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February 5, 2013

Ms. Pamela Bell,
Chief Executive Officer
Vatterott College
3609 North Marx Drive
Quincy, IL 62305-5938

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RE: **Expedited Final Program Review Determination Letter**
OPE ID: 020693 00
PRCN: 201210527758

Dear Ms. Bell:

From December 5, 2011 through December 9, 2011, Sheri Wild and Clare Barger conducted a review of Vatterott College's (VC's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The purpose of this Final Program Review Determination Letter is to close the program review.

Based upon an analysis of the Department's data, the Department determined that VC had a significant increase in Title IV funding along with failed financial scores.

A sample of 30 files was identified for review from the 2010-11 and 2011-12 (year to date) award years. In addition, 5 files of withdrawn students were selected for testing.

Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

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. Appendix A was encrypted and sent separately to the institution via e-mail.

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

The Chicago/Denver School Participation Division has made a Final Program Review Determination concerning the findings that were identified during the program review. Following is a discussion of the findings identified and the resolution of those findings.

Program Findings and Final Program Review Determinations:

Finding #1: R2T4 Calculation Incorrect

Citation: The Student Assistance General Provisions regulations require that if a Title IV recipient 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 assistance the student earned as of the student's withdrawal date. The institution must also return the amount of the refund allocated to the Title IV programs to the appropriate program accounts within 45 days of the date that the student officially withdrew, was expelled or the institution determined that the student had unofficially withdrawn, or failed to return from a leave of absence. [34 C.F.R. § 668.22(e)]

Noncompliance: VC used the incorrect withdrawal date in the R2T4 calculation for Student #12. The institution used the 50% point in the calculation, which was incorrect because VC had administratively withdrawn the student at a prior date in the term after the student had failed to attend for 2 consecutive weeks. Using the correct date, the date of administrative withdrawal, and the corrected R2T4 calculation showed the student completed 37.1% of the payment period. The institution retained $249.00 in subsidized Federal Direct Loan funds and $240.00 in Federal Pell Grant funds to which it was not entitled.

Required Action: VC was required to return the funds it had improperly retained on behalf of Student #12 and to implement R2T4 procedures that comply in all aspects with federal regulations. On January 27, 2012, the institution provided documentation confirming it had returned the necessary funds on January 5, 2012 and made the necessary adjustments in COD.

Final Program Review Determination: VC has taken the corrective actions necessary to resolve this finding. The institution is liable for the Cost of Funds interest for the improper retention of the $489.00 it returned to the federal programs. As this amount, if quantified, would be considered de minimus, VC may consider this finding closed, with no further action required.

Finding #2: Return of Title IV Funds Made Late

Citation: The Student Assistance General Provisions regulations require that if a Title IV recipient 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 assistance

the student earned as of the student's withdrawal date. The institution must also return the amount of the refund allocated to the Title IV programs to the appropriate program accounts within 45 days of the date that the student officially withdrew, was expelled or the institution determined that the student had unofficially withdrawn, or failed to return from a leave of absence. [34 C.F.R. § 668.22(e)]

Noncompliance: VC initially returned the incorrect amount of Title IV funds based on an incorrect R2T4 calculation for Student #12, as noted above. In addition to that error, VC was actually late in returning the original incorrect amount of funds to which it was not entitled. VC improperly retained the initial repayment 5 days beyond the regulatory timeframe.

Required Action: VC is liable for the Cost of Funds interest on the initial amount improperly retained. If quantified, this amount would be considered de minimus and furthermore is superseded by the amount of additional refunds the institution was required to repay as a result of Finding #1 above.

Final Program Review Determination: VC has taken the corrective actions necessary to resolve this finding. Therefore, VC may consider this finding closed, with no further action required.

Finding #3: Undocumented Professional Judgment

Citation: The law permits an aid administrator to use professional judgment, on a case-by-case basis only, to alter the data elements used to calculate the EFC for a student. The reason for the adjustment must be documented in the student's file. Adjustments may be made to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. The adjustments must relate to the student's special circumstances. [HEA § 479(a)]

Noncompliance: VC performed a professional judgment and recalculated the EFC for Student #28 but failed to document the basis or reason for a $36.00 adjustment.

Required Action: VC was able to obtain additional documentation while the reviewers were on site which revealed the $36.00 adjustment to be for taxable interest reflected on the student's tax return.

Final Program Review Determination: VC has taken the corrective actions necessary to resolve this finding. Therefore, VC may consider this finding closed, with no further action required.

Finding #4: Pell Underpayment

Citation: The Federal Pell Grant Program regulations provide the requirements for the administration of the Federal Pell Grant Program. The Federal Pell Grant program provides grants to undergraduate students who have financial need and meet the other requirements to receive FSA assistance. FSA pays Federal Pell funds to all eligible students and formulas determine how much each student receives. Federal Pell Grant funds form the foundation of a student's aid package as it is gift aid that does not need to be repaid. [34 C.F.R. §§ 690.1, 690.62, 690.75]

Noncompliance: The R2T4 calculation for Student #35 showed the student was entitled to a $35.00 post-withdrawal disbursement of Federal Pell Grant funds which he had not received.

Required Action: The institution corrected the student's disbursement record in COD and made the required post-withdrawal disbursement to the student while the reviewers were on site.

Final Program Review Determination: VC has taken the corrective actions necessary to resolve this finding. Therefore, VC may consider this finding closed, with no further action required.

Finding #5: Improper Disbursement - Federal Pell Grant Disbursed Prior to Midpoint

Citation: Schools must disburse all Title IV funds on a payment period basis. An institution may pay a Federal Pell Grant to an eligible student only after it determines that the student qualifies for the disbursement. In order for a student to receive a second scheduled award in an award year, the student must be enrolled for credit or clock hours that are attributable to the student's second academic year. [34 C.F.R. § 690.67]

Noncompliance: VC improperly disbursed a second scheduled Pell award of $1,850.00 to Student #2 in an award year during Term 4 of the student's academic program. Student #2 had not yet completed sufficient credit hours to have attained second academic year level in order to be eligible the disbursement. The student did achieve the next academic level in Term 5. The student actually later became eligible for the improperly disbursed Pell, but VC then compounded its error by incorrectly adjusting the student's disbursement record to reflect the attribution of the refund and the disbursement to the wrong payment periods. Instead of returning the ineligible disbursement for Term 4, it returned the funds for Term 5 to which the student was entitled and retained the ineligible disbursement for Term 4.

Required Action: VC was required to adjust the disbursement record and the account ledger for Student #2 to properly attribute the improperly disbursed and improperly returned $1,850.00 to the appropriate payment periods.

Final Program Review Determination: VC has taken the corrective actions necessary to resolve this finding. The institution is liable for the Cost of Funds interest on the Pell funds improperly disbursed before the student became eligible for those funds. Since this amount would be considered de minimus if quantified and the student ultimately qualified for the disbursement, VC may consider this finding closed, with no further action required.

Finding #6: Inaccurate Common Origination and Disbursement Records

Citation: The Secretary accepts a student's Payment Data that is submitted in accordance with procedures established through publication in the Federal Register, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution. [34 C.F.R. § 690.83(a)(2)]

An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related payment data changes by submitting to the Secretary the student's payment data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.

An institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct. [34 C.F.R § 690.83(b)]

The June 7, 2011, Federal Register (Vol. 76, No. 109) states an institution must submit Federal Pell Grant disbursement records **no later than 30 days** after making a Federal Pell Grant disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant disbursement.

The Department considers a disbursement of Federal Pell Grant funds to have occurred on the earlier of the date that the institution: (a) credits a student's account at the institution's general ledger or any subledger of the general ledger, or (b) pays a student directly with funds received from the Department. The Department considers a disbursement to have occurred even if institutional funds are used in advance of receiving the program funds from the Department. [34 CFR § 668.164(a)]

Noncompliance: VC reported inaccurate disbursement dates to COD. The Department considers a disbursement to have been made on the date the funds were actually credited to students' accounts. Because the dates reported in COD were earlier than the dates on which funds were actually disbursed to students, the institution appeared to have held excess cash and to have violated the requirements of the Heightened Cash Monitoring (HCM1) method of funding. Since VC does not actually draw Title IV funds until after posting disbursements to student's accounts in accordance with HCM1 requirements, excess cash was not actually held.

However, the HCM1 requirements do not absolve the institution from the requirement to accurately report disbursement information to the Department.

Required Action: VC must immediately implement COD reporting procedures that comply in all aspects with federal regulations, including updating disbursement records to accurately reflect actual disbursement dates.

Final Program Review Determination: VC has taken the corrective actions necessary to resolve this finding. Therefore, VC may consider this finding closed, with no further action required.

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. If you have any questions concerning this report, please call Sheri Wild at (312) 730-1539.

Sincerely,

(b)(6)

Douglas Parrott
Division Director

Enclosure: Appendix A, Student Sample

cc: Ms. Anne Hope, Vice-President of Financial Aid, Compliance, and Services
Mr. Aaron Lacey, Vice-President of Regulatory Affairs
Illinois State Board of Education
Illinois Board of Higher Education
Texas Workforce Commission
Tennessee Higher Education Commission
Accrediting Commission of Career Schools and Colleges

Appendix A: Student Sample - REDACTED

Appendix A: Student Sample

2010-11

	Student's Name	Student's SSN (last four digits only)
1.	(b)(6); (b)(7(C)	
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		

2011-

		SSN (last four)
16.		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24.		
25.		
26.		
27.		
28.		
29.		
30.		

Additional Withdrawn Students Tested

	Student's Name	Student's SSN (last four digits only)
31.	(b)(6); (b)(7(C)	
32.		
33.		
34.		
35.		