

Prepared for
Webster University

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

Final Program Review Determination January 15, 2015

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A. Institutional Information

Webster University
470 East Lockwood
St. Louis, MO 63119

Type: Non-Profit

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

Accrediting Agency: North Central Association of Colleges and Schools, the Higher Learning Commission

Current Student Enrollment: 17,904 (2013-2014)

% of Students Receiving Title IV: 97%

Title IV Participation (Postsecondary Education Participants System)

	<u>2012-2013</u>
Federal Pell Grant	\$5,272,575.00
Supplement Education Opportunity Grant (SEOG)	\$363,125.00
Federal Work Study	\$1,038,274.00
Federal Perkins Loans (Perkins)	\$267,250.00
Federal Direct Loan (DL)	\$169,508,396.00

Default Rate FFEL/DL:	2011	5.6%
	2010	8.8%
	2009	8.2%

Default Rate Perkins:	2011	23.6%
	2010	26.3%
	2009	19.2%

B. Scope of Review

The U.S. Department of Education (the Department) conducted an off-site program review at Webster University (Webster) the week of August 6, 2014. The review was conducted by Bridget Johnston and Jenny Armontrout.

The focus of the review was Webster's compliance with federal requirements, specifically in regards to its arrangements and agreements with foreign institutions that are not Title IV eligible. The review consisted of an examination of Webster's agreements with foreign institutions that are not Title IV eligible, and disbursement records for students who enrolled in programs provided by the ineligible institutions. A program review report was issued September 11, 2014.

Disclaimer:

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

C. Findings and Final Determinations

Finding with Final Determinations

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of Webster's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on September 11, 2014 is attached as Appendix F.

Finding 1: Ineligible Program

***Citation Summary:** A Program Participation Agreement (PPA) conditions the initial and continued participation in of an eligible institution in any Title IV, HEA program upon compliance with the provisions of regulations set forth in 34 C.F.R Part 668, the individual program regulations, and any additional conditions specified in the PPA that the Secretary requires the institution to meet. 34 C.F.R § 668.14(a)*

If an eligible institution enters into a written arrangement with an institution or organization that is not an eligible institution under which the ineligible institution or organization provides

part of the educational program of students enrolled in the eligible institution, the Secretary considers that educational program to be an eligible program if—

- *The ineligible institution or organization has not—*
 - *Had its eligibility to participate in the Title IV, HEA programs terminated by the Secretary;*
 - *Voluntarily withdrawn from participation in the Title IV, HEA programs under a termination, show-cause, suspension, or similar type proceeding initiated by the institution's State licensing agency, accrediting agency, guarantor, or by the Secretary;*
 - *Had its certification to participate in the Title IV, HEA programs revoked by the Secretary;*
 - *Had its application for re-certification to participate in the Title IV, HEA programs denied by the Secretary; or*
 - *Had its application for certification to participate in the Title IV, HEA programs denied by the Secretary;*
- *The educational program offered by the institution that grants the degree or certificate otherwise satisfies the requirements of § 668.8; and*
 - *The ineligible institution or organization provides 25 percent or less of the educational program; or*
 - *The ineligible institution or organization provides more than 25 percent but less than 50 percent of the educational program;*
 - *The eligible institution and the ineligible institution or organization are not owned or controlled by the same individual, partnership, or corporation; and*
 - *The eligible institution's accrediting agency, or if the institution is a public postsecondary vocational educational institution, the State agency listed in the Federal Register in accordance with 34 CFR part 603, has specifically determined that the institution's arrangement meets the agency's standards for the contracting out of educational services.*

34 C.F.R. § 668.5(c)

Noncompliance Summary: *The Department obtained a signed copy of an agreement Webster entered into in 2012 with Regent's University (Regent's), an institution headquartered in the U.K., to administer educational programs at the Regent's campus in London. At the time, Regent's had no authority from the Department to receive or disburse Title IV, HEA program funds. Regent's had not been determined to be an eligible institution, has not signed a Program Participation Agreement with the Department and has not obligated itself to act as a fiduciary with respect to its receipt or disposition of federal funds.*

After reviewing the agreement with Regent's, the Department determined that the programs offered by Regent's on behalf of Webster were ineligible programs because the Agreement violated the Department's rules under 34 C.F.R. §668.5(c) regarding written arrangements with ineligible institutions. As a result of this violation, Webster had permitted an ineligible

institution to improperly receive Title IV, HEA program funds and provide a program to Title IV recipients.

This determination was based on specific terms within the Agreement, including:

- *Webster agrees to “license” Regent’s to deliver undergraduate and master’s degree programs in the U.K. on behalf of Webster. Upon providing the notice specified in the Agreement and receiving approval from Webster, Regent’s is permitted to offer any of the “Webster” programs described in Webster’s catalog. Regent’s drafts a syllabus for each subject, which is approved by Regent’s Senate as well as by a Webster liaison based in London. The programs are offered under the name “Regent’s American College, London,” and “a tagline specifying ‘a Webster University Degree,’” as well as Webster’s logo, are to be used in all marketing.*
- *Instruction is to be offered by Regent’s faculty, although they will also be listed as Webster “London faculty” in Webster’s system. Regent’s Deans are responsible for “the line management” of the faculty.*
- *Although Webster’s London liaison is to “supervise” the academic programs in accordance with Webster, as well as Regent’s Senate, quality assurance procedures, the specifics of this “supervision” are not otherwise specified. Webster is permitted to determine whether the programs continue to meet its reasonable requirements simply by reviewing course syllabi.*
- *The students are recruited and “accepted” by Regent’s, and enrolled as Regent’s students, although they must also meet Webster admission requirements. Regent’s notifies Webster of their enrollment, at which time they are also “registered as London students” of Webster. Regent’s can dismiss students. Regent’s petitions Webster to grant graduates Webster degrees.*
- *Webster is to provide to Regent’s all inquiries received from students and third parties in respect of undertaking a U.S. degree in the U.K. Webster also agrees to provide Regent’s with at least 12 months’ notice before “market[ing] or deliver[ing] courses . . . in the United Kingdom that are directly competitive with those programmes offered at” Regent’s.*
- *Webster is also to provide to Regent’s the services of Webster’s financial aid department to those students eligible for a USA federal or state grant or in applying for a grant or loan and to act as the sponsoring institution, receive any grant or loan paid from the federal or state authorities and to pass any such funds received to Regent’s for disbursement to the relevant degree students.*

Webster was notified of this determination in writing through a letter dated July 18, 2014. The letter also instructed Webster to immediately cease from awarding any Title IV, HEA program funds to students enrolled in programs administered through the Agreement with Regent's.

During the review, the Department was also informed that Webster has entered into agreements with Chinese institutions that implicate the same issue as the Agreement with Regent's, although responsibilities attendant to Title IV, HEA program funding do not appear to be referenced in these contracts.

Required Action Summary: *Webster was directed to demonstrate that it put in place controls to ensure that no Webster students enrolled in programs administered through the agreements with Chinese institutions receive Title IV, HEA program funding.*

In addition, Webster was informed that it may be liable for all Title IV, HEA program funds disbursed to students enrolled in programs through the Agreement with Regent's. The Final Program Review Determination letter will establish actual liabilities. The Department will utilize the Title IV disbursement information submitted by Webster to calculate any liabilities that may be assessed as a result of this report.

Webster's Response: In its response, Webster stated that it would acknowledge that its 2012 Agreement with Regent's may not have been drafted with the necessary precision. It also maintained that while the language in the Agreement failed to accurately capture the relationship between the two institutions, Webster does have control of the programs offered under the Agreement. Webster included several points to substantiate its claim that it maintains control and ownership over the programs offered under the Agreement. These points are discussed in the final determination section below.

Final Determination: The Department has determined that Webster provided sufficient documentation to resolve the Department's concerns regarding its agreements with Chinese institutions. Webster may consider this component of the finding closed with no further action required. The Department's finding of noncompliance in regards to Webster's agreement with Regent's is sustained. The Department reviewed Webster's response and supporting documentation in full and determined that it failed to provide sufficient evidence to document that programs offered under the Agreement were administered in compliance with 34 C.F.R. §668.5(c).

Webster's contentions of compliance rest on its assumption that institutional ownership and authority with respect to academic content of the programs offered under the Agreement constitute providing an educational program, as required under federal regulations. Webster's response clearly illustrates Webster's claim of ownership of the academic programs and authority to make academic decisions regarding key aspects of the educational programs administered under the Agreement. However, 34 C.F.R. §668.5(c) speaks to a contracting out of the actual delivery of the program, not ownership of the content of educational programs.

Monitoring the delivery of the program, providing all course materials to ensure students are taught to the same standards as programs at the main campus in St. Louis (contract clause 9.1.8), and building in procedures to help ensure that students meet Webster admissions standards (contract clauses 7.4, 8.1), are examples of oversight and quality control mechanisms for a contracting-out, but these items themselves do not constitute actually providing the program.

Aside from the foregoing quality control provisions, the division of responsibilities and rights between Regent's and Webster do not reflect that Webster plays the predominant role in providing programs under the agreement. For example, Regent's, like Webster, enrolls the students (contract clause 1.1, definition of "Degree Student"; contract clauses 7.1, 7.2, 7.5, 7.6, 7.7, 11.6; contract schedule 8), and it provides student services (Webster response to PRR).

The Agreement also states that Regent's admits students using both institutions' criteria. While Webster's response explains that Webster admission personnel review application materials and make final determinations regarding admission, these actions do not negate Regent's role in the recruitment and admissions process and Regent's authority to admit students, as dictated in contract clauses 7.1, 7.3, 7.4, and 7.5. The language in the Agreement explicitly details Regent's role in reviewing applications and later notifying Webster who they are (contract clause 8.1). In addition, the Agreement clearly dictates that Regent's is responsible for recruitment activities (contract clause 7.3).

Like Webster, Regent's applies academic oversight (contract clause 1.1, definitions of "Assessment Scheme," "Dean of BaM," "Dean of HASS," "Degree Student's File"; contract clauses 2.11.1, 2.11.3, 3.9, 3.10, 3.12.1, 3.12.2, 3.12.3, 3.15, 5.1, 5.6, and 5.7) and can dismiss students (contract clauses 7.7 and 7.8).

In terms of faculty, the Agreement dictates, and Webster's response confirms, that instruction is provided primarily by Regent's faculty members (contract clause 6.1 and 6.2). Webster's response relies heavily on the fact that faculty are also appointed as Webster's adjunct faculty with Webster having the authority to review and approve appointments, and also veto appointments. As explained in Webster's response, Regent's also maintains line management of its faculty and can restrict the number of courses its faculty members teach under the Agreement. The recruitment, employment and direction by Regent's of the faculty that delivers the program, together with Regent's responsibilities for providing the requisite facilities, Regent's acceptance of responsibility for "Webster" students as its own students as well, and Regent's contractual right to most of the proceeds of the programs and to determine the amount of such proceeds (contract clause 1.1, definitions of "Net Tuition Fees," "Student Fee," "University Fee"; contract clauses 2.4, 2.5, 3.3, 3.4, 13.1; contract schedules 3 and 4), are among the factors that convince the Department that more than 50 percent of the program is provided by Regent's.

The Department also notes that Webster's Exhibit 16, regarding the Master of International Human Rights, reflects an addition of a Webster degree program offered solely under the contract, and not in St. Louis, that relies on the expertise of Regent's faculty.

While the Department requires accrediting agency approval of a contracting out of more than 25 percent of a program, the accrediting agency does not determine whether a program meets Title IV eligibility requirements (aside from whether the program is accredited). The Department does not view characterizations in documents submitted by Webster to the accrediting agency (Webster Exhibits 5 and 6) as superseding or containing a complete description of the terms of the contract.

Lastly, the Department agrees that it should take into account how the arrangement works in practice, but notes that Webster has not identified any provisions of the contract that it claims the parties would agree have been abrogated by the course of dealing. Webster points out that the relationship dates back to 1994 and the Department would expect that a contract signed in 2006 and again in 2012 would reflect fairly accurately the course of dealing and intent of the parties.

Based on these conclusions, the determination of noncompliance is sustained. As a result of this determination, Webster is required to return the **\$87,869.00** in Federal Pell Grant funds to the Department for students enrolled under the ineligible agreement, as reported by Webster. Additionally, Webster is liable for the cost of funds associated with the improper use of Federal Pell Grant funds. The total cost of funds liability due to the Department as a result of the failure to return Pell Grant funds drawn improperly is **\$1,024.00** (\$1,024.12 in Federal Pell Grant interest, *rounded*). The interest charges were computed using the cost of funds for Federal Pell Grant Program published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about this cost of funds liability determination may be found in Appendix E.

Webster also improperly awarded and disbursed **\$2,345,821.00** in Direct Loan funds to students enrolled under the ineligible agreement, as reported by Webster. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on the most recent sector default rate available for institutions such as Webster. As a result, the estimated actual loss that Webster must pay to the Department for these ineligible loans is **\$6,571.00** (\$6,571.19, *rounded*). A copy of this calculation is included as Appendix D.

Webster must notify students in writing regarding payments made on their behalf. This notification must include the amount and the date of the payments.

D. Summary of Liabilities

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

Liabilities	Pell (Closed Award Year)	Pell (Open Award Year)	ELF DL
Finding 1	\$83,573.00	\$4,296.00	\$6,571.00
Subtotal	\$83,573.00	\$4,296.00	\$6,571.00
Interest	\$1,024.00		
Subtotal	\$1,024.00		
TOTAL	\$84,597.00	\$4,296.00	\$6,571.00
Payable To: Department	\$95,464.00		

E. Payment Instructions

Liabilities Owed to the Department

Webster owes to the Department a total of \$95,464.00. Payment of \$91,168.00 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. Instead, the school must first make any required adjustments in COD as required by the applicable finding and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: \$95,464.00
DUNS: 071989727
TIN: 430662529
Program Review Control Number: 201440728728

Payment of \$4,296.00 in Federal Pell Grant funds for the 2014-2015 award year must be made by adjusting the disbursement records for the students identified in Appendix A. If this creates a negative balance, the difference (principal) must be returned to G5 electronically.

A copy of the adjustment to each student's COD record, as well as proof that the funds were returned through G5, if applicable, must be sent to Bridget Johnston **within 45 days of the date of this letter.**

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. Webster 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 Webster'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, Webster 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 Webster from the Federal Government. **Webster may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Webster 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.

Direct Loan Estimated Actual Loss

Finding: 1
Appendix: D

DL Estimate Loss	
Amount	Award Year
\$6,571.00 (\$6,571.19 rounded)	2012-2013
Total	
\$6,571.00	

Webster must pay the amount reflected above in Direct Loan estimated loss liabilities for the award year reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in the section above.

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

Federal Pell Grant – Closed Award Year

Finding: 1
 Appendix: E

Webster must repay:

Pell Grant Funds Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$39,119.00	\$675.00 (\$675.23 rounded)	Federal Pell Grant	2012-2013
\$44,454.00	\$349.00 (\$348.89 rounded)	Federal Pell Grant	2013-2014
Total Principal	Total Interest		
\$83,573.00	\$1,024.00		

The disbursement record for the students identified in Appendix A must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the Appendix E.

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

A copy of the adjustment to the student's COD record must be sent to Bridget Johnston within 45 days of the date of this letter.

Pell – Current Award Year

Finding: 1
Appendix: A

Webster must repay:

Pell Grant Funds Open Award Year		
Amount (Principal)	Title IV Grant	Award Year
\$4,296.00	Federal Pell Grant	2014-2015
Total Principal		
\$4,296.00		

The disbursement record for each student must be adjusted in the Common Origination and Disbursement (COD) system.

If the adjustment to the disbursement record(s) creates a negative balance, the difference (principal) must be returned to G5 electronically. Note that the Department collects a liability from a program review via G5 only for liabilities owed for the Pell or TEACH currently open award year.

A copy of the adjustment to each student's COD record, as well as proof that the funds were returned through G5, if applicable, must be sent to Bridget Johnston **within 45 days of the date of this letter.**