

Appendix N. Sample Program Review Report

April 16, 2001

Mr. Sam W. Smith
President
ABC Technical College
1 N. Main St.
Denver, CO 80204

Certified Mail
Return Receipt Requested
Receipt # P 611 902 369
OPEID #
PRCN: 200110829064

Dear Mr. Smith:

On April 2-6, 2001, a program review was conducted of the Title IV Federal Student Financial Assistance (SFA) programs administered at ABC Technical College. The findings of that review are presented in the enclosed report.

This report contains findings regarding the school's administration of the SFA programs. Following are some of the report's findings of non-compliance: (1) Refunds Made Late to Title IV Accounts, (2) Unauthorized Retention of Student Credit Balances, and (3) Verification not documented/incomplete and (4) Campus Crime Report/Security Requirements Not Met.

Findings of non-compliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statutes and regulations. Please review the report and respond to each finding, indicating the specific corrective actions taken by the institution. Your response should be sent directly to this office within thirty (30) days [may give more time as determined by CTL/ACD] of the date of this letter.

I would like to express my appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please call XXX at (303) 123-4567, ext. 101.

Sincerely,

Name
ACD/CTL
XXX Case Management Team

Enclosure

cc: Kevin L. Stone, Director of Financial Aid

ABC Technical College
1 N. Main St.
Denver, CO 80204

INSTITUTIONAL REVIEW DATA SHEET

DATES OF REVIEW: April 2-6, 2001

AWARD YEARS REVIEWED: 1998-1999 1999-2000 2000-2001
STUDENT SAMPLE SIZE: 10 10 10

OPE ID #: 00245699

TIN #: 287028349

PRCN#: 200110829064

TYPE AND CONTROL: Two-Year, Proprietary

ACCREDITATION: Accrediting Commission of Career Schools and
Colleges of Technology

REVIEWING ED OFFICIAL: Charlie A. Reviewer

SFA PROGRAM PARTICIPATION:

<u>1998-99</u>	<u>1999-00</u>	
\$2,227,625	\$3,161,786	Federal Pell Grant Program
176,856	232,220	Federal SEOG Program
172,228	193,674	Federal Work-Study Program
3,120,597	3,120,021	Federal Family Education Loan Program
5,183,740	6,700,287	Federal Direct Loan Program
809,074	822,556	Federal Perkins Loan Program

FFEL DEFAULT RATE: (1998): 8.2%
(1997): 4.8%
(1996): 5.6%

METHOD OF FUNDING: Advance Payment

INSTITUTIONAL OFFICIALS CONTACTED:

Sam W. Smith, President
Kevin J. Stone, Director of Financial Aid
Carolyn L. Hanson, Registrar
Roger Wolf, Accounting Manager

**ABC Technical College
1 N. Main St.
Denver, CO 80204**

Barbara Krieger, Director of Admissions

ABC Technical College
1 N. Main St.
Denver, CO 80204

TABLE OF CONTENTS

	<u>Page</u>
A. INTRODUCTION.....	1
B. SCOPE OF REVIEW.....	1
C. FINDINGS AND REQUIREMENTS.....	2
1. Refunds Made Late to Title IV Accounts.....	2
2. Unauthorized Retention of Student Credit Balances.....	3
3. Verification Not Documented/Incomplete.....	4
4. Campus Crime Report/Security Requirements Not Met.....	5

Appendix

**ABC Technical College
1 N. Main St.
Denver, CO 80204**

A. INTRODUCTION

ABC Technical College is a proprietary institution located in Denver, Colorado. A branch campus of ABC Technical College is located in Colorado Springs, Colorado. The institution is owned by Mr. William Bernard and accredited by the Accrediting Commission of Career Schools and Colleges of Technology. The college offers various programs leading to diplomas or associate degrees in business and health related fields.

ABC Technical College currently participates in the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study, Federal Perkins Loan, Federal Family Education Loan and the William D. Ford Federal Direct Loan Programs. School records indicate a current enrollment of approximately 960 students at the main campus in Denver and approximately 740 students at the Colorado Springs campus. Approximately 90 percent of the students at both campuses are currently receiving SFA funds.

B. SCOPE OF REVIEW

A program review was conducted on April 2-6, 2001, to examine the administration of the SFA programs. The focus of the review was to determine ABC Technical College's compliance with the statutes and federal regulations as they pertain to the institution's administration of the SFA programs. Both the main campus in Denver and the Colorado Springs campus were visited during the review. The review consisted of, but was not limited to, an examination of the school's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records. In addition, interviews were conducted with students and appropriate institutional personnel.

A statistically valid sample was identified for review from the 1998-99, 1999-00 and 2000-01 award years. From this sample, a random sample of 30 student files was selected. The student files were reviewed in detail, including academic, admissions, financial aid and fiscal records. In addition, 20 students who had withdrawn from the institution were selected specifically for the purpose of reviewing institutional refund procedures. An appendix is attached to this report which lists the names and social security numbers of all students whose files were examined during the review. Students are referenced throughout this report by the numbers noted in the appendix.

During the visit, some areas of non-compliance were noted. Findings of non-compliance are referenced to the applicable laws, regulations, and policies. The findings specify the actions the institution must take to ensure compliance with regulations and statutes that govern the SFA programs. Any harm caused to these programs due to non-compliance with applicable laws, regulations, and policies is identified.

**ABC Technical College
1 N. Main St.
Denver, CO 80204**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning the institution's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve ABC Technical College of its obligation to comply with all of the statutory or regulatory provisions governing the SFA programs.

C. FINDINGS AND REQUIREMENTS

1. REFUNDS MADE LATE TO TITLE IV ACCOUNTS

FINDING: In addition to the original student sample, a subsample of 20 withdrawn students was selected specifically for the purpose of evaluating institutional refund procedures. The subsample was randomly selected based on various reports that were provided by the institution. A review of this information revealed that the institution failed to make timely refunds in two instances. Refunds were xx days late for Students #2, and #36. These refunds consisted of unearned Federal Pell Grant and Federal Direct Loan funds.

Failure to make required refunds results in the institution retaining SFA funds that it is not entitled to, thus, resulting in a financial loss for the Department. In addition, in the case of Federal Direct Loans, failure to make timely payment of refunds may result in unnecessary financing costs for the Department.

REQUIREMENT: Federal regulations require institutions to return excess Title IV funds other than Federal Work-Study (FWS) program funds to the appropriate federal account within 30 days of the date that a student has a change in eligibility status or officially/unofficially withdraws. *34 C.F.R. §668.22(j)(1)*.

A participating Federal Direct Loan Program institution must also make timely payment of Direct Loan refunds. If an adjustment cannot be accomplished, SFA funds that are obtained directly from the Department must be refunded to the appropriate Federal account within 30 days from the date that a student officially/unofficially withdraws. *34 C.F.R. §685.306(b)*. Adjustments of Federal Direct Loan expenditures must also be reported to the origination center within 30 days after determination. *34 C.F.R. §685.301(d)(1)*.

It should be noted that refund requirements for the Federal Family Education Loan (FFEL) Program have changed. Prior to the 2000-01 award year (7/1/00), FFEL refunds were required to be paid within 60 days after a student's withdrawal. Beginning with the 2000-01

**ABC Technical College
1 N. Main St.
Denver, CO 80204**

award year, these refunds must be paid within 30 days of a borrower's withdrawal determination. *34 C.F.R. §682.607(c)*.

In response to this finding, the school must develop and implement written procedures to ensure that SFA refunds are paid on a timely basis in the future. Documentation of such procedures must be provided with the school's response to this report. In addition, the institution will be responsible for all unnecessary financing costs incurred by the Department, that are attributable to the late Federal Direct Loan Program refund. Specific details regarding this liability and instructions for payment will be provided in the Department's Final Program Review Determination Letter.

2. UNAUTHORIZED RETENTION OF STUDENT CREDIT BALANCES

FINDING: The institution did not refund excess SFA funds to students (i.e., credit balances) in a timely manner. Specifically, ABC Technical College credited students' tuition accounts with SFA program funds in excess of the students' contracted charges. This practice is acceptable, provided that the appropriate student authorization is on file. However, in two instances these credit balances were not paid to students in a timely manner, as prescribed by Federal regulations, and in one instance (Student #17) the credit balance persisted beyond the student's enrollment, and was never paid to the student.

Credit balances were improperly retained for Student's #2, #17 and #24 because xxxxxxxxxxxx.

Withholding student credit balances results in the institution receiving funding to which it is not entitled, thus causing needy students to be deprived of SFA funds.

REQUIREMENT: SFA funds received by the institution must be used for educational costs incurred by the student. If the student's direct charges at the school are paid, excess funds must promptly be delivered to the student for indirect costs. Federal regulations require that excess funds be returned to the student (or parent) within 14 days after the balance occurs. *34 C.F.R. §668.164(e)*. An institution may secure a student's written permission to retain funds for budgeting purposes. *34 C.F.R. §668.165(b)(i)(iii)*. However, an institution may not require or coerce the student (or parent) to provide that authorization, and must allow the student (or parent) to rescind that permission at any time. *34 C.F.R. §668.165(b)(i)(ii)*.

In response to this finding, the institution must implement procedures to ensure that student credit balances are identified and refunded in a timely manner. A copy of such procedures must be provided with the institution's response to this report. With regard to the credit balance that

**ABC Technical College
1 N. Main St.
Denver, CO 80204**

remains outstanding for Student #17, the institution must immediately pay the excess funds to the student. If the student cannot be located, the institution must return the funds to the program account. Documentation to substantiate this corrective action must be provided with the institution's response to this report.

3. VERIFICATION NOT DOCUMENTED/INCOMPLETE

FINDING: The institution was unable to provide the appropriate documentation to substantiate that verification had been completed for Student #25. The student was selected for verification in the 2000-01 award year.

The institution's failure to properly complete verification for the above student may have resulted in the student receiving SFA funds in excess of eligibility, thus causing a financial loss for the Department.

REQUIREMENT: An applicant selected for verification is required to submit specific documentation that will verify or update the information used in determining the applicant's expected family contribution. *34 C.F.R. §668.56(a)*. Adjusted gross income and untaxed income and benefits for the base year are among the required data that must be verified. *34 C.F.R. §668.56(a)(1) and 34 C.F.R. §668.56(a)(5)*. A signed copy of the federal income tax return is acceptable documentation to verify adjusted gross income and can also be used to verify some sources of untaxed income and benefits.

Although an institution may certify a Federal Family Education Loan application or originate a Direct Subsidized Loan for a student selected for verification prior to completing the verification process, the institution may not process the resulting loan check until the verification process is complete. *34 C.F.R. §668.58(a)(2)(B)*. In addition, a Federal Pell Grant or campus-based disbursement may be paid for one payment period prior to verifying the information, however, subsequent payment periods may not be funded until the verification process is complete. *34 C.F.R. §668.58(a)(2)(ii)(A)*. If verification cannot be accomplished, the funds disbursed for the first payment period must be promptly refunded by the institution to the appropriate federal account. *34 C.F.R. §668.58(a)(2)(b)*.

In response to this finding, the institution must attempt to resolve the verification deficiency cited above and demonstrate that verification has been properly completed. If verification results in a change to the student's eligibility, the institution will be liable for the difference between the correct and actual disbursement amounts. If the verification process cannot be completed as required, the institution will be liable for all Title IV funds disbursed to the student. Instructions

**ABC Technical College
1 N. Main St.
Denver, CO 80204**

for payment of liabilities resulting from this finding will be provided in the Department's Final Program Review Determination Letter.

4. CAMPUS CRIME REPORT/SECURITY REQUIREMENTS NOT MET

FINDING: The institution has failed to implement certain aspects of the Student Right-To-Know and Campus Security Act of 1990.

ABC Technical College is only reporting campus crime statistics for a period of one year, as opposed to the required three years. In addition, the institution's report does not identify individuals or organizations that campus crimes should be reported to.

Failure to disclose and disseminate required information regarding campus safety policies and campus crime statistics deprives prospective and current students and institutional employees of their right to make an informed decision regarding the safety of their learning or work environment. Please note, monetary penalties up to \$25,000 may be assessed to an institution if the Department determines that a school has substantially misrepresented information that is reported in its campus security report.

REQUIREMENT: Institutions participating in any of the Title IV programs are required to provide student consumer information to current and prospective students. One of the elements to be disclosed concerns campus security and safety. Institutions are required to disclose information regarding campus security policies and campus crime statistics. This disclosure must be made annually.

Institutions are required to distribute a report containing campus security policies and campus crime statistics covering a period of the *three* most recent calendar years, to all current students and campus employees. *34 C.F.R. §668.46(c)(1)*. This same information must be made readily available to all prospective students. Campus security reporting requirements are stipulated under the *Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act*. Included in the Act is a requirement that schools identify a list of the titles of each person or organization to whom criminal offenses should be reported. *34 C.F.R. §668.46(b)(2)(iii)*.

In response to this finding, the institution must review its campus security information and subsequently ensure that the report contains all required elements of the act. A draft copy of the institution's revised campus security report must be provided with the institution's response to this report.

**ABC Technical College
1 N. Main St.
Denver, CO 80204**

ABC Technical College
1 N. Main St.
Denver, CO 80204

APPENDIX

1998-99

NAME

SSN

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

1999-00

- 11.
- 12.
- 13.
- 14.
- 15.
- 16.
- 17.
- 18.
- 19.
- 20.

**ABC Technical College
1 N. Main St.
Denver, CO 80204**

ABC Technical College
1 N. Main St.
Denver, CO 80204

APPENDIX (continued)

2000-01

NAME

SSN

- 21.
- 22.
- 23.
- 24.
- 25.
- 26.
- 27.
- 28.
- 29.
- 30.

Limited Scope Review

- 31.
- 32.
- 33.
- 34.
- 35.
- 36.
- 37.
- 38.
- 39.
- 40.
- 41.
- 42.
- 43.
- 44.
- 45.
- 46.
- 47.
- 48.
- 49.
- 50.