June 17, 2014

Mr. Eric Brown
President
eClips School of Cosmetology and Barbering
52 S. Plaza Way
Cape Girardeau, MO 63703-5809

UPS: Tracking #1ZA879640191641961

RE: **Final Program Review Determination**
OPE ID: 03916300
PRCN: 201320728229

Dear Mr. Brown:

The U.S. Department of Education's (Department's) School Participation Division - Kansas City issued a program review report on November 21, 2013, covering eClips Schoool of Cosmetology and Barbering's (eClips) 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 years. eClips's final response was received on March 13, 2014. A copy of the program review report (and related attachments) and eClips's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by eClips 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 $5,557.00

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 Appendix A, Student Sample. In addition, Appendix B also contains PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the November 21, 2013 program review report. If eClips 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 eClips receives this FPRD. An original and four copies of the information eClips submits must be attached to the request. The request for an appeal must be sent to:

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

eClips'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 eClips'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).

If the institution has any questions regarding this letter, please contact Roy Chaney at 816-268-0426. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6); (b)(7(C)

Ralph A. LoBosco
Division Director

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

cc: Ms. Ericka Sterling, Financial Aid Administrator
Ms. Emily Carroll, Missouri State Board of Barber Examiners
Dr. Tony Mirando, NACCAS

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

C. Findings and Final Determinations

Resolved Findings

Finding 2. Improper Return of Title IV Funds Calculations
Finding 6. Inadequate NSLDS Enrollment Reporting
Finding 7. Failure to Perform Direct Loan Exit Counseling

No additional corrective action was necessary as a result of Finding 2, and eClips has taken the corrective actions necessary to resolve Findings 6 and 7 of the program review report (PRR) (it is noted that the final determination for Finding 5 can also be taken into consideration in relation to Finding 6). Therefore, these findings may be considered closed. Findings requiring further action by eClips are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution, and may be considered closed. These findings are included solely for the purpose of discussing the resolution of the finding.

Finding 4. Inadequate Audit Trail

Citation Summary: *Federal regulations stipulate that an institution shall establish and maintain, on a current basis, financial records that reflect each Title IV program transaction, and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. 34 C.F.R. § 668.164(b)*

By entering into a Program Participation Agreement, an institution agrees that, among other factors, it will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary or from students under the Title IV, HEA programs, together with assurances that the institution will provide, upon request and in a timely manner, information relating to the administrative capability and financial responsibility of the institution to the Secretary, U.S. Department of Education. 34 C.F.R. § 668.14(a)&(b)

Federal regulations require that an institution exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Title IV, HEA program funds. 34 C.F.R. § 668.163(e)

To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering *that program. The Secretary considers an institution to have that administrative capability if the institution, among other factors, administers Title IV, HEA programs with adequate checks and balances in its system of internal controls. 34 C.F.R. § 668.16(c)*

Noncompliance Summary: *In one respect, eClips had not developed and implemented processes and procedures for maintaining an audit trail that is consistent with generally accepted accounting principles and eClips's responsibility as a fiduciary of Title IV funds.*

Specifically, eClips maintained an institutional check register that records the date and number of checks as they are written, including checks used to pay Title IV credit balances to students. However, in six of 27 institutional Title IV credit balance checks reviewed, eClips' check register did not reconcile with either bank records or the student's ledger card.

Student #1 *The eClips' check register reflected that institutional check #7273 was issued on 2/13/12 to student #1 for $5,604, representing a Title IV credit balance composed of Direct Subsidized and Unsubsidized Loan funds. The student's account card reflected that a Title IV credit balance check in that amount was issued on 2/7/12. However, documentation provided by the institution's bank reflects that institutional check #7273 was issued on 2/2/12 in the amount of $8.85 to "UPS," a package delivery service. The institution's bank records disclose that the check issued to student #1 for $5,604 in Title IV credit balance funds was check #7311, which was issued on 2/10/12 and negotiated on 2/13/12.*

Student #14 *eClips's check register reflected that institutional check #6998 was issued on 12/16/11 to the student for $5,604, representing a Title IV credit balance composed of Direct Subsidized and Unsubsidized Loan funds. The student's account card also reflected that a Title IV credit balance check in that amount was issued on 12/16/11. However, documentation provided by the institution's bank reflected that institutional check #6998 was issued on 9/12/11 in the amount of $375 to "[redacted]" and individual who was not associated with student #14. The institution's bank records disclose that the check issued to student #14 for $5,604 in Title IV credit balance funds was check #7125, which was issued on 12/15/11 and negotiated on 12/19/11.*

Student #36 *eClips's check register reflected that institutional check #6730 was issued on 8/1/11 to student #36, a recipient of Title IV funds, for $1,875. However, the student's account card did not reflect that a check in that amount was written to the student, either for Title IV funds or non-Title IV funds. An imaged copy of the negotiated check number #6730 provided by the institution's bank reflected that check #6730 was written on 7/29/11 in the amount of $1,875 to "[redacted]," a television station that is not associated with student #36.*

Student #39 *eClips's check register reflected that institutional check #7221 was issued on 1/14/12 to student #39 for $1,742, representing a Title IV credit balance composed of Direct Subsidized Loan funds. Alternatively, the student's account card reflected that the*

Title IV credit balance check in the amount of $1,742 was issued on 2/2/12. Meanwhile, documentation provided by the institution's bank reflected that institutional check #7221 was issued to student #55 on 1/10/12 in the amount of $468.16. The institution's bank records disclose that the check issued to student #39 for $1,742 in Title IV credit balance funds was actually check #7129, which was issued on 1/19/12 and negotiated on 1/19/12.

Student #40 *eClips's check register reflected that institutional check #7260 was issued on 2/3/12 to the student for $4,184, representing a Title IV credit balance composed of Direct Subsidized and Unsubsidized Loan funds. The student's account card also reflected that a Title IV credit balance check in that amount was issued on 2/3/12. However, documentation provided by the institution's bank reflected that institutional check #7260 was issued to student #56 on 1/27/12 in the amount of $350.71. The institution's bank records disclose that the check issued to student #40 for $4,184 in Title IV credit balance funds was check #7341, which was issued on 2/3/12 and negotiated on 2/6/12.*

Student #54 *eClips's check register reflected that institutional check #6691 was issued on 7/1/11 to student #54 for $3,314, representing a Title IV credit balance composed of Direct Subsidized and Unsubsidized Loan funds that were disbursed to the student's account on 4/20/11. However, documentation provided by the institution's bank reflected that institutional check #6691 was issued to student #57 on 7/1/11 in the amount of $995. The institution's bank records disclose that the check issued to student #54 for $3,314 in Title IV credit balance funds was check #6688, which was issued on 7/1/11 and negotiated on 7/6/11.*

Required Action Summary: *For the 2010-11, 2011-12, 2012-13, and 2013-14 award years, eClips was required to reconcile its institutional check register with its bank records and its student account cards. A copy of the reconciled check register, as well as a detailed discussion of the results of the reconciliation, was required to accompany eClips's response to the PRR. Additional requirements for the resolution of this issue appeared in the Required Action section of Finding 3.*

eClip's Response: eClips concurs with this finding. eClips indicated they corrected the data in the institutional check register by reviewing monthly bank statements with check images and the QuickBooks system. eClips discovered the QuickBooks system would automatically populate check numbers resulting in a conflict with voided checks. eClips also indicated they updated procedures to ensure proper check numbers are recorded at the time checks are printed and that check numbers will be reviewed for accuracy during reconciliation.

Final Determination: The Department reviewed the records submitted for Finding 4. Although there are no liabilities associated with this finding, the Department reminds eClips the institution remains responsible for confirming that its software accurately portrays information in relation to Title IV, HEA processes although there is an automated system in place. eClips has assured the Department that proper computer systems and strengthened policy updates have been implemented. As a result the Department considers Finding 4 to be closed.

Finding 5. Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement System

Citation Summary: *An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with:*

(1) Funds received from the Secretary; or
(2) Institutional funds used in advance of receiving Title IV, HEA program funds. 34 C.F.R. § 668.164(a).

A school participating in the Direct Loan Program shall ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements of 34 C.F.R. § 685.200. A school shall provide to the Secretary borrower information that includes but is not limited to:

(1) The borrower's eligibility for a loan, as determined in accordance with 34 C.F.R. § 685.200 and 34 C.F.R. § 685.203;
(2) The student's loan amount; and
(3) The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds. 34 C.F.R. § 685.301(a)

Federal regulations at 34 C.F.R. § 690.83 require institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit Pell Grant and/or Direct Loan disbursement records to the COD system no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement information. The disbursement date to be reported to COD is the date that the institution credits funds to a student's account or pays funds to a student or parent directly. COD Technical Reference, 2010/11, Volume II

Noncompliance Summary: *In two respects, eClips failed to provide accurate and complete information to the Department's Common Origination and Disbursement (COD) system.*

First, in one of 32 financial aid file and account cards reviewed, eClips failed to reconcile the Department's COD system with a student's account card.

<u>Student #7</u> The financial aid file and account card indicated that eClips disbursed a total of $3,718 in Pell Grant funds for the 2011-12 award year, including a return of $1,832 in Pell Grant funds following the student's withdrawal from their institution. However, the Department's COD system reflected that the student was disbursed $3,683 in Pell Grant funds for the 2011-12 award year, creating a discrepancy of $35.

Second, on a systemic basis, eClips has failed to accurately report disbursement dates to the Department's COD system. The following chart illustrated a sample of the difference *between the dates that Title IV funds were disbursed to six student accounts (as recorded on the institutional student account ledgers) and the disbursement dates reported to COD:*

Student Number	*Program*	*Net Amount*	*COD Disbursement Date*	*Student Account Disbursement Date*
1	*Pell Grant*	*$2,775*	*10/7/11*	*10/27/11*
2	*Pell Grant*	*($2,342)*	*11/2/12*	*1/23/13*
12	*Pell Grant*	*$2,775*	*4/16/12*	*5/3/12*
12	*Pell Grant*	*$2,775*	*1/19/12*	*1/31/12*
12	*Direct Unsubsidized Loan*	*$2,985*	*1/19/12*	*1/31/12*
12	*Direct Unsubsidized Loan*	*$2,985*	*4/27/12*	*5/3/12*
12	*Direct Subsidized Loan*	*$1,742*	*1/19/12*	*1/31/12*
12	*Direct Subsidized Loan*	*$1,742*	*4/27/12*	*5/3/12*
15	*Pell Grant*	*$2,775*	*10/10/11*	*10/17/11*
30	*Pell Grant*	*$617*	*1/25/13*	*1/28/13*
31	*Direct Unsubsidized Loan*	*$990*	*12/14/12*	*12/18/12*
31	*Direct Subsidized Loan*	*$1,733*	*12/14/12*	*12/18/12*

Required Action Summary: *eClips was required to review the records of all COD files for all students who received Title IV funds in the 2011-12, 2012-13, or 2013-14 award years and correct all incorrect disbursement dates identified. eClips was also required to revise its COD reporting procedures to ensure that the institution accurately reports to COD the date that the institution disburses Title IV funds to each student's account.*

A copy of eClips's revised procedures, as well as a detailed discussion of the results of its review of COD reporting dates, was required to accompany eClips's response to the PRR.

eClip's Response: eClips concurs with this finding. eClips indicated in its response they had contracted with their third party servicer at that time Smart Systems Inc., to perform COD updating tasks. eClips has now reviewed the required award years and made the necessary corrections in COD. In addition, eClips has updated procedures to ensure COD will be reconciled with student ledgers.

Final Determination: Although there are no liabilities associated with this finding, eClips is reminded that when an institution contracts with a servicer to administer any aspect of the Title IV, HEA programs, both the institution and the servicer act in the capacity of a fiduciary and are subject to the highest standard of care and diligence in administering the programs and accounting to the Department for any funds administered in accordance with 34 C.F.R. §§ 668.82(a),(b)(2). An institution's responsibility with regard to its compliance with Title IV, HEA requirements does not terminate with the execution of a servicing contract. Rather, the institution and the servicer become partners with the shared responsibility of ensuring that all aspects of Title IV compliance are met. The Department considers Finding 5 to be closed.

Finding 8. Incomplete Third Party Servicer Contracts

Citation Summary: *Federal regulations at 34 C.F.R § 668.25 state, in pertinent part, that in a contract with an institution, a third-party servicer shall agree to -*

(1) Comply with all statutory provisions of or applicable to Title IV of the HEA, all regulatory provisions prescribed under that statutory authority, and all special arrangements, agreements, limitations, suspensions, and terminations entered into under the authority of statutes applicable to Title IV of the HEA, including the requirement to use any funds that the servicer administers under any Title IV, HEA program and any interest or other earnings thereon solely for the purposes specified in and in accordance with that program;

(2) Refer to the Office of Inspector General of the Department of Education for investigation any information indicating there is reasonable cause to believe that the institution might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program or an applicant for Title IV, HEA program assistance might have engaged in fraud or other criminal misconduct in connection with his or her application. Examples of the type of information that must be referred are—

(a) False claims by the institution for Title IV, HEA program assistance;
(b) False claims of independent student status;
(c) False claims of citizenship;
(d) Use of false identities;
(e) Forgery of signatures or certifications;
(f) False statements of income; and
(g) Payment of any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid to any person or entity engaged in any student recruitment or admission activity or in making decisions regarding the award of Title IV, HEA program funds.

(3) Be jointly and severally liable with the institution to the Secretary for any violation by the servicer of any statutory provision of or applicable to Title IV of the HEA, any regulatory provision prescribed under that statutory authority, and any applicable special arrangement, agreement, or limitation entered into under the authority of statutes applicable to Title IV of the HEA;

(4) In the case of a third-party servicer that disburses funds (including funds received under the Title IV, HEA programs) or delivers Federal Stafford Loan Program proceeds to a student-

(a) Confirm the eligibility of the student before making that disbursement or delivering those proceeds. This confirmation must include, but is not limited to, any applicable information contained in the records required under §668.24; and

(b) Calculate and return any unearned Title IV, HEA program funds to the Title IV, HEA program accounts and the student's lender, as appropriate, in accordance with the provisions of §§668.21 and 668.22, and applicable program regulations; and

(5) If the servicer or institution terminates the contract, or if the servicer stops providing services for the administration of a Title IV, HEA program, goes out of business, or files a petition under the Bankruptcy Code, return to the institution all—

(a) Records in the servicer's possession pertaining to the institution's participation in the program or programs for which services are no longer provided; and

(b) Funds, including Title IV, HEA program funds, received from or on behalf of the institution or the institution's students, for the purposes of the program or programs for which services are no longer provided.

Noncompliance Summary: *In two instances, eClips entered into agreements with third party servicers without formulating a contract that includes all of the conditions and language required by federal regulations.*

First, eClips's contract with Smart Systems, Inc. of Phoenix, Arizona, a third party servicer, dated 8/12/10 and 8/12/11, did not include the following language in its entirety, as required by federal regulations:

(1) If the servicer or institution terminates the contract, or if the servicer stops providing services for the administration of a Title IV, HEA program, goes out of business, or files a petition under the Bankruptcy Code, the servicer will return to the institution all—

(a) Funds, including Title IV, HEA program funds, received from or on behalf of the institution or the institution's students, for the purposes of the program or programs for which services are no longer provided.

Second, eClips's current contract with its third party servicer, Pantheon Student Solutions of Darien, Illinois, a third party servicer, dated 8/1/10, did not appear to include any of the language required in federal regulations at 34 C.F.R. § 668.25.

Required Action Summary: *It was noted that since the on-site portion of the program review, eClips had ended its contract with Smart Systems, Inc. of Phoenix, Arizona. Since July 2013, eClips had contracted with Financial Aid Services of Salem, New Hampshire to perform third party servicer functions.*

In response to this report, eClips was required to review and, as necessary, revise its contracts with its third party servicers to include all necessary language as identified in federal regulations at 34 C.F.R. § 668.25. A copy of the revised and signed contract with PSS, as well as a complete copy of its current contract with Financial Aid Services, was required to accompany eClips's response to this report.

eClip's Response: eClips concurs with this finding. eClips provided updated contracts between the institution and its third party servicers, Financial Aid Servicers, Inc. and Pantheon Student Solutions.

Final Determination: In an examination of both contracts between eClips and its third party servicers, the agreements appear to meet the criteria set forth by this finding. Although there are no liabilities associated with this finding, eClips is reminded of the importance of completing proper third party servicer contracts. The Department considers Finding 8 to be closed.

Finding 9. Unreported Changes to Institutional Information

Citation Summary: *An institution that participates in a Title IV, HEA program shall notify the Secretary within 10 days of the date that:*

(1) The institution enters into a new contract or significantly modifies an existing contract with a third-party servicer to administer any aspect of that program;
(2) The institution or a third-party servicer terminates a contract for the servicer to administer any aspect of that program; or
(3) A third-party servicer that administers any aspect of the institution's participation in that program stops providing services for the administration of that program, goes out of business, or files a petition under the Bankruptcy Code.

The institution's notification must include the name and address of the servicer. 34 C.F.R. § 668.25(e)

Noncompliance Summary: *In two instances, eClips failed to notify the Department of changes or corrections to information relating to the institution within the time period required for such notifications.*

First, at the time of the on-site portion of the program review eClips employed a third party servicer—Smart Systems, Inc. of Phoenix, Arizona—to assist the institution in administering the Title IV programs on a day-to-day basis. Contracts between the two business entities indicated that eClips had employed Smart Systems, Inc. since at least 8/12/10. However, as of 3/21/13, the last day of the on-site portion of the program review, eClips had not notified the Department of the institution's contract with Smart Systems, Inc.

Second, eClips employs a third party servicer—Pantheon Student Solutions (PSS) of Darien, Illinois—to provide default management activities related to the institution's participation in the Direct Loan programs. Contracts between the two business entities indicate that eClips has employed PSS since at least 8/1/10. However, as of 3/21/13, the last day of the on-site portion of the program review, eClips had not notified the Department of the institution's contract with PSS.

Required Action Summary: *It is noted that in May 2013, eClips reported its contract with PSS to the Department through the Department's* *__Application for Approval to Participate in the Federal Student Financial Aid Programs__* *website. It is also noted that eClips no longer contracts with Smart Systems, Inc. to perform third party servicer functions. In October 2013, eClips reported a new third party servicer contract with Financial Aid Services of Salem, New Hampshire The new contract took effect in July 2013.*

eClips was required to develop and implement procedures to ensure that pertinent updates to its Eligibility and Certification Approval Report (ECAR) are made within the appropriate timeframes. A discussion of the new procedures should accompany eClips's response.

eClip's Response: eClips concurs with this finding. eClips was notified by FAS that further E-App updates could not be made at this time due to the open recertification application. However, the application was reopened and the proper updates to third party servicers were included in the recertification application. In addition, eClips provided updated procedures to ensure timely updates are made to the ECAR.

Final Determination: Although there are no liabilities associated with this finding, eClips is reminded of the importance of providing accurate and timely ECAR updates. In the future, eClips must follow its updated procedures to ensure timely updates are made to the ECAR. The Department considers Finding 9 to be closed.

Findings with Final Determinations

The PRR findings requiring further action are summarized below. At the conclusion of each finding is a summary of eClips's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on November 21, 2013 is attached as Appendix C.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

Finding 1. Late Return of Title IV Funds

Citation Summary: *Federal regulations state that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including FWS or the non-federal share* *of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date.*

If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV programs. If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. 34 C.F.R. § 668.22(a)

Federal regulations require an institution to calculate and return Title IV refunds no later than 45 days after the date of the institution's determination that the student withdrew. 34 C.F.R. § 668.22(j)

Noncompliance Summary: *In nine of 26 2011-12 and 2012-13 Return of Title IV Funds calculations reviewed, eClips failed to make the necessary Returns within the required time frame.*

Student #1 *The financial aid file indicated that the student failed to return from a leave of absence (LOA), and eClips determined on 3/9/12 that the student's last date of attendance was 2/23/12—the last day of attendance prior to the start of the LOA. On 4/20/12 eClips performed a Return of Title IV Funds calculation that identified $2,985 in Direct Unsubsidized Loan funds, $1,742 in Direct Subsidized Loan funds, and $1,410 in Pell Grant funds to be returned. The Department's Common Origination and Disbursement (COD) system reflected that the Direct Subsidized and Unsubsidized Loan funds and the Pell Grant funds were returned on 5/14/12-- 21 days late.*

Student #2 *The financial aid file indicated that the student withdrew from eClips on 11/19/11, and eClips determined that the student had withdrawn on 12/2/11. On 1/4/12 eClips performed a Return of Title IV Funds calculation that identified $2,342 in Pell Grant funds to be returned. The Department's COD system reflected that the Pell Grant funds were returned on 12/27/12—346 days late.*

Student #3 *The financial aid file indicated that the student withdrew from eClips on 3/20/12, and eClips determined that the student had withdrawn on 4/14/12. On 5/1/12 eClips performed a Return of Title IV Funds calculation indicating that the student had earned 100 percent of the Title IV funds disbursed. However, eClips's date of determination that the student withdrew was 11 days beyond the 14-day timeframe for making such determinations.*

Student #9 *The financial aid file indicated that the student withdrew from eClips on 10/1/12, and the institution determined that the student had withdrawn on 10/22/12-- seven days beyond the 14-day timeframe for making such determinations. On 12/1/12,* *eClips performed a Return of Title IV Funds calculation that identified a return of $1,518 in Direct Subsidized Loan funds. The Department's COD system reflected that the Pell Grant funds were returned on 12/14/12– 60 days late.*

Student #12 *The financial aid file indicated that the student withdrew from eClips on 4/28/12, and eClips determined that the student had withdrawn on 5/23/12––11 days beyond the 14-day timeframe for making such determinations. On 6/8/12 eClips performed a Return of Title IV Funds calculation that incorrectly recorded disbursements of $2,775 in Pell Grant funds, $1,742 in Direct Subsidized Loan funds, and $2,985 in Direct Unsubsidized Loan funds as funds that could've been disbursed. The Return calculation, although incorrectly calculated for a post-withdrawal disbursement, identified a Return of $2,295 in Pell Grant funds, $1,742 in Direct Subsidized Loan funds, and $2,985 in Direct Unsubsidized Loan funds. The Department's COD system records indicated that the return of these funds was completed on 8/2/12- 51 days late.*

Student #13 *The financial aid file indicated that the student withdrew from eClips on 11/8/11, and eClips determined that the student had withdrawn on that same date. On 12/16/11 eClips performed a Return of Title IV Funds calculation that identified a return of $1,742 in Direct Subsidized Loan funds, and $359 in Pell Grant funds. The Department's COD system reflected that the return of these funds was completed on 12/29/11—six days late.*

Student #15 *The financial aid file indicated that the student withdrew from eClips on 10/6/11, and eClips determined that the student had withdrawn on 10/20/11. On 10/20/11 eClips performed a Return of Title IV Funds calculation that identified a return of $2,436 in Pell Grant funds. The Department's COD system reflected that the return of these funds was completed on 12/22/11—18 days late.*

Student #23 *The financial aid file indicated that the student withdrew from eClips on 1/16/13, and eClips determined that the student had withdrawn on 2/6/13––seven days beyond the 14-day timeframe for making such determinations. On 2/28/13, eClips performed a Return of Title IV Funds calculation that identified a return of $1,016 in Direct Subsidized Loan funds. The Department's COD system reflected that the return of these funds was completed on 9/13/13 -226 days late.*

Student #26 *The financial aid file indicated that the student withdrew from eClips on 11/27/12, and eClips determined that the student had withdrawn on 1/26/13 -46 days beyond the 14-day timeframe for making such determinations. On 3/19/13 eClips performed a Return of Title IV Funds calculation that identified a return of $990 in Direct Unsubsidized Loan funds, and $1,624 in Direct Subsidized Loan funds. The Department's COD system reflected that the return of these funds was completed on 5/17/13– 126 days late.*

It is noted that the late return of Title IV Funds to the Department after a withdrawal was identified as an issue in the institution's Student Financial Assistance audit for the fiscal year ending 12/31/11.

Required Action Summary: *In response to this finding, eClips was required to provide comprehensive information for all Title IV recipients who officially or unofficially withdrew during the 2010-11, 2011-12, 2012-13, and 2013-14 award years. The institution was required to identify and review the files of all Title IV recipients for whom a Return calculation was performed or should have been performed in any of the three award years. For Returns that were found to have been paid late, not paid, improperly paid, improperly calculated, or not calculated, eClips was required to provide the following information:*

(1) A spreadsheet that contains, for each Title IV recipient who officially or unofficially withdrew, the following information:

- *(a) Student's last name, first name;*
- *(b) Student's Social Security number;*
- *(c) Student's last date of attendance;*
- *(d) Student's withdrawal date;*
- *(e) The date that eClips determined that the student withdrew;*
- *(f) The date that the original Return was calculated;*
- *(g) The amount of Title IV funds returned, if applicable (organized by Title IV program);*
- *(h) The date(s) the Return(s) were made (organized by Title IV program);*
- *(i) Amount of post-withdrawal disbursement (PWD), if applicable;*
- *(j) Title IV program from which PWD was made;*
- *(k) Date PWD was paid;*
- *(l) Date of corrected Return of Title IV Funds calculation, if applicable;*
- *(m) Corrected amount of Return, if applicable;*
- *(n) Difference between original and corrected Return, organized by Title IV program;*
- *(o) Title IV program(s) to which corrected Return should be made, if applicable;*
- *(p) Amount of corrected PWD that should be made, if applicable;*
- *(q) Title IV program from which corrected PWD should be made, if applicable.*

The spreadsheet should be organized first by award year, then by individual student. The spreadsheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format;

(2) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew in the 2010-11, 2011-12, 2012-13, and 2013-14 award years (eClips must identify calculations that were first performed as a result of the Program Review Report [PRR]);

(3) A copy of the complete corrected Return of Title IV Funds calculation, if applicable;

(4) *A copy of all pertinent student account cards for the Returns identified above. The account card should reflect the disbursements included in the Return calculation as well as the return of the Title IV funds, if applicable;*

(5) *Legible copies of all audit trail documentation (i.e. wire transfer records on bank statements, institutional drawdown and refund reports, screen prints of Common Origination and Disbursement [COD] screens with pertinent detail information) to support the return of the funds to the Title IV accounts. The documentation must clearly identify the amount of the Return for the individual in question. If a Return was repaid to the Title IV programs by check, then a legible copy of the cancelled check, front and back, must be submitted;*

(6) *A copy of eClips's official withdrawal form (or other official withdrawal documentation) for each Title IV recipient who officially withdrew, with the official date of withdrawal notated;*

(7) *Copies of all pertinent attendance records supporting eClips's determination of the student's last date of attendance;*

(8) *In cases where a post-withdrawal disbursement was calculated, copies of documentation establishing that the post-withdrawal disbursement was offered to the student or parent, and the student or parent's response to that offer. In cases where no such documentation is necessary, eClips must provide documentation indicating that the student, or parent in the case of a PLUS loan, was notified that a post-withdrawal disbursement was made on their behalf, the amount of the disbursement, and the date that it occurred;*

(9) *For unearned Title IV aid that is required to be returned by a student, copies of all supporting documentation establishing that EClips contacted the student and made appropriate repayment arrangements, as outlined in federal regulations.*

The Return of Title IV Funds spreadsheets discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format. The following abbreviations should be used in the spreadsheet to indicate the various programs: Pell, DL Sub, DL Unsub, and DL PLUS.

In responding to this finding, eClips was required to engage an Independent Public Accountant (IPA) to test the completed file review. The IPA was required to develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures were provided to Mr. Chaney within 30 days of the institution's receipt of the PRR. Mr. Chaney reviewed the procedures, indicated if any changes were needed, and approved the procedures. The IPA applied the Agreed Upon Procedures to test the file reviews completed by eClips, and prepared a report including any exceptions noted during its testing. The exceptions were required to be detailed and identified. Exceptions were required to be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA was required to prepare the report in accordance with the American Institute of

Certified Public Accountants (AICPA) Attestations Standards. The IPA's report was required to be submitted with eClips's response to this PRR.

Additionally, eClips was required to review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed properly and in a timely manner in the future. A copy of these procedures accompanied eClips's response to this report.

eClip's Response: eClips concurs with this finding. To comply with the requirements of Finding 1 eClips engaged an IPA to complete a comprehensive file reconstruction of all Title IV, HEA recipients during the 2010-11, 2011-12, 2012-13, and 2013-14 (year to date) award years who withdrew to ensure Return calculations were completed. eClips discovered that the third party servicer failed to complete Return calculations timely and accurately. eClips indicated that its file review determined that three students who withdrew had not been subject to the required Return calculations.

In addition, eClips revised its Return of Title IV policies and procedures to ensure compliance with Department regulations. As an additional resource, eClips has instituted an Attendance and Withdrawal policy which ensures any potential errors in the process are corrected promptly.

Final Determination: The Department reviewed eClips's response and the applicable documents submitted. Additionally, program reviewers examined the revised procedures implemented by eClips to ensure Return calculations are completed timely and properly in the future.

Based on the auditor attestation submitted with eClips's response to this finding, the Department has established liabilities for those students identified in the file reconstruction performed by eClips for the 2010-11, 2011-12, 2012-13 and 2013-14 (year to date) award years.

eClips is responsible for a return of $779.00 to the Direct Subsidized Loan Program and $1,015.00 to the Direct Unsubsidized Loan Program.

Additionally, eClips is liable for the cost of funds associated with the improper use of Direct Subsidized Loan and Direct Unsubsidized Loan funds. The total cost of funds liability due to the Department as a result of the failure to return refunds of Direct Unsubsidized Loan funds is $2.00. The interest charges were computed using the cost of funds for Direct Unsubsidized Loans 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 F.

Instructions for repayment of the above liabilities are provided at the conclusion of this Final Program Review Determination (FPRD) letter.

eClips 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.

Finding 3: Late and Unmade Payment of Title IV Credit Balances

Citation Summary: *Federal regulations state that whenever an institution disburses Title IV program funds by crediting a student's account and the total amount of all Title IV program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but--*

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. § 668.164(e)

A Title IV credit balance occurs whenever your institution credits Title IV program funds to a student's account and the total amount of those Title IV funds exceeds the student's allowable charges. An institution may pay a credit balance to a student by issuing a check payable to and requiring the endorsement of the student or parent. An institution is considered to have issued the check on the date that it (1) mails the check to the student or parent, or (2) notifies the student that the check is available for immediate pickup and provides the specific location.

An institution that is paying a student his or her credit balance with a direct disbursement must pay the student within the 14-day time frame. An institution can, within that 14-day period, do a number of things, including sending a notice to the student that his or her money is available. An institution that does that is considered to have met the 14-day requirement to give the student his or her credit balance, as long as the institution's process complies with the rest of the regulation. That is, the institution must be able to give the student a check when the student comes to the office within the 14-day time frame.

If a student is told (within the 14-day period) to come to the business office to pick up his or her credit balance, the student must be able to leave the business office with the funds in some form (e.g., a check, cash, or an appropriate stored value card), and not be told that a check will be mailed to him or her.

An institution may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate Title IV program.

An institution may pay a credit balance by initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent. Moreover, an institution may establish a policy requiring its students to provide information about an existing bank account or open an account at a bank of the student's choosing as long as this policy does not delay the disbursement of Title IV funds to students. Consequently, if a student *does not comply with the institution's policy, the institution must nevertheless disburse the funds to the student either by dispensing cash, for which the institution obtains a signed receipt, or issuing a check. An institution must disburse the credit balance within the regulatory time frame. 2011-12 Federal Student Aid Handbook, Volume 4, Chapter 1*

Noncompliance Summary: *In three of 27 Title IV credit balances reviewed, eClips failed to pay the credit balances within the regulatory timeframe. In one of the three instances noted, a Title IV credit balance does not appear to have been paid.*

Student #14 *The student's ledger card indicated that on 12/14/11, $1,742 in Direct Subsidized Loan funds, $2,985 in Direct Unsubsidized Loan funds, and $1,948 in Pell Grant funds were disbursed to the student's account. The three disbursements created a Title IV credit balance of $6,454. The institution issued a check to the student for $5,604 on 12/15/11, and it was negotiated on 12/19/11. However, the remaining $850 of the Title IV credit balance appeared to have been written off the students account as part of a "tuition cancellation." It was unclear why the remaining amount of the Title IV credit balance was not paid to the student. It was also unclear how a cancellation of tuition charges could cause a Title IV credit balance to be written off.*

Student #47 *The student's ledger card indicated that on 8/27/12 $806 in Direct Unsubsidized Loan funds and $800 in Pell Grant funds were disbursed to the student's account. The two disbursements created a Title IV credit balance of $1,606. The institution issued a check for that amount dated 9/6/12, but the check was not negotiated until 12/23/12—104 days late. The student's financial aid file did not include an authorization to hold Title IV credit balances.*

Student #21 *The student's ledger card indicated that on 10/17/12 $1,485 in Direct Subsidized Loan funds and $1,980 in Direct Unsubsidized Loan funds were disbursed to the student's account. The two disbursements created a Title IV credit balance of $3,125. The institution issued a check for that amount dated 10/26/12, but the check was not negotiated until 11/15/12—15 days late. The student's financial aid file did not include an authorization to hold Title IV credit balances.*

It is noted that late and/or unmade payment of Title IV credit balances were identified as an issue in the institution's Student Financial Assistance audits for the fiscal years ending 12/31/11 and 12/31/12.

Required Action Summary: *Because of the issues identified in this finding and in Finding 4, eClips was required to review the accounts of all Title IV recipients who attended the institution in the 2010-11, 2011-12, 2012-13, and 2013-14 award years and identify any late or unmade Title IV credit balances. A report listing these Title IV credit balances was required to be submitted with eClips's response to this report. The listing of late or unmade Title IV credit balances should be arranged in a spreadsheet format and was required to include the following elements:*

(1) Student's name;
(2) Student's Social Security number;
(3) Award year;

(4) Title IV program(s), date(s), and amount(s) of disbursement causing the Title IV credit balance;
(5) Amount of Title IV credit balance;
(6) Date Title IV credit balance sent to student (or Title IV programs), if applicable;
(7) Date that Title IV credit balance was paid (i.e. date that check was negotiated, date that student signed for Title IV credit balance, etc.);
(8) Amount of Title IV credit balance outstanding;
(8) Legible copies, front and back, of all Title IV credit balance checks (in the case of credit balances signed over to students, a copy of the signature document; in the case of funds that are wired to a student's bank account, a copy of the EFT transfer confirmation);
(9) Legible copy of student's original account card.

The Title IV credit balance spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format. The following abbreviations should be used in the spreadsheet to indicate the various programs: Pell, DL Sub, DL Unsub, DL PLUS.

eClips was also required to identify any Title IV credit balances that remain on its accounting ledgers that could not be paid to the student and were not returned to the Department within the required timeframe. The reporting of these Title IV credit balances, if any, were required in the same format as the one above, but were to be reported on a separate spreadsheet.

In responding to this finding, eClips was required to engage an Independent Public Accountant (IPA) to test the completed file review. The IPA was required to develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures were provided to Mr. Chaney within 30 days of the institution's receipt of the PRR. Mr. Chaney reviewed the procedures, and indicated if any changes are needed, and approve the procedures. The IPA was required to apply the Agreed Upon Procedures to test the file reviews completed by eClips, and prepare a report including any exceptions noted during its testing. The exceptions were to be detailed and identified. Exceptions were required to be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA was required to prepare the report in accordance with the American Institute of Certified Public Accountants (AICPA) Attestations Standards. The IPA's report was required to be submitted with eClips's response to the PRR.

Additionally, eClips was required to review and, as necessary, revise its procedures for monitoring Title IV credit balances to ensure that all such credit balances are paid in a timely manner in the future. A copy of those updated policies and procedures was required to accompany eClips's response.

eClip's Response: eClips concurs with this finding. To comply with the requirements of Finding 3 eClips engaged an IPA to complete a comprehensive file reconstruction of all Title IV, HEA recipients during the 2010-11, 2011-12, 2012-13, and 2013-14 award years who withdrew to ensure credit balance checks were properly completed.

eClips discovered several unpaid credit balances that were the result of the third party servicer calculating tuition refunds based off of full program cost rather than 0-900 hour cost. eClips's file review determined there were four students with outstanding credit balances due.

In addition, eClips revised its credit balance check policies and procedures to ensure compliance with Department regulations.

Final Determination: The Department reviewed eClips's response and the applicable documents submitted. Additionally, program reviewers examined the revised procedures implemented by eClips to ensure credit balances are paid in a timely manner in the future.

Based on the auditor attestation submitted with eClips's response to this finding, the Department has established liabilities for those students identified in the file reconstruction performed by eClips for the 2010-11, 2011-12, 2012-13, and 2013-14 award years in which the institution did not properly issue credit balance checks.

eClips is responsible for a return of **$3,695.00** to the Direct Unsubsidized Loan Program.

Additionally, eClips is liable for the cost of funds associated with the improper use of Direct Unsubsidized Loan funds. The total cost of funds liability due to the Department as a result of the failure to return credit balances of Direct Unsubsidized Loan funds is **$66.00.** The interest charges were computed using the cost of funds for Direct Unsubsidized Loans 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 F.

Instructions for repayment of the above liabilities are provided at the conclusion of this Final Program Review Determination (FPRD) letter.

eClips 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.

D. Summary of Liabilities

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

Established Liabilities	
Liabilities	DL
Finding 1	$1,794.00
Finding 3	$3,695.00
Subtotal 1	$5,489.00
Interest/SA	$ 68.00
Subtotal 2	$ 68.00
TOTAL	$5,557.00
Payable To:	
Department	$5,557.00

E. Payment Instructions

Liabilities Owed to the Department $1,000 or More but Less Than $100,000

eClips owes to the Department $5,557.00. 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. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: $5,557.00
DUNS: 129891953
TIN: 382801482
Program Review Control Number: 201320728229

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

William D. Ford Federal Direct Loan (Direct Loan) Liabilities:

Direct Loan Closed Award Years (Request Extended Processing)

Findings: 1,3
Appendix: B

eClips must repay the following Direct Loan liabilities:

DL Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
$1,120.00	$34.00	2010-11
$2,700.00	$34.00	2011-12
$1,669.00	$0.00	2012-13
Total Principal	Total Interest	
$5,489.00	$68.00	

The disbursement record for each student identified in the appendix B listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix. A copy of the adjustment to each student's COD record must be sent to Mr. Chaney of this office **within 45 days of the date of this letter**.

Request Extended Processing

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

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

Appendix C:
Narrative of the Program Review Report of November 21, 2013

Finding 1. Late Return of Title IV Funds

Citation: Federal regulations state that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including FWS or the non-federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date.

If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV programs. If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. *34 C.F.R. § 668.22(a)*

Federal regulations require an institution to calculate and return Title IV refunds no later than 45 days after the date of the institution's determination that the student withdrew. *34 C.F.R. § 668.22(j)*

Noncompliance: In nine of 26 2011-12 and 2012-13 Return of Title IV Funds calculations reviewed, eClips failed to make the necessary Returns within the required time frame.

Student #1 The financial aid file indicates that the student failed to return from a leave of absence (LOA), and eClips determined on 3/9/12 that the student's last date of attendance was 2/23/12—the last day of attendance prior to the start of the LOA. On 4/20/12 eClips performed a Return of Title IV Funds calculation that identified $2,985 in Direct Unsubsidized Loan funds, $1,742 in Direct Subsidized Loan funds, and $1,410 in Pell Grant funds to be returned. The Department's Common Origination and Disbursement (COD) system reflects that the Direct Subsidized and Unsubsidized Loan funds and the Pell Grant funds were returned on 5/14/12—21 days late.

Student #2 The financial aid file indicates that the student withdrew from eClips on 11/19/11, and eClips determined that the student had withdrawn on 12/2/11. On 1/4/12 eClips performed a Return of Title IV Funds calculation that identified $2,342 in Pell Grant funds to be returned. The Department's COD system reflects that the Pell Grant funds were returned on 12/27/12—346 days late.

Student #3 The financial aid file indicates that the student withdrew from eClips on 3/20/12, and eClips determined that the student had withdrawn on 4/14/12. On 5/1/12 eClips performed a Return of Title IV Funds calculation indicating that the student had earned 100 percent of the Title IV funds disbursed. However, eClips's date of determination that the student withdrew was 11 days beyond the 14-day timeframe for making such determinations.

Student #9 The financial aid file indicates that the student withdrew from eClips on 10/1/12, and the institution determined that the student had withdrawn on 10/22/12—seven days beyond the 14-day timeframe for making such determinations. On 12/1/12, eClips performed a Return of Title IV Funds calculation that identified a return of $1,518 in Direct Subsidized Loan funds. The Department's COD system reflects that the Pell Grant funds were returned on 12/14/12-–60 days late.

Student #12 The financial aid file indicates that the student withdrew from eClips on 4/28/12, and eClips determined that the student had withdrawn on 5/23/12—11 days beyond the 14-day timeframe for making such determinations. On 6/8/12 eClips performed a Return of Title IV Funds calculation that incorrectly recorded disbursements of $2,775 in Pell Grant funds, $1,742 in Direct Subsidized Loan funds, and $2,985 in Direct Unsubsidized Loan funds as funds that could've been disbursed. The Return calculation, although incorrectly calculated for a post-withdrawal disbursement, identified a Return of $2,295 in Pell Grant funds, $1,742 in Direct Subsidized Loan funds, and $2,985 in Direct Unsubsidized Loan funds. The Department's COD system records indicated that the return of these funds was completed on 8/2/12—51 days late.

Student #13 The financial aid file indicates that the student withdrew from eClips on 11/8/11, and eClips determined that the student had withdrawn on that same date. On 12/16/11 eClips performed a Return of Title IV Funds calculation that identified a return of $1,742 in Direct Subsidized Loan funds, and $359 in Pell Grant funds. The Department's COD system reflects that the return of these funds was completed on 12/29/11—six days late.

Student #15 The financial aid file indicates that the student withdrew from eClips on 10/6/11, and eClips determined that the student had withdrawn on 10/20/11. On 10/20/11 eClips performed a Return of Title IV Funds calculation that identified a return of $2,436 in Pell Grant funds. The Department's COD system reflects that the return of these funds was completed on 12/22/11 -–18 days late.

Student #23 The financial aid file indicates that the student withdrew from eClips on 1/16/13, and eClips determined that the student had withdrawn on 2/6/13—seven days beyond the 14-day timeframe for making such determinations. On 2/28/13, eClips performed a Return of Title IV Funds calculation that identified a return of $1,016 in Direct Subsidized Loan funds. The Department's COD system reflects that the return of these funds was completed on 9/13/13- –226 days late.

Student #26 The financial aid file indicates that the student withdrew from eClips on 11/27/12, and eClips determined that the student had withdrawn on 1/26/13- 46 days beyond the 14-day timeframe for making such determinations. On 3/19/13 eClips performed a Return of Title IV Funds calculation that identified a return of $990 in Direct Unsubsidized Loan funds, and $1,624 in Direct Subsidized Loan funds. The Department's COD system reflects that the return of these funds was completed on 5/17/13- -126 days late.

It is noted that the late return of Title IV Funds to the Department after a withdrawal was identified as an issue in the institution's Student Financial Assistance audit for the fiscal year ending 12/31/11.

Required Action: In response to this finding, eClips must provide comprehensive information for all Title IV recipients who officially or unofficially withdrew during the 2010-11, 2011-12, 2012-13, and 2013-14 award years. The institution must identify and review the files of all Title IV recipients for whom a Return calculation was performed or should have been performed in any of the three award years. For Returns that are found to have been paid late, not paid, improperly paid, improperly calculated, or not calculated, eClips must provide the following information:

(1) A spreadsheet that contains, for each Title IV recipient who officially or unofficially withdrew, the following information:

(a) Student's last name, first name;
(b) Student's Social Security number;
(c) Student's last date of attendance;
(d) Student's withdrawal date;
(e) The date that eClips determined that the student withdrew;
(f) The date that the original Return was calculated;
(c) The amount of Title IV funds returned, if applicable (organized by Title IV program);
(d) The date(s) the Return(s) were made (organized by Title IV program);
(e) Amount of post-withdrawal disbursement (PWD), if applicable;
(f) Title IV program from which PWD was made;
(g) Date PWD was paid;
(h) Date of corrected Return of Title IV Funds calculation, if applicable;
(i) Corrected amount of Return, if applicable;
(j) Difference between original and corrected Return, organized by Title IV program;
(k) Title IV program(s) to which corrected Return should be made, if applicable;
(l) Amount of corrected PWD that should be made, if applicable;
(m) Title IV program from which corrected PWD should be made, if applicable.

The spreadsheet should be organized first by award year, then by individual student. The spreadsheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format;

(10) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew in the 2010-11, 2011-12, 2012-13, and 2013-14 award years (eClips must identify calculations that were first performed as a result of the Program Review Report [PRR]);

(11) A copy of the complete corrected Return of Title IV Funds calculation, if applicable;

(12) A copy of all pertinent student account cards for the Returns identified above. The account card should reflect the disbursements included in the Return calculation as well as the return of the Title IV funds, if applicable;

(13) Legible copies of all audit trail documentation (i.e. wire transfer records on bank statements, institutional drawdown and refund reports, screen prints of Common Origination and Disbursement [COD] screens with pertinent detail information) to

support the return of the funds to the Title IV accounts. The documentation must clearly identify the amount of the Return for the individual in question. If a Return was repaid to the Title IV programs by check, then a legible copy of the cancelled check, front and back, must be submitted;

(14) A copy of eClips's official withdrawal form (or other official withdrawal documentation) for each Title IV recipient who officially withdrew, with the official date of withdrawal notated;

(15) Copies of all pertinent attendance records supporting eClips's determination of the student's last date of attendance;

(16) In cases where a post-withdrawal disbursement was calculated, copies of documentation establishing that the post-withdrawal disbursement was offered to the student or parent, and the student or parent's response to that offer. In cases where no such documentation is necessary, eClips must provide documentation indicating that the student, or parent in the case of a PLUS loan, was notified that a post-withdrawal disbursement was made on their behalf, the amount of the disbursement, and the date that it occurred;

(17) For unearned Title IV aid that is required to be returned by a student, copies of all supporting documentation establishing that EClips contacted the student and made appropriate repayment arrangements, as outlined in federal regulations.

The Return of Title IV Funds spreadsheets discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Student's last name, first name	SSN	Last date of attendance	Withdrawal date	Date of determination
2010/11	Doe, Jane	***	6/20/11	6/20/11	6/24/11
" "	Doe, Jill	"	" "	" "	" "
" "	" "	"	" "	" "	" "

(continued)

Date Return calculation performed	Amount of Return, if applicable	Title IV program	Date Return was made	Amount of PWD, if applicable	PWD program
6/25/11	$2,000	DL Unsub	7/6/11	n/a	n/a
" "	$1,356	DL Sub	7/6/11	" " "	" "
" "	$312	Pell	7/4/11	" " "	" "

(continued)

Date PWD paid	Date of corrected Return calculation, if applicable	Corrected amount of Return, if applicable	Difference between original and corrected calculation	Title IV program	Amount of corrected PWD, if applicable
n/a	6/24/11	$2,000	$0	DL Unsub	n/a
" "	" "	$1,356	$0	DL Sub	" "
" "	" "	$517	$205	Pell	" "

(continued)

PWD program
n/a
" "
" "

The following abbreviations should be used in the spreadsheet to indicate the various programs: Pell, DL Sub, DL Unsub, and DL PLUS.

In responding to this finding, eClips must engage an Independent Public Accountant (IPA) to test the completed file review. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Mr. Chaney within 30 days of the institution's receipt of this PRR. Mr. Chaney will review the procedures, indicate if any changes are needed, and approve the procedures. The IPA must apply the Agreed Upon Procedures to test the file reviews completed by eClips, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA must prepare the report in accordance with the American Institute of Certified Public Accountants (AICPA) Attestations Standards. The IPA's report must be submitted with eClips's response to this PRR.

Additionally, eClips must review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed properly and in a timely manner in the future. A copy of these procedures must accompany eClips's response to this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not attempt to repay any funds owed to the Department until the FPRD is issued. eClips is allowed, however, to make PWDs to students when such a disbursement falls within the normal six-month window for making PWDs.

Finding 2. Improper Return of Title IV Funds Calculations

Citation: Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent federal regulations. *34 C.F.R. § 668.22*

Federal regulations state that for a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, or a student who takes a leave of absence that does not meet the Department's requirements, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records. An institution must document a student's withdrawal date determined in accordance with Department requirements and maintain the documentation as of the date of the institution's determination that the student withdrew. *34 C.F.R. § 668.22(b)*

Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent federal regulations. *34 C.F.R. § 668.22*

Federal regulations state that for a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, or a student who takes a leave of absence that does not meet the Department's requirements, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records. An institution must document a student's withdrawal date determined in accordance with Department requirements and maintain the documentation as of the date of the institution's determination that the student withdrew. *34 C.F.R. § 668.22(b)*

An institution must offer any post-withdrawal disbursement of loan funds within 30 days of the date of the school's determination that the student withdrew, and return any unearned funds and make a post-withdrawal of grant funds within 45 days of that date. If a student provides all documents required for verification after withdrawing but before the verification submission deadline, and in time for the institution to meet the 30-day Return deadline, the institution performs the Return calculation including all Title IV aid for which the student has established eligibility as a result of verification and for which the conditions of a late disbursement had been met prior to the student's loss of eligibility due to withdrawal. *34 C.F.R. § 668.164(g)(2)*

The institutional charges used in the calculation usually are the charges that were initially assessed the student for the entire payment period or period of enrollment as applicable. Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status unrelated to the withdrawal). If, after a student withdraws, the institution changes the amount of institutional charges it is assessing a student, or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation.

The Return regulations presume that Title IV program funds are used to pay institutional charges ahead of all other sources of aid. Institutional charges may not be reduced even if other sources of aid are used to pay those charges. For example, an institution may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition. *34 C.F.R. §§ 668.22(g)(1)(ii); 668.22(g)(2)*

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records.

If a student provides notification to the school of his or her withdrawal prior to the date that the institution normally would determine that the student withdrew, the date of determination is the date of the student's notification. The institution is *not* required to administratively withdraw a student who has been absent for 14 days (or less, if applicable). However, after 14 days, it is expected to have determined whether the student intends to return to classes or to withdraw. If the student is eventually determined to be a withdrawal, the end of the 14-day period begins the timeframe for completing a Return of Title IV Funds calculation. *2012-13 Federal Student Aid Handbook, Chapter 1, Volume 5*

Noncompliance: In seven respects, eClips improperly performed Return of Title IV Funds calculations.

Incorrect scheduled hours: Because eClips calculates scheduled hours using complete days rather than individual hours the institution has, on a systemic basis, incorrectly identified the number of scheduled hours in a payment period when performing Return of Title IV Funds calculations.

For example, the financial aid file of student #18 indicates that the student withdrew on 7/20/13, and eClips determined that the student had withdrawn on 7/21/12. A Return calculation performed on 8/15/12 indicated that 63 clock hours in the second payment period of the student's program had been scheduled at the point where the student withdrew. However, a review of class schedules reflects that 58 clock hours in the second payment period of the program had been scheduled when the student withdrew. The scheduled clock hours determined by eClips incorrectly includes five clock hours that occurred on 7/10/12 and that belong to the previous payment period.

Likewise, the financial aid file of student #5 indicates that the student withdrew on 3/17/12, and eClips determined that the student had withdrawn on 4/14/12. A Return calculation performed on 4/20/12 indicated that 129 clock hours in the second payment period of the student's program had been scheduled at the point where the student withdrew. However, a review of class schedules reflects that 127.5 clock hours in the second payment period of the program had been scheduled when the student withdrew. The scheduled clock hours determined by eClips incorrectly includes 1.5 clock hours that occurred on 2/22/12 and that belong to the previous payment period.

As a further example, the financial aid file of student #26 indicates that the student withdrew on 11/27/12, and eClips determined that the student had withdrawn on 1/26/13. A Return calculation performed on 3/19/13 indicated that 245 clock hours in the second payment period of the student's program had been scheduled as of the point where the student withdrew. However, a review of class schedules reflects that 242.8 clock hours in the second payment period of the program had been scheduled when the student withdrew. The scheduled clock hours determined by eClips incorrectly includes 2.2 clock hours that occurred on 10/4/12 and that belong to the previous payment period.

In discussions with the program review team during the on-site portion of the program review, representatives of Smart Systems, Inc. of Phoenix, Arizona, eClips's third party servicer tasked with calculating Returns of Title IV Funds, stated that the process of identifying scheduled hours is day-based, rather than hour-based. Consequently, in cases where scheduled hours from two different payment periods are evident in one day of instruction, the total amount of that day's scheduled hours will be applied to the new payment period.

Late/incorrect date of determination: In five of 26 2011-12 and 2012-13 Return of Title IV Funds calculations reviewed, eClips did not determine that a student had withdrawn within the require timeframe.

Student #24 The financial aid file indicates that the student withdrew from eClips on 7/19/12, and eClips determined that the student had withdrawn on 8/8/12—six days beyond the 14-day timeframe for making such determinations.

Student #19 The financial aid file indicates that the student withdrew from eClips on 12/5/12, and eClips determined that the student had withdrawn on 1/3/13—15 days beyond the 14-day timeframe for making such determinations.

Student #3 The financial aid file indicates that the student withdrew from eClips on 3/20/12, and eClips determined that the student had withdrawn on 4/14/12—11 days beyond the 14-day timeframe for making such determinations.

Student #9 The financial aid file indicates that the student withdrew from eClips on 10/1/12, and the institution determined that the student had withdrawn on 10/22/12—seven days beyond the 14-day timeframe for making such determinations.

Student #23 The financial aid file indicates that the student withdrew from eClips on 1/16/13, and eClips determined that the student had withdrawn on 2/6/13—seven days beyond the 14-day timeframe for making such determinations.

Incorrect institutional costs: In one of 26 2011-12 and 2012-13 Return of Title IV Funds calculations reviewed, eClips improperly identified the amount of institutional charges for the payment period in question.

Student #16 The financial aid file reflects that the student officially withdrew on 11/2/12, and eClips determined that the student had withdrawn on 11/14/12. A Return calculation performed on 11/26/12 reflected that the institutional charges for the payment period in question included $3,022 in tuition and $4,456 in "other" charges. eClips was unable to identify to the program review team the nature of the "other" charges. Consequently, the charges should not have been included in the Return calculation.

Loan funds improperly returned: In one of 26 2011-12 and 2012-13 Return of Title IV Funds calculations reviewed, eClips returned Direct Loan funds that had been disbursed to the student, without first consulting the student on the disposition of the funds.

Student #6 The financial aid file indicates that the student withdrew from eClips on 10/18/11, and the institution determined that the student had withdrawn on 11/1/11. The institution performed a Return of Title IV Funds calculation on 11/11/11 which indicated that $995 in Direct Unsubsidized Loan funds and $1,742 in Direct Subsidized Loan funds had been disbursed to the student during the payment period. The Return also reflected that the student had earned all of the Title IV funds disbursed. However, rather than paying the earned Direct Loan funds to the student, eClips returned the loan disbursements in their entirety to the Department, without first obtaining the permission of the student to do so.

Incorrect funds disbursed/could have been disbursed: In one of 26 2011-12 and 2012-13 Return of Title IV Funds calculations reviewed, eClips failed to properly identify the amount of funds disbursed to the student, and the amount of funds that could have been disbursed.

<u>Student #18</u> The financial aid file indicates that the student withdrew on 7/20/13, and eClips determined that the student had withdrawn on 7/21/12. A Return calculation was performed on 8/15/12 that identified $2,985 in Direct Unsubsidized Loan funds and $1,742 in Direct Subsidized Loan funds as funds that could have been disbursed. However, eClips failed to note that $2,775 in Pell Grant funds could also have been disbursed.

PWD identified but not offered to student: In one of 26 2011-12 and 2012-13 Return of Title IV Funds calculations reviewed, eClips failed to offer a post-withdrawal disbursement (PWD) to a student.

<u>Student #18</u> The financial aid file indicates that the student withdrew on 7/20/13, and eClips determined that the student had withdrawn on 7/21/12. A Return calculation was performed on 8/15/12 that identified a PWD of $662 in Direct Unsubsidized Loan funds. However, eClips failed to offer the PWD to the student as a direct disbursement.

Incorrect LDA: In one of 26 2011-12 and 2012-13 Return of Title IV Funds calculations reviewed, eClips used an incorrect last date of attendance when performing a Return of Title IV Funds calculation.

<u>Student #32</u> The financial aid file and attendance records reflect that the student was granted an LOA for the period 1/18/13 to 2/28/13, and institutional attendance records reflect that the student failed to return from the LOA. In performing the Return of Title IV Funds calculation, however, eClips improperly used 3/1/13—the date the student was supposed to return from the LOA —rather than 1/17/13—the student's last date of attendance prior to the start of the LOA—as the last date of attendance.

It is noted that incorrect Return of Title IV Funds calculations was identified as an issue in the institution's Student Financial Assistance audit for the fiscal year ending 12/31/11.

Required Action: A previous finding requires eClips to review the files of all Title IV recipients who officially or unofficially withdrew during the 2010-11, 2011-12, 2012-13, and 2013-14 award years and report on any Returns that are found to have been paid late, not paid, improperly paid, improperly calculated, or not calculated. Consequently, no additional corrective action will be required as a result of this finding.

Finding 3: Late and Unmade Payment of Title IV Credit Balances

Citation: Federal regulations state that whenever an institution disburses Title IV program funds by crediting a student's account and the total amount of all Title IV program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
(2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. *34 C.F.R. § 668.164(e)*

A Title IV credit balance occurs whenever your institution credits Title IV program funds to a student's account and the total amount of those Title IV funds exceeds the student's allowable charges. An institution may pay a credit balance to a student by issuing a check payable to and requiring the endorsement of the student or parent. An institution is considered to have issued the check on the date that it (1) mails the check to the student or parent, or (2) notifies the student that the check is available for immediate pickup and provides the specific location.

An institution that is paying a student his or her credit balance with a direct disbursement must pay the student within the 14-day time frame. An institution can, within that 14-day period, do a number of things, including sending a notice to the student that his or her money is available. An institution that does that is considered to have met the 14-day requirement to give the student his or her credit balance, as long as the institution's process complies with the rest of the regulation. That is, the institution must be able to give the student a check when the student comes to the office within the 14-day time frame.

If a student is told (within the 14-day period) to come to the business office to pick up his or her credit balance, the student must be able to leave the business office with the funds in some form (e.g., a check, cash, or an appropriate stored value card), and not be told that a check will be mailed to him or her.

An institution may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate Title IV program.

An institution may pay a credit balance by initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent. Moreover, an institution may establish a policy requiring its students to provide information about an existing bank account or open an account at a bank of the student's choosing as long as this policy does not delay the disbursement of Title IV funds to students. Consequently, if a student does not comply with the institution's policy, the institution must nevertheless disburse the funds to the student either by dispensing cash, for which the institution obtains a signed receipt, or issuing a check. An institution must disburse the credit balance within the regulatory time frame. *2011-12 Federal Student Aid Handbook, Volume 4, Chapter 1*

Noncompliance: In three of 27 Title IV credit balances reviewed, eClips failed to pay the credit balances within the regulatory timeframe. In one of the three instances noted, a Title IV credit balance does not appear to have been paid.

Student #14 The student's ledger card indicates that on 12/14/11, $1,742 in Direct Subsidized Loan funds, $2,985 in Direct Unsubsidized Loan funds, and $1,948 in Pell Grant funds were disbursed to the student's account. The three disbursements created a Title IV credit balance of $6,454. The institution issued a check to the student for $5,604 on 12/15/11, and it was negotiated on 12/19/11. However, the remaining $850 of the Title IV credit balance appears to have been written off the students account as part of a "tuition cancellation." It is unclear why the remaining amount of the Title IV credit balance was not paid to the student. It is also unclear how a cancellation of tuition charges could cause a Title IV credit balance to be written off.

Student #47 The student's ledger card indicates that on 8/27/12 $806 in Direct Unsubsidized Loan funds and $800 in Pell Grant funds were disbursed to the student's account. The two disbursements created a Title IV credit balance of $1,606. The institution issued a check for that amount dated 9/6/12, but the check was not negotiated until 12/23/12—104 days late. The student's financial aid file did not include an authorization to hold Title IV credit balances.

Student #21 The student's ledger card indicates that on 10/17/12 $1,485 in Direct Subsidized Loan funds and $1,980 in Direct Unsubsidized Loan funds were disbursed to the student's account. The two disbursements created a Title IV credit balance of $3,125. The institution issued a check for that amount dated 10/26/12, but the check was not negotiated until 11/15/12—15 days late. The student's financial aid file did not include an authorization to hold Title IV credit balances.

It is noted that late and/or unmade payment of Title IV credit balances was identified as an issue in the institution's Student Financial Assistance audits for the fiscal years ending 12/31/11 and 12/31/12.

Required Action: Because of the issues identified in this finding and in Finding 4, eClips must review the accounts of all Title IV recipients who attended the institution in the 2010-11, 2011-12, 2012-13, and 2013-14 award years and identify any late or unmade Title IV credit balances. A report listing these Title IV credit balances must be submitted with eClips's response to this report. The listing of late or unmade Title IV credit balances should be arranged in a spreadsheet format and should include the following elements:

(1) Student's name;
(2) Student's Social Security number;
(3) Award year;
(4) Title IV program(s), date(s), and amount(s) of disbursement causing the Title IV credit balance;
(5) Amount of Title IV credit balance;
(6) Date Title IV credit balance sent to student (or Title IV programs), if applicable;
(7) Date that Title IV credit balance was paid (i.e. date that check was negotiated, date that student signed for Title IV credit balance, etc.);
(8) Amount of Title IV credit balance outstanding;
(8) Legible copies, front and back, of all Title IV credit balance checks (in the case of credit balances signed over to students, a copy of the signature document; in the case of funds that are wired to a student's bank account, a copy of the EFT transfer confirmation);
(9) Legible copy of student's original account card.

The Title IV credit balance spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Name	SSN	Title IV program	Date of disburse-ment	Amount of disburse-ment	Amount of Title IV credit balance	Date credit balance sent to student	Date credit balance paid, if applicable	Amount of credit balance outstanding
2009/10	***	***	Pell	3/15/10	$2,025	$516	3/21/10	3/24/10	$0
			DL Unsub	5/2/10	$2,000	$1,478	n/a	n/a	$1,478

The following abbreviations should be used in the spreadsheet to indicate the various programs: Pell, DL Sub, DL Unsub, DL PLUS.

eClips must also identify any Title IV credit balances that remain on its accounting ledgers that could not be paid to the student and were not returned to the Department within the required timeframe. The reporting of these Title IV credit balances, if any, should take the same format as the one above, but should be reported on a separate spreadsheet.

In responding to this finding, eClips must engage an Independent Public Accountant (IPA) to test the completed file review. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Mr. Chaney within 30 days of the institution's receipt of this PRR. Mr. Chaney will review the procedures, indicate if any changes are needed, and approve the procedures. The IPA must apply the Agreed Upon Procedures to test the file reviews completed by eClips, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA must prepare the report in accordance with the American Institute of Certified Public Accountants (AICPA) Attestations Standards. The IPA's report must be submitted with eClips's response to this PRR.

Additionally, eClips must review and, as necessary, revise its procedures for monitoring Title IV credit balances to ensure that all such credit balances are paid in a timely manner in the future. A copy of those updated policies and procedures must accompany eClips's response.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for payment of outstanding Title IV credit balances will appear in the FPRD letter.

Finding 4. Inadequate Audit Trail

Citation: Federal regulations stipulate that an institution shall establish and maintain, on a current basis, financial records that reflect each Title IV program transaction, and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. *34 C.F.R. § 668.164(b)*

By entering into a Program Participation Agreement, an institution agrees that, among other factors, it will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary or from students under the Title IV, HEA programs, together with assurances that the institution will provide, upon request and in a timely manner, information relating to the administrative capability and financial responsibility of the institution to the Secretary, U.S. Department of Education. *34 C.F.R. § 668.14(a)&(b)*

Federal regulations require that an institution exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Title IV, HEA program funds. *34 C.F.R. § 668.163(e)*

To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program. The Secretary considers an institution to have that administrative capability if the institution, among other factors, administers Title IV, HEA programs with adequate checks and balances in its system of internal controls. *34 C.F.R. § 668.16(c)*

Noncompliance: In one respect, eClips has not developed and implemented processes and procedures for maintaining an audit trail that is consistent with generally accepted accounting principles and eClips's responsibility as a fiduciary of Title IV funds.

Specifically, eClips maintains an institutional check register that records the date and number of checks as they are written, including checks used to pay Title IV credit balances to students. However, in six of 27 institutional Title IV credit balance checks reviewed, eClips' check register did not reconcile with either bank records or the student's ledger card.

<u>Student #1</u> The eClips' check register reflects that institutional check (b)(4) was issued on 2/13/12 to student #1 for $5,604, representing a Title IV credit balance composed of Direct Subsidized and Unsubsidized Loan funds. The student's account card reflects that a Title IV credit balance check in that amount was issued on 2/7/12. However, documentation provided by the institution's bank reflects that institutional check (b)(4) was issued on 2/2/12 in the amount of $8.85 to "UPS," a package delivery service. The institution's bank records disclose that the check issued to student #1 for $5,604 in Title IV credit balance funds was check (b)(4) which was issued on 2/10/12 and negotiated on 2/13/12.

<u>Student #14</u> eClips's check register reflects that institutional check (b)(4) was issued on 12/16/11 to the student for $5,604, representing a Title IV credit balance composed of Direct Subsidized and Unsubsidized Loan funds. The student's account card also reflects that a Title IV credit balance check in that amount was issued on 12/16/11. However, documentation provided by the institution's bank reflects that institutional check (b)(4) was issued on 9/12/11 in the amount of $375 to "(b)(6); (b)(7(C)" and individual who was not associated with student #14. The institution's bank records disclose that the check issued to student #14 for $5,604 in Title IV

credit balance funds was check (b)(4) [redacted], which was issued on 12/15/11 and negotiated on 12/19/11.

Student #36 eClips's check register reflects that institutional check (b)(4) [redacted] was issued on 8/1/11 to student #36, a recipient of Title IV funds, for $1,875. However, the student's account card does not reflect that a check in that amount was written to the student, either for Title IV funds or non-Title IV funds. An imaged copy of the negotiated check number (b)(4) [redacted] provided by the institution's bank reflects that check (b)(4) [redacted] was written on 7/29/11 in the amount of $1,875 to (b)(6); (b)(7(C) [redacted] a television station that is not associated with student #36.

Student #39 eClips's check register reflects that institutional check (b)(4) [redacted] was issued on 1/14/12 to student #39 for $1,742, representing a Title IV credit balance composed of Direct Subsidized Loan funds. Alternatively, the student's account card reflects that the Title IV credit balance check in the amount of $1,742 was issued on 2/2/12. Meanwhile, documentation provided by the institution's bank reflects that institutional check (b)(4) [redacted] was issued to student #55 on 1/10/12 in the amount of $468.16. The institution's bank records disclose that the check issued to student #39 for $1,742 in Title IV credit balance funds was actually check (b)(4) [redacted] which was issued on 1/19/12 and negotiated on 1/19/12.

Student #40 eClips's check register reflects that institutional check (b)(4) [redacted] was issued on 2/3/12 to the student for $4,184, representing a Title IV credit balance composed of Direct Subsidized and Unsubsidized Loan funds. The student's account card also reflects that a Title IV credit balance check in that amount was issued on 2/3/12. However, documentation provided by the institution's bank reflects that institutional check (b)(4) [redacted] was issued to student #56 on 1/27/12 in the amount of $350.71. The institution's bank records disclose that the check issued to student #40 for $4,184 in Title IV credit balance funds was check (b)(4) [redacted] which was issued on 2/3/12 and negotiated on 2/6/12.

Student #54 eClips's check register reflects that institutional check (b)(4) [redacted] was issued on 7/1/11 to student #54 for $3,314, representing a Title IV credit balance composed of Direct Subsidized and Unsubsidized Loan funds that were disbursed to the student's account on 4/20/11. However, documentation provided by the institution's bank reflects that institutional check (b)(4) [redacted] was issued to student #57 on 7/1/11 in the amount of $995. The institution's bank records disclose that the check issued to student #54 for $3,314 in Title IV credit balance funds was check (b)(4) [redacted] which was issued on 7/1/11 and negotiated on 7/6/11.

Required Action: For the 2010-11, 2011-12, 2012-13, and 2013-14 award years, eClips must reconcile its institutional check register with its bank records and its student account cards. A copy of the reconciled check register, as well as a detailed discussion of the results of the reconciliation, must accompany eClips's response to this report. Additional requirements for the resolution of this issue appear in the Required Action section of Finding 3.

Finding 5. Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement System

Citation: An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with:

(3) Funds received from the Secretary; or
(4) Institutional funds used in advance of receiving Title IV, HEA program funds. *34 C.F.R. § 668.164(a)*

A school participating in the Direct Loan Program shall ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements of 34 C.F.R. § 685.200. A school shall provide to the Secretary borrower information that includes but is not limited to:

(4) The borrower's eligibility for a loan, as determined in accordance with 34 C.F.R. § 685.200 and 34 C.F.R. § 685.203;
(5) The student's loan amount; and
(6) The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds. *34 C.F.R. § 685.301(a)*

Federal regulations at 34 C.F.R. § 690.83 require institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit Pell Grant and/or Direct Loan disbursement records to the COD system no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement information. The disbursement date to be reported to COD is the date that the institution credits funds to a student's account or pays funds to a student or parent directly. *COD Technical Reference, 2010/11, Volume II*

Noncompliance: In two respects, eClips has failed to provide accurate and complete information to the Department's Common Origination and Disbursement (COD) system.

First, in one of 32 financial aid file and account cards reviewed, eClips failed to reconcile the Department's COD system with a student's account card.

Student #7 The financial aid file and account card indicate that eClips disbursed a total of $3,718 in Pell Grant funds for the 2011-12 award year, including a return of $1,832 in Pell Grant funds following the student's withdrawal from their institution. However, the Department's COD system reflects that the student was disbursed $3,683 in Pell Grant funds for the 2011-12 award year, creating a discrepancy of $35.

Second, on a systemic basis, eClips has failed to accurately report disbursement dates to the Department's COD system. The following chart illustrates a sample of the difference between the dates that Title IV funds were disbursed to six student accounts (as recorded on the institutional student account ledgers) and the disbursement dates reported to COD:

Student Number	Program	Net Amount	COD Disbursement Date	Student Account Disbursement Date
1	Pell Grant	$2,775	10/7/11	10/27/11
2	Pell Grant	($2,342)	11/2/12	1/23/13
12	Pell Grant	$2,775	4/16/12	5/3/12
12	Pell Grant	$2,775	1/19/12	1/31/12
12	Direct Unsubsidized Loan	$2,985	1/19/12	1/31/12
12	Direct Unsubsidized Loan	$2,985	4/27/12	5/3/12
12	Direct Subsidized Loan	$1,742	1/19/12	1/31/12
12	Direct Subsidized Loan	$1,742	4/27/12	5/3/12
15	Pell Grant	$2,775	10/10/11	10/17/11
30	Pell Grant	$617	1/25/13	1/28/13
31	Direct Unsubsidized Loan	$990	12/14/12	12/18/12
31	Direct Subsidized Loan	$1,733	12/14/12	12/18/12

Required Action: eClips must review the records of all COD files for all students who received Title IV funds in the 2011-12, 2012-13, or 2013-14 award years and correct all incorrect disbursement dates identified. eClips must also revise its COD reporting procedures to ensure that the institution accurately reports to COD the date that the institution disburses Title IV funds to each student's account.

A copy of eClips's revised procedures, as well as a detailed discussion of the results of its review of COD reporting dates, must accompany eClips's response to this report. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Finding 6. Inadequate NSLDS Enrollment Reporting

Citation: Federal regulations state that an institution shall--

(1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and

(2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days--

(a) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis;
(b) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;

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

Student enrollment information is extremely important, because it is used to determine if the student is still considered in institution, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. *2010-11 Federal Student Aid Handbook, Volume 2, Chapter 10*

Noncompliance: In six of 32 2011-12 and 2012-13 financial aid files reviewed, eClips failed to report accurate and/or timely enrollment information to the National Student Loan Data System (NSLDS).

Student #8 The financial aid file indicates that the student withdrew on 8/31/11. However, the student's effective date of withdrawal was incorrectly reported to NSLDS as 9/7/11. Additionally, the student's withdrawal was not reported to NSLDS until 5/8/12—at least 191 days late.

Student #10 The student failed to return from a leave of absence, and the student was determined by eClips to be withdrawn as of 2/29/12, the student's last date of attendance. However, the student's effective date of withdrawal was incorrectly reported to NSLDS as 4/20/12.

Student #14 The financial aid file indicates that the student withdrew on 4/10/12. However, the student's withdrawal was not reported to NSLDS until 7/2/12—at least 23 days late.

Student #15 The financial aid file indicates that the student withdrew on 10/6/11. However, the student's withdrawal was not reported to NSLDS until 12/30/11—at least 25 days late.

Student #20 The financial aid file indicates that the student withdrew on 9/20/12. However, the student's effective date of withdrawal was incorrectly reported to NSLDS as 9/19/11.

Student #31 The financial aid file indicates that the student withdrew on 12/12/12. However, the student's withdrawal was not reported to NSLDS until 5/2/13—at least 81 days late.

Required Action: eClips must review the enrollment status of all students who were enrolled at the institution in the 2011-12, 2012-13, and 2013-14 award years and either verify that the listed enrollment status is current, or update the enrollment status to bring it current. eClips is also required to review its procedures for reporting enrollment status changes to NSLDS and, as necessary, revise them.

A detailed discussion of the results of eClips's review of its 2011-12, 2012-13, and 2013-14 enrollment status reporting and its NSLDS reporting procedures should accompany its response to this report.

Finding 7. Failure to Perform Direct Loan Exit Counseling

Citation: Federal regulations also require a school to ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program.

If a student borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required. *34 C.F.R. § 682.604(g)*

Noncompliance: In two of 32 financial aid files reviewed, eClips failed to maintain documentation in a student's file indicating that the student completed Direct Loan Exit Counseling.

Student #18 The financial aid file and attendance records indicate that the student received $1,742 in Direct Subsidized Loan funds and $2,985 in Direct Unsubsidized Loan funds at eClips before being terminated for poor attendance on 7/20/12. However, the student's financial aid file contained no documentation reflecting that the student had undergone Direct Loan Exit Counseling, or that exit counseling materials had been sent to her.

Student #19 The financial aid file and attendance records indicate that the student received $1,733 in Direct Subsidized Loan funds and $2,970 in Direct Unsubsidized Loan funds before withdrawing from eClips on 12/5/12. However, the financial aid file does not reflect that Direct Loan exit counseling was performed for this student, in any manner.

It is noted that failure to Perform Direct Loan exit counseling was identified as an issue in the institution's Student Financial Assistance audit for the fiscal years ending 12/31/11.

Required Action: eClips must provide exit counseling materials to students #18 and #19 at the student's last known address, and provide documentation, with its response, indicating that the materials were sent. A receipt of certified mailing is considered adequate documentation.

Also, eClips must review and, as necessary, revise its exit counseling policies and procedures to ensure that all students receive the required counseling at the appropriate times. A discussion of eClips's review of its policies and procedures should accompany its response.

Finding 8. Incomplete Third Party Servicer Contracts

Citation: Federal regulations at 34 C.F.R § 668.25 state, in pertinent part, that in a contract with an institution, a third-party servicer shall agree to—

(1) Comply with all statutory provisions of or applicable to Title IV of the HEA, all regulatory provisions prescribed under that statutory authority, and all special arrangements, agreements, limitations, suspensions, and terminations entered into under the authority of statutes applicable to Title IV of the HEA, including the requirement to use any funds that the servicer administers under any Title IV, HEA program and any interest or other earnings thereon solely for the purposes specified in and in accordance with that program;

(2) Refer to the Office of Inspector General of the Department of Education for investigation any information indicating there is reasonable cause to believe that the institution might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program or an applicant for Title IV, HEA program assistance might have engaged in fraud or other criminal misconduct in connection with his or her application. Examples of the type of information that must be referred are—

   (a) False claims by the institution for Title IV, HEA program assistance;
   (b) False claims of independent student status;
   (c) False claims of citizenship;
   (d) Use of false identities;
   (e) Forgery of signatures or certifications;
   (f) False statements of income; and
   (g) Payment of any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid to any person or entity engaged in any student recruitment or admission activity or in making decisions regarding the award of Title IV, HEA program funds.

(3) Be jointly and severally liable with the institution to the Secretary for any violation by the servicer of any statutory provision of or applicable to Title IV of the HEA, any regulatory provision prescribed under that statutory authority, and any applicable special arrangement, agreement, or limitation entered into under the authority of statutes applicable to Title IV of the HEA;

(4) In the case of a third-party servicer that disburses funds (including funds received under the Title IV, HEA programs) or delivers Federal Stafford Loan Program proceeds to a student—

   (a) Confirm the eligibility of the student before making that disbursement or delivering those proceeds. This confirmation must include, but is not limited to, any applicable information contained in the records required under §668.24; and
   (b) Calculate and return any unearned Title IV, HEA program funds to the Title IV, HEA program accounts and the student's lender, as appropriate, in accordance with the provisions of §§668.21 and 668.22, and applicable program regulations; and

(5) If the servicer or institution terminates the contract, or if the servicer stops providing services for the administration of a Title IV, HEA program, goes out of business, or files a petition under the Bankruptcy Code, return to the institution all—

(a) Records in the servicer's possession pertaining to the institution's participation in the program or programs for which services are no longer provided; and

(b) Funds, including Title IV, HEA program funds, received from or on behalf of the institution or the institution's students, for the purposes of the program or programs for which services are no longer provided.

Noncompliance: In two instances, eClips has entered into agreements with third party servicers without formulating a contract that includes all of the conditions and language required by federal regulations.

First, eClips's contract with Smart Systems, Inc. of Phoenix, Arizona, a third party servicer, dated 8/12/10 and 8/12/11, does not include the following language in its entirety, as required by federal regulations:

(1) If the servicer or institution terminates the contract, or if the servicer stops providing services for the administration of a Title IV, HEA program, goes out of business, or files a petition under the Bankruptcy Code, the servicer will return to the institution all—

(a) Funds, including Title IV, HEA program funds, received from or on behalf of the institution or the institution's students, for the purposes of the program or programs for which services are no longer provided.

Second, eClips's current contract with its third party servicer, Pantheon Student Solutions of Darien, Illinois, a third party servicer, dated 8/1/10, does not appear to include any of the language required in federal regulations at 34 C.F.R. § 668.25.

Required Action: It is noted that since the on-site portion of the program review, eClips has ended its contract with Smart Systems, Inc. of Phoenix, Arizona. Since July 2013, eClips has contracted with Financial Aid Services of Salem, New Hampshire to perform third party servicer functions.

In response to this report, eClips must review and, as necessary, revise its contracts with its third party servicers to include all necessary language as identified in federal regulations at 34 C.F.R. § 668.25. A copy of the revised and signed contract with PSS, as well as a complete copy of its current contract with Financial Aid Services, should accompany eClips's response to this report.

Finding 9. Unreported Changes to Institutional Information

Citation: An institution that participates in a Title IV, HEA program shall notify the Secretary within 10 days of the date that:

(4) The institution enters into a new contract or significantly modifies an existing contract with a third-party servicer to administer any aspect of that program;
(5) The institution or a third-party servicer terminates a contract for the servicer to administer any aspect of that program; or
(6) A third-party servicer that administers any aspect of the institution's participation in that program stops providing services for the administration of that program, goes out of business, or files a petition under the Bankruptcy Code.

The institution's notification must include the name and address of the servicer. *34 C.F.R. § 668.25(e)*

Noncompliance: In two instances, eClips failed to notify the Department of changes or corrections to information relating to the institution within the time period required for such notifications.

First, at the time of the on-site portion of the program review eClips employed a third party servicer --Smart Systems, Inc. of Phoenix, Arizona—to assist the institution in administering the Title IV programs on a day-to-day basis. Contracts between the two business entities indicated that eClips had employed Smart Systems, Inc. since at least 8/12/10. However, as of 3/21/13, the last day of the on-site portion of the program review, eClips had not notified the Department of the institution's contract with Smart Systems, Inc.

Second, eClips employs a third party servicer—Pantheon Student Solutions (PSS) of Darien, Illinois—to provide default management activities related to the institution's participation in the Direct Loan programs. Contracts between the two business entities indicate that eClips has employed PSS since at least 8/1/10. However, as of 3/21/13, the last day of the on-site portion of the program review, eClips had not notified the Department of the institution's contract with PSS.

Required Action: It is noted that in May 2013, eClips reported its contract with PSS to the Department through the Department's Application for Approval to Participate in the Federal Student Financial Aid Programs website. It is also noted that eClips no longer contracts with Smart Systems, Inc. to perform third party servicer functions. In October 2013, eClips reported a new third part servicer contract with Financial Aid Services of Salem, New Hampshire The new contract took effect in July 2013.

eClips must develop and implement procedures to ensure that pertinent updates to its Eligibility and Certification Approval Report (ECAR) are made within the appropriate timeframes. A discussion of the new procedures should accompany eClips's response.

Appendix D:
Narrative of Institution's PRR Response of March 13, 2014

Finding 1. Late Return of Title IV Funds

ESCB Response: ESCB understand the importance of maintaining compliance with federal regulation regarding the timely return of Title IV funds when a student withdraw from the program and agree with this finding. We would like the DOE to note that these issues were not the willful intentions of the school. This issue was the result of inadequate internal controls and a failed arrangement with our third party servicer to perform R2T4 calculations and do returns of unearned funds for us. We contracted them to handle our R2T4 calculations with the intentions of assuring that the returns and refunds would be done timely and correctly but that was not always the case. We understand that the accountability lie with the school but felt the DOE should be aware of the circumstances.

Also, please note that in the DOE's report student sample # 23, (b)(6) funds were returned to the DOE 09/13/2013. We have a G5 confirmation email sent to us by our third party servicer on March 8, 2013 indicating on 03/08/2013 $ 1,016.00 subsidized loan funds and $2,970.00 unsubsidized loan funds were returned to the DOE. We have had our servicer correct the date in COD.

Attached to this report please see **EXHIBIT 1A**

ESCB have completed the required actions specified in the report to bring the school into compliance with this finding. Please find attached to this report, the following documents;

EXHIBIT 1B - Spreadsheet for each Title IV recipient who officially or unofficially withdrew from the school during the 2010-11, 2011-12, 2012-13 and 2013-14 award years in cd-rom format.
EXHIBIT 1C - R2T4 calculations
EXHIBIT 1D – Student account cards (leger cards)
EXHIBIT 1E – Confirmation of returns made to the DOE
EXHIBIT 1F – Withdrawal forms
EXHIBIT 1G – Attendance records
EXHIBIT 1H – Withdrawal of students and return of funds policy and procedure

Finding 2. Improper Return of Title IV Funds Calculations

ESCB Response: ESCB agree with this finding. ESCB would like to note however that we contracted with our third party servicer to perform all tasks involved in the return to Title IV calculations. We understand that ultimately the accountability for assuring that compliance with federal regulation lies with the school but we would like the DOE to take into consideration that many of these areas of noncompliance were not the result of willful intent on the part of the school but a result of errors made by the servicer we hired to complete these task. We had no internal controls in place to oversee the task they were performing for us because frankly, we felt their knowledge of federal regulations exceeded ours and hoped by outsourcing some of our situation but wanted the Department to understand it was not willful intent to hold these student's funds.

Please find the documents attached to this report as exhibits:

EXHIBIT 3A – Title IV credit balance spreadsheet on cd-rom
EXHIBIT 3B – Copies of cancelled credit balance checks
EXHIBIT 3C – Procedures for monitoring Title IV credit balances

Finding 4. Inadequate Audit Trail

ESCB Response: We agree with the finding. We failed to assure the accuracy of the data recorded in our check register as noted in the DOE report. We have completed the required action directed by the DOE and corrected the data in our check register from July 1, 2010 - current. To address this issue we reviewed all of our monthly bank statement and bank statement check images and compared them to the data that was recorded in our QuickBooks system. The system will automatically import the check number of every new check that is printed in chronological order based on the last check number entered. In many cases we failed to:

A. Correct auto-populated check numbers with the correct check number when there was a conflict.
B. Void out the correct check number from the register for checks that did not print correctly. As a result when duplicate checks were written to a person due to an error the wrong check number was sometimes recorded.
C. Correct incorrect check numbers during the reconciliation process.

We have taken the needed steps to help assure this is not a problem in the future by first making sure the check numbers recorded are correct at the time the checks are printed and reviewing the check numbers during the reconciliation process for accuracy.
Please find attached to this report:

EXHIBIT 4A – Reconciled check register

Finding 5. Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement System

ESCB Response: We agree with the finding. To help assure that our ledger and COD posting were done accurately and consistently, we contracted with our then third party servicer to perform these administrative task. We are aware that the primary accountability of maintaining compliance with federal regulation rest with the school. We trusted that these things were being done correctly. We have addressed the conflicting data specified above and reviewed the remainder of the award years in the required action, making corrections when needed.

Moving forward we have reviewed the FSA handbook regarding the use of the COD system and federal regulations regarding it. We plan to take FSA classes and request that our current servicer engage us in the process as much as possible so that we are aware of what is required and assure that it is being done correctly.

To help us stay in compliance to following procedure will be followed:

A review of our year end reconciled COD report provided by our servicer will be compared to student ledger postings. Any errors found will be highlighted and the report sent back to the servicer for review. After their review we will conference with them to determine where the mistake originate, with the ledger or the COD posting and make corrections accordingly.

Finding 6. Inadequate NSLDS Enrollment Reporting

ESCB Response: We agree with the finding. We were mistakenly under the impression that completing the SSCR reports with our servicer kept us in compliance with these requirements. As directed by the DOE, we have reviewed the enrollment status of all students who were enrolled during the 2011-12, 2012-13 and 2013-14 award years. The majority of the data reported in NSLDS was correct. The majority of the incorrect data was the result of us using the student's LDA opposed to the date of determination which created a conflict between the dates used in NSLDS and what is used in the schools records. As noted by the DOE report, NSLDS was not being updated timely and consistently.

To assure that NSLDS is updated within the required time frame, we have adapted the policy to update NSLDS when completing a status change for students that graduate, take a loa or withdraw from school. By making it part of the process we make sure that it is done with in the required timeframe.

Finding 7. Failure to Perform Direct Loan Exit Counseling

ESCB Response: We agree with the finding. In review of our exit counseling policy, we feel the policy is effective. Our policy is to have students that graduate and officially withdraw to complete exit counseling as part of their exit process. For students that unofficially withdraw, a letter is sent to the student advising them of the need to complete the counseling. It's not clear in the case of the two sample students, if the person responsible for mailing the letter to the student failed to do so or if the copy maintained for our records have been misplaced.

We will continue to work diligently to assure that we maintain compliance with this requirement.

Exhibit 7A – Exit interview confirmation

Finding 8. Incomplete Third Party Servicer Contracts

ESCB Response: We agree with the finding. Attached please find the contracts with Financial Aid Services and Pantheon Student Solutions.

Exhibit 8A – Financial Aid Services contract
Exhibit 8B - Pantheon Student Solutions contract.

Finding 9. Unreported Changes to Institutional Information

ESCB Response – We agree with the finding. On July 8, 2013 FAS notified us that the update couldn't be made because the e-app was closed due to our recertification application. I'm not sure when it was opened but we will follow the DOE requirements and notification is made within the required time frame.

Attached to this report is ESCB procedure for assuring that updates are being made with in the required timeframe.