



March 3, 2015

Dr. Cynthia Baum, President  
Walden University  
100 Washington Avenue South, Suite 900  
Minneapolis, MN 55401-2511

Certified Mail  
Return Receipt Requested  
Domestic Return Receipt Number  
7012 1640 0000 0567 7231

RE: **Final Program Review Determination**  
OPE ID: 02504200  
PRCN: 2012-4-05-28358

Dear Dr. Baum:

The U.S. Department of Education's (Department's) Chicago/Denver School Participation Division issued an amended program review report on March 18, 2014 covering Walden University's (Walden's) 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 2011-2012 and 2012-2013 award years. Walden's final response was received on December 9, 2014. A copy of the program review report (and related attachments) and Walden's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Walden 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 Walden of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

The total liabilities due from the institution from this program review are \$34,281.18.

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

Federal Student  
Financial Aid

### **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, Institutional File Review Results, D, Walden University Response to the Program Review Report, and E, Cost of Funds Calculation also contain PII. These appendices were encrypted and sent separately to the institution via e-mail.

### **Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the March 18, 2014 amended program review report. If Walden 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 Walden receives this FPRD. An original and four copies of the information Walden 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

Walden'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 Walden'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 Michael Powers at (312) 730-1729. 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)

Douglas Parrott  
Division Director

**Enclosures:**

Protection of Personally Identifiable Information  
Program Review Report (and appendices)  
Final Program Review Determination Report (and appendices)

cc: Ernestine Whiting, Executive Director of Financial Aid, Laureate Education  
Teresa Drzewiecki, Director – Financial Aid, Walden University  
North Central Association of Colleges and Schools  
MN Minnesota Office of Higher Education  
Department of Defense  
Department of Veterans Affairs  
Consumer Financial Protection Bureau

Prepared for  
Walden University

Federal Student  
Aid

PROUD SPONSOR of  
the AMERICAN MIND™

OPE ID 02504200  
PRCN 2012-4-05-28358

Prepared by  
U.S. Department of Education  
Federal Student Aid  
Chicago/Denver School Participation Division

# Final Program Review Determination March 3, 2015

## Table of Contents

	Page
A. Institutional Information.....	2
B. Scope of Review.....	3
C. Findings and Final Determinations	3
Resolved Findings.....	3
Finding 1 – Return of Title IV (R2T4) Funds Made Late.....	4
Finding 1A – Return of Title IV (R2T4) Calculation Errors.....	6
D. Summary of Liabilities.....	11
E. Payment Instructions.....	12
F. <u>Appendices</u>	
Appendix A: Student Level Detail	
Appendix B: Institutional File Review Results	
Appendix C: Amended Program Review Report Dated March 18, 2014	
Appendix D: Walden University Response to the Amended Program Review Report	
Appendix E: Cost of Funds Calculation	

**A. Institutional Information**

Walden University  
100 Washington Avenue South, Suite 900  
Minneapolis, MN 55401-2511

Type: proprietary

Highest Level of Offering: Doctorate

Accrediting Agency: North Central Association of Colleges and Schools

Current Student Enrollment: 54,447 (2012)

% of Students Receiving Title IV: 65% (2012)

Title IV Participation (PEPS):	2011-2012
Federal Pell Grant (Pell)	\$21,112,332.00
William D. Ford Federal Direct Loan Program (Direct Loan)	\$755,284,216.00
Federal Supplemental Educational Opportunity Grant (SEOG)	\$453,216.00

Default Rate FFEL/DL:	2011 6.0%
	2010 2.8%
	2009 2.5%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Walden University (Walden) from September 17, 2012 to September 21, 2012. The review was conducted by Michael Powers, Clare Barger, and Mark Diestler.

The focus of the review was to determine Walden'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 Walden'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 initially identified for review from the 2011-2012 and 2012-2013 (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, 1 file was selected in the 2011-2012 award year because the original sample of 15 files only contained 1 withdrawn student with an R2T4 calculation that required a return of funds. Four additional files were selected in the 2012-2013 award year because the original sample of 15 files did not contain 2 students who were selected for verification and 2 students who withdrew and required an R2T4 calculation with a return of funds. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on March 18, 2014.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Walden'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 Walden 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, 3, and 4

Walden has taken the corrective actions necessary to resolve findings, 2, 3, and 4 of the program review report. Therefore, these findings may be considered closed. A copy of Walden's written response to these findings is contained in Appendix D. Findings requiring further action by Walden are discussed below.

### **Findings with Final Determinations**

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Walden's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on March 18, 2014 is attached as Appendix C.

### **Finding 1 – Return of Title IV (R2T4) Funds Made Late**

**Citation:** *When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. 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. An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.*

[34 C.F.R. § 668.22]

**Noncompliance:** *As an online institution that monitors students' activity as a measure of tracking academic engagement, Walden is considered to be an attendance-taking institution for Title IV purposes. As such, for students who cease attendance without completing an official withdrawal, Walden must determine within 14 days of the last date of attendance whether or not the student intends to return to school. If the student has withdrawn, an R2T4 calculation must be completed and any return of Title IV funds must be made by Walden within 45 days after the date of determination.*

*Student #4 withdrew on January 8, 2011, and Walden made the determination that the student withdrew on January 22, 2011. The R2T4 required return was due within 45 days after the date of determination, specifically, no later than March 8, 2011. Walden did not return the funds until March 15, 2011.*

*Student #31 withdrew on January 7, 2011, and Walden made the determination that the student withdrew on January 17, 2011. The R2T4 required return was due within 45 days of the date of determination, specifically, no later than March 3, 2011. Walden did not return the funds until March 9, 2011.*

*Student #34 withdrew on June 29, 2012, and Walden made the determination that the student withdrew on July 16, 2012. The determination should have been made no later than July 13, 2012, because Walden must determine within 14 days of the last date of attendance whether or not the student intended to return to school. The R2T4 required return was due within 45 days of July 13, 2012, specifically, no later than August 27, 2012. As of the end of the on-site visit for the program review, September 21, 2012, Walden had not returned the funds for this student.*

**Required Action:** *Walden must provide proof of repayment of the return for Student #34, which was identified and calculated by the institution, but not yet returned as of the end of the on-site visit by the program review team.*

*Additionally, as a result of Walden's failure to timely determine withdrawal dates, perform R2T4 calculations, and repay required returns of the unearned portion of Title IV funds for students who ceased attendance without completing the payment period in which they received Title IV disbursements, the institution is liable to the Department for the costs attributable to Walden's improper retention of funds for the period of time that payment of the return of funds was due.*

*Due to the systemic nature of this failure, Walden must perform a file review of all students who ceased attendance without completing the payment period for which they received a disbursement of Title IV funds between July 1, 2011 and December 31, 2012.*

*Submit the results of the file review in an electronic spreadsheet format. Do not include students who formally withdrew between payment periods or simply failed to return for a future scheduled payment period after completing a payment period. Do not include students who completed at least 60% of the payment period and therefore earned 100% of their Title IV aid for the period. For students who commenced attendance in a payment period for which they received a disbursement of Title IV funds and did not complete at least 60% of the payment period, provide the following information:*

**Student ID:** *Please create a unique identifier for each student (other than the students from the program review sample). Please begin numbering the students at #100. For students from the program review sample, use the students' numbers from Appendix A.*

**Name, Social Security Number (full)**

**Withdrawal Date:** *Date of student withdrawal determined based on federal regulation.*

**Date of Determination of Withdrawal:** *Date Walden actually determined the student withdrew.*

**Date Return Paid:** *Report the date the student's account was debited with the R2T4 amounts.*

**Days Late:** *As an attendance-taking institution for Title IV purposes, Walden is required to determine within 14 days of a student's last date of attendance (LDA) whether the student has withdrawn or plans to return to school. Walden must return any funds that are required by the R2T4 calculation as soon as possible but no later than 45 days from the date of determination, or a maximum of 59 days from the student's LDA. Where Walden correctly made the withdrawal determination within 14 days of the student's LDA, returns are considered late if not paid within 45 days of the date of determination. Where Walden made the determination later than 14 days of the student's LDA, returns are considered late if not paid within 59 days of the student's LDA.*

**Required Documentation:** *Walden must submit the following documentation for each student who appears on the summary spreadsheet:*

- R2T4 calculation documents
  - o *Including summary attendance records, e.g., screens labeled R2T4 Results and Percentage Calculation from Walden's R2T4 database, or the equivalent, which show the last date of login or participation, the metrics used to determine the LDA*
- *Student account ledger, or screen shot of appropriate transactions in Banner which shows the returned funds being removed from the student's account*

*The results of the file reviews required to be conducted in response to Findings #1 and #1A must be reviewed and attested to by an independent certified public accountant with experience in auditing institutions of higher education for compliance with Title IV, HEA regulations. If an attestation letter is not included with the submission of the file review results, the response will not be considered complete.*

*The final program review determination letter will provide instructions for the repayment of any liabilities.*

**Walden's Response:** In response to the Program Review Report, Walden completed a full file review of all students who ceased attendance without completing the payment period for which they received a disbursement of Title IV funds between July 1, 2011 and December 31, 2012 to check returns of Title IV funds for timeliness. An independent CPA attested to the results of the file review, which were submitted to the Department. Walden returned the funds for Student #34, and provided documentation of the return in its response to the Department. Walden described technical systems and reporting difficulties related to regulatory changes as the reason for the late Return to Title IV finding and indicated that a final set of technical enhancements aimed at limiting late returns was implemented on January 7, 2014. Copies of Walden's written response to Findings 1 and 1A are included as Appendix D of this report.

#### **Final Determination:**

**File Review:** The Department selected a sample of 50 students to review in order to determine the accuracy of the file review results submitted by Walden. No errors were discovered in the review of 50 students, so the results of the full file review for findings 1 and 1A were accepted.

Although the results of the full file review were accepted as a whole, in certain instances, the Department made minor adjustments to the number of days late indicated by Walden in its response. For institutions required to take attendance, either by an accrediting agency or its own internal policies, the Department expects institutions to have a procedure in place for routinely monitoring attendance records. Except in unusual circumstances, the Department expects that the date of an institution's determination that a student withdrew would be no later than 14 days after the student's withdrawal date – the last date of academic attendance as determined by the institution from its attendance records. See Dear Colleague Letter GEN 04-03 Revised, dated November 17, 2004.

Because institutions must return funds to the Title IV programs within 45 days of the date the institution determined that a student has withdrawn, and attendance-taking institutions should determine a student's withdrawal no later than 14 days after a student's last date of attendance (LDA), attendance-taking institutions, like Walden, have up to 59 days from the student's LDA to return funds. In cases where Walden made a timely determination of withdrawal, no change was made to Walden's response for those students. In cases where Walden did not determine the student's withdrawal within 14 days of the last date of attendance, the Department considered returns made after 59 days from the LDA to be late.

As a result of the file review with the adjustments described above, the Department determined the cost of funds associated with the days Walden held those funds beyond the last date the funds could have been returned. A copy of the calculation, because it contains Personally Identifiable Information, was e-mailed to Walden in any encrypted .zip file. The password was sent via separate cover.

The total liability for the cost of funds associated with the late Return of Title IV funds as well as payment instructions for the repayment of the liability is included after Finding 1A.

#### **Finding 1A – Return of Title IV (R2T4) Calculation Errors (audit finding #12-2)**

**Citation:** *When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. 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. An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

The percentage of the payment period or period of enrollment completed is determined, in the case of a program that is measured in credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date.

[34 C.F.R. § 668.22]

**Noncompliance:** The auditor found that, in testing 26 files of withdrawn students, 6 Return of Title IV (R2T4) calculations were incorrect, an error rate of 23 percent. The auditor noted that 4 of the errors resulted in additional refunds due to the Department and 2 errors resulted in over-returns of funds. However, this information does not comport with the auditor's recommendation nor with Summary Schedule C of the audit, which would indicate that 3 of the errors cited resulted in additional refunds due to the Department and 3 errors resulted in excess returns of funds.

**Required Action:** The auditor's Summary Schedule C on p.18 of the audit indicated that as of 2/28/2013, the auditor's last day of field work, the returns of funds checks had not cleared for 4 of these 6 students cited as R2T4 calculation errors. Walden must identify these 6 students cited by the auditor as errors and must provide proof of the returns of funds (i.e., front/back copies of cancelled checks, check clearance date, and/or other proof of electronic transactions).

Due to the error rate for this finding, Walden must perform a full file review of all R2T4 calculations for the fiscal year ending December 31, 2012 to identify any additional R2T4 calculations requiring correction and additional amounts to be returned to the Title IV programs. For any students so identified, Walden must return any necessary additional amounts and report those students as late refunds according to the instructions for Program Review Finding #1 above. Students whose corrected R2T4 calculations did not result in additional amounts to be returned are not to be included in the Excel spreadsheet. This file review should be performed in conjunction with the file review required for Finding #1.

Submit the results of the file review in an electronic spreadsheet format. **Please separate the students reported on the spreadsheet for this finding by using a separate tab or a blank row from the students reported in Audit Finding #12-3 and Program Review Finding #1.**

For students whose R2T4 calculations required correction and additional amounts to be returned to the Title IV programs, provide the following information:

**Student ID:** Please create a unique identifier for each student (other than the students from the program review sample and audit sample). Please begin numbering the students at #100. For students from the program review sample, use the students' numbers from Appendix A. For students identified in the auditor's sample, use the identifier provided by the auditor on Summary Schedule C of the audit.

**Name, Social Security Number (full)**

**Date of Original Return of Funds by program (i.e., Pell, etc.):** Date of return based on original calculation.

**Amount of Additional Return by program:** Additional amount required to be returned based on corrected R2T4 calculation.

**Date Additional Return Paid:** Report the date additional required funds were returned to the Title IV programs based on the corrected R2T4 calculation

**Days Late:** Difference between the original date return of funds was due and the date the additional funds were returned

**Required Documentation:** Walden must submit the following documentation for each student who appears on the summary spreadsheet:

- Original R2T4 calculation documents
- Corrected R2T4 calculation documents
  - o Including summary attendance records, e.g., screens labeled R2T4 Results and Percentage Calculation from Walden's R2T4 database, or the equivalent, which show the last date of login or participation, the metrics used to determine the LDA
- Student account ledger, or screen shot of appropriate transactions in Banner which shows the returned funds being removed from the student's account

*The institution is liable to the Department for the costs attributable to Walden's improper retention of funds for the period of time that payment of the correct return of funds was due.*

*Walden must submit the information requested to the address provided below in this document by June 30, 2014. The results of the file reviews required to be conducted in response to Findings #1 and #1A must be reviewed and attested to by an independent certified public accountant with experience in auditing institutions of higher education for compliance with Title IV, HEA regulations. If an attestation letter is not included with the submission of the file review results, the response will not be considered complete.*

*The final program review determination letter will provide instructions for the repayment of any liabilities.*

**Walden's Response:** In response to the amended Program Review Report, which included this finding from the 2012 compliance audit, Walden completed a full file review of all students who ceased attendance without completing the payment period for which they received a disbursement of Title IV funds between January 1, 2012 and December 31, 2012 to check returns of Title IV funds for accuracy. An independent CPA attested to the results of the file review, which were submitted to the Department. As Walden identified R2T4 calculations with errors that required additional amounts to be returned, Walden returned those amounts to Federal programs and documented the returns in its response. In the case of returns due to the 2010-2011 award year, Walden is working with the Department's Internal Controls Division to gain administrative relief because the 2010-2011 award year is already archived in Department systems.

Walden described human error as the reason for the incorrect Return to Title IV finding and indicated that it had conducted additional training for financial aid staff responsible for the calculations. Walden noted that there was not a finding for incorrect R2T4 in its subsequent compliance audit. Copies of Walden's written response to Findings 1 and 1A are included as Appendix D of this report.

**Final Determination:**

**File Review:** The Department selected a sample of 50 students to review in order to determine the accuracy of the file review results submitted by Walden. No errors were discovered in the review of 50 students, so the results of the full file review for findings 1 and 1A were accepted. While performing the full file review, Walden returned the funds associated with the R2T4 calculation errors it discovered. Therefore, the only remaining liability is for the cost of funds for the number of days that Walden held those funds in error. For returns due to the 2010-2011 award year, though the returns have not yet been made, for cost of funds purposes, the Department considers the funds to have been returned as of June 4, 2014, which is the date that Walden requested administrative relief.

As described in Finding 1, in certain instances, the Department made minor adjustments to the number of days late indicated by Walden in its response. For institutions required to take attendance, either by an accrediting agency or its own internal policies, the Department expects institutions to have a procedure in place for routinely monitoring attendance records. Except in unusual circumstances, the Department expects that the date of an institution's determination that a student withdrew would be no later than 14 days after the student's withdrawal date – the last date of academic attendance as determined by the institution from its attendance records. See Dear Colleague Letter GEN 04-03 Revised, dated November 17, 2004.

Because institutions must return funds to the Title IV programs within 45 days of the date the institution determined that a student has withdrawn, and attendance-taking institutions should determine a student's withdrawal no later than 14 days after a student's last date of attendance (LDA), attendance-taking institutions, like Walden, have up to 59 days from the student's LDA to return funds. In cases where Walden made a timely determination of withdrawal, no change was made to Walden's response for those students. In cases where Walden did not determine the student's withdrawal within 14 days of the last date of attendance, the Department considered returns made after 59 days from the LDA to be late.

As a result of the file review with the adjustments described above, the Department determined the cost of funds associated with the days Walden held those funds beyond the last date the funds could have been returned. A copy of the calculation, because it contains Personally Identifiable Information, was e-mailed to Walden in any encrypted .zip file. The password was sent via separate cover.

The total amount of liabilities owed as a result of Findings 1 and 1A is detailed below:

<b>Federal Pell Grant</b>	
Interest	\$225.18
<b>Federal Direct Loan</b>	
Interest	\$34,056.00
<b>TOTAL</b>	<b>\$34,281.18</b>

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

Payment instructions for the total liability of **\$34,281.18** are provided in Section E of this letter.

Due to the number of unpaid and late refunds, the institution is required to have on file with the Department an irrevocable Letter of Credit equal to 25% of the total refunds the institution made or should have made during the most recently closed fiscal year (34 C.F.R. § 668.173(d)). The institution has an existing Letter of Credit in the amount of \$ 82,989,830 with an expiration date of December 31, 2015, therefore, no additional LOC is required at this time.