July 10, 2015

Dr. William A. Sederburg
Interim Chancellor
The University of North Carolina at Wilmington
601 South College Road
Wilmington, NC 28403-3297

UPS: Tracking # 1ZA87964NY90460047

RE: **Final Program Review Determination**
OPE ID: 00298400
PRCN: 201440428713

Dear Dr. Sederburg:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on October 15, 2014 covering the University of North Carolina at Wilmington's (UNCW) 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 2012-2013 and 2013-2014 award years. UNCW's final response was received on November 18, 2014. A copy of the program review report (and related attachments) and UNCW's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by UNCW upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are $35,085.00.

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 Appendices A and B, Student Samples.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the October 15, 2014 program review report. If UNCW 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 UNCW receives this FPRD. An original and four copies of the information UNCW submits must be attached to the request. The request for an appeal must be sent to:

Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

UNCW'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 UNCW'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 Meg McGinness at (404) 974-9288.

Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

Chris Miller
Division Director

Enclosure:
Final Program Review Determination Report (and appendicies)
Protection of Personally Identifiable Information (PII)
Program Review Report (and appendices)

cc: Ixchel Baker-Tate, Financial Aid Administrator
Board of Governors of the University of North Carolina, State Authorizing Agency
Southern Association of Colleges and Schools, Accrediting Agency
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Prepared for

The University of North Carolina at Wilmington

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

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OPE ID 00298400
PRCN 201440428713

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

Final Program Review Determination
July 10, 2015

61 Forsyth Street SW; Suite 18T40; Atlanta, GA 30303
StudentAid.gov

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A. Institutional Information

The University of North Carolina at Wilmington
601 South College Road
Wilmington, NC 28403-3297

Type: Public

Highest Level of Offering: Master's or Doctor's Degree

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

Current Student Enrollment: 12,447 Undergraduate (2012/2013)
1,489 Graduate (2012/2013)

% of Students Receiving Title IV, HEA funds: 69% (2012/2013)

Title IV, HEA Program Participation – PC Net School Funding Report:

	2012-2013
Federal Pell Grant Program (FPell)	$14,612,461
William D. Ford Federal Direct Loan Program (FDL)	$65,822,247
Federal Perkins Loan	$830,065
Federal Supplemental Educational Opportunity Grant (FSEOG)	$248,344
Federal Work Study (FWS)	$288,079

2 – year CDR FFEL/DL:	2011	5.8%
	2010	2.7%
	2009	3.2%
Perkins Default Rate:	2013	14.0%
	2012	11.5%
	2011	8.5%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at The University of North Carolina at Wilmington (UNCW) from July 21, 2014 to July 25, 2014. The review was conducted by Meg McGinness, LaTonya Nesbitt and Robert Scott.

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

A sample of 30 files was identified for review from the 2012 and 2013 (year to date) award years The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 8 files were selected for further review of Return of Title IV funds calculations. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on October 15, 2014.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning UNCW'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 UNCW 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

Finding(s) # 2 – 5

UNCW has taken the corrective actions necessary to resolve findings #2 – 5 of the program review report. Therefore, these findings may be considered closed. Appendix D contains the institution's written response related to the resolved findings. Findings requiring further action by UNCW are discussed below.

Findings with Final Determinations

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of UNCW's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on October 15, 2014 is attached as Appendix F.

Finding #1: Community Service Requirement Not Met for Federal Work Study (FWS) Program

Citation Summary: 34 C.F.R. § 675.18 [g] states that an institution must use at least 7% of the sum of its initial and supplemental (FWS) allocations to compensate students employed in community service activities. Community service activities are defined as services intended to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to the community residents' needs. In meeting the community service requirement, an institution must include at least one:

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

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

To the extent that it is practical, when providing reading tutors for children, an institution must:

- Give priority to the employment of students to tutor in reading at schools participating in a reading reform project that is designed to train teachers how to teach reading using scientifically-based research funded under the Elementary and Secondary Education Act of 1965; and

- Ensure that any student who is employed in a school participating in a reading reform project received training from the employing school in the instructional practices used by the school.

In meeting the 7% community service requirement, students may be employed to perform civic education and participation activities in projects that:

- Teach civics in schools;
- Raise awareness of government functions or resources; or
- Increase civic participation.

To the extent that it is practical, when providing civic education and participation activities an institution must:

Give priority to the employment of students in projects that educate or train the public about evacuation, emergency response and injury prevention strategies relating to natural disasters, acts of terrorism and other emergency situations; and ensure that the students receive appropriate training to carry out the educational services required.

Noncompliance Summary: During the review, it was noted that UNCW used FWS funds to employ student leaders on campus who were then responsible for placing other non-FWS students into community service jobs. The student leaders did not work in community service positions themselves and the students they placed in community service positions were not employed using FWS funds. Although UNCW did satisfy the reading tutor/family literacy component of the community service requirement by placing additional students as reading tutors in local elementary schools, these tutors are not considered to be community service positions as a school population is not considered open, accessible and used by the community at large.

Therefore, although FWS wages paid to these reading tutors do satisfy the reading/tutoring/literacy component, these positions cannot be used to satisfy the 7% community services compensation requirement.

Based on UNCW's 2011-2012 FWS authorization of $269,775, the institution should have spent $18,884 to employ students in community service jobs. Based on UNCW's 2012-2013 FWS authorization of $249,788, the institution should have spent $17,485 to employ students in community service jobs.

Required Action Summary: UNCW had to review and strengthen its FWS job development procedures to ensure that all FWS positions are categorized accurately so that the community service requirement can be correctly maintained. A copy of the strengthened procedures had to be provided in UNCW's response to this Program Review Report.

UNCW's Response: UNCW concurred with the finding. UNCW reviewed its FWS program, revised policies and procedures and established relationships with off-campus non-profit entities ensure that all future FWS positions are categorized accurately and the community service requirement is properly maintained. UNCW submitted several FWS positions and requested Department approval of those positions. Students identified by UNCW as FWS recipients are listed in Appendix E.

Final Determination: Liabilities of $35,085.00 were established for Finding #1. The liability was calculated by adding UNCW's FWS community service allocation for the 2011-2012 award year ($18,884 or 7% of the total allocation of $269,775) and UNCW's FWS community service allocation for the 2012-2013 award year ($17,485 or 7% of the total allocation of $249,788). In addition, UNCW did employ one student at the American Red Cross who earned $1,631.25. This position qualified as a community service position, therefore the $1,631.25 was subtracted from the 2011 – 2012 community service requirement. Although the earnings were all from one award year, $1,528.12 was paid to the student in 2011 and $103.13 was paid to the student in 2012.

Note: UNCW requested a review of several on-campus FWS positions to determine if the positions qualified as community service. The positions submitted were employed within UNCW's Office of Diversity and Inclusion, Student Achievement Services and Disability Services. These positions do not qualify as community service positions since the positions serve only the community at UNCW. Community service positions must be open, accessible and used by the community at large.

D. Summary of Liabilities

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

Finding #1

UNCW must repay:

FWS Closed Years

Award Years	Amount	Interest	Totals by Year	Total Liability
2011 - 2012	$17,252.75	$172.53	$17,425.28	
2012 - 2013	$17,485.00	$174.85	$17,659.85	
				$35,085.00

E. Payment Instructions

Liabilities Owed to the Department

UNCW owes to the Department $35,085.00. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability.

The following identification data must be provided with the payment:

Amount: $35,085.00
DUNS: 040036584
TIN: 566023166
Program Review Control Number: 201440428713

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

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

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

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

Appendix C: Protection of Personally Identifiable Information (PII)

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 medial (e.g., CD-ROM, floppy disc, DVD) must be password protected or 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 must use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the email that lists the types of files being sent (a copy of the manifest must be retained buy the sender).

If applicable, 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.

Appendix F

Program Review Report

Prepared for

The University of North Carolina at Wilmington

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

PROUD SPONSOR of the AMERICAN MIND™

OPE ID 00298400
PRCN 201440428713

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

Program Review Report

October 15, 2014

U.S. Department of Education
School Participation Division – Atlanta
61 Forsyth St. SW, Suite 18T40, Atlanta GA 30303
StudentAid.gov

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A. Institutional Information

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Federal Perkins Loan	$830,065
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Perkins Default Rate:	2013	14.0%
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The U.S. Department of Education (the Department) conducted a program review at The University of North Carolina at Wilmington (UNCW) from July 21, 2014 to July 25, 2014. The review was conducted by Meg McGinness, LaTonya Nesbitt and Robert Scott.

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

A sample of 30 files was identified for review from the 2012 and 2013 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 8 files were selected for further review of Return of Title IV funds calculations, Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work Study (FWS). Appendices A and B list the names 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 UNCW'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 UNCW 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 UNCW to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding #1: Community Service Requirement Not Met for FWS Program

Citation: 34 C.F.R. § 675.18 [g] states that an institution must use at least 7% of the sum of its initial and supplemental Federal Work Study (FWS) allocations to compensate students employed in community service activities. Community service activities are defined as services intended to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to the community residents' needs. In meeting the community service requirement, an institution must include at least one:

- Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool aged or who are in elementary school; or

- Family literacy project that employs one or more FWS students in family literacy activities.

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

To the extent that it is practical, when providing reading tutors for children, an institution must:

- Give priority to the employment of students to tutor in reading at schools participating in a reading reform project that is designed to train teachers how to teach reading using scientifically-based research funded under the Elementary and Secondary Education Act of 1965; and

- Ensure that any student who is employed in a school participating in a reading reform project received training from the employing school in the instructional practices used by the school.

In meeting the 7% community service requirement, students may be employed to perform civic education and participation activities in projects that:

- Teach civics in schools;
- Raise awareness of government functions or resources; or
- Increase civic participation.

To the extent that it is practical, when providing civic education and participation activities an institution must:

Give priority to the employment of students in projects that educate or train the public about evacuation, emergency response and injury prevention strategies relating to natural disasters, acts of terrorism and other emergency situations; and

Ensure that the students receive appropriate training to carry out the educational services required.

Noncompliance: During the review, it was noted that UNCW used FWS funds to employ student leaders on campus who were then responsible for placing other non-FWS students into community service jobs. The student leaders did not work in community service positions themselves and the students they placed in community service positions were not employed using FWS funds. Although UNCW did satisfy the reading tutor/family literacy component of the community service requirement by placing additional students as reading tutors in local elementary schools, these tutors are not considered to be community service positions as a school population is not considered open, accessible and used by the community at large. Therefore, although FWS wages paid to these reading tutors do satisfy the reading/tutoring/literacy component, these positions cannot be used to satisfy the 7% community services compensation requirement.

Based on UNCW's 2011-2012 FWS authorization of $269,775, the institution should have spent $18,884 to employ students in community service jobs. Based on UNCW's 2012-2013 FWS authorization of $249,788, the institution should have spent $17,485 to employ students in community service jobs.

Required Action: UNCW must review and strengthen its FWS job development procedures to ensure that all FWS positions are categorized accurately so that the community service requirement can be correctly maintained. A copy of the strengthened procedures must accompany UNCW's response to this Program Review Report.

UNCW will be liable for the 7% FWS community service requirement that should have been expended during the 2011-2012 and 2012-2013 award years. Payment instructions for any liabilities associated with this finding will be provided in the Department's Final Program Review Determination Letter.

For each award year, UNCW must provide the following information in its response to this report:

1. Total amount of FWS expenditures for the award year, including Federal and institutional share;

2. Total amount of FWS community service expenditures for the award year, including Federal and institutional share;

3. Total number of FWS community service positions for the award year, including names and Social Security numbers of each FWS recipient, a copy of the FWS job description for each community service position and the period of each student's employment in the position.

4. Total number of FWS community service positions in each award year that involved working as a reading tutor for preschool or elementary students; and

5. Total number of FWS community service positions in each award year that involved working in a family literacy program including the name of each student who held such a position.

Please submit the summary report for Finding 1 to Meg McGinness by email at margaret.mcginness@ed.gov. UNCW must submit the data file in a .zip file encrypted with Advanced Encryption Standard (AES) encryption. See the enclosure Protection of Personally Identifiable Information (PII) for instructions regarding electronic submissions of data containing PII to the Department.

In addition, UNCW must also review and correct any erroneous information found in Part V of its two most recent Fiscal Operations Reports and Applications to Participate (FISAPs) to ensure that its determination of the FWS community service percentage is correctly reported.

In cases where the amounts provided in UNCW's response differ from those amounts provided in its annual FISAP submissions, the institution should provide an explanation for the discrepancy to the Department and make the necessary changes to the FISAP. To make changes to an existing FISAP for recent award years, UNCW must report the corrected FISAP information through the Department's eCampus-Based (eCB) system at www.cbfisap.ed.gov. Changes must be made to the working copy of the FISAP for the applicable award year. At the time of submission, the institution will be asked to provide an explanation of why changes are being made. Detailed instructions and assistance for submitting FISAP corrections can be obtained by contacting the eCB call center at (877)801-7168.

Finding #2: Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement System (COD)

Citation: 34 C.F.R. § 668.24 states the records that an institution must maintain in order to comply with the provisions of this section include, but are not limited to, the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages. The institution must maintain required records in a systematically organized manner. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

For each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student—

(1) Qualifies as an eligible student under 34 C.F.R. § 668

(2) Is enrolled in an eligible program as an undergraduate student; and

(3) If enrolled in a credit hour program without terms or a clock hour program, has completed the payment period as defined in §668.4 for which he or she has been paid a Federal Pell Grant.

34 C.F.R. § 685.303, Processing of the Proceeds of a Direct Loan, states that schools shall follow the procedures for disbursing funds in 34 C.F.R. § 668.164.

Noncompliance: The reviewers found that the disbursement dates in the Common Origination and Disbursement System (COD) did not match the disbursement dates on one student ledger at the school. Student # 34's ledger shows a Spring Semester 2014 Pell disbursement of $1,412 made on January 3, 2014, then Pell funds were reversed off the student's ledger in the amount of ($706) on January 17, 2014, reversed from the ledger again in the amount of ($1,397) on January 24, 2014 and finally reversed again in the amount of ($349) on July 22, 2014. There was a disbursement in COD for $1,412 made on January 3,2014 and two subsequent adjustments/reversals in COD of ($706) made on January 17, 2014 and ($357) made on July 22, 2014.

Required Action: According to the student's transcript, he was enrolled less-than-halftime during the Spring Semester and his 2013-2014 Estimated Family Contribution (EFC) was $0. He was entitled to receive a Pell payment in the amount of $705 for the 2014 Spring Semester. Although COD disbursements show a spring award of $705, the student's ledger does not reflect this. Therefore, the institution must adjust the student's 2014 Spring Semester Pell award so that the disbursement amount is accurately reflected on the student's ledger and the institution must provide an updated copy of the student's ledger in its response.

UNCW must ensure that the COD disbursement dates and amounts are accurate and that they correctly reflect dates and amounts that align with student ledgers. UNCW must update its procedures for processing Title IV funds, detailing resolution of this issue so that it will not occur in the future. A copy of these updated procedures must be provided to the Department in its response to this Program Review Report.

Finding #3: Failure to Update the Eligibility Certification Approval Report (ECAR)

Citation: 34 C.F.R. § 600.21 states that an eligible institution must report specified changes to the Department in a prescribed manner no later than 10 days after a change occurs.

Volume 2 Chapter 5 of the *2013-2014 Federal Student Aid Handbook* also indicates that a school is required to report substantive changes to certain information on its ECAR within 10 days after a change occurs. Regarding third-party servicers, schools are required to notify the Department of all contracts and must promptly notify the Department of any changes to servicer arrangements when:

- the school enters into a contract with a new third-party servicer;

- the school significantly modifies a contract with an existing third-party servicer;
- the school or one of its third-party servicers terminates a contract; or
- a third-party servicer ceases to provide contracted services, goes out of business, or files for bankruptcy.

A school notifies the Department by updating Section J of the Application for Approval to Participate in Federal Student Financial Aid Programs (E-App) within 10 days of the date of the change or action. This notification must include the name and address of the servicer and the nature of the change or action.

Noncompliance: On February 1, 2014, UNCW entered into a contract with ProEducation Solutions, LLC. The servicer performs verification for Title IV aid recipients. UNCW has not updated its E-App to report the addition of ProEducation Solutions as a third party servicer.

Required Action: UNCW must immediately report the addition of this third-party servicer in section J of its E-App. In response to this finding, please submit the status of this update.

Finding #4: Verification – Conflicting Data

Citation: In accordance with 34 C.F.R. § 668.51-61, if the Secretary or an institution requests documents or information from an applicant who is selected for verification, the applicant must provide the specified documents. An institution must establish and use written policies and procedures for verifying an applicant's information. These policies and procedures must include:

- The length of time an applicant has to provide any document requested by the institution in accordance with § 668.57;
- The consequence of an applicant's failure to provide the requested documentation with the specified time period;
- The method by which the institution notifies an applicant of the results of verification, if the applicant's Expected Family Contribution (EFC) and award amount changes; and
- The procedures the institution will follow or will require an applicant to follow in order to correct applicant information determined to be in error.

The Secretary publishes in the *Federal Register*, notice of the information that an institution and an applicant may be required to verify for each award year. Students who are selected for verification are placed in one of the five following groups. The group determines what applicant data must be verified for the student. Please refer to the Department's *2013-2014 Application and Verification Guide* for additional information on verification.

Verification Groups:

Standard Verification Group/tracking flag V1: Students in this group must verify the following information if they are tax filers:

- adjusted Gross Income (AGI)
- U.S. income tax paid
- untaxed portions of IRA distributions
- untaxed portions of pensions
- IRA deductions and payments
- tax-exempt interest income
- education credits
- household size
- number in college
- Supplemental Nutrition Assistance (SNAP) benefits
- child support paid.

Students who are non-tax-filers must verify the following information:

- Income earned from work
- Household size
- Number in college
- SNAP benefits
- child support paid

SNAP Verification Group/tracking flag V2: students in this group must verify the receipt of SNAP benefits.

Child Support Paid Verification Group/tracking flag V3: students must verify child support paid by them or by their spouse, their parents or both.

Aggregate Verification Group/tracking flag V5: Students must verify high school completion status and identity/statement of educational purpose in addition to the items in the Standard Verification Group.

§ 668.57 states that if an applicant is selected to verify any of the following information, the institution must obtain the specified documentation as follows:

1. **AGI, income earned from work or U.S. income tax paid:** a copy of the income tax return or an Internal Revenue Service (IRS) statement listing tax account information for the applicant, his or her spouse or his or her parents, as applicable for the specified year. The copy of the return must include the signature (which need not be original) of the filer of the return or one of the filers of a joint return.

2. **Number of family members in household:** an institution must require a statement signed by both the applicant and one of the applicant's parents if the applicant is a dependent student, or only the applicant if the student is independent, listing the name and age of each family member in the household and the relationship of that household member to the applicant.

3. **Number of household members enrolled in eligible postsecondary institutions:** an institution must require a signed statement listing each family member who is attending an eligible post-secondary institution at least half-time during the award year, the age of each student and the name of the institution each student is attending.

4. **Additional information:** If an applicant is selected to verify other information specified in the annual *Federal Register* notice, he or she must provide the documentation specified for that information in the *Federal Register* notice.

Verification documentation obtained from the student (and parents and spouse) is compared to the information reported on the student's Institutional Student Information Record (ISIR), This documentation must be retained in the student's file as evidence that the verification process was completed.

If an institution has reason to believe that an applicant's information, household size or the number of household members enrolled in postsecondary education is inaccurate, the institution is responsible for obtaining further documentation to resolve the conflicting or inaccurate information.

Noncompliance: Conflicting applicant data was not resolved for a student as follows:
Student #5 was selected for verification during the 2012 – 2013 award year. Her ISIR reported 2 household members, but the documentation worksheet she submitted to UNCW listed 3 household members. This discrepancy was not resolved. Although UNCW participates in the Department's Quality Assurance Program (QA), it is not exempt from resolving conflicting information.

Required Action: UNCW must review the applicant data for student #5, resolve the conflicting information and recalculate the student's correct EFC based on the correct applicant data. If a revised EFC results in a change to the student's amount of Title Iv funds disbursed, UNCW must report the difference between the correct amount and the incorrect amount to the Department.

UNCW must improve its procedures for requesting, receiving and verifying applicant data for students selected for verification by either the Central Processing System (CPS) or the institution. UNCW must submit an outline of the corrective action it will take in response to this finding.

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.

Finding 5: Unidentified Withdrawal/Failure to perform R2T4 Calculation for Withdrawn Student

Citation: 34 C.F.R. § 668.22 specifies the treatment of Title IV funds when a recipient withdraws from an institution. When a Title IV recipient begins attendance and withdraws either officially or unofficially before completing a payment period, the institution is responsible for completing a Return to Title IV Funds (R2T4) calculation to determine the earned and unearned portions of aid based on the percentage of time the student spent in class.

An institution must have a procedure in place to determine whether or not a Title IV recipient who began attendance during the payment period either completed the period or should be treated as a withdrawn student. If a student earns a passing grade in one or more of his or her classes for the period, the institution may presume that the student completed the course and thus completed the payment period. If a student who began attendance and did not officially withdraw does not earn a passing grade in at least one course over the entire period, the institution must assume for Title IV purposes that the student has unofficially withdrawn unless it can document that the student completed the period.

The institution must have an accurate system to determine a student's withdrawal date because that date is used to determine the percentage of time completed and therefore the amount of aid earned by the student. The calculation used in determining the unearned amount of funds to be returned to the Department or to the student is known as Return of Title IV funds (R2T4). The withdrawal date for a student who officially withdraws is the date as determined by the institution that the student began the withdrawals process or provided official notification to the institution in writing or orally of his or her intent to withdraw.

An institution is required to return unearned funds for which it is responsible as soon as possible, but no later than 45 days from the institution's determination of the student's withdrawal.

Noncompliance: Student 34 was enrolled in the Business Administration, Management and Leadership program beginning Fall Semester, 2011. The student withdrew from UNCW on October 14, 2013, however, the financial aid office was not notified of the student's withdrawal and an R2T4 calculation was not performed as required.

Required Action: UNCW must revise its R2T4 policies to explain how it will ensure that all applicable administrative offices are notified upon a student's withdrawal and that future instances of this finding will be prevented. Failure to do so may result in the institution retaining ineligible funds or excess Title IV cash. In response to this Program Review Report, UNCW must submit its revised R2T4 policies to the Department. In addition, UNCW must perform the R2T4 calculation for student 34 and provide a copy of the student ledger and R2T4 calculation worksheet for this student in its response to this Program Review report.

UNCW will be liable for any additional Title IV, HEA funds owed as a result of the R2T4 calculation that was not made and funds were not returned. Payment instructions for any liability

associated with this finding will be provided in the Department's Final Program Review Determination Letter.

D. Appendices

Appendix A (Student Sample) and **Appendix B** (Additional Student Sample) are attached to this report. These appendices contains personally identifiable information (PII). Also attached, **Appendix C** contains instructions for the submission of PII to the Department.

Accounting Document – Prior Year Monetary Recovery (AD-PYMR)

Institution: University of North Carolina at Wilmington (The)

City, State: Wilmington, NC

PRCN: 40428713

TIN: 556023166

DUNS: 040036584

Reviewer: Meg McGinness **Region:** IV - Atlanta **Date:** 03/27/2015

Section A - Use if no adjustments are being made in COD

Programs	Type	Amount	Funding Code	Object Class
Federal Pell Grant (Closed AY)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
ACG	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
National SMART	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
FSEOG (No FISAP Corrections)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
FWS (No FISAP Corrections)	Principal	$34,738.00	3220RNOYR	69017
	Interest	347.00	1435RNOYR	64020
Direct Loan and Direct Loan EAL	Principal		4253XNOYR	53020 or 53010
	Interest		4253XNOYR	53040
FFEL and FFEL EAL	Interest/ SA/EAL		4251XNOYR	53020
Federal Perkins	Principal		2915RNOYR	53054

Section B: Use if the Institution is instructed to make adjustments in COD

Add rows if necessary			Amount			G5 Program Award # *
Pell, ACG, SMART, TEACH	Program / Award Year	Principal		3875FNOYR	69020	
	Program / Award Year	Imputed Interest		1435RNOYR	64020	
Direct Loan (do not use for estimated loss)	Award Year	Principal		3875FNOYR	69020	
	Award Year	Imputed Interest		4253XNOYR	53040	

Comments:

* G5 Award # (P063P104306, first 5 digits = program, next 2 digits = award year, next 4 digits = code unique to school). Note: It is important that the year in the G5 award number correspond to the award year for which any adjustments are being made, or for which the balance has been incurred (in the case of an unsubstantiated cash or negative cash balance). If the reviewer is unsure after looking in G5, contact Susan Lewey for Pell or DL, or Tremia Haythe for FWS or FSEOG.

Example of G5 award numbers for a single school for the 2009-2010 award year, Pell vs. DL:

Pell is designated by "P063P" and DL is designed by "P268K"

P063P091445 (Pell 2009-2010 award - Pell uses the final two digits of the leading award year in the award number)

P268K101445 (Direct Loan 2009-2010 award - DL uses the final two digits of the trailing award year in the award number)

Example of G5 award number for FWS and FSEOG

FWS is designated by "P033A" and FSEOG is designated by "P007A"

P033A092121 (FWS 2009-2010 award - FWS uses the final two digits of the leading award year in the award number)

P007A092121 (FSEOG 2009-2010 award - FSEOG uses the final two digits of the leading award year in the award number)

See FPRD Distribution Form for distribution information for this form and related program review documents.