



May 19, 2014

Dr. Nathan L. Essex, President
Southwest Tennessee Community College
5983 Macon Cove
Memphis, TN 38134-7693

UPS Tracking#
1ZA879640194090391

RE: **Final Program Review Determination**
OPE ID: 01043900
PRCN: 201220727778

Dear Dr. Essex:

The U.S. Department of Education's (Department's) School Participation Division – Kansas City issued a program review report on April 16, 2012 covering Southwest Tennessee Community College's (Southwest) 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. Southwest's final response was received on November 2, 2012. A copy of the program review report (and related attachments) and Southwest's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Southwest upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) notify Southwest of a possible adverse action. Due to the serious nature of Finding 9, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse administrative action pursuant to 34 C.F.R. § 668, Subpart G. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. This FPRD contains one or more findings regarding Southwest's failure to comply with the requirements of the Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations. Because this *DFSCA* finding will not result in the assessment of financial liabilities, such a finding may not be appealed. If an adverse administrative action is initiated, additional information about Southwest's appeal rights will be provided under separate cover. AAASG's notification will also include information regarding Southwest's appeal rights and procedures on how to contest the action.

Federal Student Aid

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

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

The total liabilities due from the institution from this program review are **\$170,326.18**

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

Protection of Personally Identifiable Information (PII):

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

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the April 16, 2012 program review report. If Southwest 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 Southwest receives this FPRD. An original and four copies of the information WATC 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

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

Record Retention:

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Mr. Jim Wyant at 816-268-0431. 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); (b)(7)(C)

Ralph A. LoBosco
Division Director

Enclosure:
Protection of Personally Identifiable Information

cc: Carol Tosh, Vice President of Student Services
LeChelle Davenport, Financial Aid Director
Gary L. Nixon, Tennessee State board of Education
Belle Wheelan, Southern Association of Colleges and Schools Commission on Colleges

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
**Southwest Tennessee Community
College**

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

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID: 01043900
PRCN: 201220727778

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

Final Program Review Determination
May 19, 2014

Table of Contents

	Page
A. Institutional Information.....	3
B. Scope of Review.....	4
C. Findings and Final Determinations.....	5
Resolved Findings.....	5
Resolved Findings with Comments	5
Findings with Final Determinations.....	8
Finding 1: Return to Title IV Calculation Errors.....	8
Finding 2: Satisfactory Academic Progress Not Adequately Developed.....	11
D. Summary of Liabilities.....	15
E. Payment Instructions.....	16
F. Appendices.....	20
Appendix A: Student Sample.....	21
Appendix B: Student Level Detail for Students With Liabilities Identified From a File Review.....	23
Appendix C: Program Review Report.....	42
Appendix D: Institution’s Written Response.....	64
Appendix E: Cost of Funds Calculation, Findings 1 and 2.....	75
Appendix F: FEDWIRE Form.....	96

Southwest Tennessee Community College

OPE ID: 01043900

PRCN: 201220727778

Page 3

A. Institutional Information

Southwest Tennessee Community College
737 Union Avenue
Memphis, TN 38104-3322

Type: Public

Highest Level of Offering: Associate's Degree

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

Current Student Enrollment: 12,958 (Fall 2011)

% of Students Receiving Title IV: 60% (2010-2011)

Title IV Participation: (Source: G5)

	<u>2009-2010</u>	<u>2010-2011</u>
Federal Pell Grant Program	\$33,231,004.00	\$37,075,880.00
Academic Competitiveness Grant	\$ 188,596.00	\$ 416,814.00
Federal SEOG	\$ 466,417.00	\$ 361,819.00
Federal Work Study	\$ 520,163.00	\$ 582,176.00
Total	\$34,406,180.00	\$38,436,689.00

Default Rate FFEL/DL: NA

Default Rate Perkins: NA

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Southwest Tennessee Community College (Southwest) from January 23, 2012 to January 27, 2012. The review was conducted by Mr. Jim Wyant, Mr. Bill Hudson, and Ms. Jenny Hendrickson.

The focus of the review was to determine Southwest's compliance with the statutes and federal regulations as they pertain to the institution's administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. The review consisted of, but was not limited to, an examination of Southwest'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 37 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The student files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A identifies the students whose files were examined during the program review. A Program Review Report was issued on April 16, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Southwest's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, the review does not relieve Southwest 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 3-8 and 10-13

Southwest has taken the corrective actions necessary to resolve findings 3-8 and 10-13 of the program review report. Therefore, these findings may be considered closed. Southwest's response to the program review report resolving these issues can be found in Appendix D.

Findings requiring further action by Southwest are discussed below.

Resolved Finding with Comments

The following program review finding has been resolved by the institution, and may be considered closed. This finding is included solely for the purpose of discussing resolution of the finding.

Finding 9: Drug Abuse Prevention Program Requirements Not Met—Part 86

Citation: *The Department's regulations and the Drug Free Schools and Campus Act require participating institutions of higher education to conduct a biennial review of its program to (1) determine its effectiveness and implement changes to the program if they are needed; and (2) ensure that the disciplinary sanctions described in paragraph (a)(5) of this section are consistently enforced. 34 C.F.R. §86.100 (b) (1) (2).*

In addition, an institution's drug prevention program must include an annual distribution in writing to each employee and to each student who is taking one or more classes for any type of academic credit. 34 C.F.R. § 86.100 (a).

Noncompliance: *Southwest's drug and alcohol prevention program did not include a biennial review. Although Southwest does compile information from its students regarding their habits, Southwest does not do further review to ensure the policies are effective and disciplinary sanctions described for law violations are consistently enforced. In addition, Southwest does not distribute information annually to students and staff which discusses the institution's policies and the disciplinary sanctions which occur based on the severity of the offense.*

Required Action: *Southwest must immediately begin reviewing its drug and alcohol prevention program to ensure it includes all regulatory components. Additionally, Southwest must distribute these policies to all staff and students, even those who are taking reduced coursework to ensure the entire campus body is aware of the policies and consequences which follow breaches. Southwest must conduct a biennial review of its drug prevention program and provide a copy of that review to the Department to show its compliance with implementing the regulations.*

Southwest's Response: In its response Southwest concurred with part of the finding regarding the failure to conduct biennial reviews; however, the College asserted that it has developed a compliant drug and alcohol abuse prevention program (DAAPP) and that program materials were distributed properly. Specifically, Southwest stated that DAAPP information is included in the following publications that are distributed to students and employees and that other relevant information and services are provided as follows:

- Crime Awareness and Campus Safety - Policy No. 5:00:00:00/6. The Crime Awareness and Campus Safety Policy is distributed to all Southwest employees and students and is available on request to applicants for enrollment or employment in compliance with the provisions of the Student Right-to-Know and Campus Security Act of 1990 (Public Law 101-542).
- Drug and Alcohol Policy – Policy No. 3:05:01:01/19. This policy addresses the College's views on its role as one of assisting the individual student to achieve goals. The College will assist any individual whose mental or physical health is threatened by the use or abuse of alcohol and/or drugs.
- Southwest Tennessee Community College Student Planner 2011-2012 - Drug and Alcohol-Free Environment – Page 21. This planner states that Southwest is committed to developing and maintaining the health, stability, and well-being of the collegiate learning environment. The College considers possession, use, sale, and/or other distribution of illegal drugs and alcohol including the underage use and/or possession of alcohol and supplying/selling alcohol to those under the legal drinking age to be a threat to the health of the individual and also interferes with efficient pursuit of individual educational goals. Through educational materials and presentations, the College provides students with drug and alcohol information specifically regarding health risks. In addition to drug and alcohol counseling in the Advising and Counseling Office, the College refers students to various community agencies for treatment and rehabilitation. The College prohibits the use of alcoholic beverages and drugs by students, faculty and staff on all College-owned or controlled premises and requires compliance with Tennessee Board of Regents policy and with state and local laws relating to alcoholic beverages and drugs. Students, faculty, and staff also are subject to arrest and prosecution by civil authorities for violations on campus.
- Southwest also stated that its Behavioral and Intervention Team (BIT) is involved in providing information about drugs and alcohol to persons who are identified as possibly having substance abuse issues and other behavioral issues that may affect the classroom environment and the campus.
- The BIT will coordinate with the Center for Faculty Development and Human Resources, as appropriate, to ensure that all faculty and staff are provided training

opportunities and information regarding appropriate student behavior and ways to handle problems that may arise.

- The BIT will coordinate with the Academic Departments and Student Services, as appropriate, to promote awareness among the student population about appropriate behavior on a campus and stress management techniques.
- The BIT will conduct a biennial review of the College's Drug and Alcohol Abuse Prevention Program to determine its effectiveness and to implement changes to the program, as deemed necessary, and to ensure that disciplinary sanctions are consistently enforced.

Final Determination:

Finding # 9 cited Southwest for multiple violations of the Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations. Specifically, the finding stated that the College failed to distribute its DAAPP disclosure on an annual basis to all employees and all students enrolled for any academic credit. The Department determined that Southwest did not have a written DAAPP distribution policy. The fact that Southwest does not have a specific process to identify all students and employees and ensures active distribution of DAAPP program materials and other required consumer information disclosures is a serious concern for the Department. In addition, the College failed to conduct a biennial review to assess the effectiveness of the DAAPP and the consistency of its enforcement program and as a result, also failed to produce a report of findings and necessary improvements. As a result of these violations, the College was required to take all necessary remedial action to address each component of the finding. In its response, Southwest concurred with the part of the finding that it had not conducted the required biennial review but asserted that the College did have a DAAPP and that program materials were distributed, as required. The College provided a narrative statement and documentation to support its claims of partial compliance and remedial action. Specifically, Southwest provided copies of publications that included the existing DAAPP information and an explanation of the various means by which these publications were distributed to students and employees.

The Department carefully reviewed Southwest's narrative response and supporting documents. Based on that review, the violations identified in the finding regarding the failure to conduct a biennial review are sustained; however, as noted above, Southwest did submit credible documentation that indicated that appropriate efforts were made to provide the required disclosures to most students and employees during the review period. The Department's analysis also determined that Southwest's new program materials, including the College's first biennial review report dated November 1, 2012, meet minimum requirements. Based on these facts, the Department accepts the College's response and considers this finding to be closed for purposes of this program review.

Although the program review finding is closed, Southwest is reminded that the exceptions identified above constitute very serious and persistent violations of the *DFSCA* that by their nature cannot be cured. There is no way to truly “correct” violations of this type once they occur. Southwest was required to address these deficiencies going forward and by doing so, has taken discernible steps to comply with the *DFSCA* as required by its Program Participation Agreement. Nevertheless, Southwest officials must understand that compliance with the *DFSCA* is essential to maintaining a safe and healthy learning environment, especially in light of the fact that more than 90% of all violent campus crimes are drug and alcohol-related.

The compliance failures identified during the review deprived students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use. Moreover, Southwest’s failure to conduct biennial reviews deprived the institution of important information about the effectiveness of any drug and alcohol programs that were in place. Taken together, these violations may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime. For these reasons, the College is advised that its recent remedial actions cannot and do not diminish the seriousness of these violations nor do these efforts eliminate the possibility that the Department will impose an adverse administrative action and/or additional corrective measures as a result.

Given the serious consequences of compliance failures of this type, the Department strongly recommends that Southwest re-examine its campus safety and drug and alcohol abuse prevention policies, procedures, and programs on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with the *DFSCA*. In this context, the Department notes that the College was not able to provide specific information about its DAAPP distribution efforts to specific student populations such as those who enrolled after the annual ASR distribution and left prior to the following ASR distribution, to those who only enrolled in evening, weekend, and summer classes as well as new students that did not attend orientation. A similar concern applies to part-time and casual employees who were hired at various times throughout the year or who are only intermittently employed by the College, such as some adjunct faculty members.

Finally, the Department advises Southwest of the need to make specific findings regarding the effectiveness of its DAAPP in the 2014 biennial review and to carefully evaluate the consistency of disciplinary sanctions, as opposed to merely citing the number of reportable incidents. The 2014 report also must identify the official(s) who conducted the review and the research methods and data analysis tools that were used. Lastly, the biennial review report must indicate that it was presented to the College’s President and/or board and that the report was officially accepted. In this context, Southwest is reminded to fully document its efforts to comply with the *DFSCA* and all Title IV, FSA requirements. Please be advised that the Department may request information periodically to test the effectiveness of the College’s new policies and procedures.

Finding with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Southwest's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on April 16, 2012 is attached as Appendix C.

Finding 1: Return to Title IV Calculation Errors

Citation: Federal regulations state that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including Federal Work Study or the non-Federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date. If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV programs. If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. 34 C.F.R. § 668.22(a).

A student begins earning Title IV funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a Return calculation. 2010-2011 Federal Student Aid Handbook, Volume 5, Chapter 2.

A student who leaves a school does not always notify the school of his or her withdrawal. There are two categories of these unofficial withdrawals for purposes of the Return of Title IV Funds calculation. First, if the school determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss, or other circumstances beyond the student's control, the withdrawal date is the date the school determines that the student ceased attendance because of the aforementioned applicable event.

The second category of unofficial withdrawal encompasses all other withdrawals where official notification is not provided to the school. This rule applies only to schools that are not required to take attendance. For these withdrawals, commonly known as dropouts, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable, or the last date of an academically related activity that the student participated in. 2010-2011 Federal Student Aid Handbook, Volume 5, Chapter 2.

Noncompliance: Southwest's 2010-2011 academic year calendar was published with the following dates:

Fall 2010 Semester--August 28- December 8, 2010
Spring 2011 Semester--January 13-April 27, 2011

The above dates excluded the week of finals for a total of 98 days for each semester. If the week of finals had been included, the number of days in the semester would be 105. The number of days for Return to Title IV calculations for both the Fall 2010 and Spring 2011 semesters also excluded the seven days attributable to the week of finals. The effects of not including the week of finals in the semester calendar dates are: the period of enrollment, which should include the full scope of academic activity, is understated by seven days; the amounts of Title IV aid earned for Return to Title IV calculations are overstated; and the number of days in each semester calculate to only 14 weeks and a 28 week academic year which does not meet the academic year minimum definition of 30 weeks.

Southwest provided documentation to the Reviewers that the institution changed its policy to include finals weeks in the dates of the semester, enrollment period, and Return to Title IV calculations beginning with the 2011-2012 academic year, therefore only the 2010-2011 academic year is in question.

Required Action: Southwest must perform a file review of all Title IV, HEA aid recipients for only the 2010-2011 award year to identify all official and unofficial withdrawals. The institution must identify, review, and report on all Title IV recipients for whom a Return calculation was, or should have been, performed for that award year. The review must include all students whose transcripts reflect that they completed a term with all "W", "F", or "I" grades, in order to determine whether or not the students were withdrawals. Southwest must perform a correct calculation or recalculation for all students who withdrew during the 2010-2011 award year using the correct number of days in the enrollment period to include the week of finals. 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 last and first name;
 - (b) Last four digits of student's SSN number;
 - (c) The award year;
 - (d) Student's last date of attendance;
 - (e) Student's withdrawal date;
 - (f) The date that Southwest determined that the student withdrew;
 - (g) The date that the original Return was calculated;
 - (h) The amount of each Title IV, HEA disbursement (organized by Title IV program);
 - (i) The date of each Title IV, HEA disbursement (organized by Title IV program);

- (j) *If applicable, the Title IV, HEA amount returned (organized by Title IV program);*
- (k) *If applicable, the date Title IV, HEA funds were repaid to the Department (organized by Title IV program);*
- (l) *Amount of original post-withdrawal disbursement (PWD), if applicable (organized by Title IV program);*
- (m) *Date original PWD was paid, if applicable (organized by Title IV program);*
- (n) *Amount of corrected post-withdrawal disbursement (PWD), if applicable (organized by Title IV program);*
- (o) *Date of corrected Return of Title IV Funds calculation, if applicable;*
- (p) *Corrected amount of Return, if applicable;*
- (2) *A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew in the 2010-2011 award year;*
- (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. (should reflect the disbursements included in the Return calculation as well as the return of the Title IV, HEA funds, if applicable); and*
- (5) *Copies of all pertinent records supporting Southwest's determination of the student's last date of attendance;*

The Return of Title IV Funds spreadsheet discussed above should be compiled in an Excel spreadsheet and submitted in electronic format in the following manner:

Last Name	First Name	SSN	Award Year	Last Date of Attendance	Withdrawal Date	Date of Determination	Date Return was calculated	Amount of Disbursement	Disbursement Date
****	***	***	09-10	1/2/10	1/3/10	2/30/10	2/30/10	\$1,750	1/1/10
	" "	" "	" "	" "	" "	" "	\$		

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

Southwest must provide a copy of policies and procedures outlining the Return to Title IV process including a definition of the time period used to calculate the number of days within the enrollment period. A copy of these procedures must accompany Southwest'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.

Southwest's Response: All students who withdrew prior to the 60% of the semester and/or had an F, W, or I have been included on the spreadsheet and checked to make sure a refund calculation should or should not have been performed.

Return of Title IV Funds have been recalculated and are attached in an encrypted spreadsheet.

Final Determination: Southwest is liable for the incorrect Return calculations identified in the reconstruction of the 2010-2011 award year. Southwest is responsible for returning **\$95,939.76** in Federal Pell Grant funds to the Department on behalf of the students referenced in Appendix B.

Additionally, Southwest is responsible for the cost of funds associated with the incorrect Return calculations. The total cost of funds liability due to the Department as a result of the failure to return Federal Pell Grant funds for incorrect Returns is **\$1,098.59**. The interest charges were computed using the cost of funds for Federal Pell Grants published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about this cost of funds liability determination may be found in Appendix E.

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

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.

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

1. Under the School menu, choose Request Post Deadline/Extended Processing
2. On the request screen, indicate that the request is based on a program review and provide the Program Review Control Number (PRCN).
3. The institution will be notified of the status of the request at the time of submission, and will also be notified by email when extended processing has been authorized. At that time, the institution must transmit student/borrower level adjustments to COD for the closed award year.

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

Finding 2: Satisfactory Academic Progress Policy Not Adequately Developed

***Citation:** In order to be eligible to receive Title IV, HEA program aid, a student must maintain Satisfactory Academic Progress (SAP) in accordance with the institution's published standards of satisfactory progress. 34 C.F.R. § 668.32(f). An institution's policy must be the same or stricter than the satisfactory academic progress standards applied to a student who is not*

receiving Title IV, HEA program aid. 34 C.F.R. § 668.16(e)(1). The policy must have both a qualitative component, such as grades, that are measureable against a norm and a quantitative component that consists of a maximum timeframe in which the student must complete the educational program. For an undergraduate program, the maximum timeframe must be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, etc., as appropriate. In addition, the quantitative component must be divided into increments not to exceed one academic year and must include a schedule designating the amount of work that a student must successfully complete at the end of each increment to complete the educational program within the maximum timeframe. Also, the

policy must define the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on SAP. 34 C.F.R. § 668.16(e)(2).

Noncompliance: *For the 2010-2011 award year, Southwest evaluated the qualitative measure (G.P.A.) of the SAP policy at the end of each semester. The quantitative measure (67% successful completion of courses) was evaluated only at the end of each spring semester. Federal regulations require that both measures must be evaluated at the same time. An institution may not have an official SAP policy that excludes one of the measurements when SAP is officially evaluated.*

Southwest provided documentation to the Reviewers that the institution changed its SAP policy to evaluate both the qualitative and quantitative measures at the end of each semester beginning with the 2011-2012 award year, therefore only the 2010-2011 academic year is in question.

Required Action: *Southwest must review the financial aid files of all Title IV recipients who attended the institution during the Fall 2010 semester and recalculate SAP applying the SAP quantitative measure (67% successful completion of courses). For each student who received a disbursement of Title IV, HEA funds for the Spring 2011 semester without meeting the institution's quantitative SAP requirements, Southwest must provide the following information in a spreadsheet format:*

- (1) Award year;*
- (2) Student's name;*
- (3) Last four digits of the student's Social Security Number;*
- (4) Date of ineligible disbursement(s);*
- (5) Student's degree program;*
- (6) Total hours attempted;*
- (7) Total hours earned;*
- (8) Student's quantitative completion percentage at the time of disbursement;*
- (9) Student's cumulative GPA at the time of disbursement;*
- (10) Amount of Title IV Funds disbursed to the student, organized by Title IV program; and*
- (11) Date student regained eligibility for Title IV funds, if applicable.*

For each student who received a disbursement of Title IV funds without meeting the institution's SAP requirements, Southwest 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*

The SAP spreadsheet discussed above should be compiled in an Excel spreadsheet and submitted in electronic format in the following manner:

Award year	Student	SSN	Date of ineligible Disbursement	Degree Program	Total Hours Attempted	Total Hours Earned	Quantitative %	Cumulative GPA
2009/10	***	***	5/23/08	Associate	40	64	62.5%	1.5

Amount of PELL Disbursement	Other Title IV Program Disbursement	Date student regained eligibility
\$2,025	n/a	n/a

In lieu of performing a file review for the entire population of Title IV, HEA program recipients to determine actual liabilities, Southwest has the option of performing this file review for only the remainder of the statistical sample not tested by the Department during the program review. The results from this file review using the statistical sample will be used to project liabilities for the entire population (i.e., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to reduce the burden on the institution of conducting a full file review.

If Southwest wishes to select this option, a request for the statistical samples for award year 2010-2011 must be made to Mr. Jim Wyant within 30 days of the date of this report. File reviews must be performed for all students on each statistical sample listing except those included in Appendix A of this Program Review Report for the respective award year.

If Southwest elects to do the full file review, it is recommended that Southwest first review the remainder of the students in the statistical sample. At that point, Southwest may decide to accept the liability projection instead of continuing with a full file review.

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. The institution must not repay any funds owed to the Department until the FPRD is issued.

Southwest's Response: Satisfactory Academic Progress (SAP) has been recalculated and is attached in an encrypted spreadsheet.

A spreadsheet has been prepared and was sent electronically.

Final Determination: Southwest is liable for repayment of the Federal Pell Grant funds, FSEOG funds, and ACG funds that were inappropriately disbursed to the students identified in the institution's file review. Southwest is required to return the Title IV, HEA funds improperly disbursed as follows: Federal Pell Grant, **\$70,537.52**; FSEOG, **\$600.00**; and ACG, **\$1,219.00**.

Southwest is also liable to the Department for imputed interest charges that accrued from the date of disbursement to the date of this determination as follows: Federal Pell Grant, **\$886.69**; FSEOG, **\$7.94**; and ACG, **\$12.68**. Additionally, Southwest is liable to the Department for Administrative Cost Allowance (ACA) in the amount of **\$24.00** claimed for the ineligible FSEOG disbursements. The interest charges were computed using the Current Value Fund Rate Formula as indicated in Appendix E.

The disbursement record for each student identified in Appendix B for Federal Pell Grants and ACG must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix.

Adjustments in COD for Federal Pell Grants and ACG 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.

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

1. Under the School menu, choose Request Post Deadline/Extended Processing
2. On the request screen, indicate that the request is based on a program review and provide the Program Review Control Number (PRCN).
3. The institution will be notified of the status of the request at the time of submission, and will also be notified by email when extended processing has been authorized. At that time, the institution must transmit student/borrower level adjustments to COD for the closed award year.

A copy of the adjustment to each student's COD record for Federal Pell Grants and ACGs must be sent to Mr. Jim Wyant within 45 days of the date of this letter.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the Final Program Review Determination is as follows. The liability amount reflects **unduplicated** liabilities because no student appears in more than one finding. This information is provided so that the institution understands the liabilities associated with each finding. The payment instructions in Section E reflect unduplicated liabilities.

Liabilities	Pell (Closed Award Year)	FSEOG	ACG
Finding 1	\$95,939.76	\$0	\$0
Finding 2	\$70,537.52	\$600.00	\$1,219.00
Subtotal 1	\$166,477.28	\$600.00	\$1,219.00
Interest/Finding 1	\$1,098.59	\$0	\$0
Interest/Finding 2	\$886.69	\$7.94	\$12.68
ACA	\$0.00	\$24.00	\$0.00
Subtotal 2	\$1,985.28	\$31.94	\$12.68
TOTAL	\$168,462.56	\$631.94	1,231.68
Payable To:			
Department	\$168,462.56	\$631.94	\$1,231.68
COD Adjustments	\$166,477.28	\$0	\$1,219.00

E. Payment Instructions

1. Liabilities Owed to the Department

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

Southwest owes to the Department **\$170,326.18**. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. Southwest 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 Southwest'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. (Appendix F)

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. Southwest is also responsible for repaying any interest that accrues. If Southwest has any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to Southwest'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 at the address below to apply for a payment plan. Interest charges and other conditions apply.

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, Southwest 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 Southwest from the Federal Government. Southwest **may object to the collection by offset only by challenging the existence or amount of the debt**. To challenge the debt, Southwest 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 the Department in the case of Title IV, HEA Grants

Federal Pell Grant and ACG – Closed Award Year

Findings: 1 and 2

Appendices: B and E

Southwest must repay:

Federal Pell Grant and ACG-- Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$95,939.76	\$1,098.59	Federal Pell Grant	2010-2011
\$70,537.52	\$ 886.69	Federal Pell Grant	Fall 2010
\$ 600.00	\$ 7.94	FSEOG	Fall 2010
\$ 1,219.00	\$ 12.68	ACG	Fall 2010
Total Principal	Total Interest		
\$168,296.28	\$2,005.90		

This amount is reflected in the total amount owed to the Department in Section 1 above.

The disbursement record for each student identified in the appendix to the applicable finding must be adjusted in the COD system based on the recalculated amount identified in the appendix.

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

A copy of the adjustment to each student’s COD record must be sent to Mr. Jim Wyant **within 45 days of the date of this letter.**

Federal Supplemental Education Opportunity Grant (SEOG)

Finding: 2

Appendices: B and E

Southwest must repay:

SEOG – FISAP Corrections Required			
Amount (Principal)	Amount (Interest)	ACA	Award Year
\$600.00	\$7.94	\$24.00	2010-2011
Total Principal	Total Interest	Total ACA	
\$600.00	47.94	\$24.00	

This amount is reflected in the total amount owed to the Department in Section 1 above.

Southwest must make corrections to its FISAP for award year 2010-2011 as follows to reflect the return of SEOG funds for the students identified in Appendix B:

- 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.

Southwest must submit proof of the FISAP corrections and payment via G5 for any unprocessed de-obligation (if applicable) to Mr. Jim Wyant **within 45 days of the date of this letter**.

Southwest Tennessee Community College

OPE ID: 01043900

PRCN: 201220727778

Page 44



**START HERE
GO FURTHER**
FEDERAL STUDENT AID

Prepared for

**Southwest Tennessee
Community College**

OPE ID: 01043900

PRCN: 201220727778

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team – Kansas City

Program Review Report

April 16, 2012

Table of Contents

	Page
A. Institutional Information.....	2
B. Scope of Review.....	3
C. Findings.....	4
<u>Finding 1</u> : Return to Title IV Calculation Errors	4
<u>Finding 2</u> : Satisfactory Academic Progress Policy Not Adequately Developed.....	7
<u>Finding 3</u> : FSEOG Funds Selection Policy Not Adequate.....	9
<u>Finding 4</u> : Improper Authorization of Student Credit Balances.....	10
<u>Finding 5</u> : Federal Perkins Loan—Excess Cash Balance Maintained.....	11
<u>Finding 6</u> : Federal Perkins Loan—Inadequate Due Diligence.....	12
<u>Finding 7</u> : Federal Perkins Loan Notes Not Safely Maintained.....	12
<u>Finding 8</u> : Bank Accounts—Federal Funds Not Identified.....	13
<u>Finding 9</u> : Crime Awareness Requirements Not Met—Part 86.....	13
<u>Finding 10</u> : Account Records Not Reconciled.....	14
<u>Finding 11</u> : Conflicting Information in Student File.....	15
<u>Finding 12</u> : Incorrect Enrollment Date Reported to NSLDS.....	16
<u>Finding 13</u> : FWS Earnings Not Monitored—Student Working During Class Time.....	17
D. Appendices.....	18
Appendix A: Student Sample.....	18
Appendix B: Federal Perkins Loan Recipients With Unsigned Promissory Notes.....	20

Southwest Tennessee Community College

OPE ID: 01043900

PRCN: 201220727778

Page 46

A. Institutional Information

Southwest Tennessee Community College
737 Union Avenue
Memphis, TN 38104-3322

Type: Public

Highest Level of Offering: Associate's Degree

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

Current Student Enrollment: 12,958 (Fall 2011)

% of Students Receiving Title IV: 60% (2010-2011)

Title IV Participation: (Source: G5)

	<u>2009-2010</u>	<u>2010-2011</u>
Federal Pell Grant Program	\$33,231,004.00	\$37,075,880.00
Academic Competitive Grant	\$ 188,596.00	\$ 416,814.00
Federal SEOG	\$ 466,417.00	\$ 361,819.00
Federal Work Study	\$ 520,163.00	\$ 582,176.00
Total	\$34,406,180.00	\$38,436,689.00

Default Rate FFEL/DL: NA

Default Rate Perkins: NA

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Southwest Tennessee Community College (Southwest) from January 23, 2012 to January 27, 2012. The review was conducted by Mr. Jim Wyant, Mr. Bill Hudson and Ms. Jenny Hendrickson.

The focus of the review was to determine Southwest's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Southwest'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 37 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Southwest to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Return to Title IV Calculation Errors

Citation: Federal regulations state that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including Federal Work Study or the non-Federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date. If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV programs. If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. *34 C.F.R. § 668.22(a)*.

A student begins earning Title IV funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a Return calculation. *2010-2011 Federal Student Aid Handbook, Volume 5, Chapter 2.*

A student who leaves a school does not always notify the school of his or her withdrawal. There are two categories of these unofficial withdrawals for purposes of the Return of Title IV Funds calculation. First, if the school determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss, or other circumstances beyond the student's control, the withdrawal date is the date the school determines that the student ceased attendance because of the aforementioned applicable event.

The second category of unofficial withdrawal encompasses all other withdrawals where official notification is not provided to the school. This rule applies only to schools that are not required to take attendance. For these withdrawals, commonly known as dropouts, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable, or the last date of an academically related activity that the student participated in. *2010-2011 Federal Student Aid Handbook, Volume 5, Chapter 2.*

Noncompliance: Southwest's 2010-2011 academic year calendar was published with the following dates:

Fall 2010 Semester--August 28- December 8, 2010
Spring 2011 Semester--January 13-April 27, 2011

The above dates excluded the week of finals for a total of 98 days for each semester. If the week of finals had been included, the number of days in the semester would be 105. The number of days for Return to Title IV calculations for both the Fall 2010 and Spring 2011 semesters also excluded the seven days attributable to the week of finals. The effects of not including the week of finals in the semester calendar dates are: the period of enrollment, which should include the full scope of academic activity, is understated by seven days; the amounts of Title IV aid earned for Return to Title IV calculations are overstated; and the number of days in each semester calculate to only 14 weeks and a 28 week academic year which does not meet the academic year minimum definition of 30 weeks.

Southwest provided documentation to the Reviewers that the institution changed its policy to include finals weeks in the dates of the semester, enrollment period, and Return to Title IV calculations beginning with the 2011-2012 academic year, therefore only the 2010-2011 academic year is in question.

Required Action: Southwest must perform a file review of all Title IV, HEA aid recipients for only the 2010-2011 award year to identify all official and unofficial withdrawals. The institution must identify, review, and report on all Title IV recipients for whom a Return calculation was, or should have been, performed for that award year. The review must include all students whose transcripts reflect that they completed a term with all "W", "F", or "I" grades, in order to determine whether or not the students were withdrawals. Southwest must perform a correct calculation or recalculation for all students who withdrew during the 2010-2011 award year using the correct number of days in the enrollment period to include the week of finals. 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 last and first name;
 - (b) Last four digits of student's SSN number;
 - (c) The award year;
 - (d) Student's last date of attendance;
 - (e) Student's withdrawal date;
 - (f) The date that Southwest determined that the student withdrew;
 - (g) The date that the original Return was calculated;
 - (h) The amount of each Title IV, HEA disbursement (organized by Title IV program);
 - (i) The date of each Title IV, HEA disbursement (organized by Title IV program);
 - (j) If applicable, the Title IV, HEA amount returned (organized by Title IV program);

- (k) If applicable, the date Title IV, HEA funds were repaid to the Department (organized by Title IV program);
 - (l) Amount of original post-withdrawal disbursement (PWD), if applicable (organized by Title IV program);
 - (m) Date original PWD was paid, if applicable (organized by Title IV program);
 - (n) Amount of corrected post-withdrawal disbursement (PWD), if applicable (organized by Title IV program);
 - (o) Date of corrected Return of Title IV Funds calculation, if applicable;
 - (p) Corrected amount of Return, if applicable;
- (2) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew in the 2010-2011 award year;
 - (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. (should reflect the disbursements included in the Return calculation as well as the return of the Title IV, HEA funds, if applicable); and
 - (5) Copies of all pertinent records supporting Southwest's determination of the student's last date of attendance;

The Return of Title IV Funds spreadsheet discussed above should be compiled in an Excel spreadsheet and submitted in electronic format in the following manner:

Last Name	First Name	SS N	Award Year	Last Date of Attendance	Withdrawal Date	Date of Determination	Date Return was calculated	Amount of Disbursement	Disbursement Date
****	***	***	09-10	1/2/10	1/3/10	2/30/10	2/30/10	\$1,750	1/1/10
	" "	" "	" "	" "	" "	" "	\$		

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

Southwest must provide a copy of policies and procedures outlining the Return to Title IV process including a definition of the time period used to calculate the number of days within the enrollment period. A copy of these procedures must accompany Southwest'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 2: Satisfactory Academic Progress Policy Not Adequately Developed

Citation: In order to be eligible to receive Title IV, HEA program aid, a student must maintain Satisfactory Academic Progress (SAP) in accordance with the institution's published standards of satisfactory progress. *34 C.F.R. § 668.32(f)*. An institution's policy must be the same or stricter than the satisfactory academic progress standards applied to a student who is not receiving Title IV, HEA program aid. *34 C.F.R. § 668.16(e)(1)*. The policy must have both a qualitative component, such as grades, that are measurable against a norm and a quantitative component that consists of a maximum timeframe in which the student must complete the educational program. For an undergraduate program, the maximum timeframe must be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, etc., as appropriate. In addition, the quantitative component must be divided into increments not to exceed one academic year and must include a schedule designating the amount of work that a student must successfully complete at the end of each increment to complete the educational program within the maximum timeframe. Also, the policy must define the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on SAP. *34 C.F.R. § 668.16(e)(2)*.

Noncompliance: For the 2010-2011 award year, Southwest evaluated the qualitative measure (G.P.A.) of the SAP policy at the end of each semester. The quantitative measure (67% successful completion of courses) was evaluated only at the end of each spring semester. Federal regulations require that both measures must be evaluated at the same time. An institution may not have an official SAP policy that excludes one of the measurements when SAP is officially evaluated.

Southwest provided documentation to the Reviewers that the institution changed its SAP policy to evaluate both the qualitative and quantitative measures at the end of each semester beginning with the 2011-2012 award year, therefore only the 2010-2011 academic year is in question.

Required Action: Southwest must review the financial aid files of all Title IV recipients who attended the institution during the Fall 2010 semester and recalculate SAP applying the SAP quantitative measure (67% successful completion of courses). For each student who received a disbursement of Title IV, HEA funds for the Spring 2011 semester without meeting the institution's quantitative SAP requirements, Southwest must provide the following information in a spreadsheet format:

- (1) Award year
- (2) Student's name;
- (3) Last four digits of the student's Social Security Number;
- (4) Date of ineligible disbursement(s);
- (5) Student's degree program;
- (6) Total hours attempted;

- (7) Total hours earned;
- (8) Student's quantitative completion percentage at the time of disbursement;
- (9) Student's cumulative GPA at the time of disbursement;
- (10) Amount of Title IV Funds disbursed to the student, organized by Title IV program; and
- (11) Date student regained eligibility for Title IV funds, if applicable.

For each student who received a disbursement of Title IV funds without meeting the institution's SAP requirements, Southwest 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

The SAP spreadsheet discussed above should be compiled in an Excel spreadsheet and submitted in electronic format in the following manner:

Award year	Student	SSN	Date of ineligible Disbursement	Degree Program	Total Hours Attempted	Total Hours Earned	Quantitative %	Cumulative GPA
2009/10	***	***	5/23/08	Associate	40	64	62.5%	1.5

Amount of PELL Disbursement	Other Title IV Program Disbursement	Date student regained eligibility
\$2,025	n/a	n/a

In lieu of performing a file review for the entire population of Title IV, HEA program recipients to determine actual liabilities, Southwest has the option of performing this file review for only the remainder of the statistical sample not tested by the Department during the program review. The results from this file review using the statistical sample will be used to project liabilities for the entire population (i.e., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to reduce the burden on the institution of conducting a full file review.

If Southwest wishes to select this option, a request for the statistical samples for award year 2010-2011 must be made to Mr. Jim Wyant within 30 days of the date of this report. File reviews must be performed for all students on each statistical sample listing except those included in Appendix A of this Program Review Report for the respective award year.

If Southwest elects to do the full file review, it is recommended that Southwest first review the remainder of the students in the statistical sample. At that point, Southwest may decide to accept the liability projection instead of continuing with a full file review.

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. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 3: FSEOG Funds Selection Policy Not Adequate

Citation: In each award year, an institution must select its FSEOG recipients from among those eligible students with the lowest Expected Family Contributions (EFCs) who will also receive Federal Pell Grant funds in that award year. *34 C.F.R. § 676.10 (a)(1)*. If, after awarding FSEOG to all eligible Federal Pell Grant recipients, additional FSEOG funds remain, the institution must then award FSEOG to those eligible students with the lowest EFCs who did not receive Federal Pell Grant funds in that award year. *34 C.F.R. § 676.10(a)(2)*. A school must make FSEOG funds reasonably available (to the extent of available funds) to all eligible students. This requirement is contained in Article VI of the Program Participation Agreement between ED and the school. A school may not arbitrarily set an EFC cut-off from which below it would award SEOG to the exclusion of other eligible students. *2010-2011 Federal Student Aid Handbook, Volume 3, Chapter 7*.

Noncompliance: Southwest's FSEOG awarding policy makes no reference to Pell eligible students with a preference to the lowest EFCs. There is no indication that FSEOG funds are awarded to students with the lowest EFC. Additionally, Southwest's FSEOG policy indicates that the goal of awarding money to other students who do not meet the priority deadline is to pay tuition for as many students as possible while still giving preference to students who apply by the deadline FSEOG. Funds are awarded in arrears to needy Pell students who have not been able to cover their bill for the past term or have excessive loans. There is no reference that the additional students are selected based on the lowest EFCs.

Required Action: Subsequent to the Program Review, Southwest has revised its FSEOG awarding policy so that it conforms to Departmental regulations. A copy of the revised policy has been submitted to the Department. No further action is required for this finding.

Finding 4: Improper Authorization of Student Credit Balances

According to federal regulations, 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 to the

student or parent as soon as possible, but no later than 14 days after the credit balance is 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 if the credit balance occurred on or before the first day of class of that payment period.

34 C.F.R. § 668.164(e).

However, an institution may hold, on behalf of a student, any Title IV, HEA program funds that would otherwise be paid directly to the student, if the institution obtains a written authorization from the student. *34 C.F.R. § 668.165(b)(1)*. In obtaining such authorization, the institution (1) may not require or coerce the student to provide the authorization; (2) must allow the student to cancel or modify the authorization at any time; and (3) must clearly explain how it will hold those funds on behalf of the student. *34 C.F.R. § 668.165(b)(2)*.

If an institution holds excess student funds the institution must (1) identify the amount of funds it holds for each student in a subsidiary ledger account designed for that purpose; (2) maintain cash in its bank account at all times at least equal to the amount of funds the institution holds for the student; and (3) notwithstanding any authorization obtained by the institution under this paragraph, pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded.

34 C.F.R. § 668.165(b)(5).

Noncompliance: Southwest has an improper credit balance authorization form. The authorization does not comply with the regulatory requirements because submitting the form is not optional. Furthermore, the form contains no option to decline the authorization. In addition, as currently written, the form does not allow payment of credit balances to the student at the end of the loan period or last payment period of the award year in which it was awarded.

Required Action: Subsequent to the Program Review, Southwest has revised its authorization to hold Title IV credit balances so that it conforms to Departmental regulations. A copy of the revised form has been submitted to the Department. No further action is required for this finding.

Finding 5: Federal Perkins Loan-Excess Cash Balance Maintained

Federal law requires the return of excess Federal Perkins Loan funds when available resources exceed a school's needs in the foreseeable future. A school has excess liquid capital in its Federal Perkins Loan fund if the funds available (cash on hand, plus projected collections, plus Federal Capital Contribution [FCC] and Institutional Capital Contribution [ICC], and cancellation repayments) for the current award year significantly exceed the award year's total expenditures from the fund. Schools should disburse any excess cash during the award year or

return the excess Federal Perkins Loan funds to the Department. Federal Perkins cash on hand recorded on the school's general ledger annually as of June 30 and October 31 must be reported on the Fiscal Operations Report. *Section 466, Higher Education Act of 1965.*

Non-Compliance: Southwest's Federal Perkins Loan Program records reflect a cash-on-hand balance in the Federal Perkins Loan Fund that is in excess of Southwest's apparent need. Southwest's 2009-2010 and 2010-2011 Fiscal Operations Reports indicate cash on hand of \$62,691 and \$81,948 respectively. Additionally, there were no Perkins Loan expenditures for either award year. Reviewers were told by Southwest staff that the institution would not be making any new Perkins Loans in the future.

At the time of the review, Southwest had no plan to return excess cash to the Department or to liquidate its Perkins Loan portfolio.

Required Action: Southwest must develop a plan to liquidate its Perkins Loan portfolio. When an institution liquidates its Perkins Loan portfolio it must:

- Notify the Department of Education of its intent of liquidate its Perkins Loan portfolio;
- Assign all of its outstanding Perkins Loans to the Department;
- Continue National Student Loan Data System reporting until all its outstanding Perkins Loans have been either fully retired, accepted for assignment, or purchased by the school;
- Return the federal share of its Perkins Loan revolving fund to the Department
- File the final Fiscal Operations Report;
- Have an independent compliance audit conducted of all Perkins Loan funds it has received; and
- Reconcile the information that it reported on the FISAP with Department data.

After the Department completes the reconciliation process and determines that the school has satisfied the liquidation requirements, the school will receive a letter of approval.

2011-2012 Federal Student Aid Handbook, Volume 6, Chapter 1.

As a response to this finding, Southwest must submit a plan and timetable for liquidation of their Perkins Loan portfolio.

Finding 6: Federal Perkins Loan-Inadequate Due Diligence

Citation: If a Federal Perkins Loan borrower is overdue in paying on his or her Federal Perkins loan account, and the borrower does not request forbearance, deferment or cancellation, the institution is required to send an overdue notice to the borrower 15 days after the payment due notice. *34 C.F.R. § 674.43(b)(1).* The institution must then send a second overdue notice to the borrower 30 days after the first overdue notice, to be followed by a final demand letter 15 days after the second overdue notice. *34 C.F.R. § 674.43(c)(1) and (2).* The final demand letter must inform the borrower that the institution will

refer the account for collection and litigation, and will report the default to a credit bureau, within 30 days of the date of the final demand letter, unless the borrower submits a payment or a request for forbearance, deferment or cancellation. *34 C.F.R. § 674.43(c)(2)*. If the borrower does not respond to the final demand letter within 30 days, the institution must contact the borrower by telephone before beginning collection procedures. *34 C.F.R. § 674.43(f)*.

Noncompliance: During the on-site visit, the reviewers were told that Southwest had not been performing due diligence on outstanding Perkins Loans; in fact, each Perkins Loan outstanding is in a defaulted status. Reviewers were also told Southwest has now assigned these loans to a collections agency.

Required Action: In response to this finding, Southwest must review the collection files of all Federal Perkins Loan borrowers and ensure annual due diligence efforts are being performed. Southwest must review why due diligence did not occur as required and report their findings to the Department as part of their response to this finding. Additionally, as part of the response to this report, Southwest must provide copies of updated due diligence notification for all students who have not had due diligence performed within the past 12 months.

Finding 7: Federal Perkins Loan Notes Not Safely Maintained

Citation: Before making its first Federal Perkins loan disbursement to a student, an institution must require the student to sign a promissory note. *34 C.F.R. § 674.16(a)(1)*. Furthermore, the institution must ensure that each Federal Perkins loan is supported by a legally enforceable promissory note as proof of the borrower's indebtedness. *34 C.F.R. § 674.16(d)(2)*. As required by *34 C.F.R. § 674.19(e)(4)*, the institution must keep the original promissory note and repayment schedule until the borrower satisfies the Federal Perkins loan obligation. If required to release original documents in order to enforce the loan, the institution must retain certified and true copies of the note and repayment schedule for each Federal Perkins Loan.

Noncompliance: Southwest's Perkins Loan Fund Ledger has 59 students with a notation that a promissory note was not signed. A listing of those students with total amount of principal and interest due is provided in Appendix B.

Required Action: In response to this report, Southwest must provide signed copies of the aforementioned Federal Perkins Loan promissory notes and repayment schedules to the Department. If unable to do so, Southwest will be responsible for reimbursing its Federal Perkins fund for the \$35,937.94 now uncollectible.

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 8: Bank Accounts-Federal Funds Not Identified

Citation: Federal regulations require that an institution maintain Title IV 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 program funds, a public institution must clearly identify that Title IV 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 program funds and retaining a record of that notice and, except for a public institution, filing with the appropriate State or municipal government entity a UCC-1 statement disclosing that the account contains Federal funds and maintaining a copy of that statement. *34 C.F.R. § 668.163(a)*.

Noncompliance: Southwest's bank account in which Title IV, HEA funds are deposited does not contain "Federal Funds" in the title of the account as required by federal regulations.

Required Action: Southwest must either revise the name of its federal bank account(s) to include the exact phrase "Federal Funds," or make the appropriate notifications to the bank holding the accounts and the pertinent state or municipal offices. A discussion of the measures taken to resolve this finding, including copies of pertinent supporting documentation, must accompany Southwest's response to this report.

Finding 9: Crime Awareness Requirements Not Met-Part 86

Citation: The Department's regulations and the Drug Free Schools and Campus Act require participating institutions of higher education to conduct a biennial review of its program to (1) determine its effectiveness and implement changes to the program if they are needed; and (2) ensure that the disciplinary sanctions described in paragraph (a)(5) of this section are consistently enforced. *34 C.F.R. §86.100 (b) (1) (2)*.

In addition, an institution's drug prevention program must include an annual distribution in writing to each employee and to each student who is taking one or more classes for any type of academic credit. *34 C.F.R. § 86.100 (a)*.

Noncompliance: Southwest's drug and alcohol prevention program did not include a biennial review. Although Southwest does compile information from its students regarding their habits, Southwest does not do further review to ensure the policies are effective and disciplinary sanctions described for law violations are consistently enforced. In addition, Southwest does not distribute information annually to students and staff which discusses the institution's policies and the disciplinary sanctions which occur based on the severity of the offense.

Required Action: Southwest must immediately begin reviewing its drug and alcohol prevention program to ensure it includes all regulatory components. Additionally, Southwest must

distribute these policies to all staff and students, even those who are taking reduced coursework to ensure the entire campus body is aware of the policies and consequences which follow breaches. Southwest must conduct a biennial review of its drug prevention program and provide a copy of that review to the Department to show its compliance with implementing the regulations.

Finding 10: Account Records Not Reconciled

Citation: Student Assistance General Provisions states an institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis—

- Financial records that reflect each Title IV, HEA transaction; and
- General ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction from all other institutional financial activity.

34 C.F.R. § 668.24(b).

Noncompliance: Failure to have a clear audit trail and identify balances on student accounts causes a failure on the institution's part to provide students with funds available to the student for indirect costs. In addition, it does not provide the reviewer or auditor a clear trail to identify disbursements, the timing of disbursements by payment period, and refunds to the Department or to the students. Funds are not easily traced back to the accounting system and the draw-downs from G5.

Additionally, prior to and at the time of the Program Review, Southwest was working with the Department to reconcile negative Pell Grant Cash balances for 2008-2009, 2009-2010, and 2010-2011. This further indicates that reconciliation of Title IV funds is not completed on a regular basis.

Required Action: Southwest is required to modify its reconciliation system so that the student account summary ledgers provide a clear audit trail that identifies funds received, managed, returned, disbursed and contains accurate Title IV descriptions. The institution must develop and implement a Title IV, HEA funds reconciliation in accordance with Title IV, HEA requirements.

Southwest must submit a copy of the revised reconciliation process with the response to this report.

Finding 11: Conflicting Information in Student's File

Citation: The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of its administrative capability. Regulations require institutions to develop an adequate system to ensure the consistency of information related to a student's application for federal student aid, regardless of the source of that information. The institution is responsible for reconciling all information received. *34 C.F.R. § 668.16(f).*

Noncompliance: The reviewers found two instances of conflicting information in a student's file.

Student #34 This student stated he became an orphan or ward of the court at some time since he turned 13 when he filed the FAFSA on 2/15/2011. The institution collected a death certificate of

the student's mother. It is noted in the student's file that the student pays rent to his father. The student is therefore not an orphan, and there is no documentation in the student's file to confirm the student was a ward of the court at any time since he turned 13.

This student is also cited in Finding 13.

Student #19 This student's Institutional Student Information Record (ISIR) reflects \$8044 as Student's Income Earned From Work, however the student's Federal IRS 1040 Form shows \$15,444 on line 7, Wages, Salaries, Tips, etc. The FAFSA instructs the student to add lines 7, 12 and 18 to equal the Student's Income Earned from Work, and if any one of those lines is a negative number, to exclude it. This student's line 12 was \$-7,400 and should have been excluded, but was not. In this instance, this error did not affect the EFC of this student and no action will be required.

This student is also cited in Finding 12.

Required Action: If Student #34 is still enrolled and can provide proof that he was a ward of the court, Southwest must submit that document with the response to this report. If the student is no longer enrolled or unable to provide such documentation, the institution must return all Title IV, HEA funds disbursed to the student.

Finding 12: Incorrect Enrollment Date Reported to NSLDS

Citation: Federal regulations state that a school shall—

- (1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and
- (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days—
 - (a) If it discovers that a Federal Direct Loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis;
 - (b) If it discovers that a Federal Direct Loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;

- (c) If it discovers that a Federal Direct Loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or
- (d) If it discovers that a student who is enrolled and who has received a Direct Loan has changed his or her permanent address. *34 C.F.R. § 682.610.*

At scheduled times during the year, not less than semiannually, National Student Loan Data System (NSLDS) sends roster files electronically to the institution (or its designated servicer) through its SAIG mailbox. The file includes all of the institution's students who are identified in NSLDS as Stafford (Direct and FFEL) borrowers (or the beneficiaries of a PLUS loan). The file is not necessarily connected to loans made at the institution—the institution must also report information for students who received some or all of their FSA loans at other schools but are currently attending the reporting institution.

The institution (or servicer) must certify the information and return the Roster file within 30 days of receiving it. The institution may also go to *www.nslsdfap.ed.gov* and update information for students online. The institution is required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half time, graduated, or withdrawn must be reported within 30 days. However, if a Roster file is expected within 60 days, the institution may provide the data on that roster file. *2010-2011 Federal Student Aid Handbook.*

Student enrollment information is extremely important, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. *2010/11 Federal Student Aid Handbook.*

Noncompliance: In one instance, a student's Last Date of Attendance was reported incorrectly to NSLDS.

Student #19 This student's Last Date of Attendance was 6/23/11, but the student was reported to NSLDS with a withdrawn status and an effective date of 8/5/11 instead of 6/23/11.

Required Action: Southwest must review its procedures for reporting enrollment status changes to NSLDS and, as necessary, revise them. A discussion of these revisions should accompany Southwest's response.

Finding 13: FWS Earnings Not Monitored-Student Working During Class Time

Citation: A student employed in a FWS job may not be paid for receiving instruction in a classroom, laboratory, or other academic setting. *34 C.F.R. § 675.20(d)(2)(ii).*

**Southwest Tennessee Community College—01043900
Response to Program Review Report**

Finding #1

Response:

All students who withdrew prior to the 60% of the semester and/or had an F, W, or I have been included on the spreadsheet and checked to make sure a refund calculation should or should not have been performed.

Return of Title IV Funds have been recalculated and is attached in an encrypted spreadsheet.

Finding #2

Response:

Satisfactory Academic Progress (SAP) has been recalculated and is attached in an encrypted spreadsheet.

A spreadsheet has been prepared and is being sent electronically.

Finding #3

Required Action:

No action is required.

Finding #4

Required Action:

No action is required.

Findings # 5

Response

Federal Perkins Loan Excess Cash Balance Maintained

Excess Cash Balance

We concur with this finding and recommendation. The College will return excess cash for the National Direct Student Loan Program (NDSL/Perkins) to the Department of Education.

Finding #6

Response:

In the 1980's, prior to the establishment of Southwest Tennessee Community College, the administration of Shelby State Community College made the decision to discontinue offering loans. The fiscal staff of Shelby State took this to mean that there would be no need to continue performing due diligence on these accounts. Shelby State continued to function as an entity for the next twenty years. Upon formation of Southwest Tennessee Community College, we discovered that due diligence had not been performed on these accounts.

The most important discovery we found was that the files were not properly maintained. The College decided to reconstruct the files in hopes of restoring or eliminating this program. During the merger of the two colleges, many of the permanent files were stored in different locations;

therefore, the information had to be pulled together. Due to the work involved in the process, the timeframe for the collection of these files (a span of forty years), and a large turnover in staff had made this a difficult task to complete.

Over the years the college has submitted the accounts to several outside service groups, only to be informed that the individuals could not be located or did not have any assets. At this point, the College decided not to continue efforts to contact the students. The reasoning being, mail addressed to students had been returned undeliverable. However, the College decided to return to the practice of locating the group in 2010 via collection agencies. The contract with the collection agencies includes an agreement that they will provide the college with close-out information.

Finding #7

Response:

There are several issues related to the Perkins loan program that we have identified and are currently developing an action plan with timelines for resolution. The issues are as follows:

- In an effort to reconcile this account, we discovered that the College had several loans that had not been properly executed. As a result of this finding, the College is committed to purchasing these loans. We have identified the students, and are in the process of calculating the interest. Once we have verified the principle and interest we will send the check and documentation to the Department of Education. Our timeline for resolving this issue is October 31, 2012.
- We have several properly executed loans that have not been turned over to the Department of Education. However, there is no reconciliation between what was sent to and accepted by Department of Education. In 2011, we requested a listing of all student accounts that had been turned over to the Department. We recently received this information and are currently reconciling our records to their list. Once the reconciliation is complete the College will submit all properly executed loans, not previously submitted and accepted, with the documentation to the Department of Education. The timeline for this project is June 30, 2013.

Finding #8

Response:

Bank Accounts-Federal Funds Not Identified

Citation: Federal regulations require that an institution maintain Title IV program funds in a bank or investment account that is federally insured or secured by collateral of value reasonably equivalent account to the amount of those funds. For each bank or investment account that includes Title IV program funds, a public institution must clearly identify that Title IV 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 program funds and retaining a record of that notice and, except for a public institution, filing with appropriate State or municipal government entity a UCC-1 statement

disclosing that the account contains Federal funds and maintaining a copy of that statement. 34 C.F.R. 668.163 (a).

Noncompliance: Southwest's bank account in which Title IV, IIEA funds are deposited does not contain "Federal Funds" in the title of the account as required by federal regulations.

Required Action: Southwest must either revise the name of its federal bank account(s) to include the exact phrase "Federal Funds", or make the appropriate notifications to the bank holding the accounts and the pertinent state or municipal offices. A discussion of the measures taken to resolve this finding, including copies of pertinent supporting documentation, must accompany Southwest's response to this report.

The College concurs with this required action. We contacted our financial institution and added the extra phrase "Federal Funds" to the name of the bank account receiving federal funds. Please see attachment.

Finding #9

Response:

Our drug and alcohol policies are distributed through several outlets (see below).

Crime Awareness and Campus Safety - Policy No. 5:00:00:00/6. The Crime Awareness and Campus Safety Policy is distributed to all Southwest employees and students and is available on request to applicants for enrollment or employment in compliance with the provisions of the Student Right-to-Know and Campus Security Act of 1990 (Public Law 101-542).

Drug and Alcohol Policy – Policy No. 3:05:01:01/19. This policy addresses the College's views on its role as one of assisting the individual student to achieve its goals. The College will assist any individual whose mental or physical health is threatened by the use or abuse of alcohol and/or drugs

Southwest Tennessee Community College Student Planner 2011-2012 - Drug and Alcohol-Free Environment – Page 21. This planner states that Southwest is committed to developing and maintaining the health, stability, and well-being of the collegiate learning environment. The College considers possession, use, sale, and/or other distribution of illegal drugs and alcohol including the underage use and/or possession of alcohol and supplying/selling alcohol to those under the legal drinking age to be a threat to the health of the individual and also interferes with efficient pursuit of individual educational goals. Through educational materials and presentations, the College provides students with drug and alcohol information specifically regarding health risks. In addition to drug and alcohol counseling in the Advising and Counseling Office, the College refers students to various community agencies for treatment rehabilitation. The College prohibits the use of alcoholic beverages and drugs by students, faculty and staff on all College-owned or controlled premises and requires compliance with Tennessee Board of Regents policy and with state and local laws relating to alcoholic beverages and drugs. Students, faculty, and staff are subject to arrest and prosecution by civil authorities for violations on campus.

In addition, we have a Behavioral and Intervention Team (BIT) whose purpose is to identify and address behavioral issues that may affect the classroom environment and the campus. The BIT will coordinate with the Center for Faculty Development, Human Resources, as appropriate to ensure that all faculty and staff are provided training opportunities and information regarding appropriate student behavior and ways to handle problems that may arise. The BIT will coordinate with the Academic Departments and Student Services, as appropriate to promote awareness among the student population about appropriate behavior on a campus and stress management techniques.

Response:

The BIT will conduct a biennial review of the College's Drug and Alcohol Abuse Prevention Program to determine its effectiveness and to implement changes to the program, as deemed necessary, and to ensure that disciplinary sanctions are consistently enforced.

Finding # 10

Response:

Account Records Not Reconciled

Citation: Student Assistance General Provisions states an institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis:

Financial records that reflect each Title IV, HEA transaction; and

General ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction from all other institutional financial activity. 34 C.F.R. 668.24(b).

Noncompliance: Failure to have a clear audit trail and identify balances on student accounts causes a failure on the institution's part to provide students with funds available to the student for indirect costs. In addition, it does not provide the reviewer or auditor a clear trail to identify disbursements, the timing of disbursements by payment period, and refunds to the Department or to the students. Funds are not easily traced back to the accounting system and the draw-downs form G5.

Additionally, prior to and at the time of the Program Review, Southwest was working with the Department to reconcile negative Pell Grant Cash balances for 2008-2009, 2009-2010, and 2010-2011. This further indicates that reconciliation of Title IV funds is not completed on a regular basis.

Required Action: Southwest is required to modify its reconciliation system so that the student account summary ledgers provide a clear audit trail that identifies funds received, managed, returned, disbursed and contains accurate Title IV descriptions. The institution must develop and implement a Title IV, HEA funds reconciliation in accordance with Title IV, HEA requirements. Southwest must submit a copy of the revised reconciliation process with response to this report.

Response:

We concur with the required action made by the Department concerning the modification of the College's reconciliation policy and procedures. The College has developed and implemented a reconciliation policy to ensure that it remains in compliance with all regulations outlined in the HEA of 1965 and its subsequent amendments. A copy of this policy is attached to this document.

We do not concur with the Department's assessment of noncompliance that the College fails "to have a clear audit trail and identify balances on student accounts." Southwest Tennessee Community College utilizes Elucian Banner, formerly Sungard Banner, as its software platform for the awarding, disbursing and managing of all Title IV funds. The Finance, Financial Aid and Student modules of the software provide a clear and concise audit trail in accordance with generally accepted accounting principles which identifies funds received by the College, disbursed to students, and returned to the Department. Furthermore, the Elucian Banner software requires a description for each transaction placed on a student's account to ensure proper documentation on the general ledger. These controls, within our software platform, ensure students have access to funds for both direct and indirect cost.

Finding #11

Response:

Regarding student # 34 - currently we do not have official ward of the court documentation or a statement from student or Dad indicating he was a ward of the court. We have tried to contact the student but his phone is disconnected and emails are bouncing back and he is no longer enrolled. Therefore since we are unable to provide documentation, we will return funds to the Department of Education (DOE).

Regarding student # 19 – per the Program Review Report, the error did not affect the student's EFC and no further action was required.

Finding #12

Response:

Southwest understands that a student's enrollment status determines eligibility for in-school status, deferment, grace periods, and repayments, as well as the Government's payment of interest subsidies. Enrollment Reporting is critical for effective administration of the Title IV student loan programs.

Grace Peeler, Audit Resource Representative, (phone # 703.733.4191) at the National Clearinghouse stated the enrollment files that are submitted to the Clearinghouse are automatically submitted to NSLDS about seven (7) days after receipt from Southwest and after processing by the Clearinghouse. We process enrollment files four (4) times per semester. Therefore, we feel that we are in compliance and this finding should be removed.

Finding #13

Response:

Southwest acknowledges and will pay back the Title IV, HEA funds paid out to this student. In addition, we have developed a FWS handbook for Supervisors and Students. The handbook contains procedures on how we will monitor FWS student's class schedules and scheduled work hours to ensure FWS students are not working while they should be attending class.

**Southwest Tennessee Community College
Request for Additional Info on the Federal Audit
For 2010-2011
December 13, 2012**

Finding 1: Return To Title IV Calculation Errors:

Southwest must provide a copy of policies and procedures outlining the return to Title IV process including a definition of the time period used to calculate the number of days within the enrollment period. This was requested in the Program Review Report but was not provided in the response.

Response: As requested, included are the following documents:

- Southwest 2010-2011 Financial Aid Procedures Policy
- Southwest 2000 Financial Aid Policy

Finding 2: Satisfactory Academic Progress policy Not Adequately Developed:

STCC's response to the Satisfactory Academic Progress finding is inconsistent. The quantitative component reported on the spreadsheet for some students is based on all hours attempted and completed to the end of the Fall2010 semester, but the component for other students is based on only the hours attempted and completed for the Fall2010 semester. Other inconsistencies exist in the inclusion or exclusion of transfer hours in the "hours attempted" column. Following are three examples:

(b)(6); (b)(7)(C) The spreadsheet states this student attempted 12 hours and completed 6 at the end of Fall2010, resulting in a completion rate of 50%. However, when the student's transfer hours are factored in, he has attempted 23 and completed 17, resulting in a completion rate of 73.91%.

(b)(6); (b)(7)(C) The spreadsheet states this student attempted 12 hours and completed 0, but factoring in the transfer hours results in him attempting 25 and earning 23.

(b)(6); (b)(7)(C) The spreadsheet states this student attempted 48 hours and completed 21. At the end of Fall2010, the student had attempted 24 hours and completed 12.

STCC needs to submit a spreadsheet that reflects all the hours attempted and completed at STCC, with the inclusion or exclusion of transferred hours attempted according to the institutional SAP policy.

Response: Included is following:

- Revised SAP Spreadsheet that includes transfer hours from the 2010-2011 academic year and new calculated quantitative percentage

Finding 5: Federal Perkins Loan-Excess Cash Balance Maintained:

Southwest must submit a plan and timetable for liquidation of their Perkins Loan portfolio. This was requested in the Program Review Report but was not provided in the response.

Response: Federal Perkins Loan Excess Cash Balance Maintained

Excess Cash Balance

We concur with this finding and recommendation. The College will start the process to liquidate the Perkins Loan Program. This process includes completing the reconciliation of the College's records to the Department of Education. This process is currently manual; therefore, individual student accounts must be reviewed and analyzed to insure the proper information is on file. We project this process of reviewing and analyzing will be completed by June 30, 2013. Once this process is completed the College will start the liquidation process by performing the following:

- Notify the Department of Education in writing of our intent to liquidate our Federal Perkins Loan portfolio.
- Assign loans to the Department of Education
 - Inform the collection agency to return outstanding accounts to the institution.
 - Prepare Perkins Assignment Forms for each outstanding loan.
 - Work with the Department of Education to eliminate any discrepancies within their records and the College's.
- Submit the loans to Department of Education
- Resolve issues with rejected loans and resubmit them to the Department of Education
- Identify and purchase the loans improperly signed promissory notes
- Report the loans to the Department of Education
- Initiate and submit an independent audit of the Perkins Loan Program
- Report all signed, accepted and purchased loans by the Department of Education to the National Student Loan Data System (NSLID)
- Return the Federal Capital Contribution, as calculated by the independent auditor and verified by the Department of Education
- File the final FISAP for the Perkins Loan Program
- Notify the Department of Education that the College has completed all of the required steps for liquidation
- Reconcile FISAP data with the Department of Education
- Await notification from the Department of Education of the official liquidation for the Federal Perkins Loan Program

The timeline for the completion of this entire process is estimated to be June 30, 2014.

Finding 6: Federal Perkins Loan-Inadequate Due Diligence:

Southwest must provide copies of updated due diligence notifications for all students who have not had due diligence performed within the past 12 months. This was requested in the Program Review Report but was not provided in the response.

Response: Federal Perkins Loan Inadequate Due Diligence

The College implemented the Cure Process in accordance with the Department of Education guidelines for the lack of due diligence in handling the Perkins Loan accounts. The College remitted all of its accounts to the following agencies:

- Unger and Associates (1978 and 1979)
- General Revenue Corporation (1998 to 2000)
- William and Fudge Collection Agency (2010 to present.)

These agencies made an attempt to locate each account via letter and/or telephone to notify the borrower of their defaulted debt, and to collect payment. The College has evidence of address search attempts on these accounts. If the Department deems it necessary for the College to take additional action in performing due diligence, we will take the current information from these agencies and send out the letters.

- PDF file showing evidence of sample search

Finding 7: Federal Perkins Loan Notes Not Safely Maintained:

Southwest must provide signed copies of the aforementioned Federal Perkins Loan promissory notes and repayment schedules to the Department. The original response indicated that the reconciliation would be completed by October 31, 2012.

Response: Federal Perkins Loan Notes Not Safely Maintained

As we stated in the original response, the College is committed to purchasing these loans. In the Department's report OPE ID: 01043900, we were directed to wait on "instructions for repayment", which would be "provided in the FPRD letter". The directive specifically states: "the Institution must not repay any funds owed to the Department until the FPRD is issued". Therefore, the Department's directive superseded our timeline of October 31, 2012.

Finding 8: Bank Accounts-Federal Funds Not Identified:

Copies of pertinent supporting documentation must accompany Southwest's response to this report. The original response indicated that documentation was attached. However, an attachment did not accompany the report.

Response: Bank Accounts-Federal Funds Not Identified

Citation: Federal regulations require that an institution maintain Title IV program funds in a bank or investment account that is federally insured or secured by collateral of value reasonably equivalent account to the amount of those funds. For each bank or investment account that includes Title IV program funds, a public institution must clearly identify that Title IV 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 program funds and retaining a record of that notice and, except for a public

institution, filing with appropriate State or municipal government entity a UCC-1 statement disclosing that the account contains Federal funds and maintaining a copy of that statement. 34 C.F.R. 668.163 (a).

Noncompliance: Southwest's bank account in which Title IV, HEA funds are deposited does not contain "Federal Funds" in the title of the account as required by federal regulations.

Required Action: Southwest must either revise the name of its federal bank account(s) to include the exact phrase "Federal Funds", or make the appropriate notifications to the bank holding the accounts and the pertinent state or municipal offices. A discussion of the measures taken to resolve this finding, including copies of pertinent supporting documentation, must accompany Southwest's response to this report.

The College concurs with this required action. We contacted our financial institution and added the extra phrase "Federal Funds" to the name of the bank account receiving federal funds. Please see attachment.

As requested, included are the following documents:

- Federal SEOG Reconciliation for 2011-2012 Aid Year
- Southwest 2012 Financial Aid Reconciliations Policy
- Southwest Federal Account Reconciliation Roster- Example

Finding 9: Crime Awareness Requirements Not Met-Part 86:

Southwest must conduct a biennial review of its drug prevention program and provide a copy of that review to the Department to show its compliance with implementing the regulations. A copy of the biennial review was not submitted with the response nor has a copy been received to date.

Response: Included is following:

- A copy of Southwest's Biennial Review Report

Finding 10: Account Records Not Reconciled:

Southwest must develop and implement a Title IV, HEA funds reconciliation process in accordance with Title IV, HEA requirements. A copy of the revised reconciliation process

was to be provided with the program review response. The response indicated that the policy was attached; however, an attachment did not accompany the report.

Response: Included is the following:

- Southwest 2012 Financial Aid Reconciliations Policy

Finding 12: Incorrect Enrollment Date Reported to NSLDS:

Although Southwest may have an appropriate process and timetable for reporting enrollment data to NSLDS, Southwest must respond to the enrollment discrepancies

identified for Student #19.

Response: Included is the following:

- Documentation to support a last Date of Attendance (LDA) of June 23, 2011 on Student #19 Southwest 2012 Financial Aid Reconciliations Policy

Finding 13: FWS Earnings Not Monitored-Student Working During Class Time:

Southwest must provide procedures on how it will monitor its FWS students' class schedules and scheduled work hours to ensure FWS students are not working while they should be attending class. A copy of the procedures must be submitted with the institution's response to this finding. A copy of the procedures was not submitted with the response.

Response: Federal regulations prohibit students from working during their scheduled class times. Any supervisor that allows students to work during class will be admonished with appropriate disciplinary action up to written disciplinary action and may be terminated from the Federal Work Study Program. Included is the following:

- Southwest Financial Aid Guidelines for Federal Work Study Students
- Southwest 2012-2013 Federal Work-Study Program Manual for Supervisors and Students