. In determining whether an institution provides adequate counseling, the Secretary considers whether its counseling includes information regarding:
 - The source and amount of each type of aid offered;
 - The method by which aid is determined and disbursed, delivered, or applied to a student's account; and
 - The rights and responsibilities of the student with respect to enrollment at the institution and receipt of financial aid. This information includes the institution's refund policy, the requirements for the treatment of Title IV, HEA program funds when a student withdraws under 34 C.F.R. §668.22, its standards of satisfactory progress, and other conditions that may alter the student's aid package;
- Shows no evidence of significant problems that affect, as determined by the Secretary, the institution's ability to administer a Title IV, HEA program and that are identified in reviews of the institution conducted by the Secretary, the Department of Education's Office of Inspector General, nationally recognized accrediting agencies, guaranty agencies as defined in 34 CFR part 682, the State agency or official by whose authority the institution is legally authorized to provide postsecondary education, or any other law enforcement agency. 34 C.F.R. § 668.16.

Noncompliance: As discussed in detail throughout this report, program reviewers encountered a significant number of obstacles that prevented the review team from completing the program review procedures while on-site. Reviewers identified significant data integrity issues in NCMC's financial aid management system that prevented the institution from properly administering Title IV, HEA funds. NCMC did not have required written policies and procedures. NCMC did not have an adequate number of qualified financial aid staff members to administer Title IV, HEA programs.

Based on conversations with NCMC administrators, NCMC experienced significant staff turnover and had been unable to recruit and retain knowledgeable financial aid personnel. NCMC hired a consultant during the 2008-2009 award year to staff the financial aid office and convert the institution to a new financial aid management system. The consultant was responsible for developing written policies and procedures, ensuring compliance with Title IV, HEA regulations, awarding and packaging Title IV, HEA assistance, managing the day to day operations of the financial aid office, and for hiring and training a Director of Admissions and Financial Aid.

The individual serving as the Director of Admissions and Financial Aid during the on-site program review was hired in August of 2010. The individual serving as Financial Aid

Coordinator was hired in June of 2011. Neither individual had previous Title IV, HEA experience. The consultant provided only minimal training and no written procedures for administering Title IV, HEA programs.

After the program reviewers identified data integrity issues in the institution's financial aid management system and weaknesses in the institution's procedures, NCMC conducted a series of meetings to immediately allocate additional resources to fix the system issues, as well as hired new financial aid staff members to address compliance issues and to begin reconstruction of the 2010-2011 and 2011-2012 award years. NCMC requested technical assistance from the Kansas City School Participation Division to provide additional training, as well as an assessment of the institution's compliance with Title IV, HEA regulations not addressed during the program review process. NCMC entered into a formal Management Improvement Plan with the Department on 08/25/2011.

Required Action: In response to this finding and the findings throughout this report, NCMC is required to perform a comprehensive file reconstruction to include all Title IV, HEA recipients during the 2010-2011 and 2011-2012 (year to date) award years. NCMC must incorporate the required actions of all the Findings in this report to determine the difference between the amount of Title IV, HEA funds disbursed and the amount of Title IV, HEA funds that should have been disbursed to each student included in the review.

NCMC must prepare a spreadsheet listing all the students included in this file review. In cases where liabilities are identified as a result of the comprehensive file review, the institution must list the liability amount by Title IV, HEA program. NCMC must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

- (1) Student's first and last name;
- (2) Social Security number (last four digits only);
- (3) Award year;
- (4) Amount of Title IV, HEA funds disbursed (organized by Title IV, HEA program);
- (5) Date of Title IV, HEA disbursement;
- (6) Indication if student had degree status issues identified in Finding 3 (Issues, No Issues, Review);
- (7) Indication if student had SAP issues identified in Finding 8 (Issues, No Issues, Appeal);
- (8) Indication if student had enrollment/attendance status issues identified in Finding 9;
- (9) Indication if student had verification/conflicting information issues identified in Findings 5 or 6;
- (10) Indication if student had loan certification/proration issues identified in Findings 10 or 11;

- (11) Indication if student had Return of Title IV Fund issues identified in Findings 12 or 13.
- (12) Indication of other issues affecting Title IV, HEA eligibility (specify issue);
- (13) Revised Title IV, HEA eligibility after recalculation (taking into account results of each finding, organized by Title IV, HEA program);
- (14) Difference between original and recalculated award amount;
- (15) Legible copy of student's admission application;
- (16) Legible copy of student's Major/Minor degree declaration;
- (17) Legible copy of student's original account card;
- (18) Legible copy of student's academic transcript.

In addition, NCMC must provide required written policies and procedures and assurance that the institution has mechanisms in place to ensure compliance with all applicable Title IV, HEA regulations in the future as outlined in Finding 2.

NCMC is reminded that hard copy files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 2. Failure to Develop Written Policies and Procedures

Citation: Federal regulations require that, to begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that it is capable of adequately administering the program. To establish this administrative capability, an institution must, among other factors, maintain written procedures for or written information indicating the responsibilities of the various offices within the institution's organization with respect to the approval, disbursement and delivery of Title IV, HEA program assistance and the preparation and submission of reports to the Secretary. 34 C.F.R. § 668.16(b)(4).

Noncompliance: NCMC failed to develop and maintain required written policies and procedures regarding its administration of Title IV, HEA programs.

Required Action: NCMC must develop written procedures for its administration of all Title IV, HEA programs, including procedures for each of the following regulatory areas:

- Ensuring an adequate number of qualified person(s) to administer the Title IV, HEA Programs;
- Application procedures for establishing, re-establishing, maintaining, or expanding institutional eligibility and for certification and updating application information;

- Ensuring Adequate checks and balances (separation of duties and internal controls);
- Financial aid awarding and packaging methodology for each Title IV, HEA program (including FWS and FSEOG);
- FWS Community Service Requirements;
- FWS and FSEOG Fiscal Procedures and Records;
- Federal Pell Grant Recalculations and book disbursement policy;
- Direct Loan Certification (including proration for periods less than an academic year);
- Fiscal reports and financial statements – including monthly and annual reconciliation procedures;
- General financial aid counseling procedures;
- Admissions policy – including procedures to identify and document Title IV, HEA degree seeking designations;
- Ability to Benefit;
- Attendance Verification (ensuring students begin attendance in hours to support enrollment status for which Title IV, HEA funds was paid, as well as ensuring student completed the payment period);
- Establishing Cost of Attendance Budgets (including adjustments based on enrollment status);
- Importing, review, and locking of ISIR records (including review of subsequent ISIR's received);
- Resolution of conflicting data;
- Verification;
- Immigration status documentation requirements;
- Professional judgment and dependency override;
- Satisfactory Academic Progress;
- Title IV, HEA disbursement and refund of student credit balances;
- Title IV, HEA Refund Policy (Return of Title IV Funds);
- Compliance audits and audited financial statements;
- Consumer information and disclosures;
- IPEDS reporting;
- Clery Reporting and Emergency Evacuation Procedures;
- Consortium Agreements;
- Entrance/Exit loan counseling;
- Record retention;
- Distance education procedures to ensure regular and substantial interaction.

A copy of these procedures must accompany NCMC's response to this program review report. In addition, NCMC must provide assurance that policies and procedures will be maintained in the future.

NCMC is reminded that the development and proper implementation of written policies and procedures is one indication of an institution's administrative capability to oversee the Title IV, HEA programs.

Finding 3. Admissions Policy Not Followed/Documented

Citation: A student is eligible for Title IV, HEA assistance only if the student is a regular student enrolled or accepted for enrollment in an eligible program at an eligible institution. 34 C.F.R. § 668.32(a)(1)(i).

A regular student is someone who is enrolled or accepted for enrollment in an eligible institution for the purpose of obtaining a degree or certificate offered by the school. A school must document a student's enrollment in an eligible program at the time of admission, and it must have a system to notify the financial aid office if the student leaves the program. It must also document that an aid recipient is a regular student.

To receive Title IV, HEA funds, a student must be qualified to study at the postsecondary level. A student qualifies if she:

- has a high school diploma;
- has the recognized equivalent of a high school diploma, such as a general educational development or GED certificate;
- has completed homeschooling at the secondary level;
- has passed a Department-approved ability-to-benefit test; or
- has satisfactorily completed six credits or 225 clock hours of college work that are applicable to a degree or certificate offered by the school. *2010-2011 Federal Student Aid Handbook.*

For each Title IV, HEA recipient, the institution must maintain, on a current basis, records regarding the student's admission to and enrollment status at the institution, as well as the student's program of study and the courses in which the student was enrolled in. *2010-2011 Federal Student Aid Handbook.*

Noncompliance: While reviewing student files and admission's applications, program reviewers discovered NCMC had inadequate systems in place to ensure students who applied and enrolled at the institution were doing so as degree-seeking students. NCMC could not provide consistent documentation to validate each student's degree status. Furthermore, in speaking with school personnel, NCMC did not have adequate procedures for collecting, entering, or tracking student admission statuses in the institution's software system or have a method for communicating changes in enrollment or degree statuses to the financial aid office in a timely manner to prevent ineligible disbursements of Title IV, HEA funds. Changes to a student's degree status could be made without written instruction from a student. For example, the Registrar indicated

that if an instructor wanted to allow a student to take a class that was blocked to non-majors, the instructor could request the student's major to be updated to allow the student to enroll in the course. Staff also indicated that they often updated degree statuses or changes in major over the phone when speaking to students regarding upcoming orientation/registration programs.

As a result, program reviewers could not confirm each student's enrollment status. Students #14, #23, #25, and #34 serve as examples of students with enrollment status issues.

Student #14: Student #14 attended NCMC beginning with the Fall 2008 term and graduated from NCMC upon completion of the Spring 2010 term. The student's initial admission's application submitted in October of 2007 indicated the student was not completing a degree at NCMC and that the student planned on taking selected courses to transfer to another college/university. The student also marked the area of concentration of undecided/other box on the application and wrote in "Medical Lab Tech". The student submitted a student information maintenance form on 08/26/2010 indicating a program change to the "AA Transfer Degree and Certificate Business Technology" programs. NCMC certified this change was effective for the "Fall 2010" term. Although the student went on to graduate from NCMC, program reviewers were unable to obtain an admission's application form or student information maintenance form required for a student to officially update their degree program for the entire period of enrollment at NCMC. NCMC did not have adequate documentation to certify eligibility for Title IV, HEA funds prior to the Fall 2010 term.

The student received \$3,600 in Federal Pell Grant funds during the 2009-2010 award year and \$2,481 in Federal Pell Grant funds for the 2008-2009 award year.

This student is also cited in Findings 5 and 11.

Student #23: Student #23 graduated from NCMC with an Associate of Science degree on 12/09/2010. The student enrolled in eight hours for the Spring 2011 term at NCMC and six hours at Northwest Missouri State University. The consortium agreement in the student's file indicates the student was working on a degree or certificate at NCMC; however, program reviewers were unable to obtain documentation indicating the degree program the student was pursuing.

The student received \$2,650 in Federal Pell Grant funds for the Spring 2011 term.

Student #25: The admission's application submitted by Student #25 indicates the student enrolled as a non-degree seeking to take continuing education courses.

The student received \$4,625 in Federal Pell Grant funds; \$3,500 in Federal Direct Subsidized Loan funds, and \$6,000 in Federal Direct Unsubsidized Loan funds for the 2010-2011 award year.

The student is also cited in Findings 6 and 7.

Student # 34: Student #34 attended NCMC during the Fall 2010 and Spring 2011 terms. In reviewing the student's admission application, the student enrolled as a "non-degree/continuing education/non-degree" student status. Based on this information, the student was not eligible for Title IV, HEA funds for the 2010-2011 award year.

The student received \$4,856 in Federal Pell Grant funds; \$3,500 in Federal Direct Subsidized Loan funds; and \$4,060 in Federal Direct Unsubsidized Loan funds.

This student is also cited in Finding 12.

Required Action: NCMC must review the admission's application and enrollment statuses for each Title IV, HEA recipient enrolled in the 2010-2011 award year to present and identify each student that did not enroll as a degree seeking student. NCMC must prepare a spreadsheet listing all the students included in this file review. In cases where liabilities are identified as a result of the file review, the institution must list the liability amount by Title IV, HEA program.

NCMC must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

- (1) Student's first and last name;
- (2) Social Security number (last four digits only);
- (3) Award year student first attended NCMC;
- (4) Indication of degree-seeking status identified (non-degree, review required, no issues);
- (5) Amount of Title IV, HEA funds disbursed (organized by Title IV, HEA program);
- (6) Date of Title IV, HEA disbursement (organized by Title IV, HEA program and award year);
- (7) Legible copy of student's admission application;
- (8) Legible copy of student's change of major form (or other supporting documentation);
- (9) Legible copy of student's original account card;
- (10) Legible copy of student's academic transcript.

The spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Student	Last 4 SSN	Award Year	Term	Degree-Seeking Status	Title IV, HEA Program	Amount of Title IV, HEA Funds Disbursed	Date of Title IV, HEA Disbursement
***1	***	2010/11	Fall	Non-Degree	Pell	\$2,350	09/15/10
***2	***	2010/11		Review Required	Pell	\$2,750	09/30/10

In addition, NCMC must devise and implement procedures that will ensure that, in the future, Title IV, HEA funds will only be awarded to students who are enrolled in an eligible program. A copy of those procedures must accompany NCMC's response to Finding 2.

NCMC is reminded that hard copy files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 4. Ability to Benefit Violation

Citation: A student is eligible to receive Title IV, HEA program assistance only if the student:

- (1) Has obtained a high school diploma or its recognized equivalent;
- (2) Has obtained a passing score specified by the Secretary on an independently administered ability to benefit test;
- (3) Is enrolled in an eligible institution that participates in a State "process" approved by the Secretary;
- (4) Was home-schooled, and either
 - a. Obtained a secondary school completion credential for home school (other than a high school diploma or its recognized equivalent) provided for under State law; or
 - b. If State law does not require a home-schooled student to obtain the credential described above, has completed a secondary school education in a home school setting that qualifies as an exemption from compulsory attendance requirements under State law; or
- (5) Has been determined by the institution to have the ability to benefit from the education or training offered by the institution based on the satisfactory completion of 6 semester hours, 6 trimester hours, 6 quarter hours, or 225 clock hours that are applicable toward a degree or certificate offered by the institution. 34 C.F.R. § 668.32(e).

Noncompliance: NCMC self-identified one student who received Title IV, HEA funds that had not graduated from high school or obtained a recognized equivalent. NCMC's policy requires students to complete GED requirements in the first semester of enrollment if a student is admitted without a high school diploma.

Student #48: The student applied for admissions to NCMC on 08/09/2010. The student indicated that she did not graduate from high school or receive a GED certificate. A copy of the student's high school transcript confirms the student dropped out of high school on 01/21/1991. The student did not take an ability to benefit test and there is no documentation in the student's file that the student was home-schooled or had successfully completed six hours applicable toward a degree or certificate at NCMC. The student was not coded in the system as non-degree seeking and the information was not shared with the financial aid office staff.

The student received \$3,469 in Federal Pell Grant funds, \$1,750 in Federal Direct Subsidized Loan funds, and \$1,273 in Federal Direct Unsubsidized Loan funds for the 2010-2011 award year. The student was dismissed from NCMC due to poor academic performance on 08/04/2011.

Required Action: NCMC must review and revise its internal policies and procedures to ensure that the institution does not disburse Title IV, HEA funds to individuals who do not graduate from high school or receive a recognized equivalent. A copy of these procedures must accompany NCMC's response to this report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 5. Incorrect Determination of Expected Family Contribution

Citation: As the first step to receiving a Federal Pell Grant, a student shall apply on an approved application form to the Secretary to have his or her expected family contribution calculated and to determine the student's Federal Pell Grant eligibility. 34 C.F.R. § 691.12(a).

A student at an institution of higher education is eligible to receive an FSEOG for an award year if the student has financial need as determined in accordance with part F of Title IV of the HEA. 34 C.F.R. § 676.9(c).

A student at an institution of higher education is eligible to receive part-time employment under the FWS program for an award year if the student has financial need as determined in accordance with part F of Title IV of the HEA. 34 C.F.R. § 675.9(c).

To obtain a Direct Subsidized Loan or a Direct Unsubsidized Loan, a student must complete a Free Application for Federal Student Aid and submit it in accordance with instructions in the application. 34 C.F.R. § 685.201(a).

A student is eligible to receive a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a combination of these loans, if in the case of an undergraduate student who seeks a Direct Subsidized Loan or a Direct Unsubsidized Loan at a school that participates in the Federal Pell Grant Program, the student has received a determination of Federal Pell Grant eligibility for the period of enrollment for which the loan is sought. 34 C.F.R. § 685.200(a)(1)(iii).

The Secretary sends a student's application information and EFC as calculated by the central processor to the student on a SAR and allows each institution designated by the student to obtain an ISIR for that student. 34 C.F.R. § 690.13.

If a student is selected for verification, an institution is responsible for confirming information reported on the student's application for Federal student aid, as well as resolving any conflicting information that presents itself regarding the application. 34 C.F.R. § 668.56.

Institutions are required to review all subsequent transactions for a student for the entire processing year, even if the institution has already verified an earlier transaction. If the institution pays a student based on information that is updated later, the institution is required to use the revised EFC to determine the correct award and adjust future disbursements or require a repayment by the student if necessary. *2010-2011 Federal Student Aid Handbook, Application and Verification Guide.*

Noncompliance: NCMC did not have a process in place to designate the student ISIR transaction that NCMC relied on to calculate student eligibility and disburse Title IV, HEA funds in the institution's financial management system. As a result, when the institution imported subsequent ISIR records into the system, previous ISIR records and/or disbursement information was overwritten and the system automatically repackaged and disbursed Title IV, HEA funds based on data that was not reviewed by NCMC staff.

In speaking with NCMC officials, the program reviewers learned that NCMC had contracted with a third party servicer to provide temporary staffing during the 2008-2009 award year while the institution conducted a search for a permanent Financial Aid Director.

NCMC also relied on the third party servicer to convert the institution to a new financial management system. The current Financial Aid Director and staff were not aware that a "lock" feature existed or was required to properly administer Title IV, HEA funds. NCMC staff did not identify and review subsequent ISIR transactions to resolve

conflicting information. This issue resulted in the incorrect awarding/disbursing of Title IV, HEA funds and inaccurate reporting of student level data to the Department. Students #14 and #17 serve as examples of students whose application and disbursement information was overwritten.

Student #14: NCMC completed student #14's required verification based on the student's ISIR transaction number 02. NCMC determined the information provided on the 02 transaction was accurate when compared to the student's Federal tax returns and verification worksheet that was submitted. NCMC intended to package and disburse Title IV, HEA funds based on the EFC of 1938 calculated on the 02 transaction that resulted in a Federal Pell Grant award of \$3,600. Five subsequent transactions were processed for this student through the Department's CPS system. NCMC was not aware of and did not verify the subsequent ISIR transactions that were received. NCMC's financial management system recalculated the student's eligibility and exported data to the Department's COD system that incorrectly indicated NCMC disbursed Title IV, HEA funds off of the 07 transaction with an EFC of 1744 and an annual Federal Pell Grant award of \$3,800. As discussed above, NCMC did not have a mechanism in place to identify and review subsequent ISIR transactions, and did not have a method to ensure Title IV, HEA funds were packaged and disbursed on the ISIR transaction that was determined to be accurate by the institution. This resulted in the incorrect awarding/disbursing of Title IV, HEA funds and inaccurate reporting of student level data to the Department.

This student is also cited in Findings 3 and 11.

Student #17: The ISIR NCMC used to disburse Title IV, HEA funds did not match the documentation in the student's file. NCMC marked a number of items as inaccurate on the student's ISIR transaction number 02 located in the student's file (GO 02) as needing corrections during the verification process. Documentation in the file indicated NCMC had approved the student's request for a professional judgment to remove her spouse's income. The transaction number of the ISIR provided to program reviewers during the on-site review was AM 01. NCMC was unable to locate any of the original ISIR transaction numbers GO 01, GO 02, or GO 03 in the financial aid management system at the time of the on-site program review. Upon further investigation, it was discovered that NCMC did not have a mechanism in place to prevent subsequent ISIR transactions from over writing the ISIR transaction that NCMC had performed verification on or to prevent updating of Title IV, HEA disbursements that had been made to students. In the case of student #17, the student had filed a new FAFSA for the same award year under a new name generating an additional ISIR transaction number 01 (AM 01). Fields required for verification did not match the data elements previously verified by NCMC or adjustments processed as a result of the professional judgment request. NCMC had no procedures in place to re-verify ISIRs received as a result of NCMC initiated corrections or for reviewing subsequent ISIR transactions received as a result of student, the Department, or other non-NCMC school initiated changes. NCMC failed to review new information

received to validate the accuracy of the data reported by the student or to substantiate the student had received the funds for which she was eligible. The EFC on the transactions received for student #17 ranged from 0 to 8,317.

NCMC disbursed \$2,775 for the Fall 2010 term based on an EFC of 0. NCMC disbursed \$1,950 for the Summer 2011 term based on an EFC of 328. Based on the verification and professional judgment documentation in the student's file, and disregarding any required Return of Title IV Fund calculations, student #17 was eligible to receive \$2,775 for the Fall 2010 term and \$2,081 for the Summer 2011 term. The student was under awarded \$131 in Federal Pell Grant funds for the Summer 2011 term.

This student is also cited in Finding 8.

Due to the data integrity/system issues discovered in this finding, as well as the issues identified in Finding 8, the program reviewers had to postpone completion of the on-site program review process until NCMC addressed the data integrity issues identified in this report. As discussed in Finding 1, NCMC requested technical assistance and the Department provided assistance to develop a management improvement plan that allowed NCMC to immediately address system issues and allow program reviewers to complete the review process.

Required Action: NCMC must review the student files of all Title IV, HEA recipients in the 2010-2011 and 2011-2012 (year to date) award years. For each student, NCMC must provide the following information in spreadsheet format, along with the required hard copy documentation listed below. In addition, NCMC must resolve verification deficiencies and/or satisfactorily resolve instances of conflicting information as outlined in Finding 6. If the resolution of the issue involves changes to the student's income, or the addition of parental income not previously reported, NCMC must attempt to collect the required tax returns or other income-related information and recalculate the student's Title IV, HEA eligibility accordingly. If NCMC is unable to properly complete the verification process for any or all the students, the institution may be held liable for all Title IV, HEA funds disbursed to those students in the relevant award years.

- (1) Student's first and last name;
- (2) Social Security number (last four digits only);
- (3) Award year;
- (4) Date of Disbursement;
- (5) Indicate ISIR Transaction Title IV, HEA funds was disbursed on;
- (6) Indicate EFC Title IV, HEA funds was disbursed on;
- (7) Date of Title IV, HEA Disbursement;
- (8) Amount of Title IV, HEA Disbursement (organized by Title IV, HEA Program, and Award Year);
- (9) Title IV, HEA program (Organized by Title IV, HEA Program and Award Year);

- (10) Indication of whether verification was completed for student (Y/N);
- (11) Date initial verification was completed;
- (12) Indication of whether initial verification was accurate (Y/N);
- (13) Indication of whether subsequent ISIR transactions were reviewed, C-Flags Reviewed; Conflicting Information Resolved (Y/N);
- (14) Indication of whether subsequent ISIR verification was completed;
- (15) Date subsequent verification was completed;
- (16) Indication of whether subsequent verification/ISIR review was accurate;
- (17) Indication of whether recalculation was performed (Y/N);
- (18) Recalculated EFC;
- (19) Valid ISIR transaction (if known, NA if hand calculation required);
- (20) Revised award after recalculation or correct ISIR transaction identified;
- (21) Difference between original and revised award (Organized by Title IV, HEA Program and Award Year);
- (22) Legible copy of recalculation of student's Title IV eligibility, if applicable;
- (23) Legible copy of student's original account card;
- (24) Screen shot of CPS that indicates processed ISIR transactions with processed date, EFC, and transaction type/source;
- (25) Legible copy of all transactions of the student's Institutional Student Aid Report(s) (ISIR); and
- (26) Legible copy of student's verification worksheet and all documentation used by NCMC to complete the verification process.

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

In addition, NCMC must review and revise its internal policies and procedures to ensure that the institution can appropriately identify student application and disbursement records in the institution's financial management system in the future. A copy of these procedures must accompany NCMC's response to this report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 6. Incomplete Verification – Failure to Collect Proper Documentation

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

documentation collected from the student or parents is compared to the information that was reported on the student's ISIR. An institution must retain in the student's file any verification documentation it collects to serve as evidence that it completed the verification process. 34 C.F.R. § 668.56-57; *2010-2011 Federal Student Aid Handbook, Application and Verification Guide*.

The following persons may be included in the household size of a dependent student's parents:

- The student and parents, even if the student is not living with them. Exclude a parent who has died or is not living in the household because of separation or divorce.
- The student's siblings and children, if they will receive more than half their support from the student's parent(s) from July 1, 2010, through June 30, 2011. Siblings need not live in the home. This includes unborn children and siblings of the student who will receive more than half support from the student's parent(s) from birth to the end of the award year. It also includes siblings who would be considered dependent based on the FAFSA dependency questions (i.e., they need not be students nor apply for aid).

For children in the household size, the "support test" is used rather than residency because there may be situations in which a parent supports a child who does not live with her, such as when the parent is divorced or separated. If the parent receives benefits (such as Social Security payments) in the child's name, these benefits must be counted as parental support to the child. An exception to this is foster care payments, which typically cover the costs of foster children, who for FSA purposes are not considered children of the foster parents and are not counted in the household size.

- Other persons who live with and receive more than half their support from the student's parent(s) and will receive more than half support for the entire award year.

The following persons are included in the household size of an independent student:

- The student and his or her spouse, unless the spouse has died or is not living in the household due to separation or divorce.
- The student's children, regardless of where they live, if they will receive more than half of their support from the student from July 1, 2010, through June 30, 2011. This includes the student's unborn children who will be born during the award year and will receive more than half their support from the student from birth to the end of the award year. Foster children do not count in household size.

- Other persons who live with and receive more than half their support from the student and will receive more than half support for the entire award year. *2010-2011 Federal Student Aid Handbook, Application and Verification Guide (AVG).*

In addition to reviewing application and data match information from the CPS, an institution must have an adequate internal system to identify conflicting information—regardless of the source and regardless of whether the student is selected for verification—that would affect a student’s eligibility, such as information from the admissions office as to whether the student has a high school diploma or information from other offices regarding academic progress and enrollment status. The institution must resolve all such conflicting information, except when the student dies during the award year.

If an institution has conflicting information concerning a student’s eligibility any reason to believe a student’s application information is incorrect, the institution must resolve the discrepancies before disbursing Title IV, HEA funds. If an institution discovers discrepancies *after* disbursing Title IV, HEA funds, the institution must still reconcile the conflicting information and take appropriate action under the specific program requirements.

An institution is required to review all subsequent ISIR transactions for a student for the entire processing year, even if the institution has already verified an earlier transaction.

Financial aid personnel must have a fundamental understanding of relevant tax issues that can considerably affect the need analysis. Financial aid personnel are obligated to know: (1) whether a person was required to file a tax return, (2) what the correct filing status for a person should be, and (3) that an individual cannot be claimed as an exemption by more than one person.

An institution is considered to have resolved conflicting information when the institution has determined which data is correct. The institution must document findings in the student’s file and explain why, not simply assert that a decision is justified. *2010-2011 Federal Student Aid Handbook, AVG Guide.*

Noncompliance: For the eight students outlined below, NCMC failed to complete the requirements of the Department’s verification process and/or resolve instances of conflicting information.

Student #16: The student’s ISIR indicates the student has dependents other than children or a spouse and two individuals including the student residing in the student’s household. The verification worksheet submitted by the student indicates four individuals live in the student’s household. A letter in the student’s file indicates a boyfriend moved in with the student in November 2009 and his two children live with them every other weekend. The

student indicates that she is responsible for more than half of the support for all three individuals but does not provide documentation to perform a support test to substantiate that she provides more than 50% of the support for these individuals. In addition, the student's 2009 Federal 1040 indicate the student received an education tax credit in the amount of \$788. The student's ISIR does not reflect an education credit was received.

This student is also cited in Finding 10.

Student #21: NCMC verified the student's 01 ISIR Transaction and indicated no corrections were needed. NCMC awarded and disbursed \$1,700 in Federal Pell Grant funds on 09/23/2010 based on an EFC of 2171. NCMC received a 05 ISIR Transaction on 01/26/2011 and disbursed an additional \$300 on 02/16/2011 based on an EFC of 1540. NCMC did not verify changes made to the untaxed income and taxable earnings from need-based employment fields on the updated 05 ISIR Transaction received.

This student is also cited in Finding 11.

Student #22: The student's 03 ISIR Transaction indicates the student's parental marital status is divorced/separated. The student submitted her parent's joint 2009 Federal 1040 form and a copy of her parent's divorce decree. There is no pay stub, W-2, or other documentation in the student's file to verify her mother's income. The student's ISIR does not include \$6,626 in child support reported on the student's verification worksheet. There is no documentation in the file that indicates if any of the \$4,010 in education tax credits should be attributed to the student's mother.

This student is also cited in Finding 7.

Student #25: Although NCMC performed a professional judgment request off of the student's 01 ISIR Transaction, NCMC did not collect a verification worksheet and did not verify the number of family members in the student's household and/or untaxed income received. The Department's COD system indicates NCMC disbursed Title IV, HEA funds based on the student's 04 ISIR Transaction. This transaction was selected for verification and indicates the student received \$7,200 in child support that was not reported on the 01 ISIR Transaction.

This student is also cited in Findings 3 and 7.

Student #27: Although NCMC performed a professional judgment request off of the student's 01 ISIR Transaction, NCMC did not collect a verification worksheet and did not verify the number of family members in the student's household and/or untaxed income received. The Department's COD system indicates NCMC disbursed Title IV, HEA funds based on the student's 02 ISIR Transaction. This transaction was selected for verification and indicates an additional family member in the student's household that was not reported on the 01 ISIR Transaction. In addition, the untaxed income reported

on the student's ISIR is \$1,724. The untaxed income listed on the student's W-2 in the student's file is \$1,683.24.

This student is also cited in Finding 7.

Student #32: The student's 01 ISIR Transaction indicates the student did not file a Federal income tax return for 2009, but indicated the student earned \$830 from work. The student marked that he was not required to file a Federal income tax return for 2009 on the verification worksheet submitted to NCMC, but did not list any earnings from work. In addition, the student's ISIR indicates that two family members (excluding parents) are enrolled as least half-time in a degree, diploma, or certificate program. The verification worksheet submitted indicates that the student and his mother are enrolled at NCMC and that his siblings are enrolled in elementary school. The student's ISIR indicates child support paid out was \$1,360. There is no documentation in the student's file to verify the child support paid out is not on the same children claimed in the student's household size.

This student is also cited in Findings 12 and 21.

Student #39: NCMC was unable to provide verification documents for student #39 during the on-site program review to validate verification procedures were completed.

This student is also cited in Finding 12.

Student #40: The student's 01 ISIR Transaction indicates the student paid \$0 in federal income taxes paid. The student's 2009 Federal 1040 form indicates the student paid \$1,581 in federal income tax.

This student is also cited in Findings 12 and 13.

Required Action: NCMC is required to perform a comprehensive file review of all Title IV, HEA recipients for the 2010-2011 and 2011-2012 (year to date) award years and resolve verification deficiencies and/or satisfactorily resolve instances of conflicting information in the institution's response to Finding 5 of this report. Consequently, no additional reconstructive action will be required as a result of this finding at this time.

Finding 7. Failure to Adequately Document Professional Judgment Decisions

Citation: In general, nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However,

this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, unusually high child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998), the number of parents enrolled at least half time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act), or other changes in a family's income, a family's assets or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases (1) to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or (2) to offer a dependent student financial assistance under section 428H or a Federal Direct Unsubsidized Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information. HEA Sec. 479A(a).

A Financial Aid Administrator may use professional judgment, on a case-by-case basis only, to alter the data used to calculate the EFC. This alteration is valid only at the school making the professional judgment determination. The institution must submit a professional judgment change electronically, via FAA Access to CPS Online or third-party software, and the institution may do it without a signature from the student or parent. In FAA Access, the school must select the "EFC adjustment requested" indicator for the professional judgment field.

The reason for the adjustment must be documented in the student's file, and it must relate to the special circumstances that differentiate the student—not to conditions that exist for a whole class of students. An institution may also use professional judgment to adjust the student's cost of attendance. The institution must resolve any inconsistent or conflicting information shown on the output document before making any adjustments. An aid administrator's decision regarding adjustments is final and cannot be appealed to the Department. 2010-2011 Federal Student Aid Handbook.

Non-Compliance: Although NCMC obtained supporting documentation from students to review and approve professional judgment requests, NCMC failed to identify the individual who approved/denied the professional judgment request and document the reasons for the determination in the student's file. NCMC also failed to mark the professional judgment indicator when submitting the changes to the Department's CPS system.

Students #22, #25, #26, and #27 serve as examples of students for whom NCMC exercised professional judgment discretion to update FAFSA data elements but did not: (1) identify in the student's file the person(s) who performed the professional judgment, (2) document in the student's file the reason for the adjustment, or (3) mark the professional judgment indicator in the CPS system.

Students #5 #6, #20, #24, and #29 serve as examples of students for whom NCMC exercised professional judgment discretion to increase a student's cost of attendance budget to take into account additional tuition, fee, and book expenses over and above the average cost of attendance budgets used to package student awards.

Required Action: NCMC must review and revise its internal policies and procedures to ensure that the institution adequately documents professional judgment decisions in student files. A copy of these procedures must accompany NCMC's response to this report.

Finding 8. Failure to Adequately Monitor and Enforce Satisfactory Academic Progress Standards

Citation: A student is eligible to receive Title IV, HEA program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of 34 C.F.R. § 668.16(e), and, if applicable, the provisions of 34 C.F.R. § 668.34 as stated in 34 C.F.R. § 668.32(f).

The policy must specify the grade point average (GPA) that a student must achieve at each evaluation, or if a GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm. If a student is enrolled in a program of study of more than two academic years, to be eligible to receive Title IV, HEA program assistance after the second year, the student must at the end of the second year, have a grade point average of at least a "C" or its equivalent, or have an academic standing consistent with the institution's requirements for graduation.

- An institution may find that a student is making satisfactory progress even though the student does not satisfy the requirements, if the institution determines that the student's failure to meet those requirements is based upon—

- The death of a relative of the student;
- An injury or illness of the student; or
- Other special circumstances.
- If a student is not making satisfactory progress at the end of the second year, but at the end of a subsequent grading period comes into compliance with the institution's requirements for graduation, the institution may consider the student as making satisfactory progress beginning with the next grading period.
- At a minimum, an institution must review a student's academic progress at the end of each year. 34 C.F.R. § 668.34.

To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in 34 C.F.R. §668.16. The Secretary considers an institution to have administrative capability if the institution for purposes of determining student eligibility for assistance under a Title IV, HEA program; establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. The Secretary considers an institution's standards to be reasonable if the standards—

- Are the same as or stricter than the institution's standards for a student enrolled in the same educational program who is not receiving assistance under a Title IV, HEA program;
- Include the following elements:
 - A qualitative component which consists of grades (provided that the standards meet or exceed the requirements of §668.34), work projects completed, or comparable factors that are measurable against a norm.
 - A quantitative component that consists of a maximum timeframe in which a student must complete his or her educational program. The timeframe must—
 - For an undergraduate program, be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, clock hours completed, etc. as appropriate;
 - Be divided into increments, not to exceed the lesser of one academic year or one-half the published length of the educational program;
 - Include a schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum timeframe; and
 - Include specific policies defining the effect of course incompletes, withdrawals, repetitions, non-credit remedial coursework, or transfers of credit from other institutions on satisfactory academic progress. Credit hours from another institution that are accepted

- toward the student's educational program must count as both attempted and completed hours;
- Provide for consistent application of standards to all students within categories of students, e.g., full-time, part-time, undergraduate, and graduate students, and educational programs established by the institution;
 - Provide for a determination at the end of each increment by the institution as to whether the student has met the qualitative and quantitative components of the standards;
 - Provide specific procedures under which a student may appeal a determination that the student is not making satisfactory progress; and
 - Provide specific procedures for a student to re-establish that he or she is maintaining satisfactory progress. 34 C.F.R. §668.16(e).

Although an institution's academic progress policy may permit an automatic probationary period, the student must again be meeting the school's SAP standard at the end of the probationary period, and furthermore, the school cannot allow two such periods consecutively.

Noncompliance: During the on-site program review, reviewers discovered that NCMC's academic transcripts did not accurately or consistently calculate the number of hours attempted by students. The total attempted hours did not consistently take into account hours transferred in, remedial coursework, hours that a student subsequently repeated, or withdrawals. When researching the issues discovered during the on-site review, NCMC staff determined that data had not migrated correctly during the institution's system conversion and the system had not been properly set-up to appropriately calculate the various enrollment statuses. Based on this information, it was determined that the data the financial aid office relied on for evaluating student satisfactory academic progress evaluations each term was unreliable and had resulted in the disbursement of Title IV, HEA funds to ineligible students.

In addition, NCMC had not adequately addressed the calculation of attempted hours in the institution's SAP policy and inappropriately allowed for consecutive probationary periods if a student maintained a 2.0 term GPA. NCMC staff indicated that the financial aid office had been unable to run the SAP process at the end of each payment period as indicated in NCMC's policy due to competing priorities and resource limitations within the office.

Students # 5, #6, #7, #17, #37, and #41 serve as examples of students for who NCMC failed to terminate a student's eligibility for failing to meet SAP standards.

Student #5: The student began attendance at NCMC during the Summer 2004 term. The student fell below the 67% completion requirement after the Spring 2006 term in which

the student completed 34 of the 59 hours attempted. The student did not return to NCMC until the Fall 2008 term. The student should have been placed on satisfactory academic progress probation for the Fall 2008 term. The student completed 11 of 14 hours attempted for the term (45 out of 73 cumulative) with a cumulative completion percentage of 61.6%. The student should have been terminated from receiving Title IV, HEA funds for violating SAP standards during a probationary period. However, the student enrolled and received Title IV, HEA for an additional two semesters before exceeding the maximum SAP timeframe of 93 hours. The student continued to receive Title IV, HEA funds for an additional five terms after exceeding the maximum time frame allowed. Note: The academic transcript provided to program reviewers during the on-site program review indicated the student had attempted 136 credit hours after completion of the Summer 2011 term. The student actually attempted 161 hours.

The student was not eligible for \$2,365 in Federal Pell Grant funds received for the 2008-2009 award year.

The student was not eligible for \$6,687 in Federal Pell Grant funds; \$3,500 in Federal Subsidized Loan funds; and \$2,500 in Federal Unsubsidized Loan funds for the 2009-2010 award year.

The student was not eligible for \$7,631 in Federal Pell Grant funds; \$4,500 in Federal Subsidized Loan funds; and \$2,261 in Federal Unsubsidized Loan funds received for the 2010-2011 award year.

This student is also cited in Finding 7.

Student #6: The student entered the Fall 2010 term having attempted 67 credit hours. The student attempted 17 hours for the Fall 2010 term and 12 hours for the Spring 2011 term for a total of 96 cumulative attempted hours. The published length of the student's Nursing Level 1 – PN Certificate program is 64 credit hours. The maximum time frame (150%) for the program is 96 credit hours. The student should have been terminated from receiving Title IV, HEA funds after the Spring 2011 term. Note: The academic transcript provided to program reviewers during the on-site program review indicated the student had attempted 87 credit hours after completion of the Summer 2011 term. The student actually attempted 96 hours.

The student was not eligible for \$2,775 in Federal Pell Grant funds and \$1,000 in Federal Direct Subsidized Loans for the Summer 2011 term.

This student is also cited in Finding 7.

Student #7: The student completed the Fall 2009 term having attempted and completed 91 hours. The published length of the student's Associate in Applied Science/Nursing program is 55 hours. The maximum time frame (150%) of the program is 82.5 credit

hours. The student should have been terminated from receiving Title IV, HEA funds after the Fall 2009 term. Note: The academic transcript provided to program reviewers during the on-site program review indicated the student had attempted 120 credit hours after completion of the Spring 2011 term. The student actually attempted 155 hours.

The student was not eligible for \$4,300 in Federal Pell Grant funds; \$4,500 in Federal Direct Subsidized Loan funds and \$1,500 in Federal Direct Unsubsidized Loan funds for the 2010-2011 award year.

Student #17: The student returned to NCMC for the Summer 2009 term. Prior to Summer 2009, the student had completed 3 of 20 hours attempted at NCMC. The student should have been terminated from receiving Title IV, HEA funds after the Summer 2005 term until the student obtained a 2.0 cumulative GPA, 67% completion rate, or submitted a successful appeal.

The student enrolled and received Title IV, HEA funds for the Summer 2009, Fall 2009, and Spring 2010 terms during the 2009-2010 award year. The student enrolled in the Fall 2010 term and withdrew from all of her courses. The student received \$1,842 in Federal Pell Grant funds for the Fall 2010 term. The student did not return for the Spring 2011 term. At the completion of the Fall 2010 term, the student earned a 3.0 cumulative GPA and a 51.2% completion rate. The student was enrolled in the Summer 2011 term at the time of the on-site program review and received \$1,950 in Federal Pell Grant funds. Note: The academic transcript provided to program reviewers during the on-site program accurately reflected the student had completed 33 of 64 credit hours attempted at the end of the Fall 2010 term.

The student was not eligible for \$4,600 in Federal Pell Grant funds received during the 2009-2010 award year.

The student was not eligible for \$3,792 in Federal Pell Grant funds received during the 2010-2011 award year.

This student is also cited in Finding 5.

Student #37: The student returned to NCMC for the Fall 2009 term. Prior to Fall 2009, the student had completed 15 of 30 hours attempted at NCMC. The student should have been placed on satisfactory academic progress probation for the Fall 2009 term. The student completed 6 of 12 hours attempted for the Fall 2009 term. The student should have been terminated from receiving Title IV, HEA funds for violating SAP standards during a probationary period. The student enrolled and received Title IV, HEA funds for an additional three terms in which the student completed 0 of 38 hours attempted. Note: The academic transcript provided to program reviewers during the on-site program accurately reflected the student had completed 21 of 80 credit hours attempted at the end of the Spring 2011 term.

The student was not eligible for \$2,081 in Federal Pell Grant funds received for the 2009-2010 award year.

The student was not eligible for \$4,856 in Federal Pell Grant funds; \$4,500 in Federal Direct Subsidized Loan funds; and \$3,803 in Federal Direct Unsubsidized Loan funds received for the 2010-2011 award year.

Student #41: The student began attendance at NCMC during the Fall 2009 term. The student withdrew from all six hours attempted. The student should have been placed on SAP probation. The student enrolled in 12 hours for the Spring 2010 term and failed all 12 hours. The student should have been terminated from receiving Title IV, HEA funds for failing to meet SAP standards during a probationary period. The student, however, enrolled for the Fall 2011 term and received \$1,388 in Federal Pell Grant funds; \$2,000 in Federal Direct Unsubsidized Loan funds; and \$1,167 in Federal Direct Subsidized Loan funds for which the student was not eligible to receive.

This student is also cited in Findings 9 and 13.

Required Action: NCMC must submit a revised SAP policy for the 2010-2011 award year that addresses each deficiency cited above and complies with the minimum regulatory requirements in effect during the 2010-2011 award year. Amendments to 34 C.F.R. §668.34 became effective on July 1, 2011 for the 2011-2012 award year. NCMC must submit a revised Satisfactory Academic Progress policy that takes into account all regulatory changes as part of the institution's response to this report. These policies should be submitted to Angela Beam within 30 days of receipt of this report. Upon acceptance of the policies, NCMC will be required to apply the applicable policy to the required file review discussed below. NCMC must provide assurance that it will appropriately monitor SAP and in the future withhold Title IV, HEA funds to students subject to financial aid termination.

NCMC must review the financial aid files of all Title IV, HEA recipients who attended the institution during the 2010-2011 and 2011-2012 award years (year to date). For each student who received a disbursement of Title IV, HEA funds without meeting the institution's SAP requirements, NCMC must provide the following information in a spreadsheet format:

- (1) Student's name;
- (2) Last four digits of the student's Social Security Number;
- (3) Award Year;
- (4) Term;
- (5) Student's Degree Program;
- (6) Number of Credit Hours Required to Complete Degree Program;
- (7) Indication if Student Exceeded Maximum Timeframe;

- (8) Total hours attempted;
- (9) Total hours earned;
- (10) Student's quantitative completion percentage at the time of disbursement;
- (11) Student's cumulative GPA at the time of disbursement;
- (12) Indication if student filed and NCMC approved written SAP appeal;
- (13) Date of ineligible Title IV, HEA disbursement(s), organized by Title IV, HEA program and award year;
- (14) Amount of Title IV, HEA funds disbursed to the student, organized by Title IV, HEA program and award year; and
- (15) Date student regained eligibility for Title IV, HEA funds, if applicable.

For each student who received a disbursement of Title IV, HEA funds without meeting the institution's SAP requirements, NCMC also must provide legible copies of the following documents:

- (1) Student account card;
- (2) Academic transcript;
- (3) Copies of SAP Appeals, if applicable;
- (4) Pertinent COD screen shots indicating amounts and dates of disbursements; and
- (5) Pertinent NSLDS screen shots for FFELP loans indicating amounts and dates of disbursements (if applicable).

The SAP spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Student Name	SSN	Award Year	Term	Degree Program	Credit Hours Required	Exceeds Maximum Time Frame	Total Hours Attempted	Total Hours Earned	Quantitative %
***	***	2010/11	Spring	Associate	64	No	40	64	62.5%

Cumulative GPA	Appeal Approved	Date of Ineligible Disbursement	Amount of Disbursement	Title IV, HEA Program	Date student regained eligibility
1.5	No	01/27/2011	\$2,775	Pell	n/a

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

NCMC is reminded that hard copy files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Finding 9. Attendance Not Documented

Citation: In order to demonstrate to the Secretary that the institution is capable of adequately administering the Title IV, HEA programs, it must establish and maintain records required under the individual Title IV, HEA program regulations. 34 C.F.R. § 668.16(d)(1).

An institution is required to establish and maintain, on a current basis, program records that document its disbursement and delivery of Title IV, HEA funds. 34 C.F.R. § 668.24(a)(6).

A school must keep records that substantiate the eligibility of students for Title IV, HEA funds, such as:

- documentation of student's program of study and the courses in which the student was enrolled; and
- data used to establish student's admission, enrollment status, and period of enrollment. *2010-2011 Federal Student Aid Handbook.*

In the case of Federal Pell Grant recipients, 34 C.F.R. § 690.80(b)(2)(ii) states that if a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance.

In the case of ACG recipients, 34 C.F.R. 691.80(2)(ii) states that if a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution must recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. If a student's projected enrollment status changes to less-than-half-time during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution must determine that the student is ineligible for a grant for that payment period.

Noncompliance: When speaking to NCMC staff in the Financial Aid Office and Registrar's office regarding verification that a student begins attendance in each class, NCMC indicated faculty were required to report the names of students who did not begin attendance as of the institution's census date. Both offices indicated that faculty members did not consistently report this information to ensure the names of those students who fail to begin attendance in a course are reported to the Registrar and Financial Aid Office. The Financial Aid Office frequently learns of a student's failure to begin attendance when collecting the last day of attendance required for completion of the Return of Title IV fund calculation when a student withdraws from the institution or

earns all failing grades at the end of a term. The Financial Aid Office is not always able to obtain a response from faculty members when attempting to collect a last date of attendance from instructors for students who fail all their courses during a term. Students #31 and #41 serve as examples of students in which the instructor failed to report the student had never attended during the census reporting period. The instructors, however, reported the student as never attending when reporting the last date of attendance during the unofficial withdrawal procedures at the end of the term.

Student #31: The student received a Federal Pell Grant and ACG disbursement based on a full-time enrollment status of at least 12 credit hours in the amounts of \$2,775 and \$375, respectively. The student did not begin attendance in one three hour course, dropping the student's enrollment status to three-quarter time. At a three-quarter time enrollment status, the student was only eligible for a Federal Pell Grant award of \$2,081 and ACG award of \$281.

This student is also cited in Findings 13 and 21.

Student #41: The student received a Federal Pell Grant disbursement based on a half-time enrollment status in the amount of \$1,388. The student did not begin attendance in one three hour course, dropping the student's enrollment status to less than half-time. At a less than half time enrollment status, the student was only eligible for a Federal Pell Grant award of \$694.

This student is also cited in Finding 8 and 13.

Required Action: NCMC must review and revise its internal policies and procedures to ensure that the institution has appropriate mechanisms in place to ensure information regarding students who fail to begin attendance in a course is reported to the financial aid office in a timely fashion. A copy of these procedures must accompany NCMC's response to this report.

In addition, NCMC must review the financial aid files of all Title IV, HEA recipients who attended the institution during the 2010-2011 and 2011-2012 award years (year to date). For each student who received a disbursement of Title IV, HEA funds, NCMC must provide the following information in a spreadsheet format:

- (1) Student's name;
- (2) Award Year;
- (3) Term (Fall, Spring, Summer);
- (4) Last four digits of the student's Social Security Number;
- (5) Number of hours student enrolled in and received Title IV, HEA funds;
- (6) Number of hours that student began attendance in;
- (7) Amount of Title IV, HEA funds Disbursed (Organized by Title IV, HEA Program);

- (8) Date of Disbursement (Organized by Title IV, HEA Program);
- (9) Recalculated Amount of Title IV, HEA Student Should Have Received Based on Hours Student Attended (Organized by Title IV, HEA Program);
- (10) Difference between Recalculated Award and Amount Disbursed;

NCMC also must provide legible copies of the following documents:

- (1) Student account card;
- (2) Academic transcript;
- (3) Copies of all pertinent attendance records supporting NCMC's determination of the student's enrollment status; and
- (4) Pertinent COD screen shots indicating amounts and dates of disbursements.

The spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Student	SSN	Award year	Term	Number of Hours Student Enrolled In	Number of Hours for Which Student Began Attendance	Title IV, HEA Program	Amount of Title IV, HEA funds disbursed	Date of Disbursement
***1	***	2010/2011	Fall	12	9	Federal Pell	\$2,775	09/27/2010
***2	***	2010/2011	Fall	6	0	Federal Subsidized Loan	\$1,750	09/27/2010

Recalculated Title IV, HEA Funds that Should Have Been Disbursed	Difference
\$2,081	\$694
\$0	\$1,750

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

NCMC is reminded that hard copy files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Finding 10. Incorrect Federal Direct Loan Certifications/Disbursements

Citation: An institution must disburse loan proceeds in substantially equal installments, and no installment may exceed one-half of the loan. 34 C.F.R. §685.301(b)(5).

If the program uses standard academic terms (semesters, trimesters, or quarters) at least one disbursement must be made in each term in the loan period. A program is considered to have substantially equal terms if no term in the program is more than two weeks of instructional time longer than any other term in the program.

If there is more than one term in the loan period, the loan must be disbursed over all terms of the loan period. For example, if a loan period is for an academic year that includes three quarters, the loan must be disbursed in three substantially equal disbursements. 2010-2011 Federal Student Aid Handbook.

Noncompliance: In one instance, NCMC failed to disburse Federal Direct Unsubsidized Loan funds in substantially equal installments.

Student #16: The student indicated on her student loan request form that she wanted \$9,500 in Federal Direct student loan funds. NCMC certified the student was eligible to receive \$3,500 in Federal Direct Subsidized Loan funds and \$3,735 in Federal Direct Unsubsidized Loan funds for the loan period of 08/23/2010 to 05/05/2011. Loan funds should have disbursed equally each payment period with one-half of the funds disbursed for the Fall 2010 term and the remaining half for the Spring 2011 term. NCMC disbursed \$2,614 in Federal Direct Unsubsidized Loan funds on 09/27/2010 for the Fall term and \$1,121 in Federal Direct Unsubsidized Loan funds on 02/14/2011 for the Spring term.

This student is also cited in Finding 6.

Required Action: NCMC must review and revise its internal policies and procedures to ensure that the institution disburses Federal Direct Loan funds in substantially equal installments. A copy of these procedures must accompany NCMC's response to this report.

Finding 11. Failure to Prorate Federal Direct Loans

Citation: For a program of study with less than a full academic year remaining, the scheduled annual loan limit for the student's grade level is multiplied by the following fraction to determine the prorated loan limit:

Number of semester, trimester, quarter, or clock hours enrolled _____
Number of semester, trimester, quarter, or clock hours in academic year.

34 C.F.R. §§685.203(a)(2)(ii) & 2011-2012 Federal Student Aid Handbook.

Noncompliance: In speaking with staff during the on-site portion of the review, NCMC staff was unaware that the annual maximum loan amount an undergraduate student may borrow must be prorated 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.

NCMC encourages students to submit an application for graduation by May 1 and requires submission by October 1 each year to graduate in December. NCMC does not have a process in place to timely notify the financial aid office of pending graduates to allow for adjustments to Federal Direct Loan awards prior to certification or disbursement of loan funds.

Students #14 and #21 serve as examples of students in which NCMC failed to prorate loans for students enrolled in a final period of study less than an academic year.

Student #14: The student submitted two student loan request forms with conflicting information. The form submitted on 07/09/2010 indicated the student was planning on graduating or transferring from NCMC in December 2010. The form submitted on 07/19/2010 indicated the student planned on graduating or transferring in May 2011. The student submitted her graduation application on 09/30/2010. The student graduated with her Associate of Arts degree on 12/09/2010.

The student requested \$10,500 on the loan request form submitted on 07/19/2010. NCMC certified a Federal Direct Subsidized Loan for the loan period of 08/23/2010 to 05/05/2011 and disbursed \$2,250 in Federal Direct Subsidized and \$3,000 in Federal Direct Unsubsidized Loans on 09/24/2010. Based on an enrollment of 15 credit hours, the student was eligible to receive \$2,812.50 in Federal Direct Subsidized and \$3,750 in Federal Direct Unsubsidized Loans for the loan period of 08/23/2010 to 12/09/2010.

This student is also cited in Findings 3 and 5.

Student #21: The student graduated with her Associate of Arts degree on 12/09/2010. The student indicated she planned to graduate or transfer from NCMC in December 2010 on her student loan request form. The student requested \$4,500 in Federal Direct Subsidized Loan funds. NCMC certified a Federal Direct Subsidized Loan for the period of 08/23/2010 to 12/09/2010 and disbursed \$2,250 on 09/27/2010. Based on an enrollment of 13 credit hours, the student was eligible to receive \$2,437 in Federal Direct Subsidized Loan funds.

This student is also cited in Finding 6.

Required Action: NCMC must review and revise its internal policies and procedures to ensure that the institution properly prorates Federal Direct Loans for students enrolled in a final period of study that is less than a full academic year. The revised policies and procedures should include required adjustments to cost of attendance budgets and the appropriate expected family contribution based on the student's enrollment status. A copy of these procedures must accompany NCMC's response to this report.

In addition, NCMC must review the financial aid files of all Title IV, HEA recipients who attended the institution during the 2010-2011 and 2011-2012 award years (year to date). For each student who received a disbursement of Title IV, HEA funds and graduated without completing a full academic year of study, NCMC must provide the following information in a spreadsheet format:

- (1) Student's name;
- (2) Last four digits of the student's Social Security Number;
- (3) Award Year;
- (4) Term (Fall, Spring, Summer);
- (5) Number of hours student enrolled in;
- (6) Amount of Federal Direct Subsidized Loan Disbursed;
- (7) Date of Disbursement;
- (8) Recalculated Federal Direct Subsidized Loan Student Should Have Received;
- (9) Difference between Recalculated Award and Amount Disbursed;
- (10) Amount of Direct Unsubsidized Loan Disbursed;
- (11) Date of Disbursement;
- (12) Recalculated Federal Direct Unsubsidized Loan Student Should Have Received;
- (13) Difference between Recalculated Award and Amount Disbursed;

NCMC also must provide legible copies of the following documents:

- (1) Student account card;
- (2) Academic transcript; and
- (3) Pertinent COD screen shots indicating amounts and dates of disbursements.

The spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Term	Student	SSN	Number of Hours Student Enrolled In	Direct Subsidized Loan Disbursed	Date of Sub Disbursement	Recalculated Subsidized Loan Disbursed	Difference
2010/2011	Fall	***	***	6	\$2,250	09/27/2010	\$1,125	\$1,125
2010/2011	Spring *			9	\$2,250	02/15/2011	\$1,687.50	\$562.50

Direct Unsubsidized Loan Disbursed	Date of Unsub Disbursement	Recalculated Unsubsidized Loan Disbursed	Difference
\$1,750	09/27/2010	\$1,500	\$250
\$0	n/a	n/a	n/a

* In the example above, the student took the Fall term off and completed final 9 hours of program in the Spring term.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

NCMC is reminded that hard copy files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Finding 12. Late Return of Title IV Funds

Citation: When a recipient of Title IV, HEA 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, HEA grant or loan assistance that the student earned as of the student's withdrawal date. 34 C.F.R. § 668.22(a).

For a student who ceases attendance at an institution that is not required to take attendance, the student's withdrawal date is—

- (1) The date, as determined by the institution, that the student began the withdrawal process prescribed by the institution;
- (2) The date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw;
- (3) If the student ceases attendance without providing official notification to the institution of his or her withdrawal, the mid-point of the payment period (or period of enrollment, if applicable);
- (4) If the institution determines that a student did not begin the institution's withdrawal process or otherwise provide official notification (including notice from an individual acting on the student's behalf) to the institution of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the date that the institution determines is related to that circumstance. 34 C.F.R. § 668.22(c).

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.

For an institution that is not required to take 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 earlier of the—

- (1) Payment period or period of enrollment;
- (2) Academic year in which the student withdrew;
- (3) Educational program from which the student withdrew. 34 C.F.R. § 668.22(j).

A school must calculate the amount of earned Title IV, HEA funds by applying a percentage to the total amount of Title IV, HEA program assistance that was disbursed and that could have been disbursed. Under step one of the Return worksheet, a school fills in the amount of each type of Title IV, HEA funds that were disbursed and could have been disbursed. When entering the amount of loan funds, a school should enter the net amount disbursed and that could have been disbursed.

The school must return the unearned Title IV, HEA aid for which the school is responsible by repaying funds up to the total net amount disbursed from each source. *2010-2011 Federal Student Aid Handbook, Volume 5.*

Noncompliance: In eight Return of Title IV funds calculations reviewed, NCMC failed to make the necessary Returns within the required time frames.

In seven Return of Title IV Funds calculations reviewed, NCMC returned an incorrect amount of Federal Direct Subsidized or Unsubsidized loan funds. NCMC incorrectly returned the amount of loan funds calculated in step six of the Return calculation as the gross amount. Institutions are required to return the net amount of loan funds calculated in step six of the Return calculation.

Student #32: Student enrolled for the Fall 2010 term and received grades of all F. On 01/27/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 01/27/2011 that identified a required return of \$996 in Federal Direct Unsubsidized Loan funds and \$766 in Federal Direct Subsidized Loan funds. Based on the Department's COD records, NCMC returned \$996 in Federal Direct Unsubsidized Loan funds and \$762 in Federal Direct Subsidized Loan funds on 03/15/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Subsidized Loan funds.

This student is also cited in Findings 6 and 21.

Student #33: Student enrolled for the Fall 2010 term and received grades of all F. On 03/01/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 03/11/2011 that identified a required return of \$664 in Federal Direct Unsubsidized Loan funds and \$409 in Federal Direct Subsidized Loan funds. Based on the Department's COD records, NCMC

returned \$664 in Federal Direct Unsubsidized Loan funds and \$407 in Federal Direct Subsidized Loan funds on 03/17/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Subsidized Loan funds.

Student #34: Student enrolled for the Fall 2010 term and received grades of all F. On 02/17/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 02/17/2011 that identified a required return of \$924 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$919 in Federal Direct Unsubsidized Loan funds on 03/14/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Unsubsidized Loan funds.

This student is also cited in Finding 13.

Student #35: Student enrolled for the Fall 2010 term and received grades of all F. On 03/01/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 03/11/2011 that identified a required return of \$680 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$677 in Federal Direct Unsubsidized Loan funds on 03/17/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall

2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Unsubsidized Loan funds.

Student #36: Student enrolled for the Fall 2010 term and withdrew from three courses and received grades of all F in her remaining courses. On 01/27/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 01/27/2011 that identified a required return of \$1,224 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$1,218 in Federal Direct Unsubsidized Loan funds on 03/15/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely, and did not return the correct net amount of Federal Direct Unsubsidized Loan funds.

Student #38: Student withdrew from the Fall 2010 term. NCMC determined the student withdrew on 10/27/2010 via an e-mail from the student indicating that the student had not attended the institution for "almost a month." NCMC performed the required calculation on 11/02/2010 that identified a required return of \$1,009 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$1,004 in Federal Direct Unsubsidized Loan funds on 11/02/2010. NCMC did not return the correct net amount of Federal Direct Unsubsidized loan funds.

Student #39: Student enrolled for the Fall 2010 term and received grades of all F. On 03/01/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 03/11/2011 that identified a required return of \$1,048 in Federal Pell Grant funds. Based on the Department's COD records, NCMC returned \$1,048 in Federal Pell Grant funds on 05/09/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely.

This student is also cited in Finding 6.

Student #40: Student enrolled for the Fall 2010 term and received grades of all F. On 01/27/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 01/27/2011 that identified a required return of \$517 in Federal Direct Unsubsidized Loan funds. Based on the Department's COD records, NCMC returned \$514 in Federal Direct Unsubsidized Loan funds on 03/15/2011.

Per regulations, NCMC was required to determine the withdrawal date no later than 30 days after the end of the payment period, which was 12/09/2010. NCMC was required to return any funds identified from the Return of Title IV Funds calculation within 45 days of the institution's determination that the student withdrew. Had NCMC identified the student within the 30 days allowed by regulation, the latest possible date NCMC should have returned Title IV, HEA funds was 02/23/2011 (75 days after the last date of the Fall 2010 term). As noted above, NCMC did not return Title IV, HEA funds timely.

As discussed in Finding 13, NCMC used an incorrect disbursement amount for the amount of Federal Pell Grant funds disbursed. In addition, NCMC did not return the correct net amount of Federal Direct Unsubsidized loan funds.

This student is also cited in Finding 6.

Required Action: In response to this finding, NCMC must provide comprehensive information for all Title IV, HEA recipients who officially or unofficially withdrew during the 2010-2011 and 2011-2012 award years. The institution must identify, review, and report on the files of all Title IV, HEA recipients for whom a Return calculation was performed or should have been performed. For Returns that are found to be improperly calculated and Returns that should have been calculated but were not, NCMC must perform a correct calculation or recalculation.

The materials the institution must submit include:

- (1) A spreadsheet that contains, for each Title IV, HEA recipient who officially or unofficially withdrew, the following information:
 - (a) Student's name;
 - (b) Last four digits of the student's Social Security Number;
 - (c) Student's last date of attendance;
 - (d) Student's withdrawal date;
 - (e) The date that NCMC determined that the student withdrew;
 - (f) The date that the original Return was calculated;
 - (g) The amount of Title IV, HEA funds returned, if applicable (organized by Title IV, HEA program);
 - (h) The date(s) the Return(s) were made, if applicable (organized by Title IV, HEA program);
 - (i) Amount of post-withdrawal disbursement (PWD), if applicable;

- (j) Title IV, HEA program from which PWD was made;
- (k) Date PWD was paid;
- (l) Date of corrected Return of Title IV Funds calculation, if applicable;
- (m) Corrected amount of Return, if applicable;
- (n) Title IV, HEA program to which corrected Return(s) was made, if applicable;
- (o) Date of corrected Return;
- (p) Amount of PWD, if applicable;
- (q) Title IV, HEA program from which PWD was made, if applicable;
- (r) Date PWD was paid, if applicable.

The spreadsheet should be organized by award year, and then by individual students. The spreadsheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format;

- (2) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV, HEA recipient who withdrew in the 2010-2011 and 2011-2012 award years (NCCMC must identify calculations that were first performed as a result of the PRR);
- (3) A copy of the complete corrected Return of Title IV Funds calculation, if applicable;
- (4) A copy of all pertinent student account cards for the Returns identified above. The account card should reflect the disbursements included in the Return calculation as well as any return of the Title IV, HEA funds, if applicable;
- (5) Legible copies of all audit trail documentation (i.e. wire transfer records on bank statements, institutional drawdown and refund reports, screen prints of Common Origination and Disbursement [COD] screens with pertinent detail information) to support the return of the funds to the Title IV accounts. The documentation must clearly identify the amount of the Return for the individual in question. If a Return was repaid to the Title IV, HEA programs by check, then a legible copy of the cancelled check, front and back, must be submitted;
- (6) A copy of NCCMC's official withdrawal form (or other official withdrawal documentation) for each Title IV, HEA recipient who officially withdrew, with the official date of withdrawal notated.
- (7) Copies of all pertinent attendance records supporting NCCMC's determination of the student's last date of attendance.
- (8) In cases where a post-withdrawal disbursement was calculated, copies of all supporting documentation establishing that the post-withdrawal disbursement of Title IV, HEA loan funds was offered to the student or parent, and the student or parent's response to that offer. In cases where no such documentation is available, NCCMC must provide documentation indicating that the student, or parent in the case of a PLUS loan, was notified that a post-withdrawal disbursement was made on their behalf, the amount of the disbursement, and the date that it occurred;

(9) In the case of unearned aid that is required to be returned by a student, copies of all supporting documentation establishing that NCMC contacted the student and made appropriate repayment arrangements, as outlined in Federal regulations.

The Return of Title IV Fund spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Student	SSN	Last date of attendance	With-drawal date	Date of determination	Date of Return calculation	Amount of return, if applicable	Title IV program	Date of Return
2010/11	***	***	6/20/10	6/20/10	6/24/10	6/24/10	\$2,000	DL Unsub	7/6/10
	" "	" "	" "	" "	" "	" "	\$1,356	DL Sub	7/6/10
	" "	" "	" "	" "	" "	" "	\$312	Pell	7/4/10

Amount of PWD, if applicable	PWD program	Date PWD Paid	Date of Corrected Return calculation, if applicable	Corrected Amount of return, if applicable	Title IV program	Date of Corrected Return	Difference	Amount of PWD, if applicable	PWD program	Date PWD Paid	Difference
" "	" "	" "	6/24/10	\$2,000	DL Unsub	7/6/11	\$0	" "	" "	" "	" "
" "	" "	" "	" "	\$1,356	DL Sub	7/6/11	\$0	" "	" "	" "	" "
" "	" "	" "	" "	\$517	Pell	7/6/11	\$205	" "	" "	" "	" "

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

Additionally, NCMC must review and revise its internal policies and procedures to ensure that Returns of Title IV Fund are performed in a timely manner in the future. A copy of these procedures must accompany NCMC's response to this report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 13. Incorrect Return of Title IV Funds Calculation

Citation: Federal regulations state 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 of Title IV Funds 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 of Title IV Fund calculation identified in pertinent Federal regulations. 34 C.F.R. § 668.22.

Noncompliance: In four instances, NCMC improperly performed a Return of Title IV Funds calculation.

Student #31: The student enrolled for the Spring 2011 term and received grades of all F. On 05/25/2011, NCMC determined the student unofficially withdrew from the Spring 2011 term and performed a Return of Title IV Funds calculation on 05/26/2011. When determining the student's last date of attendance, NCMC documented the student as a "no show" for the course BT160. As discussed in Finding 9, 34 C.F.R. § 690.80(b)(2)(ii) requires an institution to recalculate a student's enrollment status to reflect only those classes for which the student actually began attendance and adjust Federal Pell Grant awards accordingly. Based on this information, NCMC should have returned \$694 to the Federal Pell Grant program. The student's Federal Pell Grant disbursement should have been reduced to three-quarter time (\$2,081) and this figure should have been used when performing the student's Return of Title IV Funds calculation. Similarly, the student's ACG award of \$375 should have been reduced to a three-quarter time enrollment status (\$281), requiring NCMC to return \$94 to the Federal ACG program prior to the Return of Title IV Funds calculation.

This student is also cited in Findings 9 and 21.

Student #34: As discussed in Finding 12, NCMC performed a Return of Title IV Funds calculation for student #34 on 02/17/2011. In calculating the return, NCMC used an inaccurate disbursement amount for the amount of Federal Pell Grant funds disbursed to the student. According to the Department's COD records, NCMC disbursed \$2,775 in Federal Pell Grant funds on 09/13/2010. When performing the Return of Title IV Funds calculation, NCMC indicated that \$2,081 in Federal Pell Grant funds had been disbursed to the student. This error resulted in an incorrect calculation of the amount of funds required to be returned to the Department.

This student is also cited in Finding 12.

Student #40: NCMC performed a Return of Title IV Funds calculation for the student on 01/27/2011. In calculating the return, NCMC used an inaccurate disbursement amount for the amount of Federal Pell Grant funds disbursed to the student. According to the Department's COD records, NCMC disbursed \$2,082 in Federal Pell Grant funds on 09/13/2010. When performing the Return of Title IV Funds calculation, NCMC indicated that \$2,085 in Federal Pell Grant funds had been disbursed to the student. This error resulted in an incorrect calculation of the amount of funds required to be returned to the Department.

This student is also cited in Finding 6.

Student #41: The student enrolled for the Fall 2010 term and received grades of all F. On 02/27/2011, NCMC determined the student unofficially withdrew from the Fall 2010 term and performed a Return of Title IV Funds calculation on 01/27/2011. When determining the student's last date of attendance, NCMC documented the student as a "no show" for the course HI103. As discussed in Finding 9, 34 C.F.R. § 690.80(b)(2)(ii)

requires an institution to recalculate a student's enrollment status to reflect only those classes for which the student actually began attendance and adjust Federal Pell Grant awards accordingly. Based on this information, NCMC should have returned \$694 to the Federal Pell Grant program. The student's Federal Pell Grant disbursement should have been reduced to less than half time (\$694) and this figure should have been used when performing the student's Return of Title IV Funds calculation.

This student is also cited in Findings 8 and 9.

Required Action: A previous finding requires NCMC to review the records of all Title IV, HEA recipients who officially or unofficially withdrew during the 2010-2011 and 2011-2012 award years (year to date) and identify any late, unmade, improperly calculated, or uncalculated Returns of Title IV Funds calculations. Consequently, no additional reconstructive action will be required as a result of this finding at this time.

Finding 14. Failure to Meet FWS Community Service Requirements

Citation: Federal regulations state that an institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one—

- (1) Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
- (2) Family literacy project that employs one or more FWS students in family literacy activities.

The Secretary may waive the FWS community service requirements if the Secretary determines that an institution has demonstrated that enforcing the requirements would cause a hardship for students at the institution.

To the extent practicable, in providing reading tutors for children, an institution must—

- (1) give priority to the employment of students to tutor in reading in schools that are participating in a reading reform project that is designed to train teachers how to teach reading on the basis of scientifically-based research on reading, and is funded under the Elementary and Secondary Education Act of 1965; and
- (2) Ensure that any student who is employed in a school participating in a reading reform project receives training from the employing school in the instructional practices used by the school.

In meeting the seven percent community service expenditure requirement, students may be employed to perform civic education and participation activities in projects that—

- (1) Teach civics in schools;
- (2) Raise awareness of government functions or resources; or

(3) Increase civic participation.

To the extent practicable, in providing civic education and participation activities, an institution must—

- (1) Give priority to the employment of students in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and
- (2) Ensure that the students receive appropriate training to carry out the educational services required. 34 C.F.R. § 675.18(g).

Community services are defined as services that are identified by an institution of higher education through formal or informal consultation with local nonprofit, government, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs. These services include:

- such fields as health care, child care, literacy training, education (including tutorial services), welfare, social services, transportation, housing and neighborhood improvement, public safety, crime prevention and control, recreation, rural development, community improvement, and emergency preparedness and response; work in service opportunities or youth corps under Americorps,;
- support services for students with disabilities (including students with disabilities who are enrolled at the school); and
- activities in which an FWS student serves as a mentor for such purposes as tutoring, supporting educational and recreational activities, and counseling, including career counseling.

To be considered employed in a community service job for FWS purposes; an FWS student does not have to provide a “direct” service. The student must provide services that are designed to improve the quality of life for community residents or to solve particular problems related to those residents’ needs. A school may use its discretion to determine what jobs provide service to the community, within the guidelines provided by the statute, regulations, and the Federal Student Aid Handbook.

At least one of the FWS students an institution employs to meet the community service requirement must:

- perform family literacy activities in a family literacy project that provides services to families with preschool age children or elementary school children; or
- serve as a reading tutor for children who are preschool age or are in elementary school.

There is no restriction as to whether these jobs must be on or off-campus. However, a university or college is not considered a community for the purposes of the FWS community service requirements. On-campus jobs can meet the definition of community

services, provided that the services are designed to improve the quality of life for community residents, or to solve problems related to their needs, and that they meet the regulatory and statutory provisions pertaining to the applicable FWS employment limitations and conditions. *2010-2011 Federal Student Aid Handbook.*

Noncompliance: On the 2010-2011 Fiscal Operations Report and Application to Participate (FISAP), NCMC reported the institution employed four students in community service FWS positions. Total expenditures for these four students totaled \$5,785. Two of these positions were reported as employed as reading tutors of children or employment in family literacy activities.

During staff interviews, NCMC staff indicated that those students placed at the Ketcham Community Center and the Library were used to meet the seven percent community service requirement. Those students working in the Library were used to meet the reading tutor requirement.

The Ketchum Community Center houses NCMC's fitness center and gymnasium. The required job duties for those students employed at the Ketchum Community Center include:

- Work in the concession stand for all basketball games and other large events;
- Help set-up for events at Ketcham Community Center;
- Clean up after events at Ketcham Community Center;
- Nightly cleanup of upstairs Ketcham Community Center Weight Area and Track cleaning;
- Complete any other tasks and duties assigned.

The required job duties for those students employed at the Library include:

- Data entry (MOBIUS);
- Typing;
- Filing;
- Shelving books and periodicals;
- Processing materials (Covering books, property stamping, etc.);
- Running the circulation desk (Checking materials in and out using MOBIUS software);
- Running the circulation desk (Checking materials in and out using MOBIUS software);
- Answering directional questions;
- Assisting in compiling bibliographies;
- Assisting in creating book displays;
- Housekeeping duties (Watering plants, cleaning study tables, shelves, coffee pots, etc.).

The job duties listed on the job descriptions for FWS students placed at the Ketchum Community Center and the Library are not designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs. NCMC also did not place any students to perform family literacy activities or to serve as a reading tutor for children who are preschool age or are in elementary school.

As a result, NCMC did not meet the seven percent community service requirement as required for participation in the FWS program.

Required Action: NCMC must correct the institution's community service expenditures on the 2009-2010 and 2010-2011 FISAP reports to reflect the institution did not spend any funds on community service positions during the applicable award year. Corrections must be submitted via the eCampus-Based Web Site. NCMC must follow the "Post-Deadline FISAP Correction Process" described in the 2009-2010 and 2010-2011 Campus-Based Awards Closeout Announcements. NCMC must indicate the required updates are in response to a program review finding in the description field to justify the changes made. NCMC must provide confirmation that these corrections were submitted with the institution's response to this report.

In addition, NCMC must review and revise its internal policies and procedures to ensure that the institution identifies appropriate community service positions and an assurance that NCMC will expend at least seven percent of the institution's FWS allocation on students placed in these positions in the future.

Finding 15. Failure to Identify Federal Funds

Citation: Federal regulations require that an institution maintain Title IV, HEA program funds in a bank or investment account that is Federally insured or secured by collateral of value reasonably equivalent to the amount of those funds. For each bank or investment account that includes Title IV, HEA program funds, an institution must clearly identify that Title IV, HEA program funds are maintained in that account by either (a) including in the name of each account the phrase "Federal Funds" or (b) notifying the bank or investment company of the accounts that contain Title IV, HEA program funds and retaining a record of that notice. 34 C.F.R § 668.163(a).

An institution has a fiduciary responsibility to segregate Federal funds from all other funds and to ensure that Federal funds are used only for the benefit of eligible students. Absent a separate bank account, the institution must ensure that its accounting records clearly reflect that it segregates Title IV, HEA funds. Under no circumstances may the institution use Title IV, HEA funds for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of Title IV, HEA funds or subjects Title IV, HEA funds to liens or other attachments.

If a school does not maintain a separate account for Title IV, HEA program funds, its accounting and internal control systems must:

- identify the balance for each Title IV, HEA program that is included in the school's bank or investment account as readily as if those funds were in a separate account; and
- identify earnings on Title IV, HEA program funds in the school's bank or investment account. *2011-2012 Federal Student Aid Handbook.*

Noncompliance: NCMC does not maintain a separate bank account to hold Title IV, HEA funds. Title IV, HEA disbursements are deposited into the institution's general operating account. The bank account used by NCMC does not include the phrase "Federal Funds" in the name of the account, nor does NCMC maintain with its bank a notice identifying the funds in the account as "Federal Funds".

Required Action: NCMC must revise the name of its bank account to include the phrase "Federal Funds," or make the appropriate notifications to the bank that the account contains Title IV, HEA program funds. A discussion of the measures taken to resolve this finding, including copies of all pertinent notifications, should accompany NCMC's response to this report.

Finding 16. Untimely Reconciliation of Title IV, HEA Funds

Citation: Federal regulations require an institution to establish and maintain on a current basis financial records that reflect each Title IV, HEA program transaction, and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA 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, HEA 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), 682.610(a), 690.81(a); *The Blue Book*, October 2005, Ch. 12.

Noncompliance: NCMC failed to reconcile its Title IV, HEA program receipts and expenditures on a monthly basis.

NCMC did not have written procedures in place and was unable to provide documentation to demonstrate the institution reconciled Title IV, HEA expenditures between the financial aid office, business office, COD and G5 on a monthly basis. In addition, total disbursements reported through the Department's COD system for the 2008-2009 award year exceeded drawdowns in the Department's G5 system by \$64,936.11 at the time of the on-site program review.

Required Action: NCMC must develop and implement procedures to ensure that all Title IV, HEA program accounts are reconciled on a monthly basis, in accordance with Federal regulation. A detailed discussion of these revised procedures must accompany NCMC's response to this report. In addition, NCMC must provide documentation showing that the Federal Pell Grant has been reconciled for the 2008-2009, 2009-2010, and 2010-2011 award years. NCMC must provide documentation showing that the Federal Direct Loan account has been reconciled for the 2010-2011 award year.

Finding 17. Inadequate Monitoring of Title IV, HEA Credit Balances – Uncashed Checks

Citation: Federal regulations state that whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

- (1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. § 668.164(e).

A Title IV, HEA credit balance occurs whenever a school credits Title IV, HEA program funds to a student's account and the total amount of Title IV, HEA funds exceeds the student's allowable charges. *2010/11 Federal Student Aid Handbook*, Volume 4.

Notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary, lender, or guaranty agency, any Title IV, HEA program funds, except FWS program funds, that it attempts to disburse directly to a student or parent but the student or parent does not receive or negotiate those funds. For FWS program funds, the institution is required to return only the federal portion of the payroll disbursement.

If an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check. If a check is returned to the institution, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. In cases where the institution does not make another attempt, the funds must be returned before the end of this 45-day period. In cases where the institution makes further attempts, the institution must cease any additional disbursement attempts and return the funds no later than 240 days after the date it issued the check. 34 C.F.R. § 668.164(h).

A school must return to the Department any Title IV, HEA program funds, except FWS Program funds, that it attempts to disburse directly to a student or parent of the student or

parent does not receive the funds or cash the check. (For FWS Program funds, a school is required to return only the Federal portion of the payroll disbursement.)

A school must have a process that ensures Title IV, HEA funds never escheat to a state, or revert to the school or any other third party. A failure to have such a process in place would call into question a school's administrative capability, its fiscal responsibility, and its system of internal controls required under the Title IV, HEA regulations. *2010-2011 Federal Student Aid Handbook, Volume 4.*

Noncompliance: NCMC failed to return Title IV, HEA credit balances to the Department in a timely manner after attempts to pay the credit balances to students were unsuccessful.

During the on-site portion of the program review, NCMC officials identified 19 students (Appendix B) with \$3,301 in Title IV, HEA credit balance funds that the institution was unable to return to students. The Title IV, HEA credit balances identified were created between 02/23/2001 and 02/18/2009.

Required Action: NCMC must review the student accounts of all Title IV, HEA recipients, beginning with the 2000-2001 award year and working forward to the present, and identify all Title IV, HEA credit balances that the institution disbursed via check and that were not cashed by the student (or parent, in the case of PLUS Loan funds), and that the institution failed to pay to the Department within the prescribed timeframe. NCMC must compile a report based on this file review, and submit the report with its response. The report must be in a spreadsheet format, and it must include the following elements:

- (1) Award year in which Title IV, HEA credit balance was created;
- (2) Student's first name, last name;
- (3) Student's Social Security number;
- (4) Title IV, HEA program(s), date(s), and disbursement amount(s) causing the credit balance;
- (5) Amount of Title IV, HEA credit balance;
- (6) Date Title IV, HEA credit balance was paid to the Title IV, HEA programs, if applicable;
- (7) Complete and legible copy of student's original account card;
- (8) Copies of all pertinent fiscal documents reflecting the payment of the Title IV, HEA credit balance funds to the Department, as applicable.

The file review spreadsheet must clearly indicate the particular Title IV program or programs that created a particular Title IV, HEA credit balance. The following abbreviations should be used in the spreadsheet to indicate the various programs: Pell, FSEOG, FWS, FFEL Sub, FFEL Unsubsidized, FFEL PLUS, DL Subsidized, DL Unsubsidized, DL PLUS, ACG. If a particular Title IV, HEA credit balance was composed of more than one type of Title IV, HEA funding, NCMC must identify the amounts attributable to each program.

The Title IV, HEA credit balance file review spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Student's last name, first name	SSN	Title IV program	Date of disbursement
2007/08	Doe, Jane	*** ** *	Pell	1/1/10
2007/08	Doe, Jill	*** ** *	DL Sub	6/28/10
2007/08	" " "	" " "	DL Unsub	6/28/10
2007/08	Doe, John	*** ** *	FFEL Sub	4/11/10

(continued)

Amount of disbursement	Amount of Title IV credit balance	Date credit balance paid to Department, if applicable	Amount of credit balance outstanding
\$1,000.25	\$500.25	3/1/10	\$0
\$2,000.00	\$125.00	n/a	\$0
\$3,000.00	\$3,000.00	n/a	\$0
\$2,225.00	\$1,720.30	n/a	\$1,720.30

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the FPRD letter.

Finding 18. Failure to Report Third Party Servicer

Citation: An institution that participates in a Title IV, HEA program shall notify the Secretary within 10 days of the date that the institution enters into a new contract or significantly modifies an existing contract with a third-party servicer to administer any aspect of that program. 34 C.F.R. § 668.25(e).

Noncompliance: NCMC entered into a written "Funds Disbursement Agreement" with Heartland Campus Solutions (HCS) to manage the institutions Title IV, HEA credit balance processes. As of the date of the program review, NCMC did not notify the Department of the contract with HCS.

Required Action: NCMC must submit the third party servicer to the Department. The notification must be submitted using the Department's electronic application located on the Application for Approval to Participate in the Federal Student Financial Aid Programs website at www.eligcert.ed.gov. An acknowledgement that the notification has been submitted should accompany NCMC's response to this report.

Finding 19. Failure to Obtain Written Authorization to Open Bank Account on Behalf of Students

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

- (1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. §668.164 (e).

For purposes of this section, “bank account” means an account insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). This account may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.

An institution may establish a policy requiring its students to provide bank account information or open an account at a bank of their choosing as long as this policy does not delay the disbursement of Title IV, HEA program funds to students. In cases where the institution opens a bank account on behalf of a student or parent, establishes a process the student or parent follows to open a bank account, or similarly assists the student or parent in opening a bank account, the institution must—

- Obtain in writing affirmative consent from the student or parent to open that account;
- Before the account is opened, inform the student or parent of the terms and conditions associated with accepting and using the account. 34 CFR §668.164(c).

Noncompliance: Although NCMC and HCS provide the terms and conditions associated with all aspects of the Pirate Gold card and the Discover pre-paid debit card during orientation and upon delivery of the card to the student, at the time of the on-site review, NCMC did not have a process to obtain the student's written authorization to open a bank account in the student's name.

Required Action: NCMC must devise written policies and procedures for obtaining a student or parent's written authorization prior to opening a bank account in the student or parent's name. A copy of these procedures, as well as a copy of the written authorization form developed, must accompany NCMC's response to this report.

In addition, NCMC must send a written notification to all students for which a bank account was opened without obtaining written authorization that indicates the date in which the account was opened, as well as the current status of the account (active, inactive, closed). The notification must specify the name and contact information of the banking institution and include detailed instructions for accessing any funds that remain on the account. The notification must also include a disclosure of any personal information that NCMC provided to the banking institution to open the account on the student/parent's behalf. NCMC must obtain a signature from each student indicating they have received this notification. A copy of this notification must be provided with NCMC's response to this report along with documentation describing how NCMC delivered this notification to current and former students.

Finding 20. Failure to Pay Title IV, HEA Credit Balances According to Cash Management Regulations – Debit Card

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

- (1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. §668.164 (e).

An institution pays a student or parent directly by—

- (1) Issuing a check payable to and requiring the endorsement of the student or parent. An institution issues a check on the date that it—
 - Mails the check to the student or parent; or
 - Notifies the student that the check is available for immediate pickup at a specified location at the institution. The institution may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate Title IV, HEA program;
- (2) Initiating an EFT to a bank account designated by the student or parent; or

- For purposes of this section, “bank account” means an account insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). This account may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.
 - An institution may establish a policy requiring its students to provide bank account information or open an account at a bank of their choosing as long as this policy does not delay the disbursement of Title IV, HEA program funds to students. Consequently, if a student does not comply with the institution's policy, the institution must disburse the funds to the student using a method described in 34 C. F. R. §668.164(c)(1) and within the regulatory timeframes outlined in 34 C. F. R. §668.164(e). In cases where the institution opens a bank account on behalf of a student or parent, establishes a process the student or parent follows to open a bank account, or similarly assists the student or parent in opening a bank account, the institution must—
 - Obtain in writing affirmative consent from the student or parent to open that account;
 - Before the account is opened, inform the student or parent of the terms and conditions associated with accepting and using the account;
 - Not make any claims against the funds in the account without the written permission of the student or parent, except for correcting an error in transferring the funds in accordance with banking protocols;
 - Ensure that the student or parent does not incur any cost in opening the account or initially receiving any type of debit card, stored-value card, other type of automated teller machine (ATM) card, or similar transaction device that is used to access the funds in that account;
 - Ensure that the student has convenient access to a branch office of the bank or an ATM of the bank in which the account was opened (or an ATM of another bank), so that the student does not incur any cost in making cash withdrawals from that office or these ATMs. This branch office or these ATMs must be located on the institution's campus, in institutionally-owned or operated facilities, or, consistent with the meaning of the term “Public Property” as defined in §668.46(a), immediately adjacent to and accessible from the campus;
 - Ensure that the debit, stored-value or ATM card, or other device can be widely used, e.g., the institution may not limit the use of the card or device to particular vendors; and
 - Not market or portray the account, card, or device as a credit card or credit instrument, or subsequently convert the account, card, or device to a credit card or credit instrument.
- 3) Dispensing cash for which the institution obtains a signed receipt from the student or parent. 34 C.F.R. §668.164(c).

A school may not require a student to take any actions to obtain his or her credit balance. It is the sole responsibility of the school to pay, or make available, any FSA credit balance within the 14-day regulatory timeframes. *2010-2011 Federal Student Aid Handbook, Volume 4*

A school that enters into a contract with a servicer to provide debit, demand or smart cards through which FSA credit balances are paid to students must have a system to ensure compliance with all regulatory timeframes, including having access to any credit balance within the 14 days, and to any FWS wages at least once per month. *2010-2011 Federal Student Aid Handbook, Volume 4.*

A school may use stored-value cards and Prepaid Debit Cards as a way to make direct payments, such as credit balances to students as long as the school abides by 10 specific rules outlined in the handbook. Among the rules listed, a school must ensure that its stored value card process meets all regulatory timeframes, including access to any credit balance within the 14-day timeframe, the value of the card must be convertible to cash, and the student should not incur any fees for using the card to withdraw the disbursement from the ATM or issuing bank or credit union of the card. *2010-2011 Federal Student Aid Handbook, Volume 4.*

Noncompliance: NCMC contracts with a third party servicer to disburse Title IV, HEA credit balances to students. Upon receiving an enrollment file from NCMC, the third party servicer mails a debit card with instructions to each student enrolled. Students are instructed to go online to activate/accept their Discover prepaid debit card through the third party servicer's web-site. From this point, any funds sent to the card by NCMC are immediately posted to the account for immediate access where students may transfer funds to another financial account, request a paper check, withdraw funds at the Heartland ATM, or use the card to make purchases. NCMC notifies students via their campus e-mail address when their Title IV, HEA funds are being disbursed to a student's Pirate Gold/NCMC Discover debit card account. To withdraw funds, students are required to:

- Use the ATM located inside the Ketcham Community Center on the NCMC campus (transaction limits and daily limits apply);
- Ask for cash back at no cost when shopping at national chain stores, such as Wal-Mart (cash-back limits set by the store);
- Utilize the "Manage Your Account" feature on the debit card web-site to transfer funds to a financial account of the student's choice;
- Utilize the "Bill Payment" feature on the debit card web-site to have a paper check mailed; or
- Take the NCMC debit card to the student's bank and request the bank to move funds from the card to the bank account using the "cash advance" feature (students are responsible for asking their bank if any fees are associated with the cash advance service).

NCMC failed to issue credit balances timely to students who did not activate their debit card in the following respects:

- 1) Guidance in the Federal Handbook specifically indicates that a school may not require a student to take any action to obtain his or her credit balance. NCMC, through their agreement with a third party servicer, requires students to activate the Pirate One Gold Card and/or the NCMC prepaid Discover debit card to access their Title IV, HEA credit balance.
- 2) Although regulations allow an institution to establish a policy requiring its students to provide bank account information or open an account at a bank of the student's choosing, the policy cannot delay the disbursement of Title IV, HEA program funds to students. If a student does not comply with the institution's policy, the institution must, nevertheless, disburse the funds to the student. A student who fails to make a disbursement preference must be able to receive their credit balance within the 14 day regulatory timeframe. During the onsite program review, NCMC provided a list of students who had inactive cards over 240 days old. If a student declines to activate or fails to activate his or her prepaid debit card, NCMC must have a mechanism in place to ensure the student or parent receives the Title IV, HEA credit balance with the 14 day regulatory time frame.

Required Action: NCMC must devise written policies and procedures and provide a written assurance that in the future, NCMC will ensure Title IV, HEA credit balances are disbursed to students within the 14 day regulatory timeframe.

In addition, NCMC must also review the accounts of all Title IV, HEA recipients who attended the institution in the 2009-2010, 2010-2011, and 2011-2012 award years and identify any late or unmade credit balances resulting from Title IV, HEA disbursements to the NCMC debit card that were not activated within 14 days of the disbursement. A report listing these Title IV, HEA credit balances must be submitted to this office with NCMC's response to this report. The listing should be arranged in a spreadsheet format and should include the following elements:

- (1) Student's name;
- (2) Last four digits of the student's Social Security number;
- (3) Award year;
- (4) Title IV, HEA program, date, and amount of disbursement causing the credit balance;
- (5) Amount of credit balance;
- (6) Date Credit Balance was Transferred to NCMC Debit Card;
- (7) Date NCMC Debit Card was activated, if applicable;
- (8) Date Inactivated Credit Balance was returned to Department, if applicable;
- (9) Legible copy of Debit Card Activation printout, if applicable;
- (10) Legible copy of student's original account card.

The Title IV, HEA credit balance spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Name	SSN	Title IV program	Date of disbursement	Amount of disbursement	Amount of Title IV credit balance	Date credit balance paid to Debit Card	Date NCMC Debit Card was Activated	Date Credit Balance Returned to Department (if card not activated)
2010/11	***	***	Pell	08/30/10	\$2,025	\$516	09/05/10	02/15/11	N/A
			DL Unsub	5/2/08	\$2,000	\$1,478		\$1,478	N/A

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the FPRD letter.

Finding 21. Exit Counseling Deficiencies

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

Noncompliance: Students #2, #8, #11, #31, and #32 serve as examples in which NCMC failed to maintain documentation in the student's file indicating that the student completed and/or was notified of the requirement to complete Direct Loan exit counseling.

In addition, during the on-site program review, NCMC indicated that students who unofficially withdrew or did not return in a subsequent semester were not notified of the exit loan counseling requirement.

Required Action: In response to this report, NCMC must identify all Title IV, HEA Direct Loan recipients who dropped below half-time status and/or did not return to NCMC during the 2010-2011 and 2011-2012 (year to date) award years and provide each student with required exit counseling materials. A discussion of NCMC's resolution of this finding, with supporting documentation, should be included in its response.

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

D. Recommendations

The following recommendations are based upon observations made by the review team during the program review. NCMC is not required to provide a response to these recommendations.

- 1) The Department strongly encourages NCMC to review and revise the institution's Admission application to ensure students understand and clearly indicate the student's intention to pursue a degree at NCMC versus taking selected courses or completing courses for personal/professional interest only. NCMC should develop and implement procedures for resolving instances of conflicting information. NCMC should develop a clear method of identifying non-degree seeking students and configure the institution's systems to prevent Title IV, HEA funds from disbursing to ineligible students. NCMC should develop clear procedures for documenting student-initiated changes in degree plans and should only update a student's degree plans based on written documentation obtained from the student.

In addition, the Department recommends NCMC enhance student academic advising/evaluation procedures to ensure students are only taking coursework applicable to the degree program the student is seeking.

- 2) The Department also strongly encourages NCMC staff members of all departments responsible for facilitating distance education courses and the administration of Title IV, HEA programs including but not limited to: the registrar's office, faculty, the fiscal office, as well as the financial aid office to continue to revise, strengthen, and enforce the institution's policies and procedures pertaining to the delivery of online coursework. The definition of distance education requires the use of technology to support "regular and substantive interaction between the students and the faculty."

Allowing a student to go for several weeks without such interaction raises concerns that the institution is not adequately monitoring student behavior.

NCMC should ensure course syllabi clearly document participation requirements and that instructors are developing course curriculum that supports regular interaction between faculty and students. NCMC should develop policies that include having the faculty member or an academic support staff member reach out to an online student after the initial week of non-attendance to determine the cause and remind the student that he or she needs to be regularly engaged in the course to be successful. If the student does not re-engage in the course, then the message should become more urgent, notifying the student of possible consequences of his or her non-engagement.

- 3) As part of an institution's internal control processes, there should be clear segregation of duties. No individual employee should handle more than one of the following functions: custody of assets, record keeping, authorization and reconciliation. During the on-site review, program reviewers documented that it appeared some employees in the Business Office had access to more than one area and several functions did not have any required approval procedures. NCMC should review the job responsibilities and process flow within the business office and develop procedures to ensure adequate internal controls exist.
- 4) NCMC has entered into a number of unique articulation and consortium agreements with several institutions of higher education. NCMC should review the agreements with these institutions to ensure both institutions understand the importance of timely coordination of information related to Title IV, HEA eligibility (awarding, disbursing, attendance verification, SAP, Return of Title IV procedures, etc). Responsibilities of the home and host institution should be clearly defined, with clear expectations and deadlines for reporting changes in enrollment status and/or failure to begin attendance in a course.