

Program Review Guide



U.S. Department of Education

**Prepared by:
Case Management and Oversight
Schools Channel
Student Financial Assistance**

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We Help Put America Through School

Notice

This Program Review Guide is designed to set forth the guidelines and procedures of the U.S. Department of Education intended for Department officials conducting institutional reviews of Title IV student financial assistance programs.

The Guide is not intended to create any substantive or procedural rights enforceable at law. It does not establish any procedures, requirements, or standards for the operations of student financial assistance programs, nor does it bind the Department to particular procedures, requirements, or standards. For any relevant procedures, requirements, and standards, the reader should refer to applicable statutes and regulations and to applicable agreements between institutions and the Department.

This Guide shall be made available to institutions participating in programs authorized under Title IV of the Higher Education Act in accordance with Section 494 of the Higher Education Amendments of 1998, PL 105-244.

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Introduction

We help put America through school. We do this by monitoring schools and their use of Federal Student Financial Assistance (SFA) funds – funds intended to provide equal access to education and to promote educational excellence.

As in the cases of initial participation screening, audit resolution, financial analysis and recertification, program review is a tool available to the Case Management Team (CMT) to assess the performance of our schools. Congress mandated that we use this tool “... to strengthen the administrative capability and financial responsibility provisions of” the Higher Education Act. HEA Section 498A(a).

Prepared by a team of central and regional office staff, this major revision of the Guide reflects significant changes to the program review process. Numerous staff within Case Management and Oversight (CMO) and Direct Loan School Relations provided valuable input to this Guide.

The Guide serves as a first point of reference in preparing for and conducting a program review. It is a compendium of procedures to cover many different school situations. Some of these procedures are appropriate only for the most egregious compliance issues. It is the responsibility of the CMT to select those procedures that best fit the individual school being reviewed.

Recognizing that most schools make a good faith effort to be in compliance with the legislation and regulations, this Guide tries to provide a balance between assisting schools in improving compliance through development of corrective action plans, and assessing liabilities resulting from non-compliance. Because of CMO’s fiduciary responsibility to ED, Congress, the taxpayer, and the students and their families, we can not ignore instances of non-compliance. However, it is the CMT’s responsibility to assess the nature of the non-compliance, the severity, the harm to the student and the programs caused by the non-compliance, and to determine the appropriate resolution. While there needs to be consistency in treatment for similar instances of non-compliance, we must also recognize that one-size fits all monitoring doesn’t work.

The Guide is designed to be updated regularly, and will be responsive to regulatory developments and the changing review process. Staff is encouraged to provide comments and suggestions to their supervisors and Performance Improvement and Procedures (PIP) on how to make the Guide a more effective program review resource.

A. Purpose of the Guide

The purpose of this guide is to assist CMTs in conducting reviews of the SFA programs at participating institutions. Also, it is intended to provide guidelines for consistency in the conduct of SFA program reviews nationwide, as mandated by Congress.

B. Additional Publications for Reference

Staff can find additional review guidance in the publications listed below and in PIP Procedures, Mailbox Messages, and IRB procedures memoranda. Many references will be available on the Department's web sites. The most valuable resource, however, will be the knowledge of CMO staff experienced in program reviews.

- Higher Education Act of 1965, as amended (HEA)
- Federal Registers
- Code of Federal Regulations (CFR)
- Compilation of Federal Regulations
- Federal Student Financial Aid Handbooks
- Counselor's Handbooks
- Dear Colleague Letters (Questions & Answer Bulletins)
- Verification Guides
- Audit Guides
- The Blue Book (Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions)
- ED Guide to Payment Management System
- Delivery System Training Materials
- Expected Family Contribution Formula
- Direct Loan Bulletins

C. List of Acronyms Used in the Guide

AAAD	Administrative Actions & Appeals Division
ACD	Area Case Director
ATB	Ability to Benefit
CMD	Case Management Division
CMDD	Case Management Division Director
CMO	Case Management and Oversight
CMT	Case Management Team
COA	Cost of Attendance
CPA	Certified Public Accountant
CPS	Central Processing System
CTL	Co-Team Leader
DCL	"Dear Colleague" Letter
DMS	Default Management System
ED	U.S. Department of Education
EDL	Expedited Determination Letter
EDPMS	Education Payment Management System
EFC	Expected Family Contribution
ESAR	Electronic Student Aid Report
FAA	Financial Aid Administrator
FAT	Financial Aid Transcript
FCC	Perkins Loan Federal Cash Contribution
FPRD	Final Program Review Determination letter
GA	Guaranty Agency
GAPS	Grant Administration and Payment System
GED	General Equivalency Diploma
HEA	Higher Education Act, as amended
IIS	Institutional Improvement Specialist
IPS	Institutional Payment Summary
ISIR	Institutional Student Information Record
LDA	Last Date of Attendance
LOA	Leave of Absence
NSLDS	National Student Loan Data System
OGC	Office of the General Counsel
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
PEPS	Postsecondary Education Participants System
PIP	Performance Improvement and Procedures
QAP	Quality Assurance Program
SAP	Satisfactory Academic Progress
SAR	Student Aid Report
SOA	Statement of Account
SSCR	Student Status Confirmation Report
SFAP	Student Financial Assistance Programs
SPS	Student Payment Summary (Federal Pell Grant)
WIA	Workforce Investment Act

X-Sites Experimental Sites Initiative

Chapter I Purpose, Mission, and Scope of Program Reviews

A. Purpose

Although program reviews are only one of the many tools available to a Case Management Team (CMT), they frequently are the only face-to-face contact between school officials and the Department. As such, a CMT needs to take advantage of this opportunity to establish a partnership with the school to help it strengthen its administration of the Title IV programs.

1. General

The purpose of a program review is to promote and improve compliance by improving institutional performance. The reviewer(s) will:

- analyze institutional data and records and identify any weaknesses in the institutional procedures for administering SFA program funds;
- determine the extent to which any weaknesses in the school's administration of SFA funds may subject students and taxpayers to potential or actual fraud and abuse;
- frame corrective actions that will strengthen the school's future compliance with SFA rules;
- quantify any harm resulting from the institution's impaired performance and identify liabilities where non-compliance results in loss, misuse, or unnecessary expenditure of Federal funds; and
- refer schools for administrative action to protect the interests of students and taxpayers, when necessary.

2. Congressional Priorities

Congress outlined specific priorities¹ for selecting schools for a program review:

- high cohort default rates (over 25 percent);
- significant fluctuation in FFEL volume or Pell awards between years;

¹ See Section 494 of Higher Education Amendments of 1998, PL 105-244 [HEA §498A(1)(a)]

- serious deficiencies as reported by state licensing agencies or accrediting agencies;
- high withdrawal rates; and
- a significant risk of noncompliance with administrative capability or financial responsibility provisions of SFA programs, as determined by the Secretary.

Case Management Teams (CMTs) routinely address the issues of default rates, fund fluctuations and risk in case management (eligibility determinations, audit resolution, financial analysis, and risk management through use of the Institutional Assessment Model). Where the Institutional Assessment Model indicates a high probability of impaired performance or the CMT becomes aware through case management that the school may seriously lack adequate administrative or financial capability, the CMT should use the program review tool to assess the institution's performance. In addition, CMTs may use program reviews to validate information that a school has submitted to ED that is included in the Institutional Assessment Model. During most program reviews, reviewers should provide corrective action guidance if appropriate, and consider whether additional administrative protection for the SFA programs is advisable.

3. Other Sources of Information

A CMT may become aware of the need for further school assessment because of:

- reports from agency partners, such as state licensing agencies, guaranty agencies and accrediting agencies;
- referrals from OIG; and/or
- student and/or institutional employee complaints.

B. Mission

The mission of a program review is to:

- strengthen administrative capability and financial responsibility under Title IV statutes and regulations through on-site assessments of and technical assistance on institutional administration of the SFA programs.
- address financial harm to the taxpayer through liability assessments.
- tend to those institutions that are seriously mismanaging or abusing the SFA programs through referral for administrative action, including emergency action, and referrals to the Inspector General - Investigative Services when appropriate.

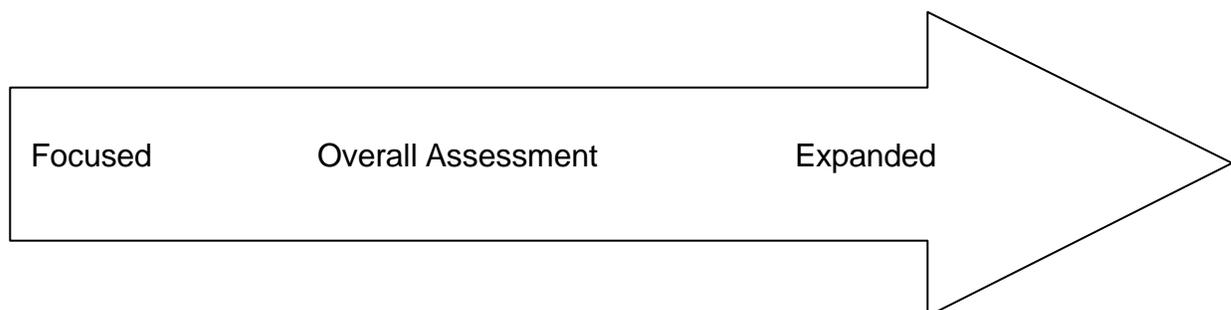
C. Scope

The CMT, relying on its experience and professional judgment, must consider not only whether a program review should take place, but also the scope of review likely to actually strengthen the school's compliance performance. The program review team plans and conducts a review based on the needs and directions provided by the CMT consistent with the information contained in this guide and PIP Procedures Memoranda.

1. Options in Planning the Scope of Program Reviews – A Continuum

Typically, the overall assessment of an institution's administrative and financial capability is determined by examining an institution's SFA policies, procedures and records, using selected program review items from Chapter IV as a checklist of issues. To economize resources (both of the CMT and institutions) and to meet the objective of strengthening compliance by improving institutional performance, the CMT should consider whether a review should be limited to specific areas. On the other hand, when the CMT determines that substantial, identifiable weaknesses exist in an institution's administrative or financial capacity and AAAD involvement appears probable, the CMT may find it necessary to expand the review.

The scope of a program review prior to the site visit is determined by the CMT in consultation with the Co-Team Leaders (CTLs) and Area Case Director (ACD). During or after the program review, the review team, in consultation with the CTLs and ACD, may modify the review to expand the scope based on information discovered on site. Review teams must always anticipate the possibility of redefining the review strategy and scope. Thus, the review may change from a focused review to an overall assessment or from overall assessment to a focused review while on site. The change of strategy and scope are decisions within the professional discretion of the review team, but the ACD and CTLs should be consulted regarding the change in scope.



Regardless of the scope of the review, the CMT should assure that the team is comprised of members having sufficient experience and knowledge in the areas within the program review's initial review scope. At all stages, the CTLs' role is that of resource management to assist the CMT and review team in completing its task.

2. Focused Reviews

Where a program review is needed to address specific issues known to the CMT, it is more appropriate to narrow the scope of the review to focus on those issues, and expanding the review as needed. The CMT should decide the specific issues to be addressed during the program review.

The following are some examples of when a focused review would be appropriate (this is not an exhaustive list):

- confirming documentation for institutions on the reimbursement system of payment;
- determining the extent of compliance and corrective action needed under the Campus Security Act;
- verifying cohort default data;
- determining whether an institution should be removed from the reimbursement system of payment.

If the review reveals only insignificant findings, the review team completes the review, returns to the office, and discusses the findings with the CMT. In consultation with the ACD and CTL, the review team determines when the program review report will be issued. (See section on Timelines for Issuing the Program Review Report.) In general, the team will notify the school, within 15 days of the date that the on-site review ends, when it can expect to receive the report.

3. Overall Assessment Reviews

An overall assessment review is normally chosen when the CMT seeks a general evaluation of the school's performance in meeting its administrative and financial obligations relative to the SFA programs. In conducting an overall assessment, the review team examines the institution's SFA records, policies, and procedures keeping in mind the reasons the school was selected for review and checking the key cohort of program review Items selected from Chapter IV, as appropriate. In addition, the review team must check on any serious deficiencies noted in previous audits or reviews, as well as on any negative reports received locally. The review team will also examine other compliance issues that reveal themselves during the review.

If the review reveals only insignificant findings, the review team completes the review, returns to the office, and discusses the findings with the CMT. In consultation with the ACD and CTL, the review team determines when the program review report will be issued. (See section on Timelines for Issuing the Program Review Report.) In general, the team will notify the school, within 15 days of the date that the on-site review ends, when it can expect to receive the report.

4. Expanded Reviews

Expanded reviews should be conducted when a CMT has information that significant compliance problems may exist at a school, or when other areas of concern are identified. The need for an expanded review may be established during initial case research, upon receipt of information indicating that probable concerns exist, or during a focused or overall assessment review.

During or after an overall assessment or focused review, if the review team concludes that an expanded review is needed, it must consult with the CTLs and ACD. The expanded review may include notice to other ACDs or CM Division Directors requesting assistance of other CMO staff (such as expansion of the review to include additional locations of national chain schools).

The review team leader must assure that the appropriate staff (CMT functional area experts, CMT adjuncts and CMO leadership) are fully apprised of all facts and circumstances indicating the need for further action or review expansion.

a. Example of an Expanded Review

Distance education school: A school participating in the Distance Education Demonstration Program (DEDP) was scheduled for a program review due to allegations of substantial improper financial aid administration by a former employee. The allegations involved the distance education program and FFEL administration. The CMT prepared a program review plan that included participation by three CMT reviewers, a DEDP team member, and guaranty agency reviewers. AAAD and OIG were also involved and kept apprised of the issues and program review plan.

While on site, the staff focused on both the specific allegations of wrongdoing, as well as the review items. The DEDP team member analyzed the institution's administration of the DEDP and advised the review team on DEDP specific issues. The guaranty agency reviewers were able to coordinate and provide GA data and information to the Case Team.

As a result of findings by the review team, the DEDP chose to terminate the institution's participation in the Pilot Program prior to issuance of the program review report. AAAD and OIG worked with the review team to obtain the evidence sufficient to support the termination.

Chapter III includes more detailed information on procedures for conducting and documenting an expanded program review.

Chapter II Review Preparation

A program review is a very complicated undertaking that involves the management of a great deal of information and may require the involvement of many people. Proper preparation and planning is therefore essential to maximize the efforts of everyone involved. This chapter summarizes some of the resources available to reviewers when preparing for a program review, and also discusses some logistical issues that should be considered.

To assist reviewers with pre-review planning, a sample Program Review Preparation Worksheet is included in Appendix A. Here the reviewer can record and summarize general information about the school, reasons a school was selected for review, results of research, issues to review while on-site, etc.

A. Review Information in ED Databases

ED has many sources for information on schools. By reviewing these sources, reviewers will gain additional insights about the school, and may even be able to conduct some evaluations of the school's processes before the on-site visit. Make a list of any areas of concern or suggested concentration that are identified during the review preparation stage and record them in the Program Review Preparation Worksheet.

1. PEPS (Postsecondary Education Participants System)

PEPS is the most comprehensive single source of information regarding schools participating in the Title IV programs. It serves as the initial data entry point for most information that SFA receives (e.g., school eligibility applications, audit data, etc.), and also serves as a source of information for other data systems (e.g., Institutional Assessment). Following is a discussion of data available in certain sections of PEPS.

CMIS (Case Management Information System): The CMIS section is used to document the case management of schools, relating to their participation in the Title IV programs. As such, it can be a rich source of information when preparing for the program review.

In most cases, the decision to conduct a program review was based on the results of case managing the school. Therefore, there should be notes for the applicable school in CMIS that document the results of the research performed by various team members (e.g., audit, eligibility, program reviews, financial analysis, etc), and the reasons for recommending that a program review be

conducted. This information should provide insight into areas of particular concern.

However, CMIS is generally only updated as cases are discussed. Therefore entries may not be all-inclusive, or may not be the most up-to-date information available to the reviewer.

Additionally, CMIS should be updated to establish a “program review” case record for the school.

Eligibility: This section contains information about a school that may be helpful in planning the program review, such as additional locations that have been reported to the Department or whether the school participates in the Quality Assurance Program or Experimental Sites Initiative. Other types of useful information include:

- School’s e-mail address;
- Length of academic programs;
- Whether the school operates with clock or credit hours (or both); and
- Identity of third-party servicers.

If not already discussed in case managing the school, reviewers can also identify conditions of any provisional recertification as a possible area of concentration during the review. Additionally, reviewers could perform searches based on ownership listings, to identify if there are other schools with common ownership.

Note that much of this information is summarized in the Detailed School Report available from PEPS.

Program Review: Although CMIS should contain information about prior program reviews, more detailed information about the types of findings and associated liabilities can be found in the program review section of PEPS. Generally, information is maintained for reviews closed within the last five years.

Audit: As with program reviews, CMIS should contain information about recent Title IV audits conducted at the institution. However, the audit section of PEPS will provide a more detailed record of the school’s audit history. Reviewers may check PEPS or consult their team’s audit resolution specialists for additional information on prior non-federal audits and audits by OIG staff. Serious audit findings, especially recurring violations in program review focus items, should be noted, added to the reviewer’s on-site checklist, and reviewed for corrective action.

If the team’s audit research suggests required audits have not been submitted, the Department’s Document Receipt and Control Center (DRCC) or the Federal

Audit Clearinghouse (for public and private/non-profit schools), may show that the audits have been submitted, but not yet released. If there is no record that audits have been submitted by required deadlines, this must be discussed with the school – non-submission of audits is a significant issue.

Default Management: This section provides a history of an institution's official Cohort Default Rates (CDRs). It provides, for each official CDR, the number of borrowers in repayment and the number of borrowers in default that were used to calculate the institution's CDR. If an institution's CDRs will be reviewed as part of the program review, the CMT should notify its Default Management Adjunct of the intended review and request all relevant information on the school, such as rate trends, program eligibility status, appeal status, and any other special circumstances related to calculation of the default rate.

Direct Loan: This section will identify the school's origination option, which determines such things as whether the school controls the draw down of Direct Loan funds, and when a school can disburse funds to students.

Financial Partners: This section of PEPS contains general information about guaranty agency reviews.

Experimental Sites: The Experimental Sites Initiative is a partnership for regulatory improvement and streamlining experiments between ED and approximately 135 schools. The schools are exempt from certain statutory and regulatory requirements while using alternative approaches for each requirement. Thirteen experiments are being conducted in financial aid processes related to loan management, award packaging, and eligibility. The outcome of this initiative is to assist ED in its continuing efforts to improve Title IV program administration. The experiments are:

- Federal Work-Study Time Records
- Exit Counseling
- Credit Title IV Aid to Institutional Charges
- Entrance Counseling
- Multiple Disbursement for Single Term Loan
- Overaward Tolerance
- Thirty-Day Delay for First-time, First-year Borrowers
- Ability-to-Benefit
- Loan Fees in Cost of Attendance
- Federal Work-Study Payment
- Loan Proration for Graduating Borrowers
- Credit Title IV Aid to Prior Term Charges
- Academic Term (Definition)

An overview of this initiative, including a description of each experiment, the statutory/regulatory citations, and goal of the experiment will be available soon on the PIPD intranet website at [Experimental-sites](#).

Additionally, information relative to the participants and the experiments is entered into PEPS and updated as changes occur. This will alert the teams as it does its review preparation what, if any, exemptions the school has been granted as an experimental site. While in PEPS, on the school information screen, click on the Experimental Sites box. This will take you to the Experimental Sites screen that lists the experiment type, start date and end date (if applicable).

Two of the areas of experimentation, 30 day delay and multiple disbursement, were included in reauthorization for a broader group of institutions. Through reauthorization, institutions with default rates below 10 percent are eligible for these exemptions. These schools are not reflected in this screen. However, some schools that are eligible for the exemptions through reauthorization, elected to continue as an experimental site to assist us in obtaining additional performance data. ED has extended the experiments until the next reauthorization.

Keep in mind that PEPS is most valuable as a starting point for researching institutional information. If necessary, staff may also check the source documents.

2. Institutional Assessment Model

The Department's Institutional Assessment Model provides information about possible risk factors at each school. It also contains other information that may be useful, such as comparisons to like institutions and economic factors of the local area. The institutional assessment data is only updated periodically and is considered as part of the case management process. Therefore, evaluations of this data may be included in CMIS for schools.

3. NSLDS (National Student Loan Data System)

NSLDS is the single most complete picture of aid awarded and disbursed at a school that can be obtained within the Department. NSLDS can provide summary and detail funding reports for the FFEL and Direct Loan Programs, the Pell Grant Program, and the Perkins Loan Program. The detail funding report includes student names and funds disbursed to each student, which can be useful in preparing a statistical sample. Schools and approximately 20 servicers (including the National Student Clearinghouse) send Student Status Confirmation Reports (SSCRs) to NSLDS. Thus, complete information on student attendance can be retrieved from NSLDS. 1-800-999-8219 or www.nslsdfap.ed.gov

In addition to the standard queries described above, NSLDS can be queried for specific information on a school. For example, a reviewer could identify all FFEL lenders and guaranty agencies doing business with a school during a given time frame, or demographic information such as age and dependency status could be requested from NSLDS. For such specialized queries, reviewers should consult their local systems coordinator.

When using NSLDS data, reviewers should remember that while NSLDS is the best single source of data on a particular school, it might not be the best source for each data element. Because NSLDS is a repository that collects data from many other systems, it provides a one-stop source for data that may not be easily obtainable otherwise. Reviewers should consider it a starting point for research, but should exercise caution when drawing conclusions about data contained in NSLDS and should verify the data with an independent source before using it as the basis for a program review finding. Exceptions to this would be SSCR data, Perkins Loan data, and Pell and FSEOG overpayment data for which schools are responsible for reporting to NSLDS.

Guaranty Agencies For schools that participate in the FFEL program, guaranty agencies can often provide information very similar to the information that can be obtained from the Direct Loan system. Query NSLDS to find which guaranty agencies have loans for the school and contact them to request the information.

4. Grants Administration and Payment System (GAPS)

Information about the amount of funds drawn by an institution can be retrieved from GAPS (e-Payments). This information can be used to reconcile the cash records at the school. The Reports section of GAPS allows the reviewer to request the following reports:

- Activity Report – shows the amount of cash drawn down for each “award,” or document number (including Direct Loans, if the school is a Direct Loan participant), along with individual cash request dates and amounts;
- Refunds Report – identifies the amount of funds the school has returned to the Federal programs through GAPS (but does not necessarily reflect all actual Title IV refunds); and
- Award Balances Report – summarizes the authorization, net draws, and available balance for each award.

The Payment Requests section of GAPS also contains an Authorization History section, where the reviewer can access information about the changes in the authorization level for each award.

The data on GAPS only goes back to the spring of 1998, the date of conversion from EDPMS. For fund activity prior to that, the reviewer should check EDCAPS

at <http://edcapsrpt.ed.gov:90/> Choose the “Reports” option, then under Reporting Categories choose the Education Payment Management System (EDPMS) option.

5. Fiscal Operations Report and Application to Participate (FISAP)/Campus Based-Windows

The FISAP reports are now available in electronic format for schools participating in the Campus-Based Programs. This report contains important information about the school’s management of Campus-Based Programs. In addition to information about the allocation of funds, and status of the school’s Perkins Loan portfolio for prior years, Part II, Section E also provides some student enrollment numbers.

6. Recipient Financial Management System (RFMS)

RFMS is the successor to the Pell Grant Financial Management System. As such, it can provide reviewers with information about which students received Pell Grant funds from a school, and the amounts they were paid. Therefore, this system could be used to identify the aid recipient population in a school that only participates in the Pell Grant Program.

Student applicant information is also available through RFMS, which may be helpful later in the program review process. For example, RFMS may be able to provide reviewers with students’ address information, if there is a need to conduct off-site interviews. (NSLDS has limited address information.) Also, it may be possible for schools to change Institutional Student Information Record (ISIR) information that resides in institutional databases. Based on other problems identified, reviewers may decide to test the applicant data in RFMS against what is found in institutional records.

The need to access specific student data from the system should be rare. Pell Operations Office can generate reports from the RFMS database – on a limited basis as a special request. If necessary, you can request them through PellSystems@ed.gov. There are several initiatives under way that will hopefully provide staff with easier access to RFMS data.

7. Direct Loan System

If the school being reviewed is a Direct Loan participant, reviewers may find that the Direct Loan System can provide very valuable data. The Direct Loan System data is similar to the data in the NSLDS in many ways; however it has the advantages of being more accurate, more current, and more complete. Unlike NSLDS data that can be retrieved with very short notice, some planning is

required to get Direct Loan System data. (For more information, see [PIP Memo 00-03](#).)

In addition to having more accurate and complete loan amounts, dates, disbursement information, and refund/cancellation information than NSLDS, the Direct Loan System can provide reviewers with student contact information such as addresses and phone numbers. If fraud is suspected at a school and it is a Direct Loan participant, this information could be very useful to conduct student interviews or analyze student demographics.

Another source is <http://lo-online.ed.gov>. This site provides a variety of reports at both the institution and student specific level. Information such as batch status, entrance interview results and school processing status by award year including cash receipts, ending cash balance and un-booked loans can be accessed for a particular school. The site also contains student specific data by individual loan such as Master Promissory Note status and actual disbursement data. All DL School Relations staff have access to this site and can provide assistance in running reports.

Furthermore, the Direct Loan School Relations staff maintains a limited database for schools that participate in the program. Input from the Direct Loan staff must be obtained during the case management of the school. Also, reviewers should consider requesting from the Direct Loan staff any pertinent information that might be available in their database.

B. Access to Other Case Team Records/Resources

There are other sources of information available to reviewers other than those contained on the Department's databases. Some examples are noted below.

1. Prior Reviews

PEPS research will identify the type of findings, and associated liabilities. However a review of the actual program review records, especially the correspondence, will provide more in-depth insight into past problems at the school. Even if there were no resultant liabilities, past findings may have indicated serious problems that reviewers may want to look at more closely. For example, the only finding in a prior review may have identified problems that resulted in students being under-awarded, with the resulting resolution that the institution agreed to retrain staff to prevent a reoccurrence. That review, as reflected on PEPS (one finding, no liability) may appear to have insignificant issues, but it is important to verify that the school is not still under-awarding students. Reviewers who conducted any recent reviews may provide valuable information about the school's organization and procedures.

2. Prior Audits

As with program reviews, the amount of information found in PEPS is limited to classifying the finding, and identifying associated liabilities. Reviewers are encouraged to take special note during pre-review planning of an institution's audit activity and corrective action plans. The details of the corrective action plans can be found in actual audit correspondence. While on-site, reviewers should check to ensure that these corrective action plans have been implemented. Recurrent and overlapping audit and program review findings should be noted and referenced in the program review report.

3. Complaint Profiles

Each CMT may have different methods of tracking the receipt and resolution of complaints and referrals. Ideally, there should be a method for reviewers to identify and research all recent complaints and referrals. Even if complaints have been successfully resolved, they may provide some insight into operations at the school.

4. Case Team Files

Each CMT may maintain various records that may provide additional useful information. CMT files may also contain information from accrediting and licensing bodies. For example, the CMT may keep an "institutional file" in which it files all miscellaneous information that comes to the CMT about each school (e.g., Campus-Based Allocation Letters that identify the institution's authorizations, and Perkins Loan authorizations).

5. AAAD Liaison

Reviewers should check with their respective AAAD liaison to see if there are any AAAD records of past administrative actions, appeals of FPRDs/FADs, and/or debarment or suspension actions against school officials. AAAD maintains a database of all referrals and resolutions of administrative actions, appeals, debarments and suspensions, as well as other miscellaneous information on schools that may not be recorded elsewhere. In addition, AAAD maintains copies of all settlement agreements. The AAAD liaison may also be aware of any information from OGC regarding prior actions.

AAAD staff also have access to the Lexis-Nexis system, which contains information on case law, news articles and a variety of public records, including bankruptcy petitions, corporation registrations, judgments, tax liens, uniform commercial codes (contains information on parties that have security interests, such as liens, against an individual or corporation), verdicts and settlements.

6. Contacts with Other Agencies

If there is a history of problems – whether with program reviews, audits, or complaints – other agencies may also be aware of problems of which the Department is unaware. In that case, it may be wise to check with **state licensing agencies** for complaints or other adverse institutional information on file. If related to Federal student aid, these complaints may help identify areas of program review focus. Note that state agencies may be concerned primarily with academic and instructional issues.

Similarly, **accrediting bodies** may conduct reviews of their member institutions. Reviewers might check with accrediting agency personnel to seek information on student or staff complaints and obtain copies of institutional annual reports or copies of accrediting agency reviews of member institutions. The reviewer also has the option to request these documents directly from the school while on-site. In addition, reviewers may check with State Attorney General Offices, the State Comptroller (or other offices that may oversee state grant programs), offices of consumer affairs, state or local labor department offices (to check coordination with JTPA program), and legal aid agencies regarding records of student complaints against institutions.

7. The Internet

This discussion must begin with the caveat that reviewers should be very circumspect about information gathered from the Internet and use only reliable sources. That being said, there may be some useful information on the Internet about an institution; for example, discovering through newspaper links that a school scheduled for a program review was in the process of being sold.

If the school maintains a website, the reviewer should look it over. This may provide additional information about the school, – or may reveal potential conflicts with information that the school has reported to ED. Also, a website is information that is being provided to the consumer, and should be reviewed in the same manner as printed consumer information to ensure that there is no misrepresentation.

C. Announced/Unannounced Reviews

In general, all program reviews will be **announced**, although a CMT may depart from this policy after the ACD consults with the Division Director. If a review will be announced, the institution should be better prepared to have staff and records available at the agreed-upon dates of the on-site review. In addition, information on institutional administration of the Title IV programs may be requested in advance (typically 2 - 4 week notice). Information requested should include a

complete list of Title IV recipients for the years to be reviewed, preferably in an electronic format (see Section E regarding sample selection).

For an unannounced review, the school will **not** be providing Title IV administration information in advance. Therefore, reviewers must invest additional time in pre-visit planning and information gathering. This more extensive advance planning for unannounced reviews includes an emphasis on gathering information through **indirect** sources -- everything from the precise route to the institution, to ascertaining academic schedules so as not to arrive in the midst of registration or school vacation, to preparation of the statistical sample using data available from within ED (such as NSLDS or RFMS).

D. Coordination of Review Schedules

To promote orderly management of the review process and minimize simultaneous review visits by different review teams to the same institution, review schedules must be coordinated with other agencies, as well as other offices within ED. For example, advance communication with **OIG** on review schedules can help prevent simultaneous, uncoordinated, multiple review team visits. At the same time, early coordination may provide reviewers with useful school information held by OIG or other entities.

Generally, the CMT will have already solicited information during the case management process from adjunct team members from offices such as AAAD, Direct Loan, and Quality Assurance. However, once a final decision is made to conduct the program review, it is advisable to contact those offices again before scheduling the review. For example, the Direct Loan Client Account Managers (CAMS) often visit participating schools, so it is advisable to check with that office to avoid simultaneous visits.

If a school is a Quality Assurance (QA) Program participant, the CMT must coordinate with the QA Program adjunct team member who can provide additional input to reviewers. If, after the case management process is completed, the CMT feels a program review is necessary at a QA school, the CMT must coordinate with the QA adjunct team member who can assist them throughout the review process. Since the CMTs are responsible for oversight of all Title IV institutions, QA schools are not exempt from program reviews.

Pre-review school information may be sought from each relevant guaranty agency, state licensing agency, and accrediting agency. Scheduling details may be shared to promote maximum coordination, including the possible planning of joint-agency team reviews. However, for unannounced visits, reviewers might request general information while omitting the specific review visit dates.

Note on coordination with non-federal auditors on-site: If the reviewer arrives unannounced at the school to find that an auditor will be on-site simultaneously, it is recommended that the reviewer meet with the auditor and attempt to coordinate document requests as much as possible. This should minimize inefficiencies and time delays caused by conflicting need for school documents at the same time.

E. Sample Selection

Most program reviews will entail reviewing student files to evaluate the school's procedures for awarding and disbursing Title IV funds. The basic guideline is that reviews should cover the **two most recent closed** award years. In addition, some files from the current award year should be examined. However, the CMT may decide that a shorter timeframe is appropriate.

Except for schools with very small Title IV populations (under 100 per award year), reviewers should prepare a statistical sample list in advance of the review. To identify a sample of student files to review on-site, reviewers first select from the population of Title IV recipients under review a valid **statistical sample** list. From the statistical sample, the reviewer then selects a smaller, random sample list. The file review portion of the review begins with this random sample.

The best source of information about the Title IV recipients is that institution's records. Many schools maintain databases that identify Title IV recipients for each award year. To maximize the accuracy of the sample selection, ask the institution to submit a **complete, unduplicated, reconciled list (in an electronic database format, if possible) of all Title IV recipients, by award year**. Ideally, the list should be sorted alphabetically or by social security number, and should also identify the amount of Title IV funds received in each program by each student in the applicable award year. Using a complete, unduplicated list is important because the results of the review will be more accurate, and liability extrapolations more comprehensive, if based on the entire universe of Title IV recipients.

If the reviewer is able to obtain a complete list of Title IV recipients from the school, he or she will select a statistical sample, using the [CMO Statistical Sampling Template](#) (an Excel © Spreadsheet).

This program works best with a listing provided in a spreadsheet or database electronic format, primarily because it makes sorting and eliminating duplicate records easier. However, if the school is able to provide a hardcopy listing, the statistical sampling template will function using that data. Reviewers should consult their systems coordinator if they have any questions about this sampling procedure.

If the institution is unable to submit an acceptable list, the reviewer may generate an unduplicated aid recipient report from the NSLDS that will provide a list of Pell and Loan recipients as well as dollar amounts of aid given to those recipients during a given time frame. While it may not be inclusive of a school's entire Title IV population, the NSLDS is considered the best currently available resource for the advance preparation of the statistical sample list. (Due to current NSLDS querying limitations, some of the loan recipients on the list may not match the award year designations used by the school. NSLDS queries for unduplicated aid recipients currently identify loans based on the loan period start date, so all funds disbursed for that loan will be included for the award year in which the start date fell. Accordingly, a loan with a loan period beginning date in June may have been disbursed in its entirety in the following award year, but those disbursements will still be included in the totals for the preceding award year.

From the universe of all Title IV recipients for an award year, the Statistical Sampling Spreadsheet will provide a report that identifies the random statistical sample of students from that universe. The software then identifies a further random sub-sample of 15 student records from the statistical sample group. These records are identified with an asterisk on the report generated by the software. These student records will be the initial focus of work for the review. Reviewers may find that they need to expand the statistical sample to increase the number of files to be examined.

When conducting a program review that focuses on a very specific area, reviewers may choose to generate the statistical sample using a specialized universe. For example, if the review is focused on Pell Grant recipients, the universe may include only those Title IV recipients in the applicable award year who received Pell Grant disbursements.

Additionally, there may be times when reviewers might consider selecting a judgmental sample. This may be appropriate to augment a statistical sample, or in certain cases where there is a need to focus on a particular item. Refunds may be the best example of this, because they reflect a specialized population (students who withdrew), and because any liabilities found in the review sample would not usually be extrapolated (since loan refunds must be attributed for particular students).

F. Notice of Visit Letter

The Notice of Visit Letter constitutes the official written request for access to records, required under 668.23(g), to initiate the program review process. A standard format for the Notice of Visit letter for both announced and unannounced reviews is provided in Appendix B. Reviewers must adjust the text in advance, adding information relevant to the particular school. Information to be added must include the name of the chief administrative officer, OPEID numbers, review team member(s), and award years to be reviewed.

The letter provides a general description of the scope of the program review, and lists the documents the school is requested to provide for the review. The letter also discusses the logistical needs of the reviewers, such as the need for access to copiers, and read-only access to computer databases.

After the Notice of Visit letter has been sent, reviewers should contact the institution to arrange an entrance conference to initiate the program review. It is preferable that managers of the primary offices involved in the review be present at the entrance conference. This is usually beneficial, in that it allows the reviewers to become acquainted with school officials they may be interacting with over the course of the program review, provide an overview of the review process, and discuss logistical issues (e.g., copier and computer access, record availability, etc.).

If the program review is unannounced, reviewers should present the chief administrative officer with the Notice of Visit letter (see Appendix B) upon arrival at the institution, and have copies of the letter available for distribution to other institutional officials. This letter will introduce the reviewers, inform the institution of the Department's authority to review Title IV records, and provide a comprehensive list of documents to be provided to the reviewers.

G. Incorporating the SFA Assessment in the Case Management Process

Reviewers may find the SFA Assessment useful as a tool in the case management process, and as an information resource. Therefore, reviewers should become familiar with the SFA Assessment to help determine its applicability to the circumstances of any school that is being evaluated. Then, at the reviewers' discretion, and based on the particulars of the review, decide when/if the SFA Assessment can help at some point during the review process.

1. What is the SFA Assessment?

The SFA Assessment is the starting point for any institution's quality improvement initiatives. The SFA Assessment is designed around the concept of self-assessment. An institution evaluates and analyzes its aid delivery system (the existing policies, procedures, and practices) to determine strengths and weaknesses. The benefit from this process is that the institution assesses its own systems and identifies areas that need improvement. The SFA Assessment is designed to strengthen a trusting relationship with our partners as we strive toward better service, and to improve overall performance in delivering aid and serving students.

The SFA Assessment consists of a comprehensive set of activities and questions designed to help institutions assess current operations in eight major areas in the delivery of student aid. The SFA Assessment activities complement the review items discussed in Chapter IV of this guide. The assessments were selected because they represent areas where serious deficiencies often result in significant liabilities to schools for improper use of Federal funds or cause harm to former or current students. Some of the assessments may require that the institution select a few files to review in order to complete the exercises.

Each assessment contains the major functional requirements, as well as suggested assessment steps. The assessments give an institution the opportunity to take a "snapshot" of its current Title IV management. The end result is a better understanding of not only what the requirements are, but how well they are being met at the institution and what improvements need to be made in order to meet the requirements as outlined in the regulations. The areas covered include Institutional Participation, Fiscal Management, Recipient Eligibility, Award Requirements, Disbursement, Reporting and Reconciliation, Automation, and other administrative practices. Since financial aid is an **institutional** responsibility, some assessments may need the involvement of other offices on campus to assist in the completion of the assessment.

2. Ways to Use the SFA Assessment in the Case Management/ Program Review Process

There are different ways that the SFA Assessment can be used throughout the case management/ program review process.

During the case management process/prior to the program review The motto should be Technical Assistance + Corrective Action = Better Compliance. The Case Management Teams (CMTs) may find the SFA Assessment as a useful resource as part of their case management evaluation, before a program review is conducted. For example, the CMT may determine that a program review is not warranted, but technical assistance may be needed. The CMT could then ask the school to complete the SFA Assessment and return it either to the CMT, or possibly directly to the IIS (after consulting with the IIS). The IIS could then use the information supplied by the school to determine what level of technical assistance is appropriate. This process benefits the CMT because it helps manage time and resources as we work proactively with the institutions to assist them to continuously self evaluate their operations.

Using the SFA Assessment while on-site The SFA Assessment can be an effective tool to use while on-site. If reviewers have time to spare during the review, a portion of the SFA Assessment can be used at the beginning of the review to help the reviewers and the institution determine areas that might need improvement. Technical assistance and recommendations can be provided prior

to the reviewers leaving the campus. This is a proactive approach that benefits both the institution and SFA.

Using the SFA Assessment after the review The SFA Assessment can be an effective tool to use after the review is conducted. Reviewers could have an institution complete a section of the SFA Assessment in response to the exit interview to strengthen areas of non-compliance and to determine if the findings can be resolved prior to the report being written. This would be a proactive step toward achieving a mutual respect and trusted partnership.

Further, the SFA Assessment can be an effective tool to use after the review is closed. Often times, program reviews are conducted, the findings are resolved, the reviews are closed, and the institution begins making similar mistakes in the same areas that resulted in the findings of the review. Reviewers can encourage the institution to use the SFA Assessment after the review is closed to continuously evaluate its procedures to ensure that the findings do not reoccur. If an institution uses the SFA Assessment to continuously evaluate its Title IV processes and to make improvements based on the results of the SFA Assessment activity, then the likelihood of future findings and liabilities should be reduced.

The SFA Assessment is available on the QA Website [QA Program](#).

Chapter III On-Site Review Procedures

This chapter provides a framework and compendium of suggestions for conducting the on-site review. A program review is a fluid process that often requires reviewers to adjust their initial action plans based on circumstances encountered on-site. Therefore, reviewers may use their professional discretion and deviate from some of the procedures discussed herein.

Reviewers are responsible for ensuring that a reasonable and appropriate level of testing has been performed to determine the institution's compliance with Title IV requirements in the areas selected for review and for documenting that those tests were performed. Therefore, reviewers should exercise due care in performing and evaluating the results of the review while employing an appropriate degree of investigation and research.

Ideally, the program review should be a cooperative effort between the reviewers and institutional officials. It is important that each understands and respects the other's constraints. The reviewers need to understand and evaluate numerous and complex procedures and records within a short time span. At the same time, the school's staff usually still needs to address students' needs during the on-site visit. Therefore, it is important to establish a framework to maximize the efforts of everyone involved in the process, and to allow for effective communication between the reviewers and institutional officials.

Generally, the program review will be conducted by at least one team member experienced in program reviews. However, the Case Management Team (CMT) may decide to assign additional team member(s) to a review.

A. Entrance Conference

During the entrance conference, reviewers should have the opportunity to meet institutional officials, state the objectives of the program review, discuss general organizational structure, and establish time frames required for the retrieval of documents. The president/owner, school director, financial aid officer, business manager, admissions director, and registrar should be present at the entrance conference. Additional institutional officials may attend, depending on the type of institution being reviewed.

1. Topics to Discuss

- a. Reviewers should explain the following to institutional officials:

- **PURPOSE** - The purpose of the program review is to evaluate the institution's administration of the Title IV programs, and to provide guidance and technical assistance.
 - **SCOPE** - The scope of the review will generally encompass the two most recent closed award years and the current award year. Also inform the institution that the review could be expanded to encompass up to a three-year period. (Note record-retention regulatory requirements.)
 - **REASON FOR REVIEW** - Reviewers may state the most significant factors that contributed to the institution's selection for a review (e.g., repeat audit findings, results of the Institutional Assessment Model (IAM)), unless there is a need to withhold the reason, such as student or employee complaints, or suspected criminal activity. However, a detailed discussion of the Department's IAM is not appropriate.
 - **TIME FRAME** - Reviewers should provide institutional officials with an estimate of the length of the program review. In the past, standard reviews generally lasted a week, although this may now vary, based on the focus that the case team has decided on. Upon completion of the review, an **exit conference** may be held to discuss preliminary, summary information on deficiencies noted and required institutional actions. The reviewer should emphasize that the review report, not the exit conference, will provide a more definitive analysis of the findings noted in the program review.
- b. Discuss any exemptions from standard regulatory provisions noted in the pre-review research (e.g., Quality Assurance Program, Experimental Sites, Distance Ed Demo Program, Campus-Based match exemption).
- c. Discuss the institution's general administration of the Title IV programs. For example, departmental interrelationships, organizational structure, and basic responsibilities of departments. (For more suggestions on Title IV administration and institutional office relationships, see Chapter V, Office Systems and Coordination.) Some key areas for discussion:
- admissions process;
 - financial aid packaging process;
 - ability to benefit procedures, if applicable;
 - academic year definition;
 - payment period definition;
 - award authorization/disbursement process;
 - staff roles and specific procedures (take notes on who, what, when and how);
 - institutional computer systems and how they affect the Title IV awarding/disbursing process.

- d. Discuss the availability of staff in key areas for interviews. At this point, reviewers may want to actually schedule interview times, or just establish general timeframes when certain staff would be available. If necessary, establish procedures for interviewing students.
- e. Request that a suitable work area and reasonable access to a photocopy machine be provided.
- f. Discuss the general process for communicating about possible issues, that in many cases the school will be given a reasonable timeframe to resolve deficiencies (and possibly collect missing documentation), and the method for school officials to apprise the reviewers of their resolution attempts. For example, if the school's Satisfactory Academic Progress (SAP) policy was missing a minor element, school officials might offer to develop one by the next day to avoid (possibly) having the finding included in the program review report. Reviewers should explain that such a deficiency might be included in the review report even if corrected procedures are implemented during the visit. Reviewers will evaluate the financial harm to taxpayers and students of the finding, and be open to prompt corrective action, if appropriate. Discuss that the school's resolution efforts will be noted but, because of time constraints, may not be fully evaluated until after returning to the office.
- g. Allow for a question and answer period.

2. Request for Documents

Ideally, records requested in the notice of visit letter will be available when reviewers arrive at the school. At the entrance conference, reviewers should confirm whether all requested documents are ready, and identify any additional records that are needed. Each request for documents should be made in writing, and reviewers should make note of each record that is received from, or returned to school officials – especially with student files.

If all the records are not ready at the start of the review, determine in the conference which documents may be obtained quickly and which documents may take longer to gather. Reviewers should set specific deadlines to receive documents. The availability of the documents will help reviewers establish the structure of the program review. For example, if student files are not available the first day, reviewers may want to begin reviewing available fiscal records, or interviewing staff, or if necessary, students.

Keep in mind that some institutions may have their documents at their corporate offices or with consultants or servicers. However, the institution is still responsible for having all records available for review at the geographical location of instruction. To facilitate document delivery, reviewers may recommend overnight express of the documents. In some cases (where

photocopies are acceptable), reviewers may require the institution to have the documents faxed to the review site.

If the reviewer is **denied access** to records or institutional officials refuse to cooperate at any time during the program review, reviewers should remind the school's chief administrator of the regulation cited in the notice of visit letter (668.23), and discuss the implications of their decision (reimbursement, and the possibility of administrative action). If the school officials persist, reviewers should immediately notify the ACD or CTLs to discuss what action should be taken. Once this action is determined, the reviewers will inform the school's chief administrator.

B. Program Review Process

The purpose of the program review is to make an assessment of the institution's administration of the Title IV programs in the selected program review focus areas (see Chapter IV), as well as other areas of concern identified during review preparation, determine if a more expansive review of the institution's records and procedures is required and, if not, determine appropriate corrective actions for any deficiencies noted. The following are general steps in the review process:

- Obtain necessary documents from institutional officials, ensuring timely delivery. Collect all relevant documents prior to examining each review item, so that reviewers may examine that item in its entirety. Example: to examine the institution's compliance with Ability to Benefit (ATB) requirements, gather the test, test score, test key, and the publisher's established minimum passing scores; identify the test administrator and determine if that person is independent of the institution. Check the test administrator's registration with the test publisher.
- Interview administrators, staff, and possibly servicers (such as the ATB test administrator discussed above) who work in key areas relating to the administration of Title IV programs. As discussed elsewhere in this guide, the movement of information between people, departments, and systems is critical. Discussing the flow of information through the school's process can provide quick insight into where potential problems may occur. Additional suggestions for conducting interviews are included in the next section of this chapter, and in Appendices C and D.
- Interview students. Talking to students allows reviewers to possibly confirm information that is reflected in school records, and to identify any other areas of concern from their perspective.
- Analyze institutional documents for compliance with the regulations and determine if any deficiencies exist.
- In general, apprise school officials of apparent deficiencies as soon as possible to allow the opportunity to track down mis-filed documents, or

provide other types of clarifications that may show there really is no problem. Provide a brief explanation of the possible actions needed to resolve any deficiencies, and explain that specific details will be provided in the review report. Reviewers should not wait until the exit conference to discuss all the review findings (although some last-minute findings may occur).

- Document each deficiency completely. As a general guideline, reviewers should document their reviews as if **each** finding will be challenged before a hearing officer. See Section D below for more detailed information on documenting findings.
- Analyze the deficiencies to determine if they are systemic or if they are isolated instances.
- Determine if the random sample needs to be expanded. Reviewers need to determine, based on their professional judgment, whether any deficiencies are material and systemic in order to determine the appropriate corrective action (refer to Section H). If reviewers feel they cannot make such a determination based on the results found in the initial sample, additional records may need to be reviewed. Any expanded random sample should be selected from within the original statistical sample.
- If serious and systemic deficiencies are noted in administrative systems, or deliberate misuse of funds is indicated, consult the CTL/ACD to determine the next step. This critical decision requires the best judgment of an experienced reviewer. If reviewers do not uncover any serious violations, they should proceed with a normal or expedited program review closure, as discussed in Chapter IX.

As noted in the beginning of this chapter, reviewers have to balance trying to minimize the interruptions to school staff in their day-to-day activities, with the need to conduct a swift – but thorough – on-site review. Therefore, in addition to scheduling interviews for detailed discussions, it may be advantageous to schedule brief meetings at the beginning or end of each day (perhaps with just one school official acting as a review coordinator) to quickly discuss possible findings or questions that need clarification.

C. Interviewing

A critical element of the review process is the interview. The information gathered in student and staff interviews can provide a valuable perspective on the institution's Title IV administrative practices.

In addition, such interview statements may reveal aspects of noncompliance not evident from the file review. Appendices C and D provide examples of questions that might be asked during student and staff interviews. However, above and beyond the questions asked, reviewers are encouraged to **listen with great care**

to the responses offered, and follow up with additional questions until the facts are clear.

For example, much can be learned by asking open-ended questions, questions that do not presuppose a given answer or lead the respondent in a particular direction.

EXAMPLES OF OPEN-ENDED QUESTIONS:

Question for staff: How do you admit students under the Ability to Benefit provisions? **Question for student:** Can you tell me about the financial aid you received and how your aid was processed?

Take detailed notes at interviews, sign and date them. The reviewer's own signature and date on detailed interview notes provides some documentary support in a hearing. Also, reviewers must take necessary safeguards to protect all workpapers, including sensitive or controversial interview notes.

Reviewers should strive to include in their notes and observations the basic ingredients of who, what, where, when, why, and how. Specify for every statement how the respondent knows what he or she is saying, who did what, when, where and how.

The obvious issues reviewers face regarding interviews are *who* to interview, and *when* to conduct the interviews.

Managers of the school's various offices involved in the Title IV process should be able to provide a basic understanding of the school's processes. However, a more in-depth picture of a school's procedures may be gathered by interviewing people at different levels of authority. For example, a financial aid director may explain the process based on his or her wishes/understanding of office procedures, but a counselor or data input clerk might actually follow a more expedient process.

Other parties that may not work directly for the institution that may be interviewed include:

- independent ability-to-benefit test administrator;
- representative of consultants or third-party servicers who perform Title IV related functions (e.g., Perkins due diligence, cash management, etc.), and
- managers at internship/externship sites (especially if there is one site where numerous students work).

On those occasions when you need to interview students, if reviewers are seeking to verify accuracy of school records (e.g., whether they took an ATB test

or whether the test was timed), try to interview students from the review sample. Otherwise reviewers could choose to interview students at random, possibly requesting their records afterward, if there were some issues the students raised.

Time permitting, students should be interviewed outside of their scheduled class times. Students should be interviewed without school officials present. Students may feel intimidated about being interviewed. *If applicable*, begin by assuring the students that the interview is only to confirm how the school is following procedures, that they are not being “investigated.” The decision of how many students to interview, or whether to interview any students at all, may vary, based on the scope of the review or the issues identified during the review.

There may be times when students approach reviewers to discuss problems they may be having at the school. Reviewers should always be attentive to student issues, but if time constraints prevent speaking to all students while on-site, reviewers should make arrangements for the students to contact them after the on-site visit is completed. Additionally, student concerns often relate to quality of education issues (e.g., broken equipment, teacher quality) that are best addressed by accrediting or licensing agencies. Therefore, reviewers are advised to be prepared with the phone numbers and addresses of those agencies for student referrals.

The best time in the process to interview school officials may vary depending on their position. For example, it might be necessary to talk to someone from the fiscal office at the start of the program review to get an understanding of how the disbursement/drawdown process works, and to identify what specific records need to be reviewed (since this process can be vastly different at each school). However, reviewers might want to wait until they have reviewed some actual records before meeting with staff from the financial aid office.

D. Documenting Program Review Findings

Program review findings must be thoroughly documented. Each deficiency that supports the finding must be associated with specific student files, school files, checks, documents, etc. It is insufficient to state a conclusion that a violation exists; reviewers must be able to substantiate the facts and basis of that conclusion. It is essential that documentation (copies of relevant correspondence, forms, checks, memos, attendance sheets, logbooks, registers, etc.) be clear and readable. If conflicting documents are at issue, reviewers must identify the documents and the specific information that is in conflict. All copies should be one-sided, on regular size paper, not stapled.

Reviewers should sign and date notes taken during a review, to help authenticate them as contemporaneous with the review.

If an OGC or AAAD staff member is assigned to the review, he or she will provide further guidance on what constitutes adequate and persuasive documentation. If they are not assigned to the review and you have questions while on-site, call an OGC or AAAD liaison for guidance.

E. Expanding the Program Review

As discussed in Chapter I, reviewers must determine during the program review if a more comprehensive review of the institution's records is warranted. Generally, this step is taken when reviewers determine that there are severe administrative problems at the institution or indications of possible fraud or abuse.

To justify expanding the program review, there should be significant evidence of serious, recurring or systemic problems relating to the program review items that might result in referrals to AAAD or OIG. Additional deficiencies reviewers have noticed outside of the basic review item list should also be taken into consideration when determining the need for an expanded review.

In such cases, reviewers should contact the CTL and/or ACD to confirm the need for an expanded review, and discuss strategies. Depending on the types of problems identified, further discussions may be held with AAAD or other Department personnel with particular expertise (e.g., Default Management). A work plan can then be developed that best addresses the circumstances.

If reviewers see no evidence of broad, systemic violations, an expanded program review may not be warranted. However, if an expanded program review appears to be justified, the following scenario is an example of how the new program review process should work.

1. Expanded Program Review Process

A review team determines on-site that a school has violated a number of program requirements. In addition, the team finds that the school has routinely misapplied Federal refund requirements and has calculated lower or no refund amounts. Although checks were prepared for the incorrect refund amounts, there is evidence that the business manager of the school withheld most checks. In addition, funds are unavailable to support payment at this time. Therefore, a substantial number of students (or their loan holders) have not received proper refunds.

From an off-site location, the review team contacts the CTL and/or ACD to explain why an expanded review is needed. During this contact, the team identifies areas of non-compliance, what needs to be done, if there's a need for heightened cash monitoring and other assistance needed. Based on this, an

action plan is developed and the team proceeds to take steps to gather documentation to substantiate the violations.

Shortly after the expanded review ends, the team provides a written summary that describes the key findings, citations and recommended actions to the CMT, CTL, and ACD. After discussion and consultation with the CTL and ACD, the CMT will decide what actions are appropriate (such as reimbursement, referral for administrative action, or referral to OIG for potential fraud).

If the action is to refer the school to AAAD, the review team prepares a memo, for the ACD's signature, to CMDD and AAAD stating the findings and pertinent regulatory provisions, and ensures that it is then e-mailed or faxed to both Divisions. The review team must also mail to AAAD copies of documentation that substantiate the findings that justify the referral for administrative action.

The ACD's memo will request AAAD to evaluate the case for administrative action, identifying the team members who observed and collected documentation on the findings. The memo also requests AAAD to discuss the findings with the review team and provide a preliminary assessment of the case, including any additional information that may be helpful to AAAD.

For potential fraud, the review team also provides a brief memo to OIG noting the nature of the case and the findings prompting the referral for possible investigation. The referral to the OIG is in addition to the referral to AAAD for administrative action. Copies of the memo to AAAD or CMDD should be attached to the OIG memo.

2. Expanded Review Team Members

In addition to team members experienced in program review, members of the expanded review team may include CMT members with experience in financial analysis, institutional eligibility, recertification and audit analysis. Moreover, expanded reviews will often involve staff from various offices within CMO (AAAD, DMD, PIP) and/or may also include staff from other components of OSFA, OGC, or the OIG, depending on the expertise needed. In addition, personnel from state agencies, guaranty agencies, or accrediting agencies may also accompany team members on the review.

Expanded review teams do not necessarily need to be composed of staff from the same CMT. Since expanded reviews may last several days or weeks, the review teams should also draw upon staff resources from other CMTs, based on review experience, language skills and availability. Whenever possible, if the expanded review is to be conducted at a school with a large percentage of students whose native language is not English, at least one member of the review team should be able to converse with the students in their language. A

list of ED staff with foreign language skills may be found on the ConnectEd web site at <http://connected1.ed.gov/ref/expert>.

The actual composition of the expanded review team will depend upon the issues identified during the review preparation process or on the findings discovered during a review. As with all reviews, the team should examine all available information, prepare a written work plan, and, if necessary, call in specialists in other functional areas before beginning the review.

3. AAAD/OGC Involvement in Expanded Reviews

Depending on the nature of the expanded review, staff from AAAD and OGC may accompany the review team on the review. Where appropriate, AAAD and OGC may take the lead in locating, contacting, and meeting with current and former students, instructors, school personnel and other potential material witnesses. If necessary, AAAD and OGC will draft affidavits for signature by these individuals. This will enable the review team to concentrate on conducting the review. In addition, AAAD and OGC may assist in the acquisition of evidence necessary to support grounds for an administrative action.

Generally, the team members will meet each evening to discuss the outcome for that day, and to determine the next steps. This will ensure that the review team obtains the strongest evidence possible to enable AAAD and OGC to proceed quickly with an administrative action (if warranted), to protect the student aid programs, students, and taxpayers from further harm.

If, as a result of any review, AAAD determines that an administrative action is necessary, additional work may be required from the review team to document fully the scope and severity of findings which may lead to such action, including emergency action. The work to be performed by the review team must be defined case by case, and will vary, depending on the findings relied upon to justify the appropriate administrative action.

The review team, ACD, CTL, AAAD, and OGC must communicate closely in selecting the key findings and in identifying the relevant documentation that must be examined to sustain an administrative action. If the Department has decided to take an emergency action and subsequent termination, the team's initial task is to support that effort. After addressing the need for effective support of any administrative action, the primary task of the expanded review team, is to evaluate thoroughly the school's compliance with the SFA regulations and agreements with the Department, and determine the status of its administrative and fiscal systems.

F. Detecting and Documenting Suspected Fraud and Abuse

Reviewers should be aware that what might appear to be programmatic deficiencies resulting from oversight or misunderstanding of the regulations may, in fact, be part of the institution's plan for doing business. Considerations such as who benefits from the error, whether or not the error is a deliberate act, and the frequency and consistency with which the error occurs, determine whether the set of facts observed by reviewers is an oversight or an indication of fraud or abuse.

In instances where frequent errors sometimes result in an advantage to the institution and sometimes result in an advantage to the student or the Title IV programs, the errors are probably indicative of a lack of administrative capability rather than deliberate abuse or fraud. For example, if a school's refund calculations are found to be timely but mathematically incorrect, so that sometimes the institution benefits, but other times the Title IV programs benefit, it is most likely the institution is not being careful enough with its calculations.

However, if the incorrect calculations consistently result in a benefit to the institution, reviewers should attempt to determine whether apparent errors are actually attempts by the institution to avoid having to repay refunds.

1. Indicators of Fraud and Abuse

Reviewers should be aware of the factors that may lead a school to engage in program abuse or fraudulent activities:

- An institution that is experiencing cash flow problems may overlook or suspend administrative procedures that would reduce enrollment, and therefore, institutional income. Some examples include not following admission policies, not enforcing satisfactory academic progress standards, and /or not verifying enrollment.
- In more extreme cases, an institution that is experiencing cash flow problems may falsify attendance records to enable it to claim a larger portion of a student's financial aid, or to falsely claim disbursements subsequent to the initial disbursement, retain refund checks or not pay refunds, and/or drawdown and maintain excess cash.
- Additional abuses may include manufactured high school diplomas or GED certificates, falsified ATB tests, falsified enrollment agreements, or evidence of "ghost" students -- students who never attended class, yet on whose behalf the institution obtains Title IV funds.

There are many other factors that can become indicators of fraud and abuse to be tested by reviewers. Prior to any review, the CMT should ascertain the financial condition of the school, past performance of the institution, and the school's default rate status.

In addition, potential problems may exist at institutions whose primary source of income comes from a public agency based on the number of students enrolled at the school. A cash flow squeeze could lead to institutional reluctance to take actions that will reduce its full-time equivalent (FTE) student count. For example, schools may fail to determine whether students actually ever attend courses for which they register; fail to enforce satisfactory academic progress policies that could reduce enrollment; and generally not have a system for determining a student's last date of attendance.

It is also possible that institutional policies for rewarding employee performance will encourage employees to abuse or defraud the Title IV programs. For example, an admissions representative may coach students to falsify by understating their income information on the FAFSA so that they will qualify for Title IV aid.

2. If Fraud is Suspected

If reviewers suspect fraud, they should first contact the CTL and/or ACD to discuss review observations. Any contacts should be made away from the school. If not already involved with the review, reviewers should also contact the CMT's AAAD liaison. Together, these individuals can discuss the types of documentation necessary to sustain the finding and the manner in which it should be documented. To protect Title IV programs from further loss in cases of fraud, it is the responsibility of the reviewers and CMT to work closely with AAAD and OGC in initiating the appropriate administrative action. Joint consultations with AAAD and OGC are recommended to assist reviewers and CTLs/ACD in providing necessary documentary support for an administrative action.

Reviewers and CTLs/ACD should also contact the Office of the Inspector General for Investigation (OIGI). Although the OIGI has the primary responsibility for investigating fraud and abuse, reviewers can provide valuable preliminary information and documentation.

3. Documenting Suspected Fraud

Reviewers should fully document any program exceptions serious and pervasive enough to warrant administrative action or which may represent fraudulent activity on the part of the school. These include, but are not limited, to the following items:

- Any institutional documents that support the findings of fraud or abuse must be photocopied. Reviewer must initial and date the back of each photocopy so that they can attest to when the document was copied and by whom, in the event of a future administrative or criminal hearing. The AAAD liaison to the CMT, or OGC, should be consulted regarding documentation requirements before photocopying documents, if possible.
- In cases of suspected fraud, staff and student interviews are critical. Interviews of both current and former students will be necessary in most cases. If AAAD and OGC staff are not present during the review, reviewers should conduct interviews of students and staff. The interviews should be summarized and the respondent should be asked to read the statement, make corrections, and sign, with the attestation that the document is true and accurate representation of the interview. Ideally, the document should be typed; however, it can be handwritten, if necessary. Where possible, interviews should be conducted in teams, with one person asking the questions and the other taking notes and asking follow-up questions. In some cases, students or staff may be more willing to discuss questions away from the school location.

Reviewers perform an important function in preserving the integrity of the Title IV programs. To perform effectively, reviewers must be able to identify and test areas of program vulnerability or risk. The Title IV programs are designed to be administered by the institution acting as a steward of Federal funds. When an institution violates this trust, the Title IV programs and Federal funds are at risk.

4. Areas for Potential Fraud

The following areas identify fraud situations that have been discovered during recent program reviews. Note that these are some areas for potential fraud and abuse:

a. Ability to Benefit (ATB)

Students who are enrolled under ATB standards must pass an independently-administered admissions test that is approved by the Department. Reviewers should check for the following:

- Tests that have been altered to show that the student passed.
- Tests not scored properly. Be sure to examine tests with scores exceeding the passing score by only one or two points.
- Tests completed with a pencil and obvious changes made.

- Discrepancies between test proctor's listings of students tested (if available), and students who took ATB test.
- On a timed test, all students routinely answered every question.

b. Attendance Records

Federal financial aid disbursements are contingent upon a student's attendance at the institution. Check for the following items:

- Attendance records are altered or missing.
- Discrepancies in the supporting documents maintained for attendance records.
- Extended leaves of absence followed by one or two days of attendance (that coincide with the disbursement dates of funds), followed by a final withdrawal.
- Majority of students taking leaves of absence.
- An unusually high number of make-up hours for many students in classes that are not self-directed.
- Majority of withdrawal students with hours supporting full year disbursements and/or no refunds due.

c. Signatures

Many documents in the students' files require student certifications and signatures. Examine them closely:

d. Refund Checks

Verify original refund checks for the bank's processed date.

e. Misrepresentation

Some institutions may:

- Lure students to attend their schools by misrepresenting the educational program or the opportunities a student may have after completion of the educational program. Check for these items:

- Offering recruiting "gimmicks" to encourage students to sign up family and friends. Check with state licensing agency for improper referral practices.
 - Providing prospective students with erroneous placement and completion statistics.
 - Using job placement agencies, making false job placement promises, or placing blind advertisements in help-wanted section of newspapers to attract students looking for employment (students think they are applying for jobs, not to go to schools).
 - Promising full transferability of credits.
-
- Misrepresent the costs of tuition and fees; the catalog may state one cost while the contract may indicate another.

 - Describe availability of the latest equipment in advertising, but provide inferior equipment on-site; malfunction or disrepair of equipment.

 - Promise internship/externship opportunities for professional development, but refer students to positions that are menial and are not program-related.

G. Administrative Action Issues

The Department has the authority to take various administrative actions against a school, whenever a school "...violates any Title IV, HEA program statute, regulation, special arrangement, agreement or limitation prescribed under the authority of Title IV of the HEA." The authority to take these actions is found in Subpart G - Fine, Limitation, Suspension and Termination Proceedings at 34 CFR 668.81-668.98. Subpart G also authorized the imposition of emergency actions.

In addition, the Higher Education Amendments of 1998 also granted the Secretary authority to issue administrative subpoenas to obtain documents, reports, answers, records, accounts, papers, and other documentary evidence pertaining to a school's participation in any SFA program.

AAAD is the entity within OSFA that is responsible for taking these administrative actions. In addition, AAAD is also responsible for initiating suspension and debarment actions against individuals. AAAD staff works closely with attorneys in OGC.

1. Referral to AAAD

The CMT should consult with the AAAD liaison to determine whether a referral is appropriate. If a referral is appropriate, reviewers should prepare a "Case Team Referral" form for their Area Case Director's signature that is then forwarded to the Director of AAAD.

If there is reason to suspect fraud in the administration of Title IV funds by an institution, referral to AAAD (and notification to the OIG) should be made without hesitation. In addition, referrals to AAAD for administrative action are encouraged if reviewers suspect that a school is either unwilling or unable to properly administer Title IV funds; specifically, with findings that appear to be systemic or repetitive in nature and have placed, or may continue to place, Federal funds at risk, or cause harm to students. Finally, referrals may also be appropriate if, in the course of resolving a review, the institution has failed to respond timely and in good faith to the required corrective actions specified in the program review report and/or corrective action plan.

For AAAD referrals, the review team working with its AAAD liaison, must ensure that specific findings and backup documentation are prepared and promptly forwarded to the AAAD Director for evaluation and subsequent action. AAAD will evaluate for appropriate administrative action. The ACD should notify the Case Management Division Director (CMDD), or the designee, of the referral to AAAD because this could affect the scope, planning and scheduling of any expanded team review activity. AAAD and CMDD should coordinate their subsequent activities to ensure that any pending administrative action can proceed swiftly.

2. AAAD Action

AAAD will impose or initiate an action after evaluating the referral, and after consulting with reviewers, CTLs and ACD, and personnel from OGC. Although the regulation authorizing AAAD to take action requires only that a school violate any Title IV regulatory provision, obviously AAAD will not take action against every school that makes a mistake.

There are many circumstances under which AAAD will take action without reviewers completing the program review report. The guiding regulation for AAAD to take action only requires the finding of any regulatory violation; it does not require a written program review report or any notice to the school, of any kind, prior to AAAD's administrative action notice, which must cite the violations on which the action is based.

As with Subpart H actions, reviewers must be able to support their findings with documentation and testimony that will convince a hearing official that their findings are correct and accurate, and that they followed appropriate and

reasonable procedures. Generally, this means following normal program review procedures, taking reliable notes of interviews with school personnel and students, and making legible copies of pertinent documents.

H. Evaluating Program Review Results

Once the program review site visit is completed, the CMT must evaluate the results. Reviewers should consult with the CMT, CTLs/ACD, and AAAD liaison, to determine the appropriate course of action. Depending on the severity of any violations, actions may include:

- referral to the IIS for technical assistance;
- development of a corrective action plan to rectify the problem;
- assessment of liabilities;
- immediate transfer to the reimbursement system of payment or to heightened cash monitoring;
- referral to AAAD for administrative action, including emergency action, when appropriate; and/or
- immediate notification of the Office of Inspector General (OIG), if fraud is suspected.

1. File Reviews

As previously noted, reviewers can require that an institution perform reviews of its records (file reviews) to ascertain the extent of a deficiency that appears to be systemic and material. Generally, an error rate of greater than **10 percent** for any given award year would signal a systemic problem. (Refer to IRB Memorandum [Target Numbers and Reviewer Discretion](#).issued 12/6/95.)

A material deficiency is one which may result in funds payable to the Title IV programs or students, or one in which the nature and frequency of the problem may be serious enough to warrant a fine or other administrative action. For example, reviewers discover in the file review that tax returns were not being collected for most students who were selected for verification. The school should be required to review all students who were selected for verification in the applicable award year(s), and identify funds that were disbursed without verification being completed. In an expanded review, reviewers (having discussed time and staff availability with the supervisor) may decide to review the files for the students in the statistical sample, instead of having the school do it.

In most cases, to determine liabilities payable to the Title IV programs, an institution should be offered the choice of performing file reviews using the

students included in the valid statistical sample that was identified at the beginning of the program review. Reviewers would then extrapolate any liability amounts determined for students in the statistical sample over the total universe of students for the applicable period(s).

There are situations where it is not appropriate to permit the institution to review only those students contained in the statistical sample. This is in cases where the school will be required to repay monies directly to students or to students' loan holders (e.g., unpaid FFEL/DL refunds, underpayment of FWS, unpaid credit balances). In such cases, schools would be required to review all students in a given time period to determine the extent of non-compliance and resultant liabilities.

In either case, file reviews often require an extensive amount of work for schools. Careful consideration should be given to whether a file review is appropriate and if so, what the scope of that file review should be. For example, if the program review encompassed two award years, but a majority of the problems were found in one year, reviewers should ascertain (ideally while still on-site) if there was a systemic problem in the other year to determine if a file is required for both years. This might involve expanding the review sample to look at a few more cases from both years, and/or talking to school officials to find if there was a particular problem that could be traced to one award year (e.g., staff turnover resulted in inadequately trained staff). This could also help reviewers determine what type of corrective action is most appropriate.

Finally, reviewers must determine whether any verification of the file review results is required. The two most common methods are:

- require that the school have an independent CPA attest to the accuracy of the results of the file review, or
- schedule a follow-up visit to the school to test the results.

Reviewers should specify in the program review report whether a CPA review is needed (especially because the school will have to pay for this), or that a follow-up visit may be scheduled.

2. Corrective Action Plans

In addition to determining whether there are any potential liabilities resulting from deficiencies noted during the program review, it is important to work with the school to develop corrective action plans to ensure that the problems do not reoccur.

The corrective action process can begin during the on-site program review. Some problems may simply be the result of a misunderstanding of a regulatory requirement. For example, reviewers may find that a school is still taking 60 days to pay FFEL refunds for students who withdrew from school, instead of 30 days under current regulations. Identifying the revised regulation when discussing the issue with school officials during the review should ensure that procedures are changed immediately.

In many cases, however, the causes of the non-compliance are not so readily apparent; and reviewers' ability to prescribe specific corrective actions is limited. If possible, reviewers should try to determine the cause of a problem, to facilitate identifying the best resolution. However, the realities of time constraints and internal school dynamics may prevent this.

For instance, the specific cause of a finding that a school took 120 days to pay FFEL refunds may be more difficult to identify. The refund process generally requires communication between different offices at a school, and poor communication could cause refunds to be paid late – or not at all. Trying to identify exactly where the bottleneck occurred could become very time-consuming and involve reviewers in inter-office conflicts at the institution. In this case, the best corrective action may be to have the institution develop and describe its enhanced student withdrawal/refund process from the time a student's withdrawal is identified through the date the refund is paid (identifying timeframes and lines of communication) that meets the 30 day regulatory requirement.

Then, there are more complex problems that may require a much broader approach. For example, systemic problems with awards to ineligible students, incomplete verification, and improper loan certification may be the result of a total breakdown in the financial aid office. There may be inadequate staffing and training. In such a case, it may be appropriate to require the school to perform an evaluation to determine the cause of the problem, and have them propose a solution.

In all cases, reviewers should consider what Department resources might assist the school in implementing the corrective action plan(s). This may include reviewer suggestions, utilizing the Institutional Improvement Specialist, the SFA Assessment, or other ED training materials/activities.

3. Technical Assistance

CMT staff should always try to assist schools by offering technical assistance or responding to school requests for technical assistance. The commitment to addressing a school's technical assistance questions should be discussed at the entrance and exit conferences.

Any clarification of regulations and statutes that reviewers provide regarding review findings is a form of technical assistance, and it is important to ensure that schools are provided complete and accurate regulatory and statutory references for each issue identified. However, there may also be opportunities during a program review to provide information and advice separate from findings.

Additionally, reviewers may discuss some “best practices” that they have observed at other schools, which might ease some organizational or administrative burden they have identified. **HOWEVER**, in doing so, the reviewers must stress that they, and the Department, are not endorsing any product or service provided by any entity. Also, reviewers should confirm the willingness of the person/institution with the “best practices” to be referred to others.

I. Exit Conference

The exit conference is considered a courtesy to institutional officials; the Department is **not required** to provide an exit conference. However, it provides an opportunity to share information with school officials and seek additional information from them, including their comments/responses to the deficiencies summarized by reviewers. The president/owner, school director, financial aid officer, business manager and registrar should be present at the exit conference. Other institutional officials may attend the exit conference (depending on the type of institution reviewed).

During the exit conference, reviewers should:

- Discuss the scope of the program review (e.g., award years and number of student files reviewed).
- Summarize the deficiencies identified.
- Discuss the possible scope of required corrective actions.
- Advise the institutional officials of the time frames for issuing and responding to the program review report or issuance of the expedited determination letter. Mention that reasonable dialog regarding the findings and questions of regulatory interpretation will be considered, but a timely resolution of program review issues will be expected. Also, explain the final program review determination, with a brief discussion of the formal appeal process.
- Remind officials that the deficiencies noted and corrective actions required are preliminary, that consultation with the supervisors and final review of the information collected may result in additional findings. However, as a courtesy, schools generally should be apprised of any substantial findings not noted in the exit conference before the issuance of the review report.

- Reiterate the commitment of the Case Management Team to provide technical assistance.
- Thank the officials for their cooperation during the review process.

As a general rule, the exit conference should be brief, avoiding excessive detail in describing deficiencies, but emphasizing that the review report will provide additional information.

Chapter IV Program Review Items

A. Selecting Which Items to Review

The following program review items represent areas where serious deficiencies often result in significant liabilities to schools for improper use of Federal funds or cause harm to past or current students. Reviewers are not required to focus on all of these items. Rather, in conjunction with the case management process, reviewers may select any items applicable for the program review being conducted.

Also, each review item has direct links to SFA Assessment activities that can assist the school in correcting identified deficiencies on a continual basis, even after the review is closed. If reviewers find discrepancies in the review item, the SFA Assessment reference is related to that item and the school should be encouraged to complete that entire SFA Assessment. Often, the discrepancy is related to systemic problems and the SFA Assessment is designed to encourage schools to assess the entire operation related to the item in order to identify and correct the "root" of the problem. Please refer to Chapter II of this guide for further guidance regarding how the SFA Assessment can be used throughout the program review process.

By using the case management process to determine areas of deficiencies at a particular institution, it is envisioned that reviewers will be better able to

- identify the most serious deficiencies and compliance issues;
- use limited staff time and resources more productively; and
- avoid duplication of effort between ED-conducted reviews, and reviews/audits conducted by independent auditors, guaranty agencies, state entities, and accrediting agencies.

Although reviewers may choose to not review all of the program review items identified, the list is formatted to serve also as a checklist to guide reviewers on-site.

B. Conflicting Information

Reviewers should test for inconsistent or conflicting information when examining any of the review items. An institution must maintain accurate and consistent data in order to support the eligibility of each aid recipient; therefore, reviewers should identify any discrepancies in student and institutional records and ensure they are properly resolved. The following are some examples of conflicting information:

- Some schools ask the student to provide similar information on different forms. For instance, the admissions application may ask students about their employment history. Often, students report employment here, but may show no wages for the same period on their financial aid application.
- A parent's tax return reports significant interest income for four consecutive years, but the aid applications reflect minimal assets every year. (Since interest income is reported for the *prior year* and assets are reported for *the current period*, a correlation needs to be drawn over more than one year).

C. Program Review Items as Guidance

The following discussions summarize key issues associated with a review of any of the items. These summaries are not meant to be all-inclusive. For instance, if there is a serious problem with a school's satisfactory academic progress policy not specifically discussed here, continue to review the issue based on regulatory or statutory requirements. Also, the summaries do not include all possible considerations reviewers must address. For example, in examining NSLDS data to determine past financial aid history of a student, reviewers may note that financial aid was disbursed, even though NSLDS history showed the student was in default. However, reviewers must determine whether the school performed additional follow-up to show that the defaulted loan was resolved. There might be documentation in the student's file showing the student had made satisfactory arrangements to repay the defaulted loan, and was therefore an eligible student. The summaries are meant to provide guidance to reviewers, but do not replace reviewers' discretion and professional judgment.

Even if it is not listed as a review item, reviewers should not ignore a serious problem that becomes obvious in the review process, especially if it may represent potentially significant liabilities or may have affected many students adversely.

References are provided in a concise format at the end of each review item to guide reviewers to the appropriate regulatory or statutory authority. Dates are provided only for newly issued regulations. (The web version of the Guide is embedded with internet-links that connect you to the citations for easy reference.)

Although the Guide will be updated regularly, reviewers are reminded of the continuing importance of remaining current on regulatory and statutory requirements.

D. Program Review Items



1. Institutional Eligibility

- θ 1. Reporting Institutional Changes to ED
- θ 2. Campus Security
- θ 3. Consumer Information
- θ 4. Program Eligibility
- θ 5. Eligible School/Location

2. Fiscal

- θ 6. Fiscal Records/Audit Trail
- θ 7. Excess Cash
- θ 8. GAPS Report
- θ 9. Use of Cash Advances
- θ 10. Matches for Campus-Based Programs
- θ 11. Return of Title IV Funds
- θ 12. Student Credit Balances
- θ 13. FFEL/Direct Loan Disbursements (Payment Periods)

3. Student Eligibility

- θ 14. Ability to Benefit
- θ 15. Satisfactory Academic Progress Standards
- θ 16. Student Eligibility
- θ 17. Attendance Records

4. Awarding/Disbursement

- θ 18. Verification
- θ 19. Professional Judgment
- θ 20. Timecards for FWS Students
- θ 21. Pell Calculations/Disbursements
- θ 22. Disbursements
- θ 23. Enrollment Status
- θ 24. Need Analysis
- θ 25. FFEL/Direct Loan for Programs < One Year
- θ 26. FFEL/Direct Loan Amounts for Grade Level
- θ 27. Direct Loan Reporting/Reconciliation

5. Other

- θ 28. Items from Past Reviews/Audits
- θ 29. FISAP Income Grid
- θ 30. Federal Perkins Loan Due Diligence and Promissory Notes
- θ 31. Commissioned Sales
- θ 32. Clock/Credit Hour Conversion
- θ 33. Student Status Confirmation Report
- θ 34. Default Management (Entrance/Exit Counseling, Withdrawal Rate)
- θ 35. NSLDS Security Issues
- θ 36. Third Party Servicer Contract

1. REPORTING INSTITUTIONAL CHANGES TO ED GEN 2300, 9999

An institution is required to report changes to certain information relating to its Title IV eligibility. Some of these changes require ED's written approval before the institution may disburse the SFA program funds; others do not.

Changes that require ED's written approval. (The number in parentheses refers to the number of the question on the electronic application, known as the e-app.)

All Institutions:

- Change in accrediting agency (15). The institution must notify the Department when it BEGINS ANY change that deals with its institution-wide accreditation.
- Change in institutional structure (change in ownership and control) (18)
- Change in educational programs outside the scope of current approval (26)
- Addition of nondegree programs outside the scope of current approval (27)
- Addition of a location at which 50 percent or more of the program is offered and meets one or more of the conditions listed in 600.20(c)(1)(30)
- Change in the type of ownership (change in ownership and control) (22)
- Change in ownership that results in change in control (24)

When one of these changes occurs, an institution must notify ED by:

1. reporting the change and the date of the change to ED via the e-app within 10 calendar days of the change, and
2. as soon as the institution has received approvals for the change from its accrediting agency and state authorizing agency, it must send to ED:
 - copies of the approval for the change,
 - any required documentation, and
 - Section L of the application containing the original signature of the appropriate person.

Changes NOT requiring ED's written approval

All Institutions:

- Change to institution's name (2). As soon as it has received approvals for the change from its accrediting agency and state authorization agency, an institution must send ED copies of the approvals.
- Change of or change to the name of a CEO, president, chancellor (10)
- Change of or change to the name of the chief fiscal officer (11), financial aid officer (2)
- Change in state authorizing agency (17)
- Change course measurement (from or to clock hours or credit hours) (27)
- Address change for a principal location (29). As soon as it has received approvals for the change from its accrediting agency and state authorization agency, an institution must send the Department copies of the approvals for change.
- Address change for other locations (30). As soon as it has received approvals for the change from its accrediting agency and state authorization agency, an institution must send the Department copies of the approvals.
- Change to the institution's third-party servicers that deal with the SFA program funds (58)
- Addition of a location and does not meet conditions of 600.20(c)(1) (30)

Foreign institutions only (including foreign graduate medical institutions):

- Change to postsecondary authorization (42)
- Change to degree authorization (43)
- Change to program equivalence (44)
- Change to program criteria (45)
- Change to U.S. administrative and/or recruitment offices (46)

Foreign graduate medical institutions only:

- Change to facility at which institution provides graduate medical instruction (47)
- Change to authorizing entity (48)
- Change to approval of authorizing entity (49)
- Change to length of program (50)
- Change to programs located in the United States (51)

When one of these changes occurs, an institution must notify ED by reporting the change and the date of the change to ED via the e-app within 10 calendar days of the change. In addition, an institution must send:

- any required supporting documentation, and

- Section L of the application containing the original signature of the appropriate person.

Note that for a change requiring ED's written approval (unless otherwise noted) and for some changes that do not require ED's written approval, an institution must obtain approval from the appropriate accrediting agency and state authorizing agency.

- Institutions about to undergo a change of ownership/control may now submit a "preacquisition review" application up to 45 days prior to the change of ownership.
- Institutions that submit a materially complete application within 10 business days of the change may be eligible to receive a temporary PPA to continue to participate while CMO is reviewing the institution's application.
- Initial participation institutions that are approved for the first time receive provisional certification for one complete award year.
- Institutions approved after a change of ownership receive provisional certification for up to three years.

References:

Section 498(b), Application Form

34 CFR § 600.20 Application procedures

34 CFR § 660.21 Updating application information

34 CFR § 668.25 Contracts between an institution and a 3rd party servicer

HEA 1998, effective October 1, 1998

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 1 and Chapter 10](#)

[Dear Colleague Letter, 97-6](#)

[Electronic Application for Approval to Participate \(E-App\) \(eligcert.ed.gov\)](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

2. CAMPUS SECURITY GEN 2113

By October 1 of each year, an institution must publish and distribute its annual security report. The report must contain, at a minimum, the following information:

1. statistics for the three most recent calendar years on:
 - criminal homicide,
 - murder and non-negligent manslaughter,
 - negligent, manslaughter,
 - forcible and non-forcible sex offenses,
 - robbery,
 - aggravated assault,
 - burglary,
 - motor vehicle theft,
 - arson,
 - arrests for liquor law violations, drug law violations and illegal weapons possession,
 - persons who were not arrested but were referred for campus disciplinary action for liquor law violations, drug law violations and illegal weapons possession,
 - the crimes above by category of prejudice and any other crime involving bodily injury reported to local police agencies or to a campus security authority that shows evidence that the victim was intentionally selected based on the victim's race, gender, religion, sexual orientation, ethnicity or disability.
2. a statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus. This statement must include the institution's policies concerning its response to these reports, including:
 - policies for making timely warning reports to members of the campus community regarding the occurrence of crimes described above,
 - policies for preparing the annual disclosure of crime statistics, and
 - a list of the titles of each person or organization to whom students and employees should report the criminal offenses described above.

3. a statement of current policies concerning security of and access to campus facilities, including campus residences and security considerations used in the maintenance of campus facilities.
4. a statement of current policies concerning campus law enforcement that:
 - addresses the enforcement authority of security personnel, including their relationship with state and local police agencies and whether those security personnel have the authority to arrest individuals,
 - encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies, and
 - describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.
5. a description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.
6. a description of institutional programs designed to inform students and employees about the prevention of crimes.
7. a statement of the policies concerning the monitoring and recording (through local police agencies) of student criminal activity at off-campus locations of student organizations recognized by the institution, including student organizations with off-campus housing facilities.
8. the policies concerning the possession, use and sale of alcoholic beverages and the enforcement of state underage drinking laws.
9. a statement of institutional policies concerning the possession, use and sale of illegal drugs and the enforcement of state and Federal drug laws.
10. a description of any drug and alcohol-abuse education programs available to students and employees, as required under Section 120(a) through (d) of the Higher Education Act.
11. a statement of policy regarding the institution's campus sexual assault prevention programs and the procedures to be followed when a sex offense occurs including:
 - a description of educational programs to promote the awareness of rape, acquaintance rape and other forcible and nonforcible sex offenses,
 - procedures a student should follow if a sex offense occurs (who to contact and how to contact them, the importance of preserving evidence for proof of a criminal offense),
 - options for the notification of appropriate law enforcement officials (including on-campus and local police) and a statement that institutional

personnel will assist the student in notifying these authorities, if requested by the student,

- availability of on and off-campus counseling, mental health, or other student services for victims of sex offenses,
- notice to students that the institution will change a victim's academic and living situations after the alleged sex offense and of the options for changes, if changes are requested by the victim and are reasonably available,
- procedures for campus disciplinary actions in cases of an alleged sex offense, including a clear statement that both the accuser and the accused:
 - are entitled to the same opportunities to have others present during a disciplinary proceeding, and
 - will be informed of the institution's final determination of any institution disciplinary proceeding with respect to the alleged sex offense and any sanction that is imposed against the accused,
 - sanctions the institution may impose following a final determination of an institution disciplinary proceeding regarding rape, acquaintance rape, or other forcible or nonforcible sex offenses.

The final regulations published on November 1, 1999, made the following changes to the requirements for an institution's annual security report:

- hate crime disclosure.
- crime by locations.
- crimes must be reported for the calendar year in which the crime was reported to a campus security authority.
- institutions are specifically prohibited from identifying the victim or the alleged perpetrator of the crime in the institution's disclosure of its crime statistics.
- institutions were required to begin collecting statistics using the new categories effective for calendar year 1999.
- Institutions are not required to include in their reported statistics crimes that are reported solely to a pastoral counselor or a professional counselor who is functioning within the scope of his or her license or certification.
- institutions may rely on statistical information supplied by local and State police agencies, as long as the institution makes a reasonable, good faith effort to obtain these statistics.
- the definition of a campus security authority is broadened, SFA Handbook, Chapter 7, page 2-202 and 668.46(a).
- institutions with a campus police or campus security department of any kind must maintain a daily, easily-understood, written crime log of any crime reported to that department that occurred on campus, in or on a non-campus building or property, on public property or within the patrol jurisdiction of the campus police or campus security department.

- daily logs must include the nature, date, time and general location of the crime and the disposition of the complaint and must be open to public inspection within two business days of the report except where
 - prohibited by law,
 - disclosure jeopardizes a victim's confidentiality, or
 - disclosure hinders the investigation.

- campus crime statistics must be categorized on the basis of where a criminal offense occurs:
 - on campus, in dormitories or other residential facilities for students on campus
 - in or on a non-campus building or property,
 - on public property, and

Each institution must annually submit the statistical section of its security report to ED. There is no requirement that an institution submit statistical information in the crime log to ED. The institution must maintain campus security records to document the information included in its annual security report.

Technical assistance to institutions in administering the campus security regulations is available from the Department's Customer Support Branch at 1-800-433-7327.

References:

HEA, § 485(f)

[34 CFR § 668.46 Student Assistance General Provisions](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 7](#)

[Dear Colleague Letter GEN-00-11](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

3. CONSUMER INFORMATION GEN 2110

Please refer to Appendix L for a helpful chart regarding consumer information requirements.

Basic Consumer Information requirements:

Subpart D of the General Provisions lists basic information about the institution and about financial aid that must be available to enrolled and prospective students. That information includes the following.

Financial Aid Information

- What need-based and non-need-based Federal financial aid is available to students
- What need-based and non-need based state and local aid program, institution aid programs and other private aid programs are available
- How students apply for aid and how eligibility is determined
- How the institution distributes aid among students
- The rights and responsibilities of student receiving aid
- How and when financial aid will be disbursed,
- The terms and conditions of any employment that is part of the financial aid package,
- The terms of, schedules for, and the necessity of loan repayment and required loan exit counseling,
- The criteria for measuring satisfactory academic progress and how a student who has failed to maintain satisfactory progress may re-establish eligibility for Federal financial aid,
- Information regarding the availability of SFA program funds for study abroad program, and
- That a student may be eligible for SFA program funds for attending a study abroad program that is approved for credit by the home institution,
- The terms and conditions under which a student receiving Federal education loans may obtain deferments while serving (a) in the Peace Corps, (b) under the Domestic Volunteer Service Act, and (c) as a volunteer for a tax exempt organization of demonstrated effectiveness in the field of community service
- Information on availability of community-service CWS jobs.

General Information about the institution

- The names of associations, agencies, and/or governmental bodies that accredit, approve, or license the institution and its programs, and the procedures by which a student may receive a copy for review of the institution's accreditation licensure, or approval,
- Special facilities and services available to disabled students,
- The costs of attending the institution and any additional costs of the program in which the student is enrolled or has expressed an interest,
- A statement of the requirements for the return of SFA program funds when a student withdraws from the institution, information about any refund policy with which the institution must comply, and the requirements for officially withdrawing from the institution,
- The degree programs, training and other education offered,
- The availability of a GED program, if the institutions admits students who do not have a high school diploma or equivalent,
- The instructional, laboratory and other physical plant facilities associated with the academic programs,
- A list of the faculty and other instructional personnel,
- The satisfactory progress standards that students must maintain and,
- Who to contact for information on student financial assistance and on general institutional issues,
- The institution's annual campus security report in its entirety,
- The institution's completion or graduation rate, and if applicable, its transfer-out rate, effective July 1, 2000,
- Information about students' right to know under the Family Education Rights and Privacy Act (FERPA),
- Information about athletic program participation rates and financial support, Equity in Athletics Disclosure Act (EADA), effective July 1, 2000,
- Loan counseling general information for Federal Perkins, FFEL or Federal Direct Loan borrower,
- Drug and alcohol abuse prevention information.

The institution must have someone available during normal operating hours to help persons obtain consumer information.

References:

Family Education Right to Privacy Act (FERPA), HEA Section 485(a)
[34 CFR §§ 668.41 – 668.48 Institutional and Financial Assistance Information for Students](#)
Public Law 101-690 and 101-226
[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)
[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 7](#)

4. PROGRAM ELIGIBILITY GEN 2180

Please refer to Appendix M for a helpful chart on Program Eligibility.

An eligible program is an educational program that meets the requirements of §668.8.

An individual must be enrolled or accepted for enrollment as a regular student in an eligible program in order to receive SFA funds (with two exceptions: preparatory coursework (FFEL and DL) and teacher certification FFEL, DL, CWS, and Perkins)). A regular student is enrolled or accepted for enrollment for the purpose of obtaining a degree or a certificate offered by the institution.

The institution must determine separately for each individual student taking courses that are part of an eligible program if that student is a regular student. The institution must document each student's status in the student's files. The institution is only required to document a student's enrollment in an eligible program at the time of admission. However, it must be able to notify the financial aid office should the student leave the program at any time during the course of enrollment.

The educational program, if offered by an institution of higher education, must be a legally authorized postsecondary program of organized instruction or study that leads to an academic, professional, or vocational degree, or certificate, or other recognized educational credential. However, the Secretary does not consider that an institution provides an educational program if the institution does not provide instruction itself (including a course of independent study), but merely gives credits for one or more of the following: instruction provided by other institutions or schools, examinations provided by agencies or organizations, or other accomplishments such as "life experience".

Program, if offered by proprietary institution of higher education or postsecondary vocational institution, must meet the criteria of at least one category below:

- Provides at least a 15-week instructional time undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. May admit students without an associate degree or equivalent.
- Provides at least a 10-week instructional time program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program or must admit only students with an associate degree or equivalent.

- Provides at least a 10-week instructional time undergraduate program of 300-599 clock hours. Must admit at least some students who do not have an associate degree or equivalent and must meet specific qualitative standards. **Note:** These programs are eligible only for FFEL and Direct Loan participation.

Definitions:

- The Secretary considers the “equivalent of an associate degree” to be an associate degree or the successful completion of at least a two-year program that is acceptable for full credit toward a bachelor’s degree and qualifies a student for admission into the third year of a bachelor’s degree program.
- A week is a consecutive seven-day period, and
- For an educational program using a semester, trimester, or quarter system or an education program using clock hours, the Secretary considers a week of instruction to be any week in which at least one day of regularly scheduled instruction, examinations, or study for examinations occurs, or
- For an education program using credit hours but not using a semester, trimester, or quarter system, the Secretary considers a week of instruction to be any week in which at least 12 hours of regularly scheduled instruction, examinations, or study for examination occurs, and
- Instruction does not include periods of orientation, counseling, vacation, homework, or other activity not related to class preparation or examinations.

Recommended Review Procedures

- Confirm with school officials that all programs of study are listed in the catalog, and that they are all approved programs (schools sometimes add new or pilot programs prior to getting approval).
- Ensure the program meets the minimum program length requirements as specified in statute and regulation.
- Verify that English as a Second Language-only courses admit students who already possess work skills.
- Check that off-site laboratory work at a clock-hour school is faculty-supervised.

References:

[34 CFR §§ 668.1-668.4 and 34 CFR §§ 668.8-668.9, Student Assistance General Provisions](#)

[34 CFR § 600.2, Institutional Eligibility](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 1 and Chapter 10](#)

[2001-2002 SFA Handbook, Student Eligibility Section, Chapter 1](#)

Higher Education Act of 1965, Section 481

Dear Colleague Letter, GEN 92-21, October 1992

IRB Memo 93-6, 4/28/93

[Current List of Nationally Recognized Accrediting Agencies, September 1998](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

5. ELIGIBLE SCHOOL/LOCATION GEN 2170, 2300

Please refer to Appendix M for a helpful chart regarding institutional eligibility.

Three types of postsecondary institutions are eligible to participate in the SFA programs:

- institutions of higher education,
- proprietary institutions of higher education, and
- postsecondary vocational institutions

An institution of higher education is a public or private nonprofit educational institution that:

1. is in a state, or for purposes of the Federal Pell Grant, FSEOG, FWS and Federal TRIO programs may also be located in the Federated States of Micronesia or the Marshall Islands,
2. admits as regular students only persons who
 - have a high school diploma
 - have the recognized equivalent of a high school diploma, or
 - are beyond the age of compulsory school attendance in the state in which the institution is physically located
3. is legally authorized to provide an educational program beyond secondary education in the state in which the institution is physically located.
4. provides an educational program
 - for which it awards an associate, baccalaureate, graduate, or professional degree,
 - that is at least a two academic year program acceptable for full credit toward a baccalaureate degree, or
 - that is at least a one academic year training program that leads to a certificate, degree, or other recognized educational credential and prepares students for gainful employment in a recognized occupation, and
5. is
 - accredited or pre-accredited; or
 - approved by a state agency listed in the Federal Register in accordance with 34 CFR part 603, if the institution is a public postsecondary vocational educational institution that seeks to participate only in Federal assistance programs.

A proprietary institution of higher education is an educational institution that

1. is not a public or private nonprofit educational institution;
2. is in a state;
3. admits as regular students only persons who
 - have a high school diploma;
 - have the recognized equivalent of a high school diploma; or
 - are beyond the age of compulsory school attendance in the state in which the institution is physically located;
4. is legally authorized to provide an educational program beyond secondary education in the state in which the institution is physically located;
5. provides an eligible program of training, as defined in 34 CFR 668.8, to prepare students for gainful employment in a recognized occupation;
6. is accredited;
7. has been in existence for at least two years; and
8. has no more than 90 percent of its revenues derived from title IV, HEA program funds.

A postsecondary vocational institution is a public or private nonprofit educational institution that

1. is in a state;
2. admits as regular students only persons who
 - have a high school diploma;
 - have the recognized equivalent of a high school diploma; or
 - are beyond the age of compulsory school attendance in the state in which the institution is physically located;
3. is legally authorized to provide an educational program beyond secondary education in the state in which the institution is physically located;
4. provides an eligible program of training, as defined in 34 CFR 668.8, to prepare students for gainful employment in a recognized occupation;
5. is
 - accredited or pre-accredited; or
 - approved by a state agency listed in the Federal Register in accordance with 34 CFR part 603, if the institution is a public postsecondary vocational educational institution that seeks to participate only in Federal assistance programs; and
6. has been in existence for at least two years.

An institution is physically located in a state if it has a campus or other instructional site in that state.

The Secretary does not recognize the accreditation or pre-accreditation of an institution unless the institution agrees to submit any dispute involving the final denial, withdrawal, or termination of accreditation to initial arbitration before initiating any other legal action.

The type of institution is defined mainly by how the institution is controlled (public, private for-profit, nonprofit) and by the minimum program length offered by the institution. Proprietary institutions have an additional eligibility requirement called the “90/10” rule.

The “90/10” rule means that no more than 90 percent of a proprietary institution’s revenue from tuition and other charges necessary to educational programs in a fiscal year may be derived from Title IV program funds; at least 10 percent must come from non-Title IV program funds.

- An institution that determines it satisfied the 90/10 rule during its most recently completed fiscal year must have the auditor preparing its audited financial statement report on the accuracy of that determination as a footnote to the audited financial statement.
- Institutions must report to the Department within 90 days of the end of their fiscal year when they do not satisfy this requirement.
- Must use cash basis of accounting.
- Describe treatment of scholarships, tuition waivers and institutional loans.

Conditions of Institutional Eligibility for All Schools

A school does not qualify to participate if, for the latest complete award year,

- more than 25 percent of regular enrolled students were incarcerated (waived for non-profit institutions that provide a 2 or 4 year program for which it awards a BA, AA or a “postsecondary diploma”).
- more than 50 percent of regular enrolled students were ATB students,
- more than 50 percent of the school’s courses were correspondence courses, or
- 50 percent or more of the school’s regular enrolled students were enrolled in correspondence courses.

Certain schools under certain conditions may receive waivers for the above requirements. Check PEPS to see if the school was granted any waivers. If not, determine whether school is eligible for a waiver, and request that the school apply for the appropriate waivers.

Additional Locations

34 CFR 600.20(c)(1) provides if a school meets one of the following conditions, it must apply AND wait to receive our written approval before it can disburse Title IV funds to students at the new location:

- • provisionally certified
- is funded under the reimbursement or cash monitoring payment method
- acquired the assets of another location during the preceding year
 - assets can include program, building or lease, students, teachers, equipment, etc.
- the school is subject to loss of eligibility under 34 CFR 668.188
 - avoiding sanctions via change in status:
 - the school is subject to a loss of eligibility that has already been imposed against another institution, if the applicant institution and the ineligible institution are both parties to a transaction that results in a change including:
 - acquisition or merger of Institutions;
 - acquisition of additional location;
 - location becomes main (location to freestanding)
 - if the school offers an educational program at substantially the same address at which the ineligible institution had offered an education program before the change and there is a commonality of ownership or management between the applicant and the ineligible institution.
- ED tells the school it must “apply”
 - examples of when we would tell a school it has to apply and wait for our approval
 - program review revealed severe deficiencies
 - audit report showed severe findings
 - OIG audit found severe deficiencies
 - GA reported significant problems at the school
 - state agency reported significant problems at the school
 - accreditor placed the school on “show cause”.

Under §600.21, most schools will be able to report a new location and then begin disbursing Title IV aid immediately, if:

- it does not meet any of the conditions in §600.20(c)(1)
- the location is licensed & accredited
- the school reported the location on the application
- the school submitted all required supporting documents.

If the institution has other locations offering 50 percent or more of an educational program, those locations must be reported to the Department and be approved by the Department to be eligible. Recommended procedures for additional locations are:

- Make sure that all school locations (main school and any additional locations requiring ED approval) are included on the ECAR.
- Check to see that all licensing and accreditation for each location is current
- Verify that locations that are not included on the ECAR are not teaching 50 percent or more of any programs offered by the institution.

NOTE: If the team finds significant problems with a school, it needs to notify the school immediately, advising the institution that if it opens a new location that offers 50 percent or more of an education program and it wants to give students at the location Title IV funds, it must apply for approval AND wait for written approval from ED for the new location.

Recommended Review Procedures

Examine all appropriate documents to verify the eligibility of the school and all its additional classroom locations. The type of documents will vary, but the school should have documentation from accrediting and licensing bodies that describes the school and its programs of study. Compare the licensing/accrediting documents with the institution's latest ECAR from the Department.

References:

[34 CFR §§ 600.1 through 600.11, Institutional Eligibility](#)

34 CFR § 600.20 Application procedures

34 CFR § 600.21 Updating application information

[34 CFR §§ 600.30 and 600.32, Institutional Eligibility](#)

[34 CFR §§ 603.2 through 603.24, Secretary's Recognition Procedures for State Agencies](#)

HEA, § 102(b) and § 481(a)(3)(A) and (B)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 1, Chapter 10, and Chapter 12](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

6. FISCAL RECORDS/AUDIT TRAIL
FIS 3050,3060

The term “fiscal operations” encompasses a broad range of processes. These include, but are not limited to:

- requesting funds from ED,
- disbursing funds to eligible students and parents,
- keeping accurate and auditable financial records,
- managing cash,
- accounting for funds and financial activities, and
- reporting on these activities.

Managing Title IV programs is an institution-wide responsibility. Institutions organize and manage their fiscal operations differently, depending on the size of the school, administrative structure, staffing, automation, and Federal program participation. However, there are three main functional areas for any school.

The president’s office must ensure that a school

- is financially responsible to administer Title IV programs,
- is administratively capable of administering Title IV programs,
- has a capable individual to administer and coordinate Federal and non-Federal financial aid programs,
- has an adequate number of qualified staff,
- has established clear lines of responsibility among the pertinent school offices,
- maintains effective record-keeping systems for both student records and financial records,
- has an adequate system of checks and balances to ensure separation of award functions from disbursement functions,
- has an independent auditor perform an annual non-federal audit of the school’s Title IV financial operations. (Exception: if a school receives less than \$200,000 in Title IV funds annually in each of the two award years prior to the audit period, ED may authorize it to have audits every two years or every three years, depending on circumstances, if the school submits a letter of credit for 10 percent of all Title IV funds disbursed by the school in the award year preceding the waiver request. In addition, schools that are subject to A-133 and have under \$300,000 in combined funds from all Federal agencies are completely exempt from an annual audit).
- has no criminal or fraudulent activities occur as it manages Federal funds and administers Title IV programs, etc.

The financial aid office must

- determine student's eligibility for financial aid,
- coordinate financial aid activities with those of other school offices in administering financial aid programs,
- maintain school records and student records that document activities of the financial aid office and provide data for reports,
- assist in reporting Pell Grant expenditures,
- manage and report on activities that involve financial aid funds,
- assist in reconciling loan records (for schools that participate in the FDSLPL),
- reconcile student financial aid data provided to the business office to ensure that all payments have been made, refunds have been accounted for and expenditures have been reported
- adhere to the principle of separation of functions
- authorize payment of Title IV funds to student accounts or to students directly
- authorize refunds to students
- authorize refunds to Title IV program
- ensure that the school collects any required repayments
- coordinate submission of the FISAP

The business office must coordinate activities and cooperate with the FAO in:

- processing cancellations and refunds
- obtaining authorization to pay Title IV funds
- submitting accurate and timely reports
- reconciling with the FAO to ensure that all financial aid adjustments have been properly recorded
- maintaining a system of internal controls that includes adequate checks and balances
- ensuring that the functions of authorizing and disbursing Title IV funds remain separate
- maintaining records according to Federal and generally accepted accounting procedures
- maintaining records to ensure a clear audit trail
- requesting and returning Title IV funds
- disbursing funds to eligible students from Title IV program accounts
- maintaining individual student accounts that record changes, credits and amounts due (if the school uses individual student accounts)
- delivering FFEL Program loan proceeds
- collecting Federal Perkins Loans
- establishing and implementing the institution's refund policy
- establishing and monitoring the FWS payroll and timesheets

- processing refunds and credit balances according to institution's refund policy and applicable Federal laws and regulations
- assisting in reporting Title IV expenditures to ED in a timely manner
- reconciling accounts
- reconciling cash between school records and bank statements
- reconciling Federal funds between bank statements and Federally reported balances
- assisting in completing applications and fiscal reports for Federal funds
- maintaining a cash management system to meet disbursement requirements and Federal laws and regulations
- providing general stewardship for Federal funds, including maintaining bank accounts and investments as appropriate
- preparing for and participating in program reviews and audits

Required General Fiscal records

- records of all Title IV program transactions
- bank statements for accounts containing Title IV funds
- student accounts, including institutional charges, cash payments, Title IV payments, cash disbursements, refunds
- general ledger and related subsidiary ledgers that identify each program transaction and separate those transactions from the institution's other financial transactions,
- FWS payroll records,
- records that support data that appear on required reports
- FISAP
- Federal Pell Grant Program Electronic Statements of Account (ESOsAs)
- ED's Payment Management System cash requests and quarterly or monthly reports,
- Grant Administration and Payment System (GAPS) cash requests,
- reconciliation reports for Title IV programs
- Federal, state and independent audit reports and school responses
- state grant and scholarship award rosters and report, and
- accrediting and licensing agency reports.

Specific fiscal record keeping requirements for each Title IV program are discussed in that program's regulations.

References:

[34 CFR §§ 668.16; 668.24;668.171; 668.173; 668.175](#), Student Assistance General Provisions

[34 CFR § 674.19](#), Federal Perkins Loan Program

[34 CFR § 675.19](#), Federal Work Study Program

[34 CFR § 676.19](#), Federal Supplemental Educational Opportunity Grant

[34 CFR § 682.610, Federal Family Education Loan Program](#)
[34 CFR § 685.309, William D. Ford Federal Direct Loan Program](#)
[2001-2002 SFA Handbook, Institutional and Program Eligibility Section,](#)
[Chapter 5](#)
[Blue Book](#)
[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

7. EXCESS CASH FIS 3110

The Secretary considers excess cash to be any amount of Title IV program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary. (There are some exceptions for peak periods, as described in excess cash tolerances, [34 CFR 668.166\(b\)](#).)

Payees should reconcile their grant awards on a regular basis and are required to resolve any excess cash balances throughout the year. A payee can resolve an excess cash balance by:

- Returning excess to ED or
- Reallocating drawn funds among grant awards in GAPS to comply with immediate cash needs.

If an institution must return funds to ED, the following procedure is used: funds that are under \$100,000 are returned by check; funds that exceed \$100,000 by FEDWIRE.

If an institution maintains excess cash balances, the Secretary requires the institution to reimburse the Secretary for the costs the Secretary deems to have incurred in making those excess funds available to the institution and may initiate a proceed to fine, limit, suspend or terminate the institution's participation in one or more Title IV programs.

References:

[34 CFR § 668.166, Student Assistance General Provisions
Blue Book](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section,
Chapter 5](#)

IRB Memos 91-22 and 93-7

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

8. GAPS REPORT FIS 3102

GAPS provides full financial management support services in a single system. Functions supported by GAPS include everything from award authorizations to disbursing funds and to final grant close out.

GAPS is the central repository for payment transactions of schools that receive funds from ED through the Office of the Chief Financial Officer (OCFO). OCFO is the office within ED that administers the system. GAPS controls funds for both Title IV and non-Title IV programs. An institution uses GAPS to request funds for the:

- Federal Pell Grant Program
- Federal SEOG Program
- FWS Program
- Federal Perkins Loan Program
- Federal Direct Loan Program (Option 2 schools only)

GAPS uses the latest in funds-delivery systems and financial management technologies (such as relational databases, Internet technology and Windows environment). Using these technologies allows for such customer-service improvements as easy system access to request funds and request expenditures, user-friendly retrieval of award and payment histories and immediate update and notification of changes in awards, such as authorization changes.

Institutions request Federal funds electronically via GAPS External Access System. The institution then requests funds by program. The screen contains the amount of Title IV funds the institution has available to draw down. Alternatively, institutions can call the GAPS Payee Hotline at 1-888-336-8930 to request funds. Requests made after 2 p.m.(eastern time) are not processed by GAPS until the next business day.

For purposes of this reporting, a grantee is an organizational component that applies for and receives a grant award from ED. For Title IV purposes, the grantee is the FAO. A payee is an organizational component identified by the grantee to request and manage Federal funds on behalf of the grantee. For Title IV purposes, the payee is the business office.

Method of Receiving Funds

Schools can receive funds from ED using Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT) or FEDWIRE.

Payment Methods

- Advance
- Just-in-time (available for Pell & FDL for the first time in AY 99-00)
- Reimbursement
- Cash monitoring

References:

[34 CFR § 668.162, Student Assistance General Provisions](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 5](#)

GAPS Payee Guide

[The Blue Book](#)

<http://gapsweb.ed.gov>

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

[SFA Assessment Worksheet, Assessment F, Reporting and Reconciliation](#)

**9. USE OF CASH ADVANCES
FIS 3040, 3170**

Funds received by the institution under the Title IV programs are held in trust for intended Title IV aid recipients and the Department.

With co-mingled accounts, verify that the total account balance did not go below the balance of Federal funds present in the account.

Federal Perkins Loan Program

An institution shall deposit the funds it receives under the Federal Perkins Loan program into its Fund. It may use these funds only for:

- making loans to students
- administrative expenses
- capital distributions provided for in Section 466 of the Act
- litigation costs
- other collection costs
- repayment of any short-term, no interest loans made to the Fund by the institution in anticipation of collections or receipt of FCC.

An institution may transfer up to 25 percent of the sum of its initial and supplemental Perkins Loan allocations for an award year to the FWS program or FSEOG program, or to both.

An institution may transfer up to the total of the sum of its initial and supplemental Federal Perkins Loan allocations for an award year to the Work-Colleges program.

An institution shall transfer back to the Federal Perkins Loan program any funds unexpended at the end of the award year that it transferred to the FWS program, the FSEOG program or the Work-Colleges program from the Federal Perkins Loan program.

Federal Work-Study

An institution may use its FWS allocation only for:

- paying the Federal share of FWS wages
- paying administrative expenses
- meeting the cost of a Work-Colleges program
- meeting the cost of a Job Location and Development program

- transferring a portion of its FWS allocation to its FSEOG program. An institution may transfer up to 25 percent of the sum of its initial and supplemental FWS allocations for an award year to its FSEOG program.
- carry forward funds. An institution may carry forward and expend in the next award year up to 10 percent of the sum of its initial and supplemental FWS allocations for the current award year. Before an institution may spend its current year FWS allocation, it shall spend any funds carried forward from the previous year.
- carry back funds. An institution may carry back and expend in the previous award year up to 10 percent of the sum of its initial and supplemental FWS allocations for the current award year.
- carry back funds for summer employment. An institution may carry back and expend in the previous award year any portion of its initial and supplemental FWS allocations for the current award year to pay students wages earned on or after May 1 of the previous award year but prior to the beginning of the current award year.
- community service. For the 2000-2001 award year and subsequent award years, an institution must use at least 7 percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities
- payment for time spent in training and travel for any award year:
 - an institution may pay students for a reasonable amount of time spent for training that is directly related to FWS employment.
 - beginning with the 1999-2000 award year, an institution may pay students for a reasonable amount of time spent for travel that is directly related to employment in community service activities (including tutoring in reading and family literacy activities).

Federal SEOG

An institution may use its FSEOG allocation and reallocation only for:

- making grants to eligible students
- paying administrative expenses
- transferring back funds to FWS. An institution shall transfer back to the FWS any funds unexpended at the end of the award year that it transferred to the FSEOG program from the FWS program.
- carrying forward funds.
 - An institution may carry forward and expend in the next award year up to 10 percent of the sum of its initial and supplemental FSEOG allocations for the current award year.
 - Before an institution may spend its current year FSEOG allocation, it must spend any funds carried forward from the previous year.
- carry back funds:
 - An institution may carry back and expend in the previous award year up to 10 percent of the sum of its initial and supplemental FSEOG allocations to the current award year.

- carry back funds for summer FSEOG:
 - An institution may carry back and expend in the previous award year any portion of its initial and supplemental FSEOG allocations for the current award year to make awards to eligible students for payment periods that begin on or after May 1 of the previous award year, but end prior to the beginning of the current award year.

Disallowed Program Expenditures:

- funds drawn down and not used in accordance with immediate need rules; liability for costs incurred for excess funds
- the institution owes ED with respect to disallowed program expenditures found during an audit or program review. However, the disallowed expenditures are not always a dollar for dollar liability.
- the institution draws down more money than it spends
- the institution draws down funds and disburses them improperly

References:

[34 CFR § 668.16 , Student Assistance General Provisions](#)

[34 CFR §§ 668.161 - 166, Student Assistance General Provisions](#)

[34 CFR §673.7, General Provisions for the Federal Perkins Loan Program, Federal Work-Study Program and FSEOG Program](#)

[34 CFR §§ 674.8\(b\); 674.18, 674.19\(d\), Federal Perkins Loan](#)

[34 CFR § 675.18, Federal Work-Study](#)

[34 CFR § 676.18, FSEOG](#)

[34 CFR § 690.81 Federal Pell Grant](#)

[2001-2002 SFA Handbook, Campus-Based Programs Section](#)

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

**10. MATCHES FOR CAMPUS-BASED PROGRAMS
FWS 1090, FPERK 8190, FSEOG 9010**

The program participation agreement with the Secretary provides that the institution shall use the funds it receives solely for the purposes specified in 34 CFR parts 674, 675, 676 and the Student Assistance General Provisions regulations, 34 CFR part 668. The agreement specifically provides, among other things, that for:

Federal Perkins Loan Program

The institution shall establish and maintain a Fund and shall deposit into it the following

1. Federal Capital Contribution (FCC) received under this subpart
2. Institutional Capital Contribution (ICC) equal to at least one-third of the FCC
3. ICC equal to the amount of FCC for an institution that has been granted permission by the Secretary to participate in the ELO under the Federal Perkins Loan program

Federal Work-Study Program

The Federal share of FWS compensation paid to a student employed other than by a private for-profit organization, as described in 675.23, may not exceed 75 percent unless the Secretary approves a higher share; however

- The Federal share of the compensation paid to a student may exceed 75 percent, but may not exceed 90 percent if the student is employed at a private nonprofit organization or a Federal, State, or local public agency that:
 - is not a part of, and is not owned, operated, or controlled by, or under common ownership, operation, or control with, the institution;
 - is selected by the institution on an individual case-by-case basis;
 - would otherwise be unable to afford the costs of this employment; and
 - the number of students compensated is not more than 10 percent of the total number of students paid under the FWS Program at the institution
- The Federal share of the compensation paid to a student employed by a private for-profit organization may not exceed 50 percent
- An institution may not use FWS funds to pay a student after he or she has, in addition to other resources, earned \$300 or more over his or her financial need.

The institution may not include the following when determining the Federal share:

- fringe benefits such as paid sick days, paid vacations, or paid holidays
- the employer's share of social security, workers' compensation, retirement, or any other welfare or insurance program that the employer must pay on account of the student employee

If an institution receives more money under an employment agreement from an off-campus employer than the required employer costs, its non-federal share, and any share of administrative costs that the employer agreed to pay, the excess funds must be

- used to reduce the Federal share on a dollar-for-dollar basis,
- held in trust for off-campus student employment next year, or
- refunded to the off-campus employer

For each award year, the Secretary authorizes a Federal share of 100 percent of the compensation earned by a student under this part if

- the work performed by the student is for the institution itself, for a Federal, State, or local public agency, or for a private nonprofit organization, and
- the institution in which the student is enrolled
 - is designated as an eligible institution under the Developing Hispanic-Serving Institutions Program 34 CFR 606, the Strengthening Institutions Program, 34 CFR 607, the Strengthening Historically Black Colleges and Universities Program, 34 CFR 608, or the Strengthening Historically Black Graduate Institutions Program, 34 CFR 609, and
 - requests that increased Federal share as part of its regular FWS funding application for that year;
- The student is employed as a reading tutor for preschool age children or children who are in elementary school;
- The student is performing family literacy activities in a family literacy project that provides services to families with preschool age children or children who are in elementary school;
- The student is employed as a mathematics tutor for children who are in elementary school through the ninth grade.

Federal SEOG Program

The Federal share of the FSEOG awards made by an institution may not exceed 75 percent of the amount of FSEOG awards made by that institution.

The Secretary authorizes, for each award year, a Federal share of 100 percent of the FSEOGs awarded to students by an institution that

- is designated as an eligible institution under Developing Hispanic-Serving Institutions Program 34 CFR 606, the Strengthening Institutions Program, 34 CFR 607, the Strengthening Historically Black Colleges and Universities Program, 34 CFR 608; and

- requests that increased Federal share as part of its regular SEOG funding application for that year.

The non-federal share of FSEOG awards must be made from the institution's own resources, which includes:

- institutional grants and scholarships
- tuition or fee waivers
- state scholarships and
- foundation or other charitable organization funds

Recommended Review Procedures

- Verify that the institution has made the proper institutional match from institutional funds at the time the funds were transferred from GAPS.
- Verify the accuracy of the institutional match calculations.
- Verify the entry on the institution's ledger.
- Verify that the match is a debit against the program account.
- Review the institution's written procedures for matching, i.e., does the institution draw down a percentage of the full amount based on the Federal share.

References:

34 CFR § 606, Developing Hispanic-Serving Institutions Program

34 CFR § 607, Strengthening Institutions Program

34 CFR § 608, Strengthening Historically Black Colleges and Universities Program

34 CFR § 609, Strengthening Historically Black Graduate Institutions Program

[34 CFR § 674.8, Federal Perkins Loan Program](#)

[34 CFR § 675.26, Federal Work-Study Program](#)

[34 CFR § 676.21, FSEOG Program](#)

Higher Education Act of 1965 as Amended, §§ 413(c)-FSEOG, 443(b)(5)-FWS, and 463(a)-Perkins

[2001-2002 SFA Handbook, Campus-Based Programs Section](#)

[The Blue Book](#)

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

**11. RETURN OF TITLE IV FUNDS
GEN 2350, 2360, 2371, 2372, 2380**

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or a period of enrollment in which the recipient began attendance, the institution must determine the amount of SFA program assistance (not including FWS or the non-federal share of FSEOG) that the student earned as of the student's withdrawal date.

Reviewers should check the institution's refund policy to ensure that it includes the following:

- the conditions under which Title IV program funds would be required to be returned and the conditions under which a student would be owed a disbursement of Title IV program funds upon withdrawal of a student
- the requirements for making a post-withdrawal disbursement of Title IV program funds to a student
- a system to determine the withdrawal date for a student who withdraws officially or unofficially
- procedures for the calculation of the amount of Title IV program funds that a student has earned upon withdrawal, including differences in the calculation for clock-hour, credit-hour, non-term, and term programs offered at the institution
- procedures to ensure that credit balances are promptly delivered to students
- guidelines pertaining to the timeframe for the return of Title IV program funds
- guidelines pertaining to the order in which Title IV program funds must be returned

The amount of SFA program assistance that is earned by the student is calculated by:

- determining the percentage of the payment or enrollment period that the student has completed, and
- applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

Percentage earned by the student is:

1. equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date, if this date occurs on or before completion of 60 percent of the:
 - payment period or period of enrollment for a program that is measured in credit hours; or
 - clock hours scheduled to be completed for the payment period or period of enrollment for a program that is measured in clock hours; or
2. 100 percent if, the student's withdrawal date occurs after completion of 60 percent of the:
 - payment period or period of enrollment for a program that is measured in credit hours, or
 - clock hours scheduled to be completed for the payment period or period of enrollment for a program that is measured in clock hours.

Percentage unearned by the student is calculated by determining the complement of the percentage of Title IV grant or loan assistance earned by the student.

The unearned amount of SFA program assistance to be returned is calculated by subtracting the amount of SFA program assistance earned by the student from the amount of SFA program assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew.

Use of payment period or period of enrollment:

- The treatment of SFA program assistance if a student withdraws must be determined on a payment period basis for a student who attended a standard term-based (semester, trimester, or quarter) educational program.
- The treatment of SFA program assistance if a student withdraws may be determined on either a payment period basis or a period of enrollment basis for a student who attended a non-term based educational program or a nonstandard term-based educational program.
- An institution must consistently use either a payment period or period of enrollment for each of the following categories of students who withdraw from the same non-term based or nonstandard term-based educational program:
 1. Students who have attended an educational program at the institution from the beginning of the payment period or period of enrollment
 2. Students who re-enter the institution during a payment period or period of enrollment
 3. Students who transfer into the institution during a payment period or period of enrollment

Percentage of payment period or period of enrollment completed that is measured in:

Credit hours:

By dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date. For non-standard terms, the institution must use the number of calendar days in the payment period or period of enrollment based upon when the student would have been projected to complete that period at the time of withdrawal.

Clock hours:

By dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours:

- completed in that period as of the student's withdrawal date (excused absences don't count as hours completed); or
- if the clock hours completed in the period are **not** less than 70 percent of the hours that were scheduled to be completed by the student as of the student's withdrawal date, the institution may use scheduled hours in lieu of completed hours to calculate percentage of the period completed.

Exclude:

- scheduled breaks of five or more days
- all days between last day of classes before break and first day classes resume
- days in which the student was on an approved leave of absence

Amount of unearned Title IV aid due from the institution is the lesser of:

Institutional charges x percentage of unearned Title IV aid (% of unearned Title IV aid = $100\% \text{ Title IV aid disbursed} - \% \text{ of earned Title IV aid}$) or total amount of unearned Title IV aid to be returned

Initial amount of unearned aid due from the student

Amount of Title IV aid to be returned **minus** the institution's responsibility **equals** the student's responsibility.

Loans are repaid in accordance with the terms of the promissory notes.

Grant repayments are adjusted/reduced to 50 percent of the unearned grant received.

Institution's responsibilities for Grant Overpayments:

- Within 30 calendar days of determining student's withdrawal, the institution must send the student a notice advising that a grant repayment is owed.

- Student retains eligibility for Title IV funds for an initial 45 day period from the date of the notice in order to do one of the following:
 - repay in full
 - make satisfactory repayment arrangement with institution
 - make satisfactory repayment arrangement with ED.
- The institution must report overpayment to NSLDS within 30 calendar days after:
 - student fails to repay overpayment or sign agreement with institution within 45 day period, or
 - student fails to meet terms of agreement signed with institution

An institution must return funds due to the Title IV programs no later than 30 days after it determines that a student has withdrawn.

References:

[34 CFR §§ 668.22 General Provisions](#)

[2001-2002 Student Financial Aid Handbook, Institutional and Program Eligibility Section, Chapter 6](#)

R2T4 Worksheets, <http://ifap.ed.gov>

R2T4 Software, <http://sfadownload.ed.gov>

[SFA Assessment Worksheet, Assessment F, Reporting & Reconciliation](#)

12. STUDENT CREDIT BALANCES GEN 2385

If an institution credits a student's account with Title IV program funds, it may apply those funds only to the following allowable charges:

- tuition and fees
- board, if the student contracts with the institution for board
- room, if the student contracts with the institution for room

If an institution obtains a student's or parent's written authorization to use Title IV program funds to pay other costs, allowable charges may also include:

- institutional charges that were incurred by the student for educationally-related activities in addition to those not requiring an authorization
- minor prior year charges if these charges are less than \$100 or if the payment of these charges does not, or will not, prevent the student from paying his or her current educational costs.

In general, Title IV program funds are only used to pay for educational expenses a student incurs in the period for which these funds are provided.

An institution may not require a student or parent to authorize the use of Title IV funds to pay for other costs. Students or parents may modify or rescind their written authorization at any time.

An institution may at the student's request, make FWS payments directly to the student's bank account or may credit a student's account at the institution for tuition and fees, room and board and other institutionally provided goods and services.

When an institution disburses Federal Direct Loan funds by crediting a student's account at the institution, it must first credit the student's account with those funds to pay outstanding, current and authorized charges.

When an institution credits a student's account with Federal Perkins Loan funds (whose promissory notes contain provisions effective on July 1, 1996), Federal Direct Loan funds, or FFEL funds received by EFT or master check, it must notify the student or parent 30 calendar days after crediting the student's account of

- the date and amount of the disbursement,
- the borrower's right to cancel all or a portion of the loan, and

- the procedures and time by which the borrower must notify the institution that he or she wishes to cancel all or a portion of the loan.

If the institution sends the notice electronically, it must require the recipient of the notice to confirm receipt of the notice and the institution must maintain a copy of the confirmation.

When an institution applies Title IV funds to a student's account and determines that the amount of the funds exceeds allowable charges the institution assessed the student, the institution must pay the credit balance directly to the student or parent borrower as soon as possible, but no later than the 14-day deadline. The only exception is when the institution has the student's permission to hold credit balances.

An institution must pay a credit balance to a student or notify the student or parent that the check is available on request within 14 days of:

- the date the balance occurs, if it occurs on or after the first day of class of a payment period, (example: first day of class, 01/15; credit balance occurs, 01/28; 14 days from date of credit balance occurs, 02/11), or
- the first day of class of a payment period, if it occurs before the start of class of that payment period, (example: credit balance occurs, 01/11; first day of class, 01/15; 14 days from date of credit balance occurs, 01/29), or
- the date the student rescinds authorization given to the institution to hold Title IV credit balances.

Recommended Review Procedures:

Review the institution's policy and procedures for applying payments to students' accounts, monitoring whether students' disbursements exceed costs, and providing budgetary assistance to students. Some schools don't keep individual student account records. ED does not require them to do so, but the school must have a system for determining when disbursements exceed costs, and promptly delivering the excess funds to the students.

Review records for sampled students to determine if credit balances were held without students' permission. If credit balances are currently being held, check if school has enough funds in operating accounts to make disbursements to students.

References:

[34 CFR § 668.164](#) and [668.165](#), Student Assistance General Provisions
[34 CFR § 690.78 Federal Pell Grant](#)
[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 5](#)

HEA, § 445(c)

[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

[SFA Assessment Worksheet, Assessment F, Reporting & Reconciliation](#)

**13. FFEL/DIRECT LOAN DISBURSEMENTS (PAYMENT PERIODS)
FFEL 5271**

The rules for awarding FFEL and Direct Loans are a little different than for Pell Grants and Campus Based programs. In particular, the definitions of a “loan period” and the disbursements within that period may not always fit the academic year and payment period measurement used for Pell.

Institutions must define the period of enrollment or loan period at the outset, because the length of the loan period will determine the amount and frequency of disbursements. If an institution uses semester, trimester, quarter or nonstandard terms, the loan period must coincide with one or more of its academic terms. Loan periods for institutions that do not use terms are generally based on the length of the program or academic year.

For programs using terms and credit hours, the **minimum** loan period is a single academic term. For example, if a student enrolls in a fall semester to complete his/her requirements for graduation, the institution may certify a loan for that term alone.

For a clock-hour institution or a credit hour institution that does not use terms, the **minimum** period for which the institution may certify a loan is the shortest of the following three periods:

- the academic year as defined by the institution (but not less than 30 weeks of instruction providing 900 clock hours, 24 semester hours, or 36 quarter hours)
 - scheduled academic year (SAY) is a fixed period of time that generally begins and ends at the same time each calendar year. The SAY generally corresponds to the academic year or calendar that is published in the institution’s catalog.
 - borrower-based academic year (BBAY) is **NOT** a fixed period of calendar time. The BBAY’s beginning and end dates depend on an individual student’s enrollment and progress.
 - treatment of summer terms & “crossover periods.” An institution can establish a policy that designates its summer term as either a trailer or header, or it can make different determinations for different educational programs or for each student on a case-by-case basis. However, if a student in a summer session that overlaps two award years also receives campus-based aid, the institution must use the

same EFC (from the same application year) for both the campus-based aid and the FFEL/DL loan.

- An institution must use BBAYs for clock-hour and nonterm credit hour programs. The institution may use either type of academic year for term-based credit hour programs where the academic year provides at least 30 weeks of instruction.
- The length of the student's program at the institution. (A program at a proprietary institution or a postsecondary vocational institution must include at least 10 weeks of instruction providing at least 300 clock hours, 9 semester hours or 12 quarter hours.)
- The remaining portion of the student's program that exceeds the institution's academic year.

The **maximum** loan period is generally the institution's academic year but cannot exceed a 12-month period in an academic year. It is possible, but not typical, to have more than one loan in an academic year. A student who has already received one FFEL or Federal Direct within an academic year may receive additional loan funds if he or she has not yet reached the annual limit.

References:

[34 CFR § 600.2, Institutional Eligibility](#)

[34 CFR §§ 668.2](#) and [668.4](#), Student Assistance General Provisions

[34 CFR § 682.204, FFEL](#)

[34 CFR § 685.203, FDL](#)

[2001-2002 SFA Handbook, FFEL/DL Section, Chapter 3](#)

[SFA Assessment Worksheet, Assessment D, Award Requirements](#)

[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

14. ABILITY-TO-BENEFIT GEN 2002

To be eligible to receive SFA, the HEA requires persons who do not have a high school diploma or its recognized equivalent and are beyond the age of compulsory school attendance to pass, within 12 months before the date the student initially receives SFA program assistance, an independent state test or an independently administered test approved by the Secretary.

Documentation needed to determine if a student qualifies under ATB:

- approved test taken
- date test taken
- score received
- passing score received
- is a copy of the student's scored test on file at the institution

Recommended Review Procedures

Confirm the school's determination that students who do not possess a high school diploma or its equivalent (GED) have demonstrated the ability to benefit (ATB). Review all information about the test used by the school, including the test itself, an answer key, scoring guide, and instructions explaining the procedures for administering the test.

Other recommended review procedures are as follows:

- Ensure that any test used for all Title IV recipients is one of the approved tests listed in the Federal Register.
- Verify that the *complete* approved test was administered; the school cannot use only selected parts of the test.
- Ascertain whether the tester meets the independence criteria in Section 668.51 (review the tester's contract with the school). For degree-granting institutions the independent tester can be another internal office, as long as that office is separate from admissions.
- Confirm whether test meets licensing and accrediting requirements (some agencies approved only certain ATB tests, even before the Department did so).

If students fail the ATB test and then submit documentation of high school graduation or GEDs, reviewers may want to verify the authenticity of that information.

When discussing the process with officials and the tester, determine how the documentation that the student passed the test is maintained. Is there a certification for each student who passed, signed by the tester? Does the test administrator keep a roster of all students tested to be checked against the results noted in students' files? There are no specific measures required by the Department, but there have been some cases where test administrator records showed students failed their ATB tests, but the file documentation showed they passed. Refer to Appendix C for recommended questions to ask regarding the ATB process.

Finally, since students who cannot demonstrate ATB can still be admitted to the institution, verify that the school has a method to identify such students to ensure they do not receive Title IV assistance.

References:

[34 CFR §§ 668.32, 668.141 – 668.156 General Provisions](#)
[2001-2002 SFA Handbook, Student Eligibility Section, Chapter 1](#)
[SFA Assessment Worksheet, Assessment C, Student Eligibility](#)

**15. SATISFACTORY ACADEMIC PROGRESS
STANDARDS
GEN 2390, 2400**

See Appendix G--Satisfactory Academic Progress (SAP) Policy Checklist

SAP is a measure of whether a student is progressing adequately toward completion of his or her course of study. It is determined in terms of grade point average and course completions.

An institution's SAP policy must

- be published and made available to all current students and to prospective students upon request
- be as least as strict as the institution policy for students not receiving SFA program assistance
- provide for consistent application of standards to all students within categories
- provide for a determination of whether a student has met standards at the end of an established increment.

An institution's satisfactory academic progress policy must contain the following components:

- Qualitative measurement
 - must consist of grades, work projects completed, or other factors measurable against a norm
 - institution may establish fixed standard or graduated standards
- Quantitative measurement
 - maximum time frame for completion of the certificate or degree program, not to exceed 150 percent of the published length of the program
 - division of time frame into increments (may not exceed the lesser of one academic year or one-half of the published program length)
 - schedule of work designating a minimum amount of work a student must successfully complete during each increment in order to complete within the maximum time frame.
 - institutions must determine how it will treat the following:
 - periods when a student doesn't receive Title IV aid (must be counted toward maximum time frame)

- probation
- transfer students (how will accepted transfer credits be treated with regard to maximum time frame)
- changes in majors or degrees
- pursuit of a second degree
- summer term(s)
- Specific policies defining the effect of incompletes, course repetitions, withdrawals and noncredit remedial courses
 - Incompletes
 - policy must state how the incomplete grade will affect the measures of quantitative and qualitative progress
 - policy should specify how a grade change will be handled
 - when will progress be re-assessed?
 - how will the aid office be notified of a grade change?
 - Repeated Courses
 - ability to repeat a course may be tied to the grade received for that course
 - schools may limit the number of times a course may be repeated
 - schools may limit the number of courses students may repeat.
Note: If repeated courses are allowed, the policy should clearly state how they will affect the qualitative and quantitative components.
 - Withdrawals
 - courses that a student withdraws from are usually considered in “hours attempted”
 - if a school measures time frame in years or terms, policy must state effect of withdrawals on maximum time frame
 - policy should specify treatment of different types of withdrawals, for example, withdrawn/passing or withdrawn/failing
 - Noncredit remedial courses
 - policy must address whether these courses will count toward maximum time frame and/or GPA) Note: Title IV funds may be received for up to one year of remedial coursework (30 semester or trimester hours, 45 quarter hours or 900 clock hours)
 - credit value must be assigned to noncredit remedial coursework for determining enrollment status
- Specific appeal procedures:
 - does the institution choose to specify in its policy the mitigating circumstances that will be evaluated?
 - does the policy include specific procedures to be followed after an adverse determination for the evaluation of a student’s mitigating circumstances when presented on appeal?

- does the policy detail the student's responsibilities during the probationary period due to mitigating circumstances?
- specific procedures to re-establish eligibility
- does the institution choose to include in its policy a blanket probationary period?
- does the policy detail the student's responsibilities during the probationary period?
- does the policy include specific procedures and minimum requirements for reinstatement of aid after a student's aid has been terminated for lack of satisfactory academic progress?

If a student loses his or her eligibility for failing to satisfy satisfactory progress, the student does not regain that status merely by dropping out and then re-enrolling.

There is no requirement that the incremental period for evaluating satisfactory progress coincide with a payment period.

Programs less than two academic years

Increments may not exceed one-half of published length of the program measured in years, terms, credit hours attempted, clock hours completed or any other appropriate measure. If an increment length equal to one-half published program length does not correspond to grading period or payment period, logic dictates more increments than the regulatory minimum.

Programs longer than two academic years

If a student is enrolled in a program of study more than two academic years, to be eligible for SFA program assistance after the second year, the student must be making satisfactory academic progress.

A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent or has academic standing consistent with the institution's requirements for graduation.

References:

[34 CFR § 668.16 Student Assistance General Provisions](#)

[34 CFR § 668.20 Student Assistance General Provisions](#)

[34 CFR § 668.34 Student Assistance General Provisions](#)

[2001-2002 SFA Handbook, Student Eligibility Section, Chapter 1](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

[SFA Assessment Worksheet, Assessment C, Student Eligibility](#)

16. STUDENT ELIGIBILITY
GEN 2150, 2190, 2200, 2210, 2220, 2221

To be eligible for SFA, a student must be a regular student enrolled or accepted for enrollment, in an eligible program at an eligible institution for the purpose of obtaining a degree or certificate offered by the school. There are two exceptions: preparatory coursework and teacher certification and remedial coursework.

General student eligibility requirements:

- The student must have a valid social security number.
- The student must be a U.S. citizen or eligible noncitizen.
- The student must be a regular student enrolled or accepted for enrollment in an eligible program for the purpose of obtaining a degree or certificate. At schools that admit students who are not seeking a degree or certificate, ensure that the school has procedures to track this so that aid is not awarded to those students. See loan and teacher certification exceptions below.
- The student must meet the academic qualifications for study at the postsecondary level. (Student has a high school diploma or recognized equivalent or is beyond the age of compulsory school attendance, has passed an ability to benefit test, completed an approved state process, or completed secondary school by home schooling approved under or excepted from state regulation.)
- The student has not been convicted of a drug-related offense that affects eligibility for SFA aid.
- The student (if male) must be registered with Selective Service.
- The student must not be enrolled solely in a remedial program.
- The student must be maintaining satisfactory academic progress.
- The student must not be in default and must not owe an overpayment on a Title IV loan or grant (NSLDS history on ISIR or FAT).
- The student must not have borrowed in excess of loan limits (NSLDS history), unless excess amount inadvertently obtained and already repaid.
- The student must not be a member of a religious order.
- If enrolled in a correspondence course, that course must be part of an eligible program.
- The student must have financial need. (Need is not required for unsubsidized and PLUS loans).
- Verification must have been completed, if required.
- Is not enrolled in elementary or secondary school.

- Is not incarcerated (loans) nor incarcerated in a Federal or state penal institution (all programs).

Program specific student eligibility criteria

Federal Pell Grant (690.6 and 690.75)

- Undergraduates only
- May not have a bachelor's or first professional degree, except for students seeking teacher certification at schools not offering undergraduate degrees in education
- Students must have a SAR or ISIR on file with the school
- Less-than-full-time, including less-than-half-time students are eligible

FSEOG (676.9)

- Undergraduates only
- May not have bachelor's or first professional degree
- Must be awarded first to students with exceptional financial need (lowest EFC)
- Priority to students with exceptional financial need who are eligible for Federal Pell Grants

Federal Perkins Loan (674.9)

- Undergraduates
- Graduate students
- Professional students
- Priority to students with exceptional financial need as defined by the school
- Students must be willing to repay their loans
- Must have determination of Federal Pell Grant eligibility
- May not be in medical internship or residency

FWS (675.9)

- Undergraduates
- Graduate students
- Professional students
- Demonstrate need according to Federal need analysis methodology
- Less-than-full-time students are eligible. A reasonable share of a school's allocation of campus-based funds must be awarded to less-than-full-time students and nontraditional students

FSEOG*, Federal Perkins Loan and FWS

- Demonstrate need according to Federal need analysis methodology

- Less-than-full-time students are eligible. A reasonable share of a school's allocation of campus-based funds must be awarded to less-than-full-time students and nontraditional students

Federal Subsidized Loan and Federal Direct Subsidized Loan (682.201, 685.200)

- Undergraduates
- Graduate students
- Professional students
- Students enrolled in courses prerequisite to enrollment in a degree or certificate program
- Students enrolled in a teacher certification program
- Student must be enrolled at least half-time and demonstrate financial need according to the Federal need analysis methodology
- Eligibility for Federal Pell Grants must be determined prior to certifying loan applications and, if eligible, students must apply for Federal Pell Grants

Federal Unsubsidized Loan and Federal Direct Unsubsidized Loan

- Undergraduates
- Graduate students
- Professional students
- Students enrolled in courses prerequisite to enrollment in a degree or certificate program
- Students enrolled in a teacher certification program
- Student must be enrolled at least half-time
- Students do not have to demonstrate financial need
- Student eligibility for Federal Pell Grant and Federal Subsidized or Federal Direct Subsidized must be determined
- Student must apply for Federal Subsidized or Federal Direct Subsidized first (EFA includes subsidized loan amount for which students are eligible)

Federal PLUS Loan and Federal Direct PLUS Loan

- Parents of eligible dependent undergraduate students
- Students for whom parents borrow must be eligible, regular students enrolled at least half-time
- Parents must:
 - Meet same citizenship requirements as an eligible student
 - Not be in default on a SFA loan
 - Not owe an overpayment on a SFA grant or loan
 - Not have an adverse credit history

The ISIR plays a very important role in identifying possible eligibility problems. When reviewing the ISIR, reviewers should look for “C” codes/comments and check the NSLDS section.

References:

[34 CFR § 668.19, Student Assistance General Provisions](#)

[34 CFR §§ 668.32 - 39; 668.130 -139](#), Student Assistance General Provisions

[34 CFR § 674.9, Federal Perkins Loan](#)

[34 CFR § 675.9, FWS](#)

[34 CFR § 676.9, FSEOG](#)

[34 CFR § 682.201, FFEL](#)

[34 CFR § 685.200, FDL](#)

[34 CFR §§ 690.6](#) and [690.75](#), Federal Pell Grant

[2001-2002 SFA Handbook, Student Eligibility Section, Chapters 1 -5](#)

DCL [GEN-00-12](#) and [GEN-00-18](#)

[SFA Assessment Worksheet, Assessment C, Student Eligibility](#)

17. ATTENDANCE RECORDS

GEN 2050

Complete and accurate attendance records are essential for evaluating students' Title IV eligibility. Although there is no regulation specifically requiring attendance records, institutions must have a system in place to verify student enrollment status, course length, eligibility for subsequent payments, and refund calculations.

Discuss with institutional officials the process for recording the classes or number of hours students attend each day. Is attendance taken periodically during the day, or are there sign-in/sign-out sheets? How is partial attendance recorded, rounded to the nearest hour, half hour, etc.? For externship sites, how are records kept?

Compare attendance records to any other records or reports kept for other agencies, such as JTPA and VA. Test the cumulative attendance list against source records. Check that hours have been properly compiled, including the actual addition for manual systems or the data entry for computerized systems.

Other recommended review procedures are as follows:

- Add up the hours offered to students who have completed the program to verify that the school really offers the total number of hours for which the program is licensed/approved.
- Look closely at attendance records with excessive white out, especially if the student withdrew. Try to contact students to verify information.
- Ask students about absences (especially extended periods) and verify that the attendance records correspond.
- Determine how make-up hours are documented. Some schools do not differentiate between make-up hours spent working on specific coursework, and extra time students may spend at school practicing on their own.
- Look for cases where all students sign in and out at exactly the same time every day. Also, check holiday schedules, doctor's notes and other notations in students' files to confirm deviations in attendance are accurately recorded. Many discrepancies of this kind may signal the attendance records were hastily created after the fact.

Missing or inaccurate attendance records may mean the undocumented classes or hours cannot be counted for purposes of determining students' eligibility.

References:

[34 CFR § 668.24 General Provisions](#)

[34 CFR §§ 674.19 Federal Perkins Loan, 675.19 FWS and 676.19 FSEOG](#)

[34 CFR § 682.610, FFEL](#)

[34 CFR § 685.309, FDL](#)

[34 CFR § 690.82, Federal Pell Grant](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section,
Chapter 8](#)

[SFA Assessment Worksheet, Assessment E, Reporting and Reconciliation](#)

18. VERIFICATION GEN 2492

The information to be verified and the specific types of required documentation are listed in Federal Student Financial Aid Handbook, Student Eligibility Section.

Reviewers should ensure that the school has written policies on the following verification issues:

- Deadlines for students to submit documentation and consequences of the failure to meet those deadlines
- Method of notifying students of award changes resulting from verification
- Correction procedures for students
- Means of publicizing requirements and procedures, and
- Standard procedures for referring overpayment cases to the Department.

Additionally, the school must give each applicant a written account of the following information:

- **Documentation requirements.** A clear explanation of the documentation needed to satisfy the verification requirements;
- **Student responsibilities.** An explanation of the student's responsibilities with respect to the verification requirements, including the deadlines for completing any actions required, the consequences of missing such deadlines, and required correction procedures; and
- **Notification methods.** The means by which the school will notify a student if his or her award changes as a result of verification, and the time frame for such notification.

Schools participating in the Quality Assurance (QA) Program are exempt from selected Sections of the General Provisions regulations. QA schools should not be cited for failure to complete verification of a student selected by the processor. A basic premise of the QA Program is to allow schools to design their own verification programs, based on problem areas identified as critical at their schools. All current requirements for disbursement, updating, and deadlines-and the consequences for failing to provide requested documents-still apply to QA schools.

Generally, a school must verify all applications the Central Processing System (CPS) selects for verification; however, the Department doesn't require a school to verify more than 30 percent of its total number of applicants for Federal student assistance. If more than 30 percent of the school's applicants have been selected by the CPS for verification, the school may choose to verify all the

selected applications, but the Department doesn't require it. Instead, the school can choose to stop verifying once 30 percent of its applicants have been verified (applications a school selects and applications with conflicting information don't count toward the 30 percent level). If the total number of selected applications is less than 30 percent of the school's total number of applicants for Federal student aid, the school must verify **all** selected applications.

Many schools have requested interpretation from the Department regarding the definitions of "applicant" and "applicant pool." However the Department does not define these terms. Each school must develop its own definitions and apply them **consistently**.

Other recommended review procedures are as follows:

- Carefully check untaxed income items identified on tax returns (these are often misreported).
- Ensure the verification documentation collected is complete (e.g., all required signatures are present on documents).
- Check that the school identified any revised information on documents collected, and performed any required need analysis.

Reviewers must remember that beginning with the 2001-2002 award year, an asterisk (*) will no longer be printed on the SAR or the SAR acknowledgement next to the EFC of students selected for verification. Instead, information regarding whether the student has been selected for verification will be included within the text message to the student on the SAR acknowledgement. Action Letter #4 (GEN-00-22) published in November 2000, contains additional information regarding the Department's plans for the redesign of the SAR for the 2001-2002 and subsequent years.

Note that some schools may collect verification worksheets, tax returns, etc. for all students, even those not selected for verification. If the school has such documents, it must ensure that the information on those documents is considered. If it is not and the student was not selected for verification, there would not be a verification finding, but there would be a finding for failure to resolve conflicting information.

References:

[34 CFR § 668.51 through 668.61 Student Assistance General Provisions](#)
[2001-2002 SFA Handbook, Application and Verification Guide Section, Chapter 3](#)
[SFA Assessment Worksheet, Assessment C, Student Eligibility](#)
[Action Letter #4 \(GEN-00-22\)](#)

19. PROFESSIONAL JUDGMENT GEN 2161

Financial Aid Administrators (FAA) may use professional judgment, only on a case-by-case basis, to either increase or decrease one or more of the data elements used to calculate the EFC. The reason must be documented in the student's file, and it must relate to that student's special circumstances that differentiate the individual student from a class of students, (not to conditions that exist for a class of students). Professional judgment (PJ) cannot be retroactively documented or justified.

An FAA can also use professional judgment to adjust the student's cost of attendance. The FAA must resolve any inconsistent or conflicting information shown on the output document before making any adjustments.

Because the purpose of PJ is to allow FAAs to accommodate unusual circumstances, the Department does not provide detailed information on when the FAA may make adjustments. However, effective October 1, 1998, Section 479A contains some examples of special circumstances schools might consider. Examples of special circumstances listed in the law include elementary or secondary school tuition, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, or other changes in the family's income or assets. Use of professional judgment is neither limited to the situations mentioned nor required in those situations.

The law does not allow schools to modify either the formula or the tables used in the EFC calculation; schools can only change the cost of attendance or the values of specific data items used in the calculation of the EFC. In addition, an FAA cannot adjust data elements or the cost of attendance solely because he or she believes the tables and formula are generally not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances.

An FAA cannot exercise professional judgment to waive general student eligibility requirements or to circumvent the intent of the law or regulations. The Department specifically prohibits the use of PJ to change FSEOG selection criteria. Nor can the FAA include post-enrollment activity expenses in the student's COA. (For example, professional licensing exam fees are not allowable costs.)

Reviewers should check to ensure that the FAA did not make decisions contrary to the professional judgment provision's intent. These **unreasonable** judgments have included, for example, the reduction of EFCs based on reoccurring costs such as vacation expenses, tithing expenses, and standard living expenses (related to utilities, credit card expenses, children's allowances, and the like). Another example of inappropriate use of professional judgment would be a school changing a student to independent because he or she was not claimed on his or her parents' tax returns with no other circumstances documented. FAAs, to whom the Department grants significant latitude in exercising professional judgment, are required to make **reasonable** decisions that support the intent of the provision. The school is held accountable for all professional judgment decisions made, and each decision must be fully documented.

If an FAA uses professional judgment to adjust a data element, he or she must use the resulting EFC consistently for all Federal student aid awarded to that student.

References:

HEA, § 479A

[2001-2002 SFA Handbook, Application and Verification Guide Section, Chapter 4](#)

[2001-2002 SFA Handbook, Federal Pell Grant Section, Chapter 1](#)

[SFA Assessment Worksheet, Assessment F, Reporting and Reconciliation](#)

**20. TIMECARDS FOR FWS STUDENTS
FWS 1041, 1050,**

Verify that for each student paid under FWS there is a record showing the number of hours he or she worked each day. The institution is liable for all Federal funds disbursed for the period if a timesheet is not maintained.

Check that timesheets are supported by a certification from the student's supervisor that the student worked and earned the amount paid.

Collect the timesheets for a sample of the payroll periods in the year under review, and cross-reference those with payroll records. If student class schedules are available, compare them to students' work hours to ensure students did not work when they were supposed to be in class.

References:

[34 CFR § 675.19 FWS](#)

[2001-2002 SFA Handbook, Campus-Based Programs Section](#)

[SFA Assessment Worksheet E, Disbursement Requirements](#)

**21. FEDERAL PELL GRANT CALCULATIONS/DISBURSEMENTS
PELL 4020, 4030, 4040, 4050, 4060 ,4080, 4085, 4090,
4130, 4131, 4140**

An institution must determine a student's Federal Pell Grant eligibility, taking into account the student's expected family contribution, enrollment status, budget, and award year/payment period duration.

The 1992 Reauthorization added a minimum duration requirement (30 weeks) to the academic year definition. The specific procedures for the eligibility calculation are provided the 2000-2001 Federal Student Financial Aid Handbook.

Reviewers must verify that the scheduled award and payment amount were properly calculated. Schools may miscalculate these figures for award periods of less than a full academic year.

There are two types of output documents: ISIRs and SARs. An ISIR is a computer-generated electronic record sent to a school by the CPS. The SAR is a paper document sent to the student by the application processor. These output documents (ISIRs and SARs) contain the student's application information, the EFC, and the results of the database matches.

To pay a student a Federal Pell Grant, the school must have appropriate documentation of the student's eligibility. In particular, the school must have a valid output document for the student. A valid output document is one where all of the information used to calculate the EFC is complete and accurate. The school must have received a valid output document containing an eligible nine-month EFC while the student is enrolled and eligible.

Other recommended review procedures are as follows:

- Check award calculations for non-standard payment periods.
- Verify that the proper calculation was performed when the financial aid history from a prior school shows the student received Federal Pell Grant funds at another institution in the same award year.
- Check special consideration issues, especially for incarcerated students and students receiving Workforce Investment Act funding, as discussed in the SFA Handbook.
- Review the elements used in constructing the COAs. The components that are allowed under the cost of attendance are now the same for all Title IV programs. These components can be found in the SFA Handbook.

References:

34 CFR §§ [690.61 – 690.67](#), [690.75](#), and [690.83](#), Federal Pell Grant
[2001-2002 SFA Handbook, Federal Pell Grant Section, Chapters 3-5](#)
[SFA Assessment Worksheet E, Disbursement Requirements](#)

22. DISBURSEMENTS

PELL 4040

Students in non-term (clock or credit hour) programs must complete the payment period for which they have already been paid before they can receive additional Federal Pell Grant disbursements. Some schools schedule payments for the date students are **expected** to reach the midpoint, based on the original class schedule. The school then might make the payment without verifying whether the students actually completed the required hours. The student may then drop out without completing the required number of clock or credit hours, having therefore received an overpayment.

Reviewers should compare the account records with attendance/academic records for all students in the program review sample. Verify whether subsequent disbursements were made only after the students completed the required number of clock or credit hours. For example, a school's academic year is divided into two 450-hour payment periods. The school cannot make the second disbursement until the student has completed the 450th, and started the 451st clock hour.

An institution may consider excused absences when determining the number of clock hours completed. Excused absences refer to missed classes that are not required to be made up, and must be based on the school's documented policy. Excused absences may not exceed 10% of the hours in a payment period (or less, as required by accrediting agency or state agency requirements). Excused absences may not be considered if students must eventually complete all clock hours in their program of study (e.g., cosmetology programs with state requirements for actual hours completed).

A similar determination must be made when students are enrolled in a non-term program measured in credit hours. Where an academic year is defined as 30 credit hours, the second disbursement cannot be made until the completion of at least 15 credit hours. If a student has completed 14 credit hours, and then begins the next segment of the program encompassing 6 credit hours, the payment cannot be made until the student has completed that segment. Please note that this does not apply to FFEL disbursements. For FFEL, a second disbursement may be made after the calendar mid-point, even though the student has not completed the academic work.

For FSEOG and FWS, funds can be credited to students' accounts up to 10 days prior to the beginning of classes for a payment period, as long as the student has

registered for that payment period. If the student never enrolls for the payment period, the funds must be returned to the program.

FSEOG regulations allow the student's entire annual award to be disbursed at one time if the award amount is less than \$501.

References:

34 CFR §§ 668.164, 682.604, 676.16

[34 CFR § 690.62, Federal Pell Grant](#)

[34 CFR § 690.75, Federal Pell Grant](#)

[2001-2002 SFA Handbook, Federal Pell Grant Section, Chapters 2-5](#)

[SFA Assessment Worksheet E, Disbursement Requirements](#)

23. ENROLLMENT STATUS

GEN 2130, FFEL 5100

An institution may award Title IV funds only to eligible students. Verify that student enrollment status was confirmed before Title IV funds were disbursed. In instances where the institution determined eligibility based on the classes in which the student was registered (whether the funds were disbursed before or after classes started), there must be a system in place to verify that the student actually attended all of the classes in which he or she was registered. If the classes the student actually attended would have an effect on the student's eligibility, the institution must adjust the student's award.

Compare disbursement records with attendance records and academic transcripts to confirm students' enrollment status at the time of disbursement.

Check that disbursements have not been made in the following circumstances:

- student not registered for classes.
- FWS payments made to a student for work performed after the student's withdrawal date.
- Federal Pell Grant payments made after a student's last date of attendance (LDA) without a valid ISIR or other official notification of the student's EFC.
- FSEOG and Federal Perkins Loan disbursements made after students LDA (unless the student meets the criteria for late disbursement). Late disbursement criteria can be found in the Financial Aid Handbook, Campus-Based reference.
- FFEL disbursed after LDA without late disbursement approval (late disbursement rules specified at 668.164(g)).

Reviewers should also verify that the correct enrollment status was used in determining a student's eligibility for Federal Pell Grant disbursements before a disbursement is made. Schools are required to ensure that disbursements are based on a correct enrollment status, and therefore must have a system to monitor changes prior to payment (different rules apply if the enrollment status changes after payment has been made).

References:

34 CFR § [668.21](#) and [668.164](#), Student Assistance General Provisions

34 CFR §§ [674.9](#), [Federal Perkins Loan](#), [675.9 FWS](#) and [676.9 FSEOG](#)

34 CFR §§ [682.604](#) and [682.605](#) FFEL

[34 CFR § 690.75 Federal Pell Grant](#)

Higher Education Amendments of 1992, (P.L. 102-325), § 411

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 8](#)

[2001-2002 SFA Handbook, FFEL and Direct Loan Section, Chapter 6](#)

[2001-2002 SFA Handbook, Federal Pell Grant Section, Chapters 2, 4 and 5](#)
[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

24. NEED ANALYSIS
GEN 2222, 2270, 2290

An institution must receive an official Expected Family Contribution (EFC) processed through the CPS to document a student's Title IV eligibility. Reviewers must ensure that the EFC calculation has been processed through the CPS. Although an institution may have software to calculate an EFC using the correct formula, that calculation is not official unless it has been processed through the CPS. Remember, the CPS has data matches with areas that effect a student's eligibility such as citizenship, financial aid history (default, loan limits, overpayments, and other loan problems), correct SSN, and Selective Service requirements.

Errors on a student aid application may occur either because the student entered the wrong information or because there was a data entry error. Generally, the school must have correct data before it can pay the student. In some cases, the school can take the changes into account without sending in a correction or can pay the student without corrections. However, even if the student's application is otherwise accurate, corrections to the SSN must always be submitted for processing through the CPS for data match purposes. Corrections may also have to be processed through the CPS if there were problems with other data matches, such as the citizenship match.

To award aid from the Federal Pell Grant Program, corrections have to be processed through the CPS for recalculation of the EFC (unless the corrections do not effect the Pell Grant amount). For the Federal campus-based and loan programs, the school can recalculate the student's EFC without reprocessing through the CPS. However, if the school's recalculation is incorrect, the school will be liable for any resulting overpayments.

Other recommended review procedures are as follows:

- Confirm EFCs were properly calculated when need analysis data was changed.
- Ensure the correct procedure was used to determine EFCs for other than standard nine-month duration.
- Confirm that there is adequate documentation in file for FAFSA data corrected by school.
- Check a few student files to verify that data matches what is on the paper FAFSA.

If the school entered student FAFSA data through EDE-Initial (formerly stage-zero), the original FAFSA must be on file at school.

References:

HEA, Sections 471 through 480, Part F

[34 CFR § 668.59](#)

[The EFC Formula \(contained in the 2001-2002 SFA Handbook Student Eligibility Section\)](#)

[SFA Assessment Worksheet, Assessment D, Award Requirements](#)

25. FFEL/DIRECT LOANS FOR PROGRAMS LESS THAN ONE YEAR
FFEL 5141

Schools must prorate a student's loan made for a program of study or the final period of a program of study if either is shorter than an academic year. A final period of study is one at the end of which a student will complete a program. At a term-based credit hour school (where the academic year is measured in semesters, trimesters, quarters, or other terms), a final period of study is considered shorter than an academic year if the final period consists of fewer terms than the school's scheduled academic year. At a term-based clock hour school (where the academic year is measured in semesters, trimesters, quarters, or other terms), a final period of study is considered shorter than an academic year if the final period consists of fewer terms than the school's scheduled academic year or fewer clock hours than the minimum statutory requirements for a full academic year. Terms within the same academic year as the student's final term are considered part of the final period of study, even if separated from the final term by a term in which the student is not enrolled.

At a non-term school (where programs are measured only in clock or credit hours), a final period of study is considered less than an academic year if the final period consists of fewer clock or credit hours than the minimum statutory requirements for a full academic year, regardless of length of the school's academic year.

To prorate the loan for a program that exceeds an academic year but has a final period of study less than a full academic year in length, schools must calculate what proportion of a full academic year the final period of study represents. The loan amount is then prorated on that basis.

If a student drops or adds a course after the school has originated a prorated loan, the school may readjust the loan amount but is not required to do so. Of course, a student who drops courses must still be enrolled at least half time to be eligible for any loan amount.

Note: Prior to the enactment of the Higher Education Amendments of 1998, schools used fixed proration that divided the standard full academic year into thirds to determine the fraction of the full annual amount when students were enrolled in a period of study containing fewer weeks, clock hours, or credit hours than the statutory minimum academic year. Effective October 1, 1998, schools must use proportional proration for loans for students enrolled in programs less than an academic year in length.

References:

The Higher Education Amendments of 1992 (P.L. 102-325) § 428

The Higher Education Amendments of 1998

[34 CFR § 682.204, FFEL](#)

[34 CFR § 685.203, FDL](#)

[2001-2002 SFA Handbook, FFEL & Direct Loan Section, Chapter 3](#)

[SFA Assessment Worksheet, Assessment D, Award Requirements](#)

[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

**26. FFEL/DIRECT LOAN AMOUNTS FOR GRADE LEVEL
FFEL 5220**

Verify that the academic level on the FFEL application/Direct Loan origination record corresponds to the school's documented grade-level progression criteria. Some schools incorrectly certify grade levels on the loan application or Direct Loan origination record based on the number of years the student has been present at the institution, without consideration of the grade level progression criteria, or incorrectly report a higher grade level based on past educational experience unrelated to the student's current program.

Compare the academic record/transcript showing the number of credits or hours the student had completed as of beginning of loan period with the loan period reported on the loan application/loan origination record.

Note: For students in the sample that are Federal Direct Loan recipients, reviewers must retrieve the student's loan origination record to obtain the information that is usually collected on an FFEL application; e.g., loan amounts (approved and requested), grade level, loan period, enrollment status, student's dependency status, promissory note status, etc. Reviewers may ask the school to produce screen printouts or electronic copies of the loan origination records for students in the sample and verify the data on the loan origination record.

References:

[34 CFR § 682.603, FFEL](#)

[34 CFR § 685.301, FDL](#)

[2001-2002 SFA Handbook, FFEL & Direct Loan Section, Chapter 3](#)

[SFA Assessment Worksheet E, Disbursement Requirements](#)

**27. DIRECT LOAN REPORTING/RECONCILIATION
DL 5510, 5610, 5653**

Each month, the Loan Origination Center (LOC) sends a Direct Loan School Account Statement (DLSAS) to the school. This report is generated by the LOC during the first weekend of the month following the reported month (for example, the first weekend in September, the LOC generates a report for August and sends it to the school). The school is required to reconcile the information on the DLSAS report to its internal records on a monthly basis.

- If the school's internal systems match all the totals on the DLSAS cash summary, the reconciliation has been successfully completed.
- If the cash balances do not match, the school must continue with the reconciliation process.
- There may be discrepancies in one or more areas between the DLSAS and the school's records. The initial analysis of the cash summary information should narrow the field for detailed analysis to those areas in which the school has identified discrepancies.
- Each of the three systems - the school's business office system, the school's Direct Loan System, and the LOC - may account for cash receipts, excess cash, and disbursement transactions in different ways. Schools must take this into account when conducting their reconciliation.
- When reconciling the DLSAS cash summary with the school's internal cash records, the school must allow for any timing differences caused by transaction dates that fall close to the beginning or the end of the month.

There are many possible reasons for apparent discrepancies between the school's internal systems and the DLSAS cash and loan detail records. Some examples include:

- timing of drawdowns
- timing of booked loans
- drawdowns allocated to the wrong academic year
- drawdowns split between academic years
- excess cash in the wrong year or disbursed to a student in a different academic year
- unsent/unacknowledged disbursement batches
- disbursements recorded in the school's business office system but not in its Direct Loan System
- excess cash returned that should have been a payment

- a payment sent that should have been excess cash
- school data loss, and
- unbooked records.

In the reconciliation process, cash detail information should generally be compared directly to the school's internal business office records, such as bank statements and canceled checks. Cash reports may be run from the school's Direct Loan System, but the school should use its business office records as the final authority.

Schools may be receiving DLSAS reports for up to three academic years each month. The concurrent reconciliation efforts may result in overlapping cash detail data, such as when a drawdown has been split between award years. Schools should ensure that there is good communication among the staff members responsible for reconciling the different academic years. These multiple-year reconciliation efforts will sometimes reveal global issues at the school that need to be resolved.

A school has completed its monthly reconciliation when:

- All differences between the DLSAS and the school's internal records (Direct Loan System and business office system) have been resolved or documented.
- Timing issues have been identified and will be tracked for reconciliation in the next month's DLSAS.
- Any necessary corrective actions have been taken to ensure that all the prior month's issues will reconcile in the following month.
- All reconciliation efforts have been documented for future reference and review.

Documenting monthly reconciliation efforts is strongly recommended and will be extremely useful to schools as a record that they have met their reconciliation requirement. ED does not regulate specific types of documentation for school reconciliation activities. However, monthly documentation shows that the school has made a good faith effort to reconcile its records to ED's records, according to program requirements. It also provides very useful reference materials for the end-of-year reconciliation and closeout for the academic year. The format of the documentation is not as important as what is documented.

References:

[34 CFR 685.301 \(d\), FDL](#)

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

[SFA Assessment Worksheet, Assessment F, Reporting & Reconciliation](#)

[Direct Loans School Guide, Chapter 9, Reconciling Direct Loans](#)

**28. ITEMS FROM PAST REVIEWS/AUDITS
GEN 2241, 2330**

Verify that all issues identified in past program reviews and audits have been completely resolved by the institution. Previous reviews may include those conducted by guaranty agencies or state agencies. In cases where prior audits or reviews are still open, confirm that the school is pursuing resolution of the outstanding issues. This involves more than the school taking the necessary action to resolve the specific problems from the reviews/audits. The school should have also taken measures to prevent a reoccurrence of the identified problems.

Repeat findings of a systemic nature usually means that the school either ignored findings and requirements of prior reviews and audits, or did not have the capability to make the required corrections. These types of problems may demonstrate a lack of overall capability to adequately administer the Title IV programs.

If an institution is part of a chain of schools with centralized administration, systemic problems previously identified at other locations may be considered repeat violations if uncovered at the school currently under review.

References:

[34 CFR § 668.174 Past performance](#)

[34 CFR § 668.16, Student Assistance General Provisions](#)

29. FISAP INCOME GRID GEN 2010

Review the FISAP applications to verify the figures reported by the institution for the number of eligible aid applicants enrolled at least half-time during the applicable award year at Part III, Section E. The FISAP uses eligible aid applicant information from the recently completed year to determine whether the institution will receive any "fair share" funding in FSEOG, FWS, and Perkins for the following year. For example, schools filed the FISAP application for the 2000/01 award year in October 1999, using eligible applicant data from the 1998/99 award year.

Careful consideration should be given to the definitions and instructions that accompanied each application concerning "eligible aid applicants" and "application." Please note that students cannot be counted in the income grid figures if they do not have all information needed to perform an approved needs analysis on file with the institution.

Request documentation supporting the dependency status and total family income for all students included on the income grid for eligible aid applicants. Test the supporting documentation to confirm that students from the review sample are correctly reported. Make sure all income used in the need analysis is included. Schools may have omitted parents' untaxed income or all dependent students' income.

Next, test the documentation against what was reported on the income grid itself. Confirm the number of students reported in some of the lower income categories. For example, count the number of dependent students with family incomes between \$6000 and \$8999, and verify that the number matches with what was reported on the grid. If students are incorrectly reported (especially when included in lower income categories than they should be), the student body appears to look needier, and the school might get more fair share funding than appropriate.

Additional points to note:

- Ensure the institution included all changes to students' income and dependency status, including professional judgment.
- Students with prior bachelor degrees are considered graduate students on the grid, even if they are in an undergraduate program.
- Check the figures reported in Section D (tuition and fees, and Pell Grant disbursements) against fiscal records.

- Verify that no-show students have been excluded from the grid (schools that use reports generated by a processor sometimes fail to screen out the no-shows).
- Look over the documentation for cases where students are included twice under different social security numbers.

Please note that errors in the income grid might change an institution's campus-based allocation only if the institution received fair-share funding for the applicable award year.

References:

34 CFR §§ 673.3, 673.4

HEA § 413D (SEOG)

HEA § 442 (CWS)

HEA § 462 (Perkins)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 8](#)

[SFA Assessment, Worksheet F, Reporting & Reconciliation](#)

**30. FEDERAL PERKINS LOAN DUE DILIGENCE
AND PROMISSORY NOTES
PERK 8090, 8140, 8180, 8200, 8210**

See Appendix I -- Perkins/NDSL Due Diligence Checklist.

Reviewers must verify whether an institution is correctly performing due diligence procedures for its Perkins Loan borrowers. Many institutions contract with outside agencies to service their Perkins Loan collection efforts. In these cases, reviewers should review a copy of the contract or other documents that specify the services these agencies perform to verify they cover the regulatory requirements. At a minimum, the institution should be providing the required exit counseling for students who withdraw or graduate.

If school staff perform due diligence procedures themselves, reviewers must discuss the process with school officials to ensure all regulatory requirements are met. Trace some of the students in the review sample who have entered repayment to see actual records and to verify that the process works as designed. The school must be able to document its compliance with all due diligence requirements.

Following are some deficiencies that may be discovered:

- inadequate exit counseling
- inadequate contact with borrower during grace period
- inadequate billing procedures, including late charges
- inadequate address searches, skip-tracing
- inadequate collection procedures/student not reported to credit agencies, and loan not accelerated, and
- improper deferments granted.

Confirm that signed, complete, and valid promissory notes are on file and securely stored for all sampled Federal Perkins Loan recipients. Discuss with appropriate school officials the system for having students sign promissory notes. There should be a control to ensure that no funds are disbursed until a note is signed, and that each disbursement is signed for on the schedule of advances at the time the disbursement is made. Schools may improperly make the disbursement first, and then have the student sign the note. Then, the school may fail to reverse the disbursement if the student withdraws without signing the note, creating ineligible disbursements.

Certified true copies are acceptable in lieu of an original note, if the original has been lost or destroyed; other photocopies are not acceptable.

Reviewers should examine the relationship between the school and any collectors and billing contractors.

- how are payment and activities monitored and reconciled?
- how are payments handled?
- are required bonds in place?

References:

34 CFR §§ [674.16](#), [674.31](#), and 674.33 - 674.50, Federal Perkins Loan
[2001-2002 SFA Handbook, Federal Perkins Loan Section](#)
[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)
Perkins Focus Module

**31. COMMISSIONED SALES
GEN 2097**

Under 34 CFR § 668.14, an institution cannot provide, nor contract with any entity that provides, any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admissions activities or in making decisions regarding the awarding of student financial assistance. This requirement does not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive Federal student assistance. This provision does not apply to giving token gifts to students or alumni for referring students for admission to the institution as long as: the gift is not in the form of money, check or money order; no more than one such gift is given to any student or alumnus, and the gift has a value of not more than \$25.

Reviewers should interview a sales representative to verify compensation policies, and ask what part they play in providing students with information financial aid availability. This should also be discussed with school administrators. Additionally, reviewers should ask students and other school personnel, especially financial aid staff, how financial aid information is provided. Violations reflect on the administrative capability of the institution, and could possibly affect Title IV eligibility.

References:

HEA, § 487(a)(20)

The Higher Education Amendments of 1992 (P.L. 102-325)

[34 CFR § 668.14, Student Assistance General Provisions \(Program Participation Agreement\)](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 2](#)

**32. CLOCK/CREDIT HOUR CONVERSION
GEN 2112**

The clock hour/credit hour requirements affect both program eligibility, and the determination of the amount of SFA program funds a student who is enrolled in the program may receive.

Schools must determine whether an undergraduate program measured in credit hours qualifies as an eligible program in credit hours *for SFA purposes* after using the required conversion formula unless:

- The program is at least two academic years in length and provides an associate, bachelor's, or professional degree (or a degree that the Department has determined to be equivalent to one of these degrees), or
- Each course within the program is acceptable for full credit toward one of these degrees at the school, and the degree requires at least two academic years of study.

Note that the exemption for programs that lead to a degree that is equivalent to an associate, bachelor's or professional degree program of at least two years does not permit a school to ask for a determination that a *nondegree* program is equivalent to a degree program.

Also, public or private nonprofit hospital-based diploma schools of nursing are exempt from using the clock-to-credit hour conversion formula to calculate awards for the SFA programs.

To determine the number of credit hours in a program for SFA purposes, schools must use the appropriate formula.

For a semester or trimester hour program:

$$\frac{\text{Number of clock hours in the credit-hour program}}{30}$$

For a quarter hour program:

$$\frac{\text{Number of clock hours in the credit-hour program}}{20}$$

See § [668.8\(d\)](#) for definitions of vocational educational program.

References:

[34 CFR §§668.8](#) and [668.9](#), Student Assistance General Provisions
[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 1](#)
[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

33. STUDENT STATUS CONFIRMATION REPORT FFEL 5210, 5260

Schools are required to report the status of FFEL/Direct Loan borrowers to the National Student Loan Data System (NSLDS). Institutions will receive Student Status Confirmation Reports (SSCR) from the NSLDS on a cycle that the institution established. A school can schedule up to six reporting cycles per year, but it must complete at least one per term (excluding summer terms) if it is a term-based school, or two per year if it is not. A school has 30 calendar days from the date it receives the SSCR to return it to the NSLDS. All NSLDS reporting is done electronically.

Schools normally have 30 calendar days to report changes in a student's enrollment status. However, if the school has an SSCR scheduled to be processed within 60 days of the change of status, the school can use that method to report the change. If not, the school must do an ad-hoc change of status report using the web interface with the NSLDS.

Reviewers should obtain student status report data from the NSLDS before the site visit portion of a review commences. This data would consist of a list of students for whom a school reported status changes in a given period of time and can be compared to enrollment information that the school has on campus. They can also contact the NSLDS to inquire about the timely and accurate submission of SSCRs. The NSLDS does track this and sends warning letters to schools if they do not submit the reports timely.

On site, reviewers should determine which office at the school is responsible for the SSCRs. If the financial aid office is responsible, verify that there is a system by which that office is provided up-to-date information from the registrar about student status. Many schools use the National Student Clearinghouse as a servicer to complete their SSCRs, but the school is still ultimately responsible for ensuring that the SSCR is completed timely and accurately. If the Clearinghouse or another third party servicer is used, reviewers should examine the process used to submit records to the servicer.

References:

[34 CFR § 682.610](#), FFEL

[2001-2002 SFA Handbook, FFEL & Direct Loan Section, Chapter 7](#)

[DCL, GEN-99-9](#)

[DCL, GEN-96-5](#) and [DCL, GEN-96-17](#)

[SFA Assessment Worksheet, Assessment F, Reporting and Reconciliation SSCR Guide](#)

**34. DEFAULT MANAGEMENT (ENTRANCE/EXIT
COUNSELING, WITHDRAWAL RATE)
FFEL 5040, 5132**

Applicable default reduction and prevention measures must be examined at institutions with high cohort default rates (CDRs) during reviews. During the review, the reviewer should examine the following items:

- High Withdrawal Rate(s) – Borrowers who do not complete programs of study are at a higher risk of defaulting on loans. Determine if the school has and is implementing measures to reduce high withdrawal rates.
- Adequate Consumer Information – Determine if the school has and provides consumer disclosure information to students in accordance with regulatory requirements.
- Job Placement Rates – Borrowers who cannot find employment are at a higher risk of defaulting on loans. Determine if the school has and is implementing a job placement program.
- Entrance and Exit Counseling – Determine if the school has adequate entrance and exit counseling that provides students with accurate/current information on student responsibilities/rights, repayment options, and deferment options. The following requirements pertain to all loan programs as applicable:

Entrance Counseling: Reviewers must ensure that every school conducts entrance counseling before releasing the first loan proceeds to any first-time borrower. This requirement applies to the FFEL and Direct Loan programs. The counseling must be conducted in person, by audiovisual presentation, or by computer-assisted technology, and a person knowledgeable about SFA program must be available for questions shortly after the counseling session. (685.304(a); 682.604(f)).

The requirements are a little different for Federal Perkins Loans. Before an institution makes its first disbursement to a student, the student must sign the promissory note and the institution must provide the student with certain information (very similar to the entrance requirements for other loan programs). See 674.16 for specific requirements for Federal Perkins Pre-Loan Counseling.

Exit Counseling: Reviewers must also ensure that every school conducts exit counseling shortly before a borrower ceases at-least-half-time study. There are many different means a school can use to conduct this counseling. As of October 1, 1998, a school can conduct exit counseling either in person individually or in groups, or by electronic means. Reviewers must ensure that the school maintains in each borrower's file documentation verifying the school's compliance with the Department's counseling requirements. (685.304(b), 682.604(g), and 674.42)

- NSLDS/SSCR Reports – Determine if the school has adequate systems and controls to report SSCR data timely and accurately.
- Available Resources for Default Reduction and Prevention – This is an institutional responsibility and not restricted to the functions of the financial aid office. Determine if the institution has adequate resources available and committed to this initiative (personnel, administrative, and financial resources).
- Process to Ensure Accuracy of Cohort Default Rates – Schools that are eligible should exercise CDR rate challenge and appeal process options to ensure that the CDRs are accurate. Determine if schools are aware and utilizing these options.
- Approved Default Reduction and Prevention Plan(s) – All new schools and schools undergoing changes of ownership must implement approved default management plans for two years after they become eligible to participate in the Title IV Financial Aid Programs. Determine if the school has an approved plan and that it is implementing the plan.
- Changes in Status – Certain status changes affect the cohort default rates (calculations) and possible Title IV program eligibility. Review for any status changes and determine if
 - changes have been approved by Case Management Team(s), and
 - a CDR calculation has been made by Default Management.
- Sanction/Benefit Requirements – A school's cohort default rate(s) will determine if the school is eligible for sanctions or benefits. Review the school's most recent correspondence from Default Management to ensure compliance with the regulatory requirements.
 - For FFEL/Direct Loans, proceeds must be disbursed in two or more installments, regardless of the amount of the loan or the length of the enrollment period for which the loan is made. No disbursements may

exceed half of the loan amount. **A school with a cohort default rate of less than 10 percent for each of the last three years for which rates have been calculated is allowed to make single disbursements for single-term loans. A school with a cohort default rate of less than five percent for the most recent year is allowed to disburse loans in a single disbursement for students enrolled in a study abroad program at that institution.**

- An FFEL/Direct Loan Borrower who is entering the first year of an undergraduate program - and who has not previously received a Stafford Loan - may not receive the first installment of loan proceeds until 30 calendar days after the first day of the program of study. **However, a school that has a cohort default rate of less than 10 percent for each of the last three years for which rates have been calculated is exempt from the 30-day requirement for first-time, first-year borrowers.**

References:

[34 CFR § 685.304\(a\), 685.304\(b\), FDL](#)

[34 CFR § 682.604\(f\), 682.604\(g\), FFEL](#)

[34 CFR § 674.16](#), and [674.42](#), Federal Perkins Loan

[34 CFR § 668.17, Student Assistance General Provisions](#)

[2001-2002 Student Financial Aid Handbook, FFEL & Direct Loan Section, Chapter 5](#)

[2001-2002 Student Financial Aid Handbook, Campus-Based Programs, Federal Perkins Loan Section, Chapters 3 and 7](#)

[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

35. NSLDS SECURITY ISSUES GEN 2241

Reviewers must ensure that each participating institution has proper security procedures for all users of the National Student Loan Data System (NSLDS). The requirements are very strict. All users must have their own unique user ID and password. NSLDS requirements do not allow users of the system to share user IDs and passwords.

The following information should be considered:

- The user ID and password are for official Department of Education business only.
- The Privacy Act of 1974 (as amended) governs the use of NSLDS data.
- The user ID and password cannot be given to another individual for any reason.
- Users are not allowed to permit another individual to use an on-line session that has been initiated with their own user ID.

Many schools make it a practice to share NSLDS user IDs and passwords. Remember, too much information is included on NSLDS and schools should take these requirements seriously. Although these requirements are based on the Privacy Act, schools who do not follow these requirements show a lack of administrative capability under Title IV regulations.

References:

Privacy Act of 1974, as amended

[34 CFR § 668.16, Student Assistance General Provisions](#)

[SFA Assessment Worksheet, Assessment G, Automation](#)

36. THIRD PARTY SERVICER CONTRACT GEN 2246

Schools are permitted to contract with consultants for assistance in administering the SFA programs. However, the school ultimately is responsible for the use of SFA funds and is accountable if the consultant mismanages the programs.

Section 668.25 of the General Provisions regulations contains requirements for all participating institutions that contract with third-party servicers. As defined by regulation, a third-party servicer is an individual or organization that enters into a contract (written or otherwise) with a school to administer any aspect of the institution's SFA participation. If the school uses such servicers, reviewers should ensure that the contracts contain the required provisions.

Examples of functions that are covered include:

- processing student financial aid applications, performing need analysis, and determining student eligibility or related activities;
- certifying loan applications, servicing loans, or collecting loans;
- processing output documents for payment to students, and receiving, disbursing, or delivering SFA funds;
- conducting required student consumer information services;
- preparing and certifying requests for advance or reimbursement funding, preparing and submitting notices and applications required of eligible and participating schools, or preparing the Fiscal Operations Report and Application to Participate (FISAP); and
- processing enrollment verification for deferment forms or student status confirmation reports.

Examples of functions that are not covered include:

- performing lock-box processing of loan payments,
- performing normal electronic fund transfers (EFTs),
- publishing ability-to-benefit tests,
- performing functions as a Multiple Data Entry Processor (MDE),
- financial and compliance auditing,
- mailing documents prepared by the institution, or warehousing institutional records, and
- providing computer services or software.

A school may only contract with an eligible third-party servicer, as defined by specific regulatory criteria. Although an eligible servicer must meet all these and

other requirements, the school remains liable for any and all SFA-related actions taken by the servicer on its behalf, under the terms of the contract.

In its contract with the institution, the third party servicer must agree to:

- comply with all statutory or regulatory provisions of or applicable to Title IV of the HEA and any special arrangements that apply to the school under the HEA;
- refer to ED's Office of Inspector General 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;
- 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;
- 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:
 - confirm the eligibility of the student before making that disbursement or delivering those proceeds;
 - calculate and return any unearned title IV, HEA program funds to the title IV, HEA program accounts and the student's lender, as appropriate;
- 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 records and Title IV, HEA funds in the servicer's possession pertaining to the institution's participation in the program or programs for which services are no longer provided.

Schools should already have notified the Department of all existing third-party servicer contracts via the E-app. If a school has not notified the Department, the school is not in compliance with the regulations and must immediately notify the applicable Case Management Team with the following information for each third-party servicer with which the school contracts: name, address, employer identification number, telephone number, fax number, and Internet address.

Reviewers should also remind the school to notify the Department if it enters into a new contract with a third-party servicer; it significantly modifies a contract with an existing third-party servicer; the school or one of its third-party servicers

terminates a contract, or a third-party servicer ceases to provide contracted services, goes out of business, or files for bankruptcy. Notification to the Department must be made within 10 days of the date of the change or action through the E-app process.

References:

[CFR § 668.23 Compliance audits and audited financial statements](#)

[34 CFR § 668.25, Student Assistance General Provisions](#)

[2001-2002 Student Financial Aid Handbook, Institutional and Program Eligibility Section, Chapter 2](#)

[SFA Assessment, Worksheet A, Institutional Participation](#)

Chapter V Office Systems and Coordination

An essential part of performing a thorough program review is to evaluate an institution's systems and procedures for administering Title IV funds to determine if there are any systemic weaknesses. Discussions should be held with appropriate managers to identify how systems work, and whether there are any obvious weaknesses. The review of the school's records and processes will demonstrate whether the systems work as they are intended.

A. Offices

The following is a basic overview of the responsibilities of offices involved in the Title IV process at an institution:

The Admissions Office usually makes the initial determination of who is eligible to enroll, based on institutional, accrediting, or licensing requirements.

The Academic Advising/Student Counseling Office usually decides what program of study students are accepted into, based on information provided in the admissions process. This office may require adjustments to students' programs (e.g., requiring remedial coursework).

The Registrar/Records Office usually confirms enrollment criteria (e.g., confirms high school graduation), records and tracks students' status throughout their enrollment at the school.

The Financial Aid Office determines eligibility, awards financial aid, and authorizes the disbursement of funds;

The Bursar/Business Office/Student Account Office/Fiscal Office/Comptroller's Office usually bills students, disburses funds to students and/or their accounts, draws Federal funds, maintains fiscal records, and reports on the use of Federal funds;

A very small school may have two people coordinating all these processes, whereas a larger school will have a more complex and segmented organization. For example, a large school may have a Bursar's Office to handle student charges, disbursements, payments and refunds. However, a separate Comptroller's Office may be responsible for taking student disbursement information from the Bursar's Office in order to draw Federal funds, and for completion of reports. The school may even have a separate payroll office that maintains the records of payments made to students under FWS.

At some larger schools, reviewers may see several or all of the offices mentioned above combined into an enrollment management office. In such an office, staff is trained in all functions (admissions, financial aid, bursar, etc.) and is rotated to balance workloads. When reviewers encounter such schools, they should ensure that the school has considered some of the ramifications of this arrangement. An obvious example is the potential lack of separation of duties between awarding and disbursing of funds. Other possible ramifications could include conflicts of interest for individual staff members, such as an admissions counselor who also does financial aid giving preferential treatment to students that he or she has recruited.

Reviewers should determine as quickly as possible the structure of the organization to plan staff interviews. It is important to discuss with different managers how information passes between the various offices, and which office is responsible for what tasks (e.g., which office determines satisfactory academic progress? Is it the financial aid office, the registrar, or perhaps the bursar?)

Coordination of information within offices is also important. For example, many schools have students complete statements authorizing the retention of funds in excess of direct charges for budgeting assistance. How does the school track which students *don't* complete the retention authorization? The school may assume most students will sign the statement, and not worry about the few that don't. If the school doesn't track the students who did not sign this authorization and does not give those students their money, the school will have a credit balance problem.

B. Computer Systems

An institution must have systems that allow for the coordination of information between and within different offices. In many cases, computer systems will play a significant role in this coordination. All schools are now required to use computer systems to process financial aid. Some schools may only use Department-provided software such as EExpress and the Return to Title IV software for the relatively limited functions of calculating, processing, and disbursing Title IV aid. Other schools may have elaborate systems of their own that contain such information as grades, attendance records, student accounts, etc.

While the purpose of a program review is not an in-depth technical evaluation of a school's computer systems, it is important for reviewers to evaluate the interaction between automated systems and the financial aid process. In particular, reviewers should be looking for things that may impact the quality of the data contained in those systems. Reviewers should have school officials explain the major systems in use at the school and how those systems interact with each other. It may be helpful to ask for copies of any documentation that the institution may have on its systems, such as training manuals, data flow

diagrams, etc. If an institution does not have such documentation, or the documentation does not adequately explain the procedures for putting data into the system or the data contained in the system, the data may not be reliable. Some specific questions that need to be answered are:

- Who uses the different systems at the school and what do they use them for? If different offices use the same system, does everyone have access to the same data? (An example would be a mainframe system that has all of the school's records. Can financial aid officials see grades, attendance, or bursar's office data? If they can, how do they use this information?)
- Do the systems have security measures in place to protect the integrity and privacy of the data stored in them? For example, if the systems are on a network, are they password protected? Are data files stored on a secure server that would not allow unauthorized access? Do the applications that the school uses have safeguards to prevent users from changing data, such as ISIR data, that should not be changed? Does a segregation of duties exist at the system level? For example, if aid is both awarded and disbursed by a computer system, does this system have any safeguards in place that prevent the same person from awarding and disbursing aid?
- How does the school ensure that data is updated accurately and timely? If there are multiple systems that store the same data, how does the school ensure that those systems are synchronized? For example, some schools have instructors record attendance in paper books, but also have a computer system that records student attendance. How does the school get the records from paper to the electronic system? Does it do any verification that the electronic records are accurate? Other schools may have similar information on two different computer systems. If so, how do they ensure that both systems have accurate, up-to-date data?

Many schools use automated disbursement systems. Reviewers need to discuss with school officials how aid is identified for the computer to allow disbursement. For example, is it based on someone actually putting in an identifier to make an award disbursable? If so, what do they consider before they do that? Or, is it based on an automatic trigger – for example a previously missing verification document is coded as received, and the automated system moves the award(s) into the disbursement queue. If so, how do they control it to ensure the document is completely reviewed to make sure it confirms the student's eligibility, before the disbursement is triggered?

Reviewers should also determine how the school interacts with ED's systems such as the NSLDS, RFMS, and the Title IV WAN. In particular, reviewers should ask the school who accesses each of these systems and ensure that the

rules for accessing them are followed. For example, NSLDS requires that each individual who accesses it has his or her own user ID and password. To verify that this rule is being followed, reviewers could ask the school for a list of people who use the NSLDS and verify with NSLDS that those people have IDs and passwords.

In many cases, it will be necessary for reviewers to retrieve records from a school's electronic system to validate it themselves. When reviewing the school's electronic systems, it is extremely important that reviewers not do anything that could compromise the systems themselves or create the appearance that reviewers compromised the school's systems. Reviewers should avoid using the systems themselves and should have school officials perform all actions required to retrieve data from the systems. It may be beneficial for reviewers to directly observe this process, both to ensure the validity of the data being given to reviewers and to better understand the systems themselves.

Understanding the institution's procedures may help determine the cause of a problem when the responsibility for performing the task resides with more than one office. For example, untimely refunds may be the result either of 1) the registrar office's delayed determination that a student dropped out; 2) the FAO's delay in calculating the refund; 3) the business office's delay in issuing the refund check; or 4) possibly all of the above!

The complexity of the Title IV regulations and statutes requires continuous coordination of information between offices. The discussions of the focus review items in this guide provide some insight into specific systemic problems commonly encountered.

Chapter VI Special Focus on Default Prevention

A. Reviews at Schools With High Cohort Default Rates

Reviews of institutions with high Federal Family Education Loan (FFEL) and William D. Ford Federal Direct Loan (DL) Program cohort default rates (CDR) will also focus on default management. Applicable default reduction and prevention measures must be examined at institutions with high CDRs during reviews. Reviewers should notify their Default Management adjunct of the scheduled review and request all relevant loan information on the school (CDR rate trends, loan program eligibility status, and appeal status.)

Every year, ED notifies each institution of its official fiscal year cohort default rate on loans to students for attendance at that institution through the FFEL and DL programs. (Although the Federal Supplemental Loan for Students (SLS) program has been phased out, some SLS loans still appear in the calculation.) The institutional profile will list the three most recent official cohort default rates and dates of notification.

A new comprehensive Cohort Default Rate Guide, combining the separate Draft and Official Cohort Default Rate Guides is available with the release of the FY 99 Official Cohort Default Rates. The guide should be used as a reference tool for institutions desiring to challenge the draft cohort default rate and/or request an adjustment to and/or appeal the official default rate(s). The review should refer to the *Cohort Default Rate Guide* for detailed information on CDRs and related topics.

B. Review Items

During the review of a high CDR institution, a new institution, or an institution under new ownership, reviewers should examine the following items.

- high withdrawal rates
- adequate consumer disclosure information
- low job placement rates
- adequate entrance and exit counseling
- accurate and timely SSCR reporting
- adequate resources committed to default reduction*
- adequate process to ensure accuracy of CDR* (review of Loan Record Detail Report data at draft and official notification)

- any school payments to avoid delinquent loans going into default
- default management plans for institutions undergoing changes in ownership
- compliance with sanction/benefit requirements
- changes in status

*** although beneficial to reducing CDRs, not mandatory**

For new institutions, reviewers should examine their default management plans.

C. Cohort Default Rate

Schools will receive Cohort Default Rates (CDRs) twice a year: first, as a draft CDR, and then as an official CDR. The draft CDRs are calculated and mailed to schools in January/February. The draft process is an opportunity for schools to review and correct data prior to the calculation of the official CDR. The official CDRs are calculated and mailed to schools in August/September. The Default Management Division makes sanction and benefit status decisions based on the official CDRs and not the draft CDRs. However, a school has limited opportunities to request an adjustment or appeal its CDR, prior to implementation of an official action.

1. Formulas Used to Calculate a School's Official Cohort Default Rate

A CDR is the percentage of a school's borrowers who enter repayment on certain FFEL and/or DL program loans during a fiscal year and default or meet other specified conditions within the fiscal year in which the loans entered repayment or within the next fiscal year. Two types of formulas are used to calculate a school's official CDR:

- **Non-Average Rate:** For a school with 30 or more borrowers entering repayment during a fiscal year.
- **Average Rate:** For a school with 29 or fewer borrowers entering repayment during a fiscal year that had a CDR calculated for the two previous fiscal years.

A school with 29 or fewer borrowers entering repayment during a fiscal year that did not have a CDR calculated for either or both of the two previous fiscal years will be notified of its unofficial CDR. No sanctions or benefits are associated with unofficial CDR calculations.

D. Sanctions and Benefits for Cohort Default Rates

1. Sanctions Associated with High CDRs (effective 7/1/01)

- Three most recent CDRs of 25.0 percent or greater will result in the loss of FFEL/DL and Federal Pell Grant Program eligibility. (Schools meeting certain conditions may retain Pell Grant Program eligibility.)
- Most recent official CDR that is greater than 40.0 percent will result in the loss of FFEL/DL eligibility.

For both sanctions, the loss of eligibility is for the remainder of the fiscal year in which the school was notified that it was subject to loss of eligibility and for two subsequent fiscal years. Loss of eligibility is effective upon notice from the Default Management Division that the school can no longer participate in these programs. Schools can continue to participate while certain appeals are pending in Default Management, but liabilities will be charged if the appeal is not successful.

In accordance with 34 CFR 668 Subpart M Section 668.198, special institutions (Historically Black Colleges or Universities as defined in Section 322(2) of the HEA; Tribally Controlled Community College as defined in Section 2(a)(4) of the Tribally Controlled Community College Assistance Act of 1978; and Navajo Community Colleges under the Navajo Community College Act) are exempt from these sanctions if they meet the exemption criteria. This exemption is due to expire June 30, 2004. For information on special institutions qualifying for this exemption, please contact the Default Management adjunct.

2. Benefits Associated with Low CDRs

- Three most recent official CDRs of less than 10.0 percent, the institution may choose to deliver/disburse loan proceeds in a single installment for single-term loans and not delay the delivery/disbursement of the first installment for first-year, first-time borrowers. **This benefit is scheduled to expire on September 30, 2002.**
- The most recent CDR that is less than 5 percent, and the institution is an eligible home institution certifying/originating loans for a study abroad program, the institution may choose to deliver/disburse loan proceeds in a single installment and not delay the delivery/disbursement of the first installment for first-year first-time borrowers.

Schools must cease exercising these benefits beginning 30 calendar days after receiving notice from the Default Management Division of a CDR that causes the school to no longer meet the established thresholds.

E. Changes in School Status

If it is discovered that an institution changes its status through consolidation, additional location, becoming free standing, mergers, changes of ownership, or other means, but no change of affiliation or comments exist in PEPS, nor does the school have a “P” or “C” rate in PEPS, reviewers should contact their Default Management adjunct with updated information for the institution. The Default Management Division will review the information provided and notify reviewers if a revision to the CDR is necessary. Further, if it can be determined that an institution may be attempting to avoid sanctions or obtain benefits by manipulating its CDRs, reviewers should immediately notify their Default Management adjunct. The Default Management Division will evaluate the allegation and determine the action(s) to be taken against the school.

References:

[Cohort Default Rate Guide](#)

[Official Cohort Default Rate for Schools](#)

34 CFR Part 668 Subpart M Sections 668.181 through 668.198; 682.604(b)(5)
Appendices A and B of Subpart M of Part 668

Dear Colleague Letter GEN-01-08 Sample Default Management Plan
<http://ifap.ed.gov/dpcletters/gen0108.html>

Chapter VII Special Considerations for Direct Loan Schools

A. Background

Schools that participate in the Federal Direct Loan program have similar requirements as those that participate in FFEL. However, because there are differences in the process, the following information may be helpful to reviewers. Since the case management process includes gathering all relevant information pertaining to the school, reviewers are to contact the school's client account manager to gather information pertaining to Direct Loan participation at the school prior to the program review.

B. School Origination Options

Reviewers should determine the origination option in which the school participates. There are three school origination options: Standard Origination, Origination Option 1, and Origination Option 2. These options define which loan processing functions a school performs and which functions ED's Loan Origination Center (LOC) performs. The origination option of the school is available on PEPS. A brief explanation regarding each option follows.

Any school approved by ED to participate in the Direct Loan Program may participate as a **Standard Origination** school. At this level, responsibility and control are shared between the school and the LOC.

- **Origination Option 1** schools perform more loan processing functions than Standard Origination schools, but the LOC still controls certain functions.
- **Origination Option 2** schools have the most responsibility, but can choose to have the LOC do certain loan processing functions for them.

The main difference between Option 1 and Option 2 schools is that Option 1 schools may process prom notes, and Option 2 schools may process both prom notes and draw down cash.

The following chart shows how responsibility for processing Direct Loans is divided between schools and the LOC for each school origination option:

Responsibility	Standard Origination	Origination Option 1	Origination Option 2
Create loan origination records			
Transmit loan origination records to LOC			
Prepare promissory note	LOC		
Obtain completed/signed promissory note	LOC		
Send promissory note to LOC	N/A		
Calculate need for Direct Loan funds	LOC	LOC	
Request Direct Loan funds from GAPS	LOC	LOC	*
Receive funds from GAPS			
Disburse loan funds to borrowers	*		
Create disbursement records			
Transmit disbursement records to LOC			
Perform reconciliation			
Legend:			
= school's responsibility			
LOC = LOC's responsibility			
N/A = not applicable			

C. School Responsibilities

Schools are responsible for assuring that only students and parents who are eligible to borrow Direct Loans receive funds from the program. There are numerous borrower eligibility requirements outlined in 34 CFR 685.200, 34 CFR 685.300 (b) and 34 CFR 668, Subpart C. These requirements are similar to the eligibility requirements for other Title IV programs. Although the list is not all-inclusive, reviewers should be aware of the following school responsibilities. These responsibilities will be explained in further detail in this section:

- a. Originating Direct Loans (34 CFR 685.301)
- b. Drawing down and disbursing Direct Loan proceeds (34 CFR 685.303 (b), 34 CFR 685.303(c), and 34 CFR 668.164)
- c. Counseling students (34 CFR 685.304 (a) and 34 CFR 685.304 (b))

- d. Reconciling school-based Direct Loan records with records in ED's Direct Loan database (34 CFR 668.21 (b))
- e. Carrying out administrative and fiscal management functions (34 CFR 668 Subparts B, K and L; 34 CFR 685.309)
- f. Reporting changes in borrower enrollment status to ED (34 CFR 685.309 (b))
- g. Implementing a quality assurance system, as established by ED (34 CFR 685.300 (b)(9))

For a complete listing of school functions see 34 CFR 685.300.

D. Review Procedures

To become the official and legally binding obligation between the borrower and ED, a note must be executed by the borrower and funds disbursed to the borrower. A loan must also be "booked." There are three components needed to book a loan:

- the LOC accepts a loan origination record;
- the LOC accepts a promissory note; and
- the LOC accepts a disbursement record.

1. Loan Origination

Procedure: Reviewers should check loan origination information for each Federal Direct Loan recipient in the sample (34 CFR 685.301).

Regardless of their origination option, all Direct Loan schools are responsible for originating loans. The Direct Loan origination process is similar to the loan certification process in the FFEL Program. In both cases, schools provide loan data on the eligibility of borrowers to receive loans.

Schools originate a Direct Loan by first creating a loan origination record (LOR) and then "originating" it in the software. This stamps the LOR with the important "origination date." (Note: It is possible to create an LOR and save it, but not originate it.) The process of originating a Direct Loan, as opposed to simply creating it, can be likened to the actual certification of an FFEL program loan. The loan origination record is the foundation for any Direct Loan. Without it, no other processing can take place.

Schools (or their third party servicers) send loan origination records directly to the LOC. When a loan origination record is accepted by the LOC, two events occur:

- a. The LOC sends a disclosure statement to the borrower. (Schools can request ED to authorize them to print and distribute disclosure statements to borrowers, rather than having the LOC do it).
- b. Depending upon the school's origination option, either the school or the LOC prints promissory notes and collects the signed notes from borrowers.
 - The LOC prints and collects signed promissory notes for Standard Origination schools.
 - Origination Option 1 schools and Origination Option 2 schools have the authority to print and collect signed promissory notes, although they can allow the LOC to do it for them. If these schools collect signed promissory notes from borrowers, they must forward the notes to the LOC.

When the LOC accepts a completed and signed promissory note, whether it comes from a borrower or a school, it sends an acknowledgement to the school.

Helpful Hints for Origination:

The Direct Loan Software contains useful information regarding the origination and disbursement information for each Direct Loan student. If the school is an EDEXpress user, reviewers may find it helpful to have the school print information from the origination and disbursement tabs for each Direct Loan student in the sample. This will show the borrower information, promissory note information, and the loan information for **each** loan (the student may have Sub, Unsub, and/or PLUS).

There is also a report that can be run from the Direct Loan Software called the Origination Report. The report can be printed using the "multiple student" option on the software. The SSN of every Direct Loan student in the sample can be entered into the software to receive origination information for **each** Direct Loan originated.

Reviewers should be aware that many schools do not use EDEXpress, nor is it required. If the school is not an EDEXpress user, reviewers should ask the school to provide the origination information for each student in the sample from whatever system the school uses. This information should include the loan information for **each** loan borrowed by the student.

2. Drawdowns and Disbursements

Procedure: Reviewers should check disbursement information for each Federal Direct Loan recipient in the sample (34 CFR 685.303 (b), 34 CFR 685.303(c), and 34 CFR 668.164).

When a school is ready to receive Direct Loan funds, it (or the LOC on the school's behalf), makes a drawdown request to ED's Grant Administration and Payment System (GAPS). The large percentage of Direct Loan schools are Option 2 and thus make their own drawdowns. The following is the process for all schools:

Origination Option 2 schools have the authority to make their own drawdown requests. Requests are made on the basis of estimates for disbursing Direct Loan funds. Requests for funds do not have to be borrower-specific.

The LOC must make drawdown requests for Standard Origination schools and Origination Option 1 schools. The requests must be borrower-specific.

Before disbursing any funds, schools must verify that:

- a signed, completed promissory note has been returned by the borrower;
- the borrower remains eligible to receive Direct Loan funds; and
- the borrower is eligible to receive the amount of Direct Loan funds disbursed.

For a disbursement to be made, a valid, completed promissory note (signed, dated, any changes initialed and dated) must be on file at the school or the LOC. If a valid, completed promissory note is not on file, the school may be liable for any disbursements. Reviewers should be aware about the use of the Master Promissory Note (MPN), since multi-year schools may have the student sign one note for their entire borrowing career. Under the multi-year feature many students will be able to obtain additional loans without having to sign a new MPN for each academic year. Multi-year schools can accept a promissory note from a previous year or a previous Direct Loan school. Single-year schools can only accept a promissory note from the current academic year at that school. Reviewers should be aware that there are differences between multi-year and single-year schools. For more information regarding the use of MPN, please refer to 34 CFR 685.102, Dear Colleague GEN-98-25, 34 CFR 685.402 (f), Dear Partner Letter GEN 00-03, and Direct Loan Bulletins DLB 00-05 and 00-11.

Standard Origination schools and Origination Option 1 schools must disburse funds to specific borrowers for whom drawdown requests were made. If a school doesn't disburse funds to the intended borrower, the funds must be returned to ED.

Origination Option 2 schools should time their requests for funding on the basis of when they expect to disburse funds. These schools may disburse available Direct Loan funds to any eligible borrower.

All schools must send their disbursement records to the LOC within 30 days of the disbursement date. In addition, if Direct Loan funds are not disbursed within three business days of the date they were received from ED, a school must either return the funds promptly, or if the school meets the criteria for excess-cash tolerances in 34 CFR 668.166(b), within seven days.

Helpful hints for Disbursement:

Again, remember that many schools do not use EDEExpress. Some schools may use their own system or private vendors. Other schools may use a combination of EDEExpress and their own system. In these cases, reviewers should ask the school to provide them with the Origination and Disbursement information from their own system that would be found on the Origination and Disbursement Tabs of the Direct Loan Software (if the school were an EDEExpress user). This information should include the disbursement information for **each** loan borrowed by the student.

For schools that do use EDEExpress, reviewers may find it useful to have the school print out the disbursement screen of the Direct Loan Software for each Direct Loan recipient in the sample. This screen will show the anticipated disbursements and the actual disbursements for each loan.

Reviewers may also request a "List-Actual Disbursement" report from the Direct Loan software. This report can be produced for single students or multiple student records. This report will provide reviewers with a disbursement history for all students in the sample.

Other Reports in EDEExpress that may be helpful for reviewers:

Measurement-Booked Status Report - This report can be run from the EDEExpress Software. It contains a list of disbursement transactions with status flags for origination, promissory note, and disbursements.

3. Loan Counseling

Procedure: Reviewers should check to ensure that loan counseling requirements have been met (34 CFR 685.304 (a) and 34 CFR 685.304 (b)).

Schools participating in the Direct Loan Program are required to conduct entrance loan counseling and exit loan counseling for students. Reviewers should ensure that these requirements are met at a Direct Loan School just as they need to be met at an FFEL school. Since many processes are becoming electronic, loan counseling is not necessarily a paper process. Both FFEL and Direct Loan schools can access web-based programs provided by FFEL lenders or the Direct Loan Program to conduct loan counseling.

4. Reconciliation

Procedure: Reviewers should check to ensure that the school has reconciled Direct Loan funds (34 CFR 668.24 (b)).

Reconciliation is a process by which a school verifies that its Direct Loan records match the LOC's.

Monthly reconciliation: There is a monthly reconciliation process using a Direct Loan School Account Statement (DLSAS). The DLSAS is similar to a bank statement. It contains cash and loan record information that schools can use to compare the information in their databases with the information that the LOC has. The LOC sends the DLSAS to each school on a monthly basis. Since reviewers will ultimately be reviewing the past two academic years at a school, they should request the latest DLSAS from the school for the current academic year to determine if the school is current in the reconciliation requirements. The school has completed its monthly reconciliation when:

All differences between the DLSAS and the school's internal records (Direct Loan System and business office system) have been resolved or documented.

Timing issues have been identified and will be tracked for reconciliation in the next month's DLSAS.

Any necessary corrective actions have been taken to ensure that all the prior month's issues will reconcile in the following month.

All reconciliation efforts have been documented for future reference and review.

If the report shows the school is not in balance, reviewers should take a closer look at the monthly reconciliation process by reviewing the reconciliation history at the school to determine what process and procedures are in place at the school for monthly reconciliation requirements. Reviewers can also refer to Appendix P for more detailed information and helpful tools about the reconciliation process.

Schools may be receiving DLSAS reports for up to three academic years each month. The concurrent reconciliation efforts may result in overlapping cash detail data, such as when a drawdown has been split between award years. These multiple-year reconciliation efforts will sometimes reveal global issues at the school that need to be resolved.

If reviewers determine that Direct Loan reconciliation is an issue that needs to be included as a finding, please refer to Program Review Item # 27.

Year-end closeout: There is also an annual reconciliation process, which is called the "year-end closeout." It is similar to monthly reconciliation because the main purpose is for schools to match their internal records with the LOC's. However, instead of focusing on a single month, it addresses the entire academic year. Closing out is the process of reconciling all school information at the LOC and of bringing all ending cash balances to \$0.

The year-end closeout process is complete when:

The school and the LOC each show a cash balance of \$0, indicating that the school has accounted for all Direct Loan funds received from ED.

All LOC transaction records match up to all school Direct Loan System transactions and business office transactions.

All actual disbursement records are booked at the LOC, so that the DLSAS reflects a \$0 unbooked balance.

Reviewers can determine if the school has reconciled prior award years by reviewing a copy of the school's 732-LOS file. This file provides ED's official ending cash balance for the school as of the date of the report, based on the LOC's records. The 732-LOS file is sent by the LOC to the school and comes as two text files—a summary file and a loan detail file. The chief distinction between the DLSAS and the 732-LOS is that the DLSAS contains data for a specific month, while the 732-LOS contains year-to-date cumulative data. If this file indicates that the school is in balance, this would be a good indicator that reconciliation is not a major problem.

If the report is not in balance, reviewers should take a closer look at the monthly reconciliation process by reviewing the reconciliation history at the school to determine what process and procedures are in place at the school for monthly reconciliation requirements.

Reviewers can also refer to Appendix P for more detailed information and helpful tools about the DL reconciliation process.

If reviewers determine that Direct Loan reconciliation is an issue that needs to be included as a finding, please refer to Program Review Item # 27.

5. Administration, Fiscal Control and Fund Accounting

Procedure: Reviewers should check to ensure that the school is in compliance with requirements for administrative capability, fiscal responsibility, and fund accounting can be found in 34 CFR 668, Subparts B, K, & L and 34 CFR 685.309. Reviewers should consider these requirements when conducting the fiscal portion of the review.

The fiscal responsibility requirements for Direct Loans are similar to that of all other Title IV programs. Some of the highlights of the requirements related to maintaining and accounting for funds at Direct Loan schools are as follows:

Maintaining and Accounting for Funds - All Direct Loan schools must maintain a bank account into which ED transfers or the school deposits Direct Loan funds. The account must be Federally insured or secured by collateral of value reasonably equivalent to the amount of Direct Loan funds in the account.

A school is not required to maintain a separate account for Direct Loan funds unless ED specifies otherwise.

Although Direct Loan funds may be kept in the same account with other Title IV funds, ED recommends that a separate account be established for Direct Loan funds. This separation of funds will help the school's cash management of Direct Loans. Reference: 34 CFR 668.163(a)(1)

Interest-Bearing or Investment Account - Except in certain instances, the account in which Direct Loan Program funds are deposited must be an interest-bearing account or an investment account. Please refer to 34 CFR 668.163(c) for specific requirements.

As with other Title IV programs, Direct Loan schools must maintain their financial records in accordance with the record-keeping requirements in the Title IV General Provision regulations (34 CFR 668.24).

Excess Cash - Excess cash is any amount of Direct Loan funds that a school does not disburse to students or parents by the end of the third business day after the school received the funds from ED. Unless a tolerance applies, a school must promptly return to ED any amount of excess cash in its bank account. Reference: 34 CFR 668.166

Tolerances - If a school draws down Direct Loan funds in excess of its immediate cash needs, the school may maintain the excess cash balance in its bank account only under the following situations:

During peak enrollment periods, a school may maintain excess cash in amounts of less than 3 percent of the school's total prior-year drawdowns.

For periods other than peak enrollment, a school may maintain excess cash in amounts of less than 1 percent of the school's total prior-year drawdowns.

For both these tolerances, a school must eliminate the excess cash balance by disbursing funds to students or parents within seven calendar days.

This means the school has a maximum of 10 calendar days to eliminate excess cash that qualifies under tolerance rules: the three business days plus the seven calendar days.

Note: Standard Origination schools and Origination Option 1 schools receive funds that are borrower specific. These schools cannot disburse funds to any borrower other than the borrower for whom the funds were intended.

Idle Cash - Cash that has been disbursed becomes idle cash if and when it is returned to the school's Title IV account(s). This return may be due to a refund or other circumstances. For example, a student might receive a disbursement, but later decides to return all or a portion of the loan proceeds to the school.

A school may maintain idle cash in its Federal bank account for up to seven calendar days to disburse it to, or on behalf of, the student. An Origination Option 2 school also may disburse idle cash to other borrowers. Provisions concerning excess cash in 34 CFR 668.166(b) do not apply to idle cash.

Returning Direct Loan Funds - When Direct Loan funds are returned by a school to comply with the HEA or applicable regulations (for example, dealing with excess cash or a refund) the loan fee and any interest that has accrued on all or the appropriate portion of the funds is refunded to the borrower.

When funds are returned as a payment by a school, and it is more than 120 days after they were disbursed, the borrower still must pay the loan fee and interest on the amount.

Reviewers should refer to Program Review Item #11 for further information regarding Return of Title IV (including Direct Loan funds).

6. Reporting Changes in Borrower Enrollment Status to ED

Procedure: Reviewers should check to ensure that the school has complied with the reporting requirements for the Student Status Confirmation Report (SSCR).

Federal law requires all Title IV schools-including Direct Loan schools- to verify and/or complete and return any Student Status Confirmation Report (SSCR) that ED sends it (34 CFR 685.309 (b)).

Within 30 calendar days of the date the SSCR Roster File is placed in a school's Title IV WAN electronic mailbox, the school must review the data, make any needed changes, and send NSLDS an SSCR Submittal File through Title IV WAN.

See Program Review Item 33 for more information regarding SSCR Reporting for both FFEL and Direct Loan Schools.

7. Implementing a Quality Assurance System

Procedure: Reviewers should ensure that the school has a quality assurance system with both a qualitative and quantitative assessment.

Schools must develop and maintain a Direct Loan quality assurance system. The quality assurance (QA) component of the Direct Loan Program is a requirement of all institutions participating in the program. QA is included in the statute authorizing the Direct Loan Program, as well as in the regulations, 34 CFR 685.300 (b) (9), as part of the Program Participation Agreement.

The quality assurance component of the Direct Loan Program is being revisited and new guidance will be provided to schools in the near future. In the meantime, reviewers should ensure that Direct Loan institutions have a quality assurance component that includes a qualitative and quantitative assessment.

E. Other References for Direct Loans

[Direct Loan Bulletins](#)

[Federal Direct Loan Regulations](#)

[Cash Management Regulations](#)

[2001-2002 Student Financial Aid Handbook, FFEL and Direct Loan Section](#)

Direct Loans School Guide (A Better Way to Borrow), Available from the Direct Loan Staff or SFA Publications,

[Electronic Version of Direct Loan School Guides](#)

Appendix C (for Direct Loan sample Interview Questions)

[EDEXpress Software](#)

<http://lo-online.ed.gov/>

Chapter VIII Special Focus on Campus Security

When conducting a review that focuses on compliance with the Campus Security Act, the annual security report will be a major item to review. Also see Item 2 in Chapter IV for additional information on reviewing campus security.

A. Annual Security Report – Contents

Reviewers should ask for a copy of the institution's most recent annual security report, as well as copies of the two preceding reports. Reviewers should check the reports' completeness and that they are prepared in accordance with the regulatory requirements. The annual security report must contain crime statistics for the three previous calendar years and must contain the required policy statements outlined in 34 CFR 668.46(b).

1. Crime Statistics

The crime statistics must disclose crimes that are reported to local police agencies or to a campus security authority in the following categories, by location of occurrence:

- on-campus (along with a sub-category of the number of crimes that took place in dormitories or other student housing on campus)
- in or on a non-campus building or property
- on public property

The regulations require institutions to comply with the campus security reporting requirements for each separate campus.

An institution may have a campus map available to define the boundaries of campus property and to identify non-campus building/property. If an institution has a campus police force, maps or other documents should exist which outline the campus or jurisdictional boundaries of that police force. If a question arises concerning the boundaries of an institution's campus, there should be insurance documents or property deeds that delineate the campus boundaries. Reviewers might check for these documents in the office that handles the physical plant or the dean of operations.

The Higher Education Act (HEA) requires schools to report occurrences of manslaughter in addition to murder. The annual security report should include a category of "criminal homicide," with sub-categories of (1) murder and non-negligent manslaughter and (2) negligent manslaughter. Also, institutions must report incidents of arson.

The HEA also requires statistics of arrests for liquor law, drug law and weapons possession violations to be disclosed for the **three** most recent years. Schools must also disclose the number of persons who were referred for campus disciplinary action for liquor law, drug law and illegal weapons possession.

The annual security report must disclose, by category of prejudice, which of the reportable crimes (**AND** any other crime involving bodily injury) show prejudice based on race, gender, religion, sexual orientation, ethnicity or disability.

In addition to checking the actual annual security reports, reviewers should check to see that the institution has documentation to support the statistics for the calendar years covered by the current report as well as the two preceding annual security reports.

For example, the October 1, 2000, annual security report was required to disclose crime statistics from the 1999, 1998 and 1997 calendar years. As of that date, under the record retention requirements of 34 CFR 668.24, the institution was required to retain the annual security reports from the three preceding years (in this example, the reports for September 1, 1999, September 1, 1998 and September 1, 1997). The September 1, 1997 report must disclose crime statistics for the 1996, 1995, and 1994 calendar years. Therefore, the institution would need to keep the records supporting the incidents reported in the 1994 calendar year crime statistics until October 1, 2000.

Note: A crime statistic is recorded in the annual security report for the calendar year in which the crime was **reported** to a campus security authority, not the calendar year in which the crime occurred.

2. Campus Security Authority

A campus security authority could include any of the following:

- a. A campus police department or campus security department of an institution.
- b. Any individual(s) who have responsibility for campus security but who do not constitute a campus police department or campus security department (i.e., an individual who is responsible for monitoring the entrance into institutional property).
- c. Any individual or organization specified in an institution's statement of campus security policy as an individual or organization to which students and employees should report criminal offenses.
- d. Any institutional official having significant responsibility for student and campus activities. This could include officials in such areas as student housing, student discipline, and campus judicial proceedings.

Note: If an official is a pastoral or professional counselor, the individual is not a campus security authority when he or she acts as a pastoral or professional counselor. The annual security report statistics do **not** have to include crimes reported to pastoral or professional counselors. *The annual security report should, however, describe any procedures the institution has that encourage pastoral or professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the crime statistics.*

3. Policy Statements

The annual security report must contain the required policy statements outlined in 34 CFR 668.46(b). [34 CFR § 668.46, Student Assistance General Provisions](#) Among other things, the regulations require an institution to include in its annual security report the institutional policies for preparing the disclosure of crime statistics. The regulations also require an institution to list in its annual security report the titles of each person or organization to whom students and employees report criminal offenses.

B. Annual Security Report – Method of Distribution

Reviewers should check the institution's method for distributing its annual security report. The regulations require the report to be distributed to all enrolled students and current employees by October 1 of each year.

Current students and employees must receive the annual security report through (1) direct mail to each individual, or (2) a publication provided directly to each individual, or (3) posting the information on an Internet or Intranet website.

Prospective students and employees must be given notice that includes a statement of the report's availability, a description of its contents, and an opportunity to request a copy. A copy must be provided upon the request of a prospective student or employee.

The information distributed to prospective students would likely be found in the school's admissions office. The information distributed to prospective employees would likely be located in the human resources department.

If the annual security report is posted on an Internet or Intranet website:

- The institution must distribute a notice to current students that includes (1) the exact electronic address at which the information is posted, and (2) a statement that the institution will provide a paper copy of the information upon request.

- The notice to current employees must include (1) a statement of the report's availability, (2) the exact electronic address at which the report is posted, (3) a brief description of the report's contents, and (4) a statement that the institution will provide a paper copy of the report upon request.
- The notice to prospective students and employees must include (1) the exact electronic address at which the report is posted, (2) a brief description of the report, and (3) a statement that the institution will provide a paper copy of the report upon request.

Reviewers should also confirm that the institution submitted its statistical disclosures to the Secretary as required by the regulations. The website to check submitted statistics is <http://ope.ed.gov/security>.

C. Reviewing Accuracy of Reporting

To confirm or disprove allegations of incorrect reporting of statistical data in the annual security report, reviewers should determine the office and/or individual staff members in charge of compiling the annual security report. The regulations require an institution to include in its annual security report the institutional policies for preparing the disclosure of crime statistics. The regulations also require an institution to list in its annual security report the titles of each person or organization to whom students and employees report criminal offenses.

The people involved in the process of compiling the annual security report will likely vary from institution to institution, depending on the type, size, and location of the school. The offices most likely to be involved would be the campus police, a campus security department, campus disciplinary boards, the director of student housing, and the dean of students/student affairs.

Reviewers should discuss with the office/individual(s) compiling the report the sources of information used to calculate the reported statistics and the communication processes used to obtain statistical information from these sources. The specific incidents that comprise the annual security report's statistical data should be detailed somewhere in the files of the entity/individual compiling the annual security report. The institution should be able to document what incidents were disclosed in the statistical section of the annual campus security report.

D. Sources of Data

Once reviewers have determined the primary sources of data, they should review that source documentation and compare it with the actual disclosed statistics.

1. Institutional Offices

Records from institutional offices that could support the disclosed crime statistics may include

- incident reports to the campus police or campus security department;
- actions by/minutes of proceedings conducted by the campus disciplinary authority;
- incident reports to or disciplinary action taken by student housing officials; and
- statistical reporting by campus counseling offices.

Reviewers should review reports from a specific data source listed above to determine if all incidents from that source were included in the institution's statistical disclosure in its annual security report.

2. Campus Police/Security Department

The HEA requires that an institution that maintains a campus police or campus security department must maintain a written, easily understood daily crime log. The crime log must record, by date reported, any crime that is reported to the campus police or the campus security department and which occurs (a) on campus, (b) on a non-campus building or property, (c) on public property, or (d) within the patrol jurisdiction of the campus police or the campus security department.

If there is a campus police force or campus security department at the institution, reviewers should check the crime log to test if the appropriate incidents were included in the disclosed statistics.

Reviewers should also check to see if crimes reported by these entities meet the Federal Bureau of Investigation's Uniform Crime Reporting (UCR) Program. The UCR definitions are provided in Appendix E to 34 CFR Part 668. Copies of the UCR Handbooks may be obtained from the FBI Communications Unit at 304-625-2823.

CDs containing UCR information for the years 1995 - 1999 can also be obtained from the FBI's Communications Unit or via www.fbi.gov. There are currently technical problems with the 1998 and 1999 statistics when using Internet Explorer as your browser. One of the summary schedules in the FBI's UCR report contains information regarding colleges and universities. If the institution actually has a campus police force, reviewers should reconcile the statistical

numbers reported on the institution's annual security report with the statistical numbers listed on UCR reports filed by the school.

3. Local Police

Reviewers should check the institution's communication system with local law enforcement agencies and determine how the institution discovers incidents reported to local law enforcement that are not otherwise reported to a campus security authority. Particularly if the institution does not have a campus police force, reviewers may want to check and see if the institution receives local law enforcement police reports or incident summaries.

During the review, reviewers may want to contact the local law enforcement agency officer/supervisor in charge of the area(s) for which crimes are to be reported (on-campus, non-campus building or property, adjacent public property). Reviewers should ask for any summaries/reports that the local law enforcement agency may have regarding the affected areas and time period. Reviewers should compare the information received from local law enforcement agencies against the statistical information included in the institution's annual security report.

Note: If an institution makes a reasonable, good faith effort to obtain the required statistics, it may rely on information supplied by a local or state police agency. If such an effort is made, the institution would not be deemed responsible for the failure of local or state police agencies to supply the required statistics.

Chapter IX After the Site Visit

Upon returning from the on-site visit, reviewers should discuss the findings with the CMT, including the Co-Team Leader (CTL), and determine the appropriate next steps. These next steps will include preparation of the program review report, but might also include referral for technical assistance or development of a corrective action plan. In consultation with the ACD and CTL, reviewers determine when the program review report will be issued. In general, reviewers will notify the school, within 15 days of the date that the on-site review ends, when it can expect to receive the report.

If no administrative action is pending, a program review report is prepared and is normally sent to the school within approximately 30 to 60 days after the site visit ends. However, if an administrative action is pending, the ACD/CTL, in consultation with AAAD and OGC may elect **not** to issue a program review report at all, so as not to prejudice the case for administrative action. The ACD/CTL may choose to issue a final program review determination letter in lieu of the program review report. There is no legal requirement that the Department issue a program review report.

Prior to issuing any type of report following an expanded review, a copy of such report must be sent to AAAD and OGC for comment. This will ensure that the findings and citations are accurate and enforceable, should the institution choose to contest any asserted liabilities. Any such report or final determination (like the finding relied upon to justify administrative action) must contain logical narratives of observed violations and must include accurate citations and be supported by relevant documentation.

A. The Program Review Report

1. Report Preparation

The program review report is the official ED notification to the institution of the findings discovered during the on-site visit. The report lists the regulatory and statutory findings and establishes a prima facie case. The report also specifies required corrective actions, including a time frame for institutional response.

Appendix N provides an example of a program review report, including a cover letter, institutional review data sheet, and an appendix of students sampled. Reviewers should be guided by this example. Items to be included in the report and in supporting documentation are:

Type of file sample used Describe the type of file sample and how the sample was derived. The recommended language is as follows:

Example: "A sample of XX student files was selected for the review, X each for the 200X-0X and 0X-0X award years. The files were selected randomly from a statistical sample of the total population receiving Title IV student financial assistance for each award year, valid to a 95 percent confidence level with a plus or minus five percent confidence interval.

If additional files were selected on a judgmental basis, describe the number of files, method of selection and purpose of the selection.

The structure for reporting findings is described below.

Finding - Describe the statutory or regulatory violation; provide sufficient detail in order to build a strong case. The report should describe the regulatory violations in a way that would be clear to a third-party reader who may have only limited knowledge of Title IV programs. For example, for a finding of unpaid refunds, do not just indicate the school failed to pay a certain refund; include each student's start date, withdrawal date, refund amount, and date due.

Requirement - Describe what the statute and/or regulations require and the corrective action to be taken by the institution to return it to compliance.

Reference - List the statutes, regulations, and policy issuances supporting the requirement. However, **do not cite a policy issuance alone without a supporting regulation or statute**. Make sure the document cited is in final form, not a draft policy.

Harm statement - Include in the finding a concise statement identifying the harm to ED or to students that results from the specific violation. Example, "The institution's failure to make timely refunds of Title IV loans may contribute to an increase in student defaults and cause financial harm to the U.S. Department of Education and students."

Reviewers should state in the program review report whether the school must have a CPA review any required file review results, because the school will have to pay for this. For A-133 schools, however, consistent with PIP Mailbox Message #191, we cannot request any auditor follow-up of program review findings. In addition, the program review report should notify the school that a follow-up visit may be scheduled to test or sample the school's file review results.

2. Timelines for Issuing the Program Review Report

Program review reports should be reviewed by the CTL and in most cases, issued **no later than 30 days** after conclusion of the review visit, or as determined after consultation with the CTL. When the level of the review is more

serious or when the case has been referred to AAAD for an administrative action, the Area Case Director (ACD) may approve an extension of an additional 30 days.

Program review reports requiring greater than 60 days should be discussed with the Case Management Division Director.

Similar timelines also apply to the process of reviewing institutional responses to the program review report. School requests for extensions should also be discussed with the CTL/ACD.

B. Final Program Review Determinations

PIP 98-02 [PIP Procedures Memo](#) provides guidance on preparing the Final Program Review Determination letter (FPRD), including FPRD procedures and models. As with the program review report, a guiding principle for FPRD preparation is to describe the items identified at the institution that did not comply with the Department's regulations in sufficient detail both as to the facts and the legal requirements to state a prima facie case in the FPRD itself.

The cover letter provides the dates of the review and a summary of the findings. The structure for reporting findings is the same as for a program review report.

Finding - Describe the statutory or regulatory violation; provide sufficient detail to build a strong case. The FPRD should describe the regulatory violations in a way that would be clear to a third-party reader who may have only limited knowledge of Title IV programs. For example, for a finding of unpaid refunds do not just indicate the school failed to pay a certain refund; include each student's start date, withdrawal date, refund amount, and date due. If a large number of students are involved, this can be done in a chart and included as an attachment.

Reviewers should document fully in the work-papers, and summarize in the FPRD, the reasons supporting resolution of certain findings (i.e., reasons for not including certain program review report findings in the FPRD).

Requirement - Describe what the statute and/or regulations require and the corrective action to be taken by the institution to return it to compliance.

Reference - List the statutes, regulations, and policy issuances supporting the requirement. However, **do not cite a policy issuance alone without a supporting regulation or statute**. Make sure the document you use is in its final form, not a draft policy.

Harm statement - Include in the finding a concise statement identifying the harm to ED or to students that results from the specific violation. Example, "The institution's failure to make timely refunds of Title IV loans may contribute to an increase in student defaults and cause financial harm to the U.S. Department of Education and students."

Summary of liabilities - Include a summary of liabilities by finding and by program, with a total for each program.

Payment instructions – As necessary, include specific instructions on the amount of funds due to current loan holders for applicable students or on funds due to ED or the program accounts. Include applicable mailing addresses.

However, if the total liability resulting from the review is less than \$1000, the liability should be asserted in the FPRD, but the reviewer should not include instructions for payment to ED. Instead, the reviewer should include a statement that mirrors the language for FADs, as shown in PIP 97-20, Procedures for Resolving Deficient Audits. The FPRD should read:

“Since this liability amount is minimal, we will not require repayment at this time. However, the institution must ensure that it has corrected its procedures, so this type of finding does not recur. If similar findings are noted in future program reviews, we will require repayment of those improper amounts, as well as the amount noted here. In addition, we may refer the matter to Administrative Actions and Appeals for a possible adverse administrative action.”

This minimum liability only applies to funds owed to ED, not to students, or lenders/noteholders on behalf of students. See [PIP Mailbox Message 233](#)

Appeal procedures - Include detailed information on timelines, documents that must be submitted, and applicable addresses for mail and overnight delivery.

Appendix O contains an example of an FPRD.

1. Expedited Determination Letter (EDL)

To save time for reviewers and for school staff when reviews uncover only minor deficiencies, the Expedited Determination Letter (EDL) is recommended. This combination program review report/FPRD eliminates the need for ED to generate two separate documents and simplifies the response process for school officials.

The EDL consists of three parts: a cover letter, an attachment that describes the findings noted, and an Appendix that lists the students in the sample. The findings are written just as in a conventional program review report with a

description of the finding, an explanation of the harm and the regulatory reference, but no required actions. It is an expedited process because ED does not require a written school response to the report, and no final determination is issued.

There are two types of EDLs:

Version A - The first type is designed to be used when the liabilities identified are minimal and the school corrects the problem(s) identified while the reviewers are on-site or shortly thereafter (before the report is issued). Reviewers can use it for a school that has isolated, minimal liabilities, and funds are due to a student or payable against a student's loan. Reviewers could ask the school to either:

- make the required payment and notify ED of same; or
- make the required payment and submit documentation of same.

The school does not have to provide a detailed response to each finding as is required with the conventional program review report. However, any final determination that contains a requirement that a school repay funds must contain appeal language. (PIP Memo 98-02). Since schools are not necessarily required to submit verifying documents in response to this type of EDL, reviewers should advise them of the follow-up accountability requirements, in accordance with the guidance contained in PIP Mailbox Message #191 dated 3/10/99. [Audit Follow-up of FPRD Findings](#)

Version B - The second type of EDL that reviewers can use is for schools with isolated problems with no or small liabilities. Version B can be used if liabilities or potential liabilities identified during a site visit are cured or the liabilities are paid **while the reviewer is on site**. Version B cannot be used if funds are owed to students or are payable (on a loan) on their behalf. Version B is also not appropriate if the school is directed to take any action resulting in a payment of liabilities.

Version B of the EDL is used to document the site visit and to make any errors found a part of the official record. The fact that the liabilities were identified and promptly cured or repaid should be included in the EDL. Since no liabilities are assessed in the EDL, do not include the appeal language.

An example of an EDL is included in Appendix J. Please note that the contents must be modified to fit the situation.

Time frame for EDL issuance - The Expedited Determination Letter should be reviewed and approved by the ACD/CTL and issued no later than 30 work days,

or as determined after consultation with the CTL, after conclusion of the review visit.

C. PEPS Data Entry and File Maintenance

1. PEPS Data Entry

Reviewers play a vital role in maintaining the integrity of PEPS. Basic information on entering data into PEPS is found in the PEPS user's manual. It is important that staff enter program review information into PEPS at key points in the process: at the conclusion of the on-site visit, issuance of the review report, issuance of the final program review determination, and closure of the review. The CMIS module should also be updated at the time reviewers return from the review to the office.

2. Level of Review Seriousness

The following PEPS codes indicate the five levels of review:

- 0 No regulatory violations
- 1 Moderate deficiencies
- 2 Serious deficiencies
- 3 Very serious deficiencies
- 4 Fraud/abuse: OIG referral/emergency action

3. Deficiency Codes

CMO uses deficiency codes for classifying regulatory violations. Entering deficiency codes into PEPS is vital for tracking and analysis. Codes may be entered into PEPS as soon as possible after a review, but no later than issuance of the program review report. Since findings may change, reviewers must assure that the findings in PEPS match the findings in the program review report.

At the issuance of the FPRD or EDL, the lead reviewer should ensure that the deficiency codes and the liability amounts are updated. Should a school appeal and successfully reduce its liability, the lead reviewer will be notified by AAAD and should ensure that PEPS deficiency codes are again updated. Also, revised liability (accounting documents) should be updated and submitted to Finance.

4. File Maintenance

Reviewers should maintain a record of work performed during the program review. This includes notes of pertinent discussions with school staff, notes from the entrance and exit conferences, interview notes, work papers, and information on resolved findings. Please refer to the section in Chapter III on Documenting Program Review Findings for additional information. In summary, everything that supports the conclusions of the review should be maintained in the Case Team's files.

Copies of the program review report and the FPRD should continue to be submitted to the Document Receipt and Control Center for filing in the school's file.

D. Appeals

Although technically not a part of the program review process, the following information is provided to assist reviewers in understanding the appeals process. The quality of the work performed and the documents prepared during a program review are vital to the appeal process, and reviewers are needed to assist during the entire review process.

Under the Subpart H, General Provisions Regulations, an institution may file a formal appeal if it disagrees with the monetary liabilities asserted in a final program review determination (FPRD). To preserve its appeal rights, the institution must file an appeal within 45 days of its receipt of the FPRD. Standard language in the FPRD contains instructions to the institution for filing an appeal. The institution appeals by submitting a written request for review to the Director of AAAD. The request must state the basis for the appeal, and include any documents that the institution may wish to present to support its case.

Upon receipt of the appeal, the AAAD staff member who is handling the appeal will notify the reviewers, the Co-Team Leaders, and the Area Case Director that a Subpart H appeal has been received. In most instances, the AAAD staff member that is handling the appeal will also be the AAAD liaison to that particular Case Management Team. AAAD will provide a copy of the appeal to the reviewer who prepared the FPRD and request that he/she prepare a detailed assessment of the school's arguments and documentation.

These assessments serve as a valuable aid to AAAD and OGC in litigating administrative appeals. The written assessment must include an analysis and evaluation of the issues that the institution disputes in its appeal. The assessment should not be a synopsis or recapitulation of the institution's appeal letter and/or the FPRD. The reviewer must determine for each finding under appeal, whether the claims or arguments raised by the institution have merit and satisfactorily resolve, or reduce, the liabilities associated with the findings. If the documentation does or does not support the finding, the reviewer must clearly

state the reasons why in the assessment. The written assessment must reflect the total amount appealed. In general, the written assessment must be reviewed by the CTL and transmitted to AAAD within 15 days of the date the reviewer received the appeal from AAAD. However, additional time may be provided depending on work constraints and/or the complexity of the appeal. The assessment may be submitted to AAAD electronically, via e-mail, or in hard copy format.

Frequently, an institution may submit documents as part of an appeal package that, for whatever reason, were not made available to the reviewer earlier in the program review process. The fact that documentation could or should have been submitted earlier in the review process is not a valid reason for failing to prepare an assessment or failing to evaluate the school's arguments and exhibits.

Reviewers may also be asked to answer questions or prepare charts, especially when OGC and AAAD are preparing briefs and exhibits for filing with the hearing official.

AAAD must transmit the administrative record of the appeal, including the request for review and supporting documents, to the Office of Hearing and Appeals (OHA) within 30 days of receipt of the appeal. If, after the assessment, it is determined that satisfactory documentation was submitted with the institution's appeal request, and the reviewer and AAAD staff member agree that the submitted documentation resolves the appealed liabilities, AAAD will resolve the appeal without forwarding it to OHA and OGC. However, if contested liabilities still exist, AAAD will forward the appeal to OHA. The appeal and the reviewer's assessment will also be forwarded to OGC at the same time.

From this point, either a settlement between the institution and the Department is reached, or the hearing official issues an initial decision. Either party may appeal such decisions to the Secretary within 30 days of receipt of the hearing official's decision. Once an appeal has been resolved (either by AAAD, settlement, or final decision), the AAAD staff person will notify the reviewer, the Co-Team Leaders, and the Area Case Director of the resolution, and will provide the appropriate documentation to the reviewer. PIP 98-01 provides further guidance on the Subpart H appeal process. [PIP Procedures Memo](#)

List of Appendices

- Appendix A Program Review Preparation Worksheet
- Appendix B Notice of Visit Letter
- Appendix C Staff Interview Questions
- Appendix D Student Interview Questions
- Appendix E Fiscal Review Worksheet
- Appendix F Sample Student File Worksheet
- Appendix G Satisfactory Academic Progress (SAP) Policy Checklist
- Appendix H Default Management Checklist
- Appendix I Perkins/NDSL Due Diligence Checklist
- Appendix J Sample Expedited Final Program Review Determination Version B
- Appendix K PIP Guidance Available on Web Site
- Appendix L Consumer Information Resource
- Appendix M Program Eligibility
- Appendix N Sample Program Review Report
- Appendix O Sample Final Program Review Determination
- Appendix P Direct Loan Reconciliation

Appendix A. Program Review Preparation Worksheet

Date _____

INSTITUTIONAL INFORMATION

School Name _____	OPE ID _____
Address _____	TIN _____
City, State ZIP Code _____	DUNS _____
Contact Person _____	Title _____ Phone _____
Fax # _____	Website _____
Funding Method <input type="checkbox"/> Advance <input type="checkbox"/> CM1 <input type="checkbox"/> CM2 <input type="checkbox"/> Reimbursement <input type="checkbox"/> Just in Time	
Additional Location Address(es) (and Phone Number(s))	
1. _____	
2. _____	
3. _____	
Title IV Participation/ Current Funding Amount (Year _____)	
<input type="checkbox"/> Pell \$ _____	<input type="checkbox"/> FSEOG \$ _____
<input type="checkbox"/> Perkins \$ _____	<input type="checkbox"/> FFEL \$ _____
<input type="checkbox"/> FWS \$ _____	<input type="checkbox"/> DL \$ _____

PROGRAM REVIEW PLANNING INFORMATION

Reviewer(s) Names
Reason School Selected for Review
Program Review Dates
Location
Type of Review
Statistical Sample Size
Source of Sampling Data <input type="checkbox"/> School <input type="checkbox"/> NSLDS
Award Years to Review
Entrance Conference Time
Number of Title IV Recipients
Random Sample Size

SCHOOL NAME:

OPE ID:

<input type="checkbox"/> Announced Review	<input type="checkbox"/> Unannounced Review
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SUMMARY OF AREAS FOR PROGRAM REVIEW FOCUS

--

RESEARCH/BACKGROUND INFORMATION

AAAD/OGC/OIG ACTIONS

History of Admin Actions/Fines? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Issue(s)	Resolution(s)
Any OIG Investigations? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Issue(s)	Resolution(s)

PRIOR ED PROGRAM REVIEW INFORMATION

PRCN _____	Review Date _____	Report Date _____	AYs Reviewed
Finding(s)	Liabilities		
Review Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No		Date:	Liabilities Paid?

SCHOOL NAME:

OPE ID:

AUDIT INFORMATION

Missing Audits? <input type="checkbox"/> Yes <input type="checkbox"/> No Years Missing:		
Deficient Audits:		
Yr.	Major Findings:	Liabilities:
Recurring Issues?		
Corrective Action to be verified? <input type="checkbox"/> Yes <input type="checkbox"/> No Year?		

PRIOR GUARANTY AGENCY REVIEWS

Report Date _____	Award Years Reviewed
Finding(s)	Liabilities
Review Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No Date:	Liabilities Paid?

OTHER AGENCY REVIEWS

Report Date _____	Award Years Reviewed
Finding(s)	Liabilities
Review Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No Date:	Liabilities Paid?

School Name: _____

OPE ID:

PEPS/CMIS RESEARCH

Default Rates:	High Default Review? <input type="checkbox"/> Yes <input type="checkbox"/> No
Provisional Recert? <input type="checkbox"/> Yes <input type="checkbox"/> No	Reasons:
Letter of Credit? <input type="checkbox"/> Yes <input type="checkbox"/> No	\$ _____
Experimental Site? <input type="checkbox"/> Yes <input type="checkbox"/> No	Experiment Type:
Quality Assurance Program? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Areas of concern/to be reviewed:	

DIRECT LOAN RESEARCH

Origination Level: <input type="checkbox"/> Standard <input type="checkbox"/> Option 1 <input type="checkbox"/> Option 2
Areas of concern/to be reviewed:

INSTITUTIONAL ASSESSMENT MODEL RESEARCH

Institutional Assessment Score:
Areas of concern/to be reviewed:

MISCELLANEOUS RESEARCH (COMPLAINTS/REFERRALS, ETC)

Issues:
Areas of concern/to be reviewed:

Appendix B. Notice of Visit Letter

DATE

NAME OF PRESIDENT OR CHIEF EXECUTIVE OFFICER

NAME OF INSTITUTION

ADDRESS OF INSTITUTION

CITY, STATE & ZIP CODE

OPE ID:

EIN: X-XX-XXX-XXXX-XX

Dear **(NAME OF PRESIDENT OR CEO)**:

As a participant in Title IV Federal student assistance programs, your institution is required to maintain complete and accurate records concerning the receipt and expenditure of Title IV funds. Periodic site reviews are necessary to provide assistance with any problems you may have in program administration.

For this purpose, on XX/XX/XX, **(PROGRAM REVIEWER(S) NAMES)** will be conducting a program review at your institution. Regulatory authority to examine program and fiscal records and conduct reviews may be found at 34 CFR 668.24 (d)(2) and (f)(1). Please be certain that all records are available on site for the start and for the duration of the review. For example, if the institution uses the services of a consultant to maintain some portion of its educational records, these records must be at the institution at the start and for the duration of the review. Also, please make arrangements for the reviewers to have access (view only) to any computer databases containing information related to Title IV eligibility or disbursements (e.g. computerized student account records). The institution must also provide access to its administrative staff and students. I also request that you provide working space for the reviewers.

The review may cover those programs included in your program participation agreement, and may include, but is not limited to, the following areas:

1. General institutional eligibility and program administration
2. Student financial aid records
3. Registrar records (including attendance and academic records)
4. Academic/Student services

5. Fiscal administration and records (including bank statements, ledgers and journals)

The initial focus of the review will cover your institution's administration of Title IV funds for the xxxx/xx, xxxx/xx, and xxxx/xx award years. All records requested by the reviewers pertain to those years, unless otherwise noted. Please note, however, that the institution must be prepared to provide records for at least the last three award years or as outlined in record retention requirements specified in regulations.

Please inform the personnel responsible for the areas listed and such other persons as you deem appropriate of the scheduled review so that they, or their designees, and the appropriate records would be available during the review. At the start of the review, the reviewers will meet with institutional officials to apprise them of the review process.

At the conclusion of the review, the reviewers will meet with you or your designee(s) to discuss the findings and recommendations. You will receive an official written report at a later date.

We request your assistance in expediting the review process by sending the following items prior to the on-site visit:

1. A copy of your most recent school catalog
2. A separate list for each award year (xxxx/xx, xxxx/xx, and xxxx/xx) of Title IV recipients. Please provide this information in an unduplicated and reconciled format, listing each student by name and social security number, specifying the dollar amount of Title IV student financial aid, by program, received by each recipient. Sequentially number the students in each report. We request the information be provided on a 3 1/2" computer disk, in EXCEL (IBM compatible) format, in hopes of facilitating your information gathering process and our ability to utilize the data. If you are unable to provide this information on disk, please provide hard-copy reports. Since the receipt of this information is very important to the review process, please call XXXXXXXX(name, telephone no.) if there are any questions or problems regarding the preferred format.

Forward the requested items to (**REVIEWER'S NAME**) of our office at the following address:

Case Team
Case Team Address
Case Team City, State and Zip Code

Depending upon the programs in which your institution participates, we request that the following records or documents be assembled in advance of the visit so that they are immediately available for examination by the reviewers at the start of the review.

- Organizational chart for all divisions and campus sites, including the names and phone numbers of administrators, officers, managers, and staff responsible for the administration of the Title IV programs
- Ability to benefit test, answer key, passing score, and the dates the test was in use
- Fiscal Operations Report and Application to Participate (FISAP), with supporting documentation
- Non-Federal (independent) SFA audit (most recent)
- Percentage of current students enrolled receiving Federal assistance
- Student status confirmation reports filed for the xxxx/xx, xxxx/xx, and xxxx/xx award years
- Copy of the school's default management plan (if required)
- A complete set of fiscal records for financial aid, including a chart of accounts, general ledgers and subsidiary ledgers, including lists of disbursements to students
- Original canceled checks, bank statements, deposit slips, checkbook or check roster and any back up documentation for cash request to ED Payments (EDPMTS) or Education Central Automated Processing System (EDCAPS)
- Federal Pell Grant Program Institutional Payment Summaries (IPS), and Statements of Accounts (SOA) and Recipient Financial Management System (RFMS) data
- Policies and procedures manual pertaining to the administration of Title IV programs
- Sample SFA forms used by your institution in operating its aid programs, such as any institutional applications for aid, contract/enrollment agreements and admission applications, tuition account cards, institutional verification forms, and student certification forms
- Sample worksheets used for administering Title IV funds, such as refund calculation worksheets, FFEL proration worksheets, etc.
- Cost of attendance budgets for all programs offered by the institution
- A copy of the institution's Perkins loan promissory note and disclosure statement and a copy of any servicer contract (if applicable)
- Copies of academic program approval notices issued by the state education department for each course offered by your school
- A copy of the latest letter issued by your accrediting body evidencing the accredited status of your school
- Copies of any contracts with third party servicers (e.g. financial aid, Perkins, ATB tester, etc.)
- Type of software programs used in administering Title IV
- A copy of the institution's program participation agreement (PPA) and Eligibility

- and Certification Approval Report (ECAR)
- Copies of the institution's financial statements for the last two fiscal years
- Refund repayment and refund distribution policies and satisfactory academic progress standard
- A copy of the institution's Campus Security Report
- Copies of any rules or regulations of your accrediting or licensing bodies.

Reviewers will provide a listing of a sample of students who received Title IV funds at your institution. For each of those students, the school must provide all academic, financial aid, and disbursement records which document the students' eligibility for, and receipt of, Title IV funds.

Additional records may be requested at the onset, and during the review as needed. These records may not be limited to the award years specified above. We will do our best to ensure that this visit is conducted as expeditiously as possible.

If you have any questions, please call **(REVIEWER NAME)** at **(XXX) XXX-XXXX**. Thank you for your cooperation.

Sincerely,

(NAME), ACD or Co-Team Leader
CASE MANAGEMENT - QUADRANT
CASE MANAGEMENT TEAM

cc: **FINANCIAL AID DIRECTOR**

Appendix C. Staff Interview Questions



We have assembled some staff interview questions to help reviewers target problem areas during a program review. The interviewing process is important because it can identify problems and systemic deficiencies not readily apparent in a file review alone. They are not intended to be all inclusive as there are many different questions reviewers may ask, and the interview process will differ based upon the type of institution that is being reviewed. Some institutions may have a number of persons working in many different departments, while smaller institutions may administer most of their Title IV work through the financial aid office. **Reviewers must use their professional judgement in the type of questions being asked, and expand or focus the questioning when necessary to follow up on areas of concern disclosed by the answers to other questions.**

As noted in Chapter 3, reviewers should usually begin by asking general, open questions (e.g., explain the admission process). However, this appendix lists many more specific questions to highlight some areas that reviewers might want to make sure that the staff touched on in their general discussions.

Not listed below is the final question that reviewers should consider asking everyone that they interview – “Is there anything else that you think I need to know about the way this school administers the Title IV programs?” Many people don’t feel comfortable volunteering information about possible irregularities they have observed, but may be prompted to discuss them if asked such a question.

All interviews must be completely documented for future reference.

ACADEMIC OR EDUCATION PERSONNEL/REGISTRAR QUESTIONS

Name

Position/Title

Award years in position

Date/Time of Interview

(Ask them to show attendance documents and explain codes and how records are kept. Request policies and procedures manual & other documents, as needed. Keep track of any additional documents requested.)

The following questions are suggested for this interview process:

- Describe your job duties.
- Describe the institution's programs in terms of their length (months, weeks, units/hours, & hours per week).
- Are all of your courses accredited and licensed?
- How is your academic year defined?
- How and when is it enforced?
- Explain registration/enrollment process. How/when do students register for term, how far into term can students drop/add classes; when is enrollment finalized for term?
- How does school verify who actually enrolled for registered classes?

ATTENDANCE ISSUES:

- Does your accrediting agency require that you take attendance?
- How is attendance taken? Who takes it/how often? Are there sign-in sheets/instructor checks off roster? Do you note who is present or who is absent? Is partial attendance recorded (arrived late/left early), and in what increments (quarter/half hours, etc.)?
- How are attendance records maintained?
- What is the school's attendance policy? Are students dropped after a number of absences? If so, what number is that?
- Who makes the final decisions regarding terminations for attendance problems (if applicable)?
- Are exceptions documented?
- Does the attendance policy or attendance probation (if applicable) relate to financial aid?
- Are excused absences allowed? How much or what percentage?
- Are students allowed to make-up absences? If so, explain policy & process.
- How is make-up instruction given (instruction by teachers/self-directed assignments/homework?)
- How are make-up hours documented?

- For programs without academic terms, how is the midpoint determined (different programs)?
- Discuss SAP Process – what is policy & which office makes determinations? (Detailed SAP questions at end of this appendix).
- Are there any other sites or locations in which instruction is given?
- What is the school's LOA policy? What procedures are followed to grant an LOA?
- How does the school determine the last day of attendance for unofficial withdrawals?
- How/when are no-show's identified?
- How are the appropriate offices notified of student's withdrawal, and last date of attendance (LDA)?

ACADEMIC OR EDUCATION PERSONNEL/REGISTRAR QUESTIONS (CONTINUED)

- Are students charged for exceeding their contracted hours? (clock hour schools)
- What information do you share and coordinate with the financial aid office?
- Do you maintain a separate academic file for each student?
- Is there any special designation for students who are not eligible to apply for Title IV (e.g. foreign, non-matriculated) on student data bases?
- Are there any consortium agreements or contracts with other schools?
- What is the school's clock-to-credit hour conversion ratio? (if applicable)
- For re-enrolling students, do they apply through admissions? If not, which office handles, and are there any payment incentives for number of students re-enrolled?
- Does school have externships as required part of programs? For which programs?
- If the school has externships, who coordinates the process? Describe the process (detailed questions for externship process at end of this appendix).
- Who is responsible for completing SSCRs and reporting student status changes on NSLDS? Explain process. Who actually does input, do they have their own User ID/passwords? (Depending on school, this process may be handled by FAO.)

ADMISSIONS PERSONNEL INTERVIEW QUESTIONS

Name

Position/Title

Award years in position

Date/Time of Interview

(Ask them to show you the forms associated with the admissions process from an actual file. Request policies and procedures manual & other documents during the interview. Keep track of any additional documents requested.)

The following questions are suggested for this interview process:

- Describe the admissions process: If I am a student interested in going to school, how do I find out about your school? Then what happens?
- How are students recruited? Are any staff given compensation based on success in securing enrollment?
- Describe programs in terms of their length (months, weeks, units/hours).
- Could you give us an idea of what types of students typically enroll in your programs? (population characteristics such as H.S. graduate, age, gender, U.S. citizens or not, Aid to Families with Dependent Children (AFDC) recipients, JTPA, vocational rehabilitation, transfers, restarts, etc.)
- If students are enrolling in ESL courses and their English is poor, how do you help them fill out forms which are written in English? Who helps with Financial Aid forms?
- If students re-enroll after dropout, do they apply through admissions? If not, where do they go?

ABILITY-TO-BENEFIT

1. What ATB test used/are there multiple versions?
2. Does the licensing/accrediting bodies specific which ATB tests are approved?
3. How many parts are there for the ATB test and are all parts administered?
4. Different passing scores for different programs?
5. Retake policy?
6. Describe the testing process (how often is test given, is test timed?, etc)
7. Who administers the ATB test? (one or more?)
8. How is that person paid? (need copies of pay documentation and contracts)
9. If degree-granting school (or public vocational school), is the testing center independent of admissions/financial aid – and meet other requirements at 668.142?
10. For any other types of schools, do admissions representatives or any school employee ever administer ATB tests?
11. How does the independent tester report test results?
12. Do the admissions representatives have access to test questions and answers?
13. Are students ever counseled in strategies for passing the test/are students given practice tests?
14. What GED program is available for ATB students?

(SEE THE INDEPENDENT ATB ADMINISTRATOR QUESTIONS)

- Does the school admit students who fail to meet ATB requirements? If so, how are they flagged as non-Title IV eligible?
- Are there special admissions requirements for certain programs?
- Please describe the programs - length, clock or credit hours, etc. & tuition and fees.
- What sort of consumer information is given to students prior to enrollment?
- When do students register in relation to their program's start date?
- How long after classes start are students allowed to register and begin attending?
- How frequently do class starts occur (different programs)?
- What is the school's enrollment? _____ Percentage on financial aid? _____ %?
- What hours/days do the students attend school? (part and full-time)
- Are there any other locations besides this location in which students are taught?
- At what point would a prospective student find out about financial aid?
- What financial aid information do admissions reps give?
- What coordination of information occurs between admissions and financial aid?
- Is admissions data entered onto any integrated computerized database?
- Describe any remedial programs.
- Is there a maximum number of remedial classes a student can take? If not, check if financial aid office has a way to ensure that Title IV funds are paid for a maximum 1 year of remedial courses.
- For students enrolled in ESL-only programs, how are pre-existing job skills documented?
- Are any high school students admitted into the program?
- Do accrediting/licensing agencies require documenting HS grad (diploma or transcript)?
- Who verifies high school graduation for students who applied prior to finishing high school, and how is this accomplished?
- Is a separate admissions file kept on each student?

INDEPENDENT ATB ADMINISTRATOR QUESTIONS

Name

Position/Title

Award years in position

Date/Time of Interview

This is a compilation of suggested questions for the independent test administrator. This is not a script of questions you must ask; it is only a guide of some issues you may want to address with the tester. Many of these questions address procedures (such as verifying students' ID's) that are not required by ED. However, the answers you get may provide some insight into the school's ATB process.

- Did you have any previous testing background before working for this school?
- How did you come to work for this school?
- Describe any prior affiliations or relationships with any officers of the school.
- Do you have a written contract with the school? Please provide a copy.
- What test is used? Are there multiple versions?
- Describe the Test Developer's requirements. (e.g., whether test is timed, whether different versions of tests should be used for retest, number of times student can retake test, whether practice test are appropriate).
- Who decided which test should be used?
- Explain the ATB testing process at the school.
- Are students given a practice test?
- Is the complete test given?
- Explain any procedures you may have for checking the identity of individuals taking the test (make sure "ringers" aren't being sent in to take the test).
- Explain the testing procedures. Is the test constantly monitored? What happens if you must leave the room while the test is going on?
- Are students charged for the test?
- What is the passing score(s) for the test? Is this based on the test developer's standards (and ED's criteria), or did the school determine the passing score?
- Some tests allow the tester to add or subtract points from the students' scores based on circumstances (e.g., age, test environment). What, if any, adjustments do you make?
- How is the school notified of the students' test results?
- Do you keep an independent record of who was tested and the scores for each student? If so, please give us a copy.

- Have you had any cases of students cheating on the test (e.g., copying from other students)?
- What did/would you do in such a case? Is there an agreed-upon procedure with the school?
- Have you ever had cases where you found students who had the test answers (crib sheets)? If so, how did the students get the answers?
- Have students ever mentioned receiving counseling to help them pass the test?
- Does school personnel have access to the test answers?
- Describe any procedures or guidelines for invalidating students' test scores? (Some large testing companies have procedures for monitoring retests, and call for invalidating test results if students score significantly higher on retest.)
- Have you met the requirements of the test publisher to be a test administrator?

FINANCIAL AID PERSONNEL INTERVIEW QUESTIONS

Name

Position/Title

Award years in position

Date/Time of Interview

(Ask them to show forms used from an actual student's file. Request policies and procedures manual. Keep track of any additional documents requested.)

The following questions are suggested for this interview process:

- Describe the general responsibilities in Title IV administration and functions of different employees in the financial aid office (FAO): Please describe the financial aid process chronologically.
- What has to happen in order for students to get financial aid once they decide to go to your school?
- Describe process before aid is disbursed: application for financial aid, needs analysis, budget determination, award letters, receipt of ISIRs, student signatures, loan counseling, etc.
- Describe verification policies and procedures. (Check for written policies and procedures)
- Describe computer databases used in office. How is ISIR data maintained/need analysis calculation documented/maintained? Do they track document receipt, are they used for authorizing awards for disbursement?
- How does the database identify ISIR issues, such as student eligibility ("C" codes) and NSLDS flags?
- What is the role of the servicer (if applicable)?
- How does the school define its academic year and payment periods for financial aid purposes?
- How are costs of attendance (COAs) constructed?
- What is the school's campus-based awarding philosophy? How is aid packaged?
- Which students receive FSEOG? (Pell eligible, lowest FC?)
- Does the institution award financial aid for indirect living expenses?
- Discuss professional judgement process/criteria.
- Is backup documentation maintained for students listed on the FISAP income grid? (May be with the fiscal officer, depending on who completes the FISAP)
- Who is responsible for completing SSCRs and reporting student status changes on NSLDS? Explain process. Who actually does input, do they have their own User ID/passwords? (Depending on school, this process may be handled by registrar)
- How does the FAO communicate or receive information from other offices such as admissions, academic or education department, placement, etc.?
- How are files kept? (academic, admissions, attendance, financial aid, placement?) Request that the financial aid officer walk through a student's file with you to become familiar with their forms.

- Discuss SAP Process – what is policy & which office makes determinations? (Detailed SAP questions at end of this appendix).
- How is the FAO notified if the student is not making SAP?

FINANCIAL AID PERSONNEL INTERVIEW QUESTIONS (CONTINUED)

AUTHORIZING TITLE IV DISBURSEMENTS

- Describe the process for authorizing disbursement of Title IV funds.
- How do you track who has met all requirements for disbursement, and how is that reported to the bursar/fiscal office?
- When does the school begin disbursing funds for a term (10 days before, after registration, after drop/add)? Who controls timing of subsequent disbursements – FAO or bursar?
- Who is responsible for verifying students' eligibility for disbursements made on expected enrollment status (e.g., if funds disbursed 10 days prior to start of term, who verifies that student actually enrolled in classes to justify payments made)?
- Who is responsible for monitoring that students are not overawarded?
- Describe FAOs role with FFEL check receipt/disbursement procedures. If FAO receives checks, do they keep log of receipt date?
- Does financial aid disbursement differ for students in different programs?
- What is the process when a student's award needs to be revised (upward or downward)?

RETURN TO TITLE IV FUNDS (REFUNDS)

- Explain FAO's role in the school's refund procedures.
- How is your office notified when a student has withdrawn?
- Who completes the refund calculations? If FAO, how is business office/bursar notified of refund amount?
- What is process for monitoring whether students pay their share of refunds under the new provisions?

FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAMS

- Are specific people responsible for certifying FFEL loans?
- What is the criteria for certifying Unsub Loans instead of PLUS for dependent students?
- How is the COA and EFC determined for non-standard loan periods (different programs)?
- Are loan amounts prorated?
- What loan counseling is done and when? Is in-person exit counseling done before graduation?

FEDERAL PERKINS LOAN PROGRAM

- Where are Perkins promissory notes stored (should be in a fire-proof, locked cabinet)?
- When do students sign schedule of advances?
- Explain how entrance and exit counseling is conducted for Perkins loan recipients?
- Are repayment schedules given to students? Does the institution maintain a copy of the - repayment schedule with the promissory note after the student leaves?

FEDERAL WORK-STUDY PROGRAM

- What types of FWS jobs do you have (if applicable, see off-campus agreements)? (Gather the job descriptions)
- How are the hours the students worked monitored by a supervisor? (signed timesheets)
- How are earnings monitored to ensure that the award was not exceeded?
- What is the rate students are paid? (cannot be less than the minimum wage)
- How long do the students work per week? (must be part-time employment)
- Is there a limit to the number of hours students can work per pay period/week? If so, what happens if student exceeds that limit?
- Are there any policies regarding how long a student can work/break times?
- How does school monitor percentage of funds allocated for community service?
- Who decides if funds are carry forward/back – FAO or Fiscal Office?

FEDERAL DIRECT LOAN PROGRAM

Explain the Direct Loan process and identify the individual(s)/office(s) responsible for various components of the process.

- Who creates the loan origination records?
- What office is responsible for printing the promissory notes?
- At what level of functionality does your school process MPNs? Multi-year or single year?
- Does your school use the new E-Sign process?

- Who transmits data to the LOC?
- Who is responsible for Direct Loan cash management activities?
- Who is responsible for ensuring that the school's loan information matches all LOC records?
- Who requests funds (Option 2 schools only)?

- What are the roles of financial aid, business/comptroller's office, registrar, etc.?

- How does your institution determine who will receive a Direct Loan?

- What type of system environment is your school using to manage Direct Loans-- PC using EExpress, PC using custom or third party software, combination of Mainframe and PC, or Custom/ Mainframe?

- How does the institution enter data elements into the Direct Loan system? Are they manually entered from other documents, or are they uploaded from another system?

- Who is authorized to make changes to data in the system?

- Does the institution have a Quality Assurance component? Explain what your institution does in reference to the Direct Loan Quality Assurance requirement. Is your school in the Quality Assurance Program (QAP)?

Note: The Quality Assurance Program is different from the QA component of the Direct Loan Program.

-How frequently does the institution perform reconciliation? How are Direct Loan reconciliation discrepancies or problems resolved at your institution?

-How does the school request Direct Loan funds? Does the financial aid office provide a list of eligible students for whom funds are being requested to the business/comptroller's office? How does the person who completes the drawdown determine the amount of cash to request?

-How does the school ensure that disbursements are reported to the LOC within the 30-day timeframe?

-Describe the school's process for making refunds to the Direct Loan program.

-Describe how entrance/exit counseling is done at your school?

-How many Federal bank accounts does the school maintain? Into which account are Direct Loan funds deposited?

-Are student credit balances ever maintained on a student's account? If so, has the student signed an authorization form? When does the school provide a credit balance to a student?

DEFAULT MANAGEMENT PLAN

(NOTE: see the Default Management Checklist – Appendix H)

-What are the default rates? Is the school appealing the calculation of the rates?

-If the rates are high, has the institution submitted a default management plan to ED?

-How does financial aid office coordinate with other offices to reduce defaults? Their roles?

FISCAL INTERVIEW QUESTIONS

Name

Position/Title

Award years in position

Date/Time of Interview

General responsibilities as it relates to fiscal or business aspects of Title IV program administration. Keep track of any additional documents requested.

The following questions are suggested for this interview process:

- What is the role of the corporate office (if applicable) in the fiscal area? (separate OPEID's, TIN's, DUNS?)
- Who requests the drawdowns?
- What information do you receive from the financial aid office?
- What is the basis you use for drawing down funds -- explain process. (Cash management plan/cash flow projections -- how do you determine how much cash to draw down?)

FEDERAL BANK ACCOUNTS

- How many federal bank accounts does the school maintain? Into which account are the federal funds deposited?
- Are the federal bank accounts regularly reconciled? How often?
- Are the bank accounts interest bearing? If so, is interest (other than for a Federal Perkins Loan fund) returned to ED?
- Has the interest been returned through GAPSWEB?
- How are the accounts identified at the bank (with word "Federal")?
- Are there any bank service or other charges on the Federal accounts? If so, how reimbursed?
- Who does the bank reconciliation between the ledgers and bank statements?
- Does the school maintain a separate Perkins Loan Account?

GENERAL

- When are FSEOG, Perkins, and FWS matches made? How are they calculated?
- Does the institution ever have excess cash on hand? If so, why?
- Has your institution utilized all its allocated funds? If not, why?
- How does the school reconcile Pell authorizations (in RFMS) with drawdowns/disbursements (in GAPS)
- Does the institution keep a separate Title IV account, ledger, and chart of accounts?
- Who keeps the general ledger and/or Title IV ledger/journal?
- Who does the reporting on the RFMS Summaries and FISAP to ED?
- From what campus-based program does the institution take its administrative cost allowance (ACA)? (see institution's FISAP) How is the ACA calculated? (if applicable)
- Who does the account reconciliation with the RFMS, FISAP, EDCAPS, and ledgers? How often? Explain process.
- What are the procedures for monitoring outstanding checks (excess Title IV funds sent to students)?
- How are FWS funds delivered to students? (checks to student, credited to accounts?)
- Discuss Perkins due diligence procedures (do they use servicer?).

STUDENT DISBURSEMENT PROCESS

- How is bursar notified when to disburse funds for students?
- Which office is responsible for verifying student's eligibility (e.g., SAP, enrollment status, number of clock hours completed) before making subsequent disbursements?
- How and when are disbursements made to students? (after how many units/hours?) How are students notified that their checks have arrived?
- If disbursement process is automated, what checks are in place to prevent double disbursements? (e.g., FAO adjusts award to increase – how does system know to only disburse increased award amount)?
- Are student credit balances ever maintained on a student's account? Under what circumstances?

FFEL DISBURSEMENT ISSUES

- How are FFEL funds received at the institution (individual checks, master checks, wire transfer)? If checks received via master check or wire transfer (EFT), explain process for notifying students/parents of loan disbursements per 668.165.
- Do you keep a FFEL check log or some other method for recording the date the institution: received the FFEL checks from the lender, the date the institution releases the check to the student, the date a loan disbursement check is returned to the lender, and the date a refund is made? (If so, ask for a copy of this.)
- How does the financial aid office inform the business office when to pay checks or hold FFEL disbursements?
- For what reasons would a loan disbursement be held?
- Are all check negotiations documented? Does the school ever just endorse the check and release it to the student (for co-payable checks)?
- How is information about financial aid received from sources other than Title IV (scholarships, JTPA, and employer tuition remission) coordinated with the financial aid office?
- Are there any current Title IV funding or reconciliation discrepancies or problems that we should know about?

RETURN TO TITLE IV (REFUNDS)

- Explain bursar/fiscal office's role in the school's refund procedures.
- How is your office notified when a student has withdrawn?
- Who completes the refund calculations? Who prepares/endorsees the refund check?
- Explain the process for arranging for students to pay their share of refunds under new provisions?
- Where are the canceled refund checks maintained?
- What are the refund deadlines and when are refunds calculated/made?
- Is the financial aid office notified of refund amounts (to adjust its records)?
- Do refund checks go through any type of approval process before they are sent to the lender?
- Does the institution delay the date it releases the loan proceeds for first time students?

PLACEMENT OFFICER INTERVIEW QUESTIONS

Name

Position/Title

Award years in position

Date/Time of Interview

(Ask them to show forms associated with placement process. Request policies and procedures manual & other documents. Keep track of any additional documents requested.)

The following questions are suggested for this interview process:

- Describe your job responsibilities.
- Do all students receive placement assistance? When?
- How do you know which students are ready to receive placement assistance?
- Does the school have placement waivers?
- Do students receive instruction in interviewing, resumes, or career development?
- What is the placement rate (different programs)?
- How is this rate determined?
- Are these rates published and made available to students?
- What are the placement procedures?
- How are placement contacts established?
- Does the institution have a professional advisory council or committee?
- Are there any branch campuses or other locations in which students receive instruction?
- What sort of reports does the institution prepare for the accrediting agency or state licensing agency regarding placement?
- Is there a separate placement file?
- If the school has externships, who coordinates the process? Describe the process (detailed questions for externship process at end of this appendix).

- For High Default Schools – are you aware of the placement office’s responsibilities in the institution's default management plan?
- Does the school communicate with its accrediting agency about improvements to its job placement rate?

SATISFACTORY ACADEMIC PROGRESS (SAP) POLICY

The responsibility for administering the SAP policy varies between schools, but usually it is either the financial aid or academic office.

- Describe the SAP policy, including qualitative/quantitative measures, and maximum timeframes.
- What is the school's attendance policy as it relates to financial aid?
- How often is SAP checked/verified (for different programs)?
- At what point does a student lose Title IV eligibility? How can they re-establish eligibility?
- Is there a probationary period? Do students get financial aid on probation?
- What are the appeals procedures for mitigating circumstances?
- What is the school's policy on class repeats and remedial courses?
- Has the school verified that its SAP policy is consistent with requirements of its accrediting and licensing bodies?

EXTERNSHIP PROCESS

The responsibility for administering externships varies between schools, but usually it is either the academic or placement office.

- Who is responsible for coordinating this process?
- How are externship sites chosen by school, are there contractual agreements with all sites?
- How are students chosen for externship (are they assigned/do they apply to the site)?
- Are externships paid/unpaid/both?
- If paid externship, are students considered employees of externship site?
- How is student's eligibility monitored (SAP/attendance)
- How are externship grades determined/used?
- When do externships occur? If all at end of program, do students graduate and /or receive certificate before externship begins?
- Is there a procedure for students if they have problems with externship sites (e.g., work not related to program)?
- Can a student choose not to participate in an externship and substitute additional classes instead?
- Does the school ever waive an externship without having the student take any other classes?

Appendix D. Student Interview Questions



When necessary, student interviews can be an important part of the review process. They can provide reviewers with valuable information about the administration of the Title IV programs at an institution. We have assembled some student interview questions to help reviewers target problem areas during a program review. They can identify problems and systemic deficiencies not readily apparent in a file review alone. **These questions are not intended to be all-inclusive. Reviewers must use their professional judgement in the type of questions being asked, and expand or focus the questioning when necessary to concentrate on areas of concern disclosed by the answers to other questions.**

A student interview may be conducted at the school location or at another location away from the school. Many students feel more comfortable discussing problems when they are away from the school. Interviews may also be conducted on the telephone. If reviewers discover unusual documents or discrepancies during a file review, reviewers may wish to ask the student about that particular issue. If student complaints were one of the factors for the program review, interviews can help clarify the problems.

All interviews must be completely documented for future reference.

Name
Program of Study
Award Years Enrolled/Status
(Freshman, Sophomore, etc.)
Date of Withdrawal/Graduation
Date/Time of Interview

The following questions are suggested for this interview process:

(NOTE: Some questions may be more applicable depending upon the type of institution the student is attending.)

GENERAL QUESTIONS

Ask for name, date of birth, social security number (it helps to confirm whom you spoke to).

Are you a U.S. citizen? If not, are you a permanent resident of the U.S.?

Do you have a college degree, even from a school outside the U.S.? If so, what kind of degree?

Do you have a high school diploma or GED? If not, what type of admissions test did you take and who administered the test? Someone from inside or outside the school?

Male/female?

Are you currently enrolled in high school?

If you took an admissions test, did anyone help you complete the test? Was the test timed? How many times did you take the test? If more than once, was it the same test?

Have you attended any other postsecondary institution?

If so, did you receive any federal funds there? Have you ever defaulted on any federal student loan or do you owe a refund on any federal assistance you received?

When did you start school here?

What program (course) are you enrolled in?

What do you expect this course to prepare you to do? How much money do you expect to make? What kind of job do you expect to get?

-What type of federal aid did you apply for at this school? Did anyone in the financial aid office help you fill out the applications? Did you need to use any tax returns or other documents to fill out the applications?

-Do you live with your parents, on campus, or on your own? Do you have any special circumstances that you discussed with school officials about your ability to pay for school?

-Did someone tell you how much federal funds you could expect to receive and when?

-What type of federal aid have you received? How did you receive it? (Via a disbursement check or by the school crediting your account?)

-Were you told how much of your own money you might have to pay for school expenses?

-Have you given the school written permission to hold any excess federal funds to pay for tuition and fees or help budget your aid?

-Have you received all the books, equipment and supplies you should have received, and for which you have been charged?

- Are you aware of the school's satisfactory academic progress standards? Have you had any academic problems? What are your grades? Have you ever been put on probation? Have you ever appealed a decision to terminate your enrollment based on your grades?
- Have you had to take any long periods of time off from school because of health or other problems? How long? Did you have to fill out a form to request approval to take time off? Did anyone counsel you about how long you could take off, and whether this would affect your grades or awards? (Determine whether student took LOA or dropped out.)

For students in clock-hour programs:

- What are your class times; do teachers usually keep to those hours?
- How is attendance taken? Have them be specific.
- Do you get unscheduled days off?
- Is the teacher usually present during class or are you given a lot of self-directed assignments to do in class?
- Do you know if there is an attendance policy about missing too many hours?
- What happens if you miss class; are you allowed to make-up classes? How are they handled? Teachers giving instruction or given assignments?
- How is attendance taken for make-up hours?
- Were you given make-up credit for homework assignments?

- If no longer enrolled at school, does the student remember the ir last date of attendance? Use a significant event or a holiday to jog their memory.
- Did you receive notification of any refund made to your loan? Was a refund paid on your loan?
- Did you sign a repayment agreement? Did you receive a copy of that agreement?
- Did you receive counseling about loan obligations/repayment after you withdrew/graduated?

- How did you hear about this school?
- Did you talk to a sales representative?
- Were you given any incentive to enroll in this school?
- Were you promised anything as a reward for completing the program?
- Were you informed about the placement and completion rates prior to enrolling?
- What kind of other information were you provided describing the school, it's programs, costs & financial aid, etc. before you enrolled at this school?

- Did you receive any information about campus crime (new info given out each year)?
- Do you feel that information you were given was accurate?

INDEPENDENT/DEPENDENT STATUS

(A “yes” answer to any one of questions 2-6, or being 24 years old when filing the application indicates an independent student)

1. What is your age?
2. Are you a veteran of the U.S. Armed Forces?
3. Are you a graduate or professional student?
4. Are you married?
5. Are you a ward of the court or are both of your parents deceased?
6. Do you have legal dependents other than a spouse?

VERIFICATION

1. Was your application for federal aid selected for verification?
2. What type of additional information were you asked to give to the financial aid office?
3. Did they clearly tell you what you needed to bring in, the timeframe to bring it to them, and what would occur if you did not bring in the additional paperwork?
4. Did someone help you fill out the forms or tell you what to write?
5. Did your award change because of the verification process? If so, was it a greater or lesser amount?

FEDERAL FAMILY EDUCATION LOAN PROGRAMS

- When did you fill out your FFEL application?
- Did anyone help you fill out the application?
- How did you decide how much money to apply for on the loan application?
- Did you choose the lender, or did the school?
- Were you offered any incentive to get a student loan through that lender?
- Did you receive any counseling before you received your first disbursement? In-person counseling?
- Do you know how your loan disbursements were made (check to student, check to school, wire transfer)?
- Did you sign the loan check, and was the check made out just to you, or co-payable to you and the institution? Or were you notified that loan funds were received and credited to your account? Were you told that you could choose to cancel the portion of the loan disbursement?
- Did you receive a copy of your promissory note/application?

DIRECT LOAN QUESTIONS

- When did you sign your promissory notes?
- Have you received notification each term that your loan funds have been disbursed? How was the notification delivered? Were you told that you could choose to cancel the portion of the loan disbursement?

-Did you receive any counseling before you received your first disbursement? In-person counseling?

FEDERAL PERKINS LOAN PROGRAM

1. When did you sign your promissory note? Did you receive a copy of it?
2. Did you receive any counseling before you received your first disbursement? In-person counseling?
3. How many advances did you get?
4. When did you sign for your advances?
5. How did you receive your advances?

FEDERAL WORK-STUDY

1. What type of work are you performing? Is the job on or off campus?
2. Do you fill out timesheets for the times you work?
3. Does your supervisor monitor your work performance?
4. Does your supervisor certify the timesheets?
5. Do you work part-time or full-time?
6. How are you paid for the time you work? In a paycheck? Does the school credit your account?
7. How many hours do you usually work in a day, do you get breaks?
8. Do you ever have class/work conflicts (asked to work during scheduled class time)?

SPECIAL ISSUE QUESTIONS

1. If the student is enrolled in an ESL-only program, ask if he or she has a pre-existing job skill. What is it? Describe?
2. If the student is enrolled in a combined ESL and regular program, ask if student was told that he or she only had to complete the ESL portion.
3. Do you have any additional comments, positive or negative?

Appendix E: Fiscal Review Worksheet

FISCAL REVIEW WORKSHEET

Name of Institution:	OPE ID #:	Award Year:	Date:
----------------------	-----------	-------------	-------

Programs	Final Authorization	GAPS	NSLDS	Ledgers		FISAP, RFMS Year-to-date And Direct Loan 732-LOS		Reconciled Bank Stmt. (Cash on Hand)
				Disbursed	Admin Exp	Disbursed	Admin Exp	
θ PELL								
θ FSEOG			N/A					
θ FWS			N/A					
θ PERKINS (LOE)		N/A	N/A		N/A		N/A	
θ PERKINS (FCC)			N/A					
θ DIRECT LOANS			N/A					

FSEOG Matching			
Date	Awards	Inst Share	Fed
FISAP:			

FWS Matching			
Date	Gross Comp	Inst Share	Fed Share
FISAP:			

PERKINS Matching		
Date Fed Deposit		
Amount Fed Deposit		
25% FCC& ICC		
Amount Deposited		
Req. Match Amount		
Difference		
FISAP:		

Federal Funds Received			
Date Paid			
Amount			
Dep Date			
Amount			

Excess Cash			
Date Paid			
Amount			
Dep Date			
Amount			

Program Transfers			
From			
Amount			
To			
Amount			

θ FISAP Income Grid

Appendix F. Sample Student File Worksheet

Name of Institution:					OPE ID#:		
STUDENT FILE WORKSHEET							
Name <input type="checkbox"/> M <input type="checkbox"/> F		SSN	Award Yr. Reviewed	Enrollment Date	Enrollment Status <input type="checkbox"/> F <input type="checkbox"/> 3/4 <input type="checkbox"/> 1/2 <input type="checkbox"/> <1/2	Grade Level	Hrs/Cred Earned
Program of Study		Program Length	Academic Yr. Length	Midpoint Date	Grad/Wthdl Date	<input type="checkbox"/> Indep <input type="checkbox"/> Dep PJ Dep. Override Doc? <input type="checkbox"/>	
		GPA	Meets SAP Requirements?	Marital Status <input type="checkbox"/> Mrd. <input type="checkbox"/> Sgl.	<input type="checkbox"/> Attending Elig. Location	<input type="checkbox"/> Elig. Program	DOB / /
Student Eligibility:		<input type="checkbox"/> Citizen <input type="checkbox"/> Perm Res <input type="checkbox"/> Alien Reg #	<input type="checkbox"/> HS Diploma <input type="checkbox"/> GED	<input type="checkbox"/> NSLDS Matches: <input type="checkbox"/> Overpayments	<input type="checkbox"/> Default <input type="checkbox"/> Loan Limits <input type="checkbox"/> Financial Aid History		
		<input type="checkbox"/> ATB <input type="checkbox"/> Approved ATB Test	<input type="checkbox"/> SSN <input type="checkbox"/> Selective Serv.				
Budget		Scheduled Award		Verification			
Tuition		PELL		<input type="checkbox"/> CPS <input type="checkbox"/> Institutional <input type="checkbox"/> QA <input type="checkbox"/> Not Selected			
Fees		FSEOG		H/H Size:		Federal Perkins Loan <input type="checkbox"/> Signed Note <input type="checkbox"/> Counseling <input type="checkbox"/> Signed Repayment	
Books/Supplies		Federal Perkins		# in college:			
Room/Board		FWS		Parent AGI:			
Personal Exp		Sub Stafford		Student/Spouse AGI:			
Transportation		Unsub Stafford		Parent taxes:			
Dependent Care		Sub Direct		Student/Spouse taxes:			
Misc.		Unsub Direct		Parent Untaxed:			
Total COA		PLUS		Student/Spouse Untaxed:			
<u>-FC</u>		Other		EIC:		FWS <input type="checkbox"/> Signed Timesheets	
= Financial Need		Other		Verification completed correctly? Y <input type="checkbox"/> N <input type="checkbox"/>			
		Other		If No, enter deficiencies:			
		Total Aid					
Return of Title IV calculated?		Unmet Need		Conflicting Information resolved? <input type="checkbox"/>			
Title IV Returned as required?		Overaward		PJ Used <input type="checkbox"/> PJ Documented <input type="checkbox"/>			
FFEL/Direct		FFEL		Direct		PLUS	
COA		Amt, Certified/Originated					
EFA		Date Certified/Originated					
FC		Disbursement Amount					
Need		Loan Period					
				Default Data		FFEL/Direct Loan Eligibility Information	
				Rate:			
				<input type="checkbox"/> Required		<input type="checkbox"/> Entrance Counseling	
				Default Mgmt Plan		<input type="checkbox"/> Exit Counseling	
						<input type="checkbox"/> Proration	
						<input type="checkbox"/> SSCR - OK	

Name of Institution:

OPE ID#:

STUDENT DISBURSEMENT WORKSHEET

Name	SSN	Midpoint	Last Date of Attendance	Scheduled Pmt. Periods	Actual Pmt. Periods
------	-----	----------	-------------------------	------------------------	---------------------

Pe11		Award: \$	
Date	Chk/Ref#	Amount Credited	Amount Paid to Student
Total Disbursements:			

FSEOG		Award: \$	
Date	Chk/Ref#	Amount Credited	Amount Paid to Student
Total Disbursements:			

Perkins		Award: \$	
Date	Chk/Ref#	Amount Credited	Amount Paid to Student
Total Disbursements:			

FWS		Award: \$	
Date	Chk/Ref#	Amount Credited	Amount Paid to Student
Total Disbursements:			

FFEL/ Direct		Award: \$	
q 1st Disbursement Delayed - 30 Days (if required)			
		1st Disb	2nd Disb
Date received			
Date to Student			
Amount to Institution			
Credit Balance Created			
Amount to Student			
Date Refund made			
Refund Amount			
Total Disbursements:			

PLUS		Award: \$	
q 1st Disbursement Delayed - 30 Days (if required)			
		1st Disb	2nd Disb
Date received			
Date to Student			
Amount to Institution			
Credit Balance Created			
Amount to Student			
Date Refund made			
Refund Amount			
Total Disbursements:			

Appendix G: Satisfactory Academic Progress (SAP) Policy Checklist

INSTRUCTIONS : USING THE FOLLOWING CHECKLIST, REVIEW THE INSTITUTION'S SAP POLICY FOR COMPLIANCE WITH TITLE IV PROGRAM REQUIREMENTS .

CONFORMANCE WITH ACCREDITING AGENCY STANDARDS

- θ Does the school's nationally recognized accrediting agency have standards of satisfactory progress?
- θ If the school's policy conforms with its accrediting agency's standards, does it meet all of the Title IV program requirements? ([34 CFR 668.16\(e\)](#))

SAME AS OR STRICTER THAN STANDARDS FOR NON TITLE IV AID RECIPIENTS

- θ Are all elements of the school's policy for Title IV aid recipients the same as or stricter than the general standards for students enrolled in the same academic program(s) who are not receiving Title IV aid?

A QUALITATIVE MEASURE

- θ Does the school's policy include the use of grades or other qualitative factors which are measurable against a norm? The qualitative factors are:
- θ Does the school check that the student is making satisfactory academic progress each payment period (even if its increment for measuring quantitative progress is an academic year)?
- θ Term and yearly credits required at each grade level ___ ___ ___

- θ Grade point average required for the year(s) ___ ___ ___ ___
- θ Does the school's policy include requirements that after the student's second academic year, student must have at least a "C" average or equivalent, or academic standing consistent with graduation requirements?
- θ Does the school's policy identify "equivalent of a C average" and "academic standing consistent with graduation requirements"?

A QUANTITATIVE MEASURE

- θ Does the school's policy set a maximum time frame for completion of the degree(s) and certificate(s) it offers?
- θ The policy sets the following maximum time frame(s) for:
 - θ Full-time, and either
 - θ Part-time, or
 - θ Three-quarter-time, and
 - θ Half-time, and
 - θ Less-than-half-time.
 - θ Combination or enrollment status
- θ Does the school's policy divide the maximum time frame into increments (not to exceed one academic year)? Those increments are:
- θ Does the school determine a student's quantitative progress at least once during programs that are one academic year or less in length?
- θ Does the school choose to include summer sessions in the length of the increments into which the maximum time frames are divided?
- θ Does the school's policy establish a minimum schedule of work that must be successfully completed at the end of each increment to complete the degree or certificate within the maximum time frame? That schedule is:
- θ Does the school use its option to equate the maximum time frame to a maximum number of hours that could be attempted? The maximum number of hours attempted is:
- θ If the school chooses to set a maximum number of attempted hours, does it set a minimum percentage of hours attempted that must be successfully completed at the end of each increment to complete the degree or certificate within the maximum hours attempted? The minimum percentages of hours are:

- θ Does the schedule of work or minimum percentage of hours in the school's policy specify that the work must be successfully completed and what successful completion means?

CONSISTENT APPLICATION

- θ Does the school choose to establish specific standards in its policy for different categories of students and for different programs?
- θ Do the standards for each category or program meet all of the Title IV program requirements?
- θ Does the school choose to detail in its policy how its standards are applied to transfer students?

NON-PUNITIVE GRADES AND COURSES

- θ Does the school's policy define the effect on satisfactory progress of the following:
 - θ Course incompletes,
 - θ Withdrawals,
 - θ Course repetitions, and
 - θ Noncredit remedial courses?
- θ Does the school's written policy address the treatment of all letter grades (I,W, WF, etc.)

PROBATIONARY PERIOD

- θ Does the school choose to include in its policy a blanket-type probationary period?
- θ Does the school's policy detail the student's responsibilities during the probationary period (due to mitigating circumstances or a blanket-type decision)?
- θ Is the student funded during the probationary period?

APPEAL

- θ Does the school's policy include specific procedures to be followed after an adverse determination for the evaluation of a student's mitigating circumstances when presented on appeal?
- θ Does the school choose to specify in its policy the mitigating circumstances that will be evaluated?
- θ Does the school's policy include waiver procedures, if the student does not meet SAP requirements due to death of student's relative, student illness or injury, or other special circumstances which the financial aid administrator can document?

REINSTATEMENT OF AID

- θ Does the school's policy include specific procedures and minimum requirements for reinstatement of aid after a student's aid has been terminated for lack of satisfactory academic progress?

GENERAL

- θ Does the school's policy include requirements for reviewing student's academic progress at the end of each academic year?
- θ Is the school's complete policy published in appropriate publications?
- θ Does the school disseminate these publications to all enrolled students and to prospective students upon request?
- θ Are all of the school's standards consistent within its overall policy?
- θ Does the school maintain records regarding whether each student who receives Title IV aid is maintaining satisfactory academic progress according to its published policy?

Appendix H: Default Management Checklist

School Name and Address:	OPE ID:
	FY _ Def. Rate: ____% # in repayment, # in default
	FY _ Def. Rate: ____% # in repayment, # in default
	FY _ Def. Rate: ____% # in repayment, # In default
Review Date:	FY _ Def. Rate: ____% # in repayment, # in default
Review Period:	Name of Reviewer(s):

Admissions:

- | | Yes | No |
|--|------------|-----------|
| 1. Does the school have procedures in place to ensure that students admitted to a program have a reasonable expectation of success? | ? | ? |
| 2. Does the school have effective academic counseling programs and support services in place, which assist the academically high-risk student? | ? | ? |
| 3. Does the school adequately review its attendance or other records to identify students withdrawing without notice to the school? | ? | ? |
| 4. Has the school contacted its accrediting body to explore possible enhancements to reduce its withdrawal rate? | ? | ? |

Consumer Disclosure Information:

- | | Yes | No |
|---|------------|-----------|
| 1. Does the information identify the rights and responsibilities of student receiving aid? | ? | ? |
| 2. Does the information include the terms of, schedule for and the necessity of loan repayment and required loan exit counseling? | ? | ? |

	Yes	No
3. Does the information include the terms and conditions under which a student would qualify for a deferment or a forbearance?	?	?
4. Does the information include the institution's completion or graduation rate, and if applicable, its transfer out rate?	?	?
5. Does the information include loan counseling general information?	?	?
Job Placement:	Yes	No
1. Has the school expanded its job placement program?	?	?
2. Does the school have a liaison for job information and placements with appropriate public and private agencies?	?	?
3. Has the school contacted its accrediting body to explore possible enhancements to improve its job placement and licensing?	?	?
Entrance and Exit Counseling:	Yes	No
1. Does the school have a loan entrance counseling program?	?	?
2. Does the school have a loan exit counseling program?	?	?
3. Does the school collect additional references and make these references available to the lender upon request?	?	?
4. Are students informed prior to signing the loan application that the loan must be repaid regardless of satisfaction or dissatisfaction with the program of study?	?	?
5. Does the school test potential borrowers on their knowledge of the terms and conditions of their loan?	?	?

	Yes	No
6. Does the school fully explain to each borrower their rights and responsibilities under the FFEL loan programs?	?	?
7. Does the school review repayment options?	?	?
8. Does the school explain the sale of loans and the use of servicers?	?	?
9. Does the school provide debt management strategies?	?	?
10. Does the school test borrowers on their knowledge of the terms and conditions of their loan?	?	?
11. Does the school provide a sample loan repayment schedule to each borrower?	?	?
12. Does the school provide the name and address of the lender(s) to the student?	?	?
13. Does the school provide guidance to the borrower on preparation of correspondence to the lender and completing deferment forms?	?	?
14. Does the school use audiovisual materials to enhance the effectiveness of its counseling?	?	?
Student Status Confirmation Reports:	Yes	No
1. Are the enrollment status or status change dates accurate for a sample of students?	?	?
2. Have the reports been submitted in a timely manner?	?	?

Default Reduction:	Yes	No
1. Is the president of the school supportive of default reduction efforts?	?	?
2. Does the school have adequate resources, staff and budget, assigned to managing default reduction efforts?	?	?
3. Are other offices, such as the registrar and bursar, involved in the default reduction efforts?	?	?
4. Does the school have measures against which to evaluate the success of its default reduction efforts?	?	?
Accuracy of Cohort Default Rate (CDR) Data:	Yes	No
1. Is the school aware of the difference between the draft and official CDRs?	?	?
2. Is the school taking advantage of the challenges available during the draft CDR cycle and requests for an adjustment and/or appeals during the official CDR cycle to correct CDR data, acquire benefits and/or alleviate a sanction?	?	?
Default Management Plan:	Yes	No
1. If the school is a new school or has undergone a change of ownership, within the last two years, does the school have an ED-approved default management plan?	?	?
2. Is the school implementing its default management plan as required?	?	?
Sanctions/Benefits:	Yes	No
1. If the school lost program eligibility due to higher default rates, is the school in compliance with the sanction requirements?	?	?
2. If the school is delivering/dispersing loans in a single installment or not delaying delivery/dispbursement for the first installment for first time borrowers, does the school meet the requirements for CDR benefits?	?	?

Appendix I: Perkins/NDSL Due Diligence Checklist

CONTACTS WITH THE BORROWER [\(34 CFR 674.42\)](#)

- Conducted an Exit Interview
 - Disclosure of Repayment Information
- Grace Period Contacts
 - 9-month initial grace period
 - 1st contact (90 days after the commencement of any grace period)
 - 2nd contact (150 days after the commencement of any grace period)
 - 30-day billing notice (240 days after the commencement of any grace period)
 - 6-month initial grace period & post deferment grace periods
 - 1st notice (90 days after the commencement of any grace period)
 - 30-day billing notice (150 days after the commencement of any grace period)

BILLING PROCEDURES [\(34 CFR 674.43\)](#)

TYPE OF BILLING SYSTEM USED:

- Coupon System (coupon must be sent to borrower at least 30 days before the first payment is due, OR
- Billing System
 - Statement of account at least 30 days before first payment is due
 - Statement of account 15 days before due date of subsequent payments
- Electronic transfer of funds
 - Statement of account at least 30 days before first payment is due
 - Annual statement of account thereafter

LATE CHARGES (for period of enrollment beginning on or after 1/1/86):

- A late charge is required when the borrower's payment becomes overdue (not to exceed 20 percent of the installment payment most recently due)
- Borrower notified of the amount of the late charge imposed

OVERDUE NOTICES:

- First overdue notice 15 days after payment due date
- Second overdue notice 30 days after first overdue notice
- Final Demand Letter 15 days after second overdue notice

TELEPHONE CONTACT (If borrower does not respond to final demand letter within 30 days):

- Telephone contact made with borrower before beginning collection procedures (must make two attempts to reach the borrower on different days and different times)
- Contacting the endorser, if applicable (for loans before July 23, 1992)

ACCELERATION (if loan is accelerated):

- Notice of intent to accelerate provided 30 days before acceleration
- Notice of acceleration provided on or after the effective date of acceleration

Remember, Acceleration is an option, not a requirement

ADDRESS SEARCHES ([34 CFR 674.44](#))

IF MAIL, OTHER THAN UNCLAIMED MAIL, SENT TO BORROWER IS RETURNED UNDELIVERED, INSTITUTION SHALL TAKE STEPS TO LOCATE THE BORROWER

- Institutional records reviewed in all appropriate offices for an updated address on the borrower
- Printed or web-based telephone directories & information operators used to obtain new address
- ED Skiptracing Service used

ADDRESS SEARCHES (CONT'D)

IF ALL OF THE ABOVE FAILS

- Institutional personnel used to attempt to locate the borrower, or

- Account referred to commercial skiptracing service

IF SKIPTRACING IS UNSUCCESSFUL

- Reasonable attempt to locate the borrower at least twice a year

COLLECTION PROCEDURES (34 CFR 674.45)

- Inform the borrower of the availability of the Student Loan Ombudsman's Office

CREDIT BUREAU REPORTING

- Defaulted borrower reported to credit bureau, unless prohibited by state law

EFFORTS TO COLLECT

- First Collection effort
 - Institutional personnel used to collect

OR

- Collection firm used to collect

If first attempt to collect cannot convert the account to regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment, postponement, or cancellation)

- Litigation

OR

- Second effort to collect

- Institutional personnel used to collect - if the school first attempted to collect by using its own personnel, it must refer the account to a collection firm unless state law prohibits doing so

- Collection firm used to collect - if the school first used a collection firm, it must attempt to collect by using its own personnel or by using a different collection firm, or the school must submit the account to ED for assignment

- 12-month limit on unsuccessful collection attempt by any entity

If first and second attempts to collect are not successful

- Annual attempt to collect from the borrower

CEASING COLLECTION (34 CFR 674.47(g))

- Defaulted account with a balance less the \$25 (if the borrower has been billed for the balance)

- Defaulted accounts with balances of less than \$200 (if the school carried out the required due diligence and if the account has had no activity for four years)
- Write-off balances of less than \$5 ([34 CFR 674.47 \(h\)](#))
- Fund must be reimbursed if payment is received from a borrower after loan is written off

ALTERNATIVES TO AVOID LITIGATION

- Collection Costs Waiver
 - Waive the percent of collection costs on a loan equal to the percent of principal and interest for which the borrower makes a lump-sum payment
 - Fund must be reimbursed for all collection costs initially charged to the Fund and subsequently paid by the borrower
- Compromise ([34 CFR 674.33\(e\)](#)), 674.47 (d)
 - The repayment of a defaulted student loan may be compromised if the school has duly complied with all due diligence requirements and the borrower pays, in a single lump-sum payment, at least 90 percent of the outstanding principal balance, plus all interest and collection fees
- Rehabilitation
 - A borrower may rehabilitate a defaulted Perkins Loan by making 12 consecutive on-time payments. A rehabilitated loan is returned to regular repayment status

LITIGATION PROCEDURES ([34 CFR 674.46](#))

IF ALL OF THE FOLLOWING CONDITIONS ARE MET, THE SCHOOL MUST LITIGATE:

- Borrower owes total amount of \$200 or more (principal, interest, late charge & collection costs) on a combination of Defense, Direct or Perkins loans
- Borrower can be located and served with process
- Borrower either has enough assets attachable under state law to cover a major portion of the debt or enough income that can be garnished under state law to satisfy a major portion of the debt over a reasonable period of time (defining a "reasonable period of time" is left to the school)

- Borrower does not have a defense that will bar judgement for the school, and
- the expected cost of litigation (including attorneys' fees) does not exceed the amount that can be recovered from the borrower

BANKRUPTCY PROCEDURES ([34 CFR 674.49](#))

UPON RECEIPT OF BANKRUPTCY NOTICE:

- Collection effort suspended
- Filed a proof of claim, unless Chapter 7 notice states borrower has no assets
- Suspended collection efforts against any endorser (Chapter 12 and Chapter 13 Bankruptcy code)
- Proper objections/complaints filed, if appropriate

UNDUE HARDSHIP DETERMINATION:

- Determine if the borrower filed for dischargeability determination on the ground of undue hardship. (Effective October 8, 1998, a borrower may no longer have a student loan automatically discharged due to bankruptcy if the loan has been in repayment for seven years or more. Instead, a borrower must now obtain undue hardship ruling for any loan discharge.) [11 U.S.C. 523 \(a\) \(8\)](#)
- If borrower files for bankruptcy requesting discharge of Perkins on the ground of undue hardship, the school must decide, on the basis of reasonably available information, whether repayment under the current repayment schedule would impose undue hardship on the borrower and his or her dependents
 - If school concludes repayment would NOT impose an undue hardship, the school must decide whether the expected costs of opposing the discharge would exceed one-third of the total amount owed on the loan (principal, interest, late charges, and collection costs)
 - If expected costs do not exceed one-third of the total amount owed on the loan, the school MUST oppose the discharge. If the borrower is in default, the school must also seek a judgment for the amount owed
 - A school may file complaint with the court to obtain a determination that the loan is not dischargeable and to obtain a judgment on the loan

PROCEDURES FOR RESPONDING TO PROPOSED CHAPTER 13 REPAYMENT PLAN:

- ❑ If borrower's repayment plan for the Perkins Loan proposes full repayment of the loan, including all principal, interest, late charges and collection costs on the loan, no response from the school is required
- ❑ No response is required if the plan does not include any provision in regard to the Perkins Loan obligation or to general unsecured claims
- ❑ If borrower proposes to repay less than the total amount owed, the school must determine the amount of the loan dischargeable under the plan. The school must also determine whether the proposed repayment plan meets the requirements of [11 U.S.C. 1325](#). Two requirements are particularly relevant:
 - ❑ The amount to be paid under the plan must at least equal the amount the school would receive if the debtor had filed under Chapter 7 rather than under Chapter 13
 - ❑ To pay creditors under the plan, the debtor must use all income not needed to support himself or herself and his or her dependents
- ❑ The school must object if the repayment plan does not meet the requirements of [11 U.S.C. 1325](#).
- ❑ If the borrower proposes to repay less than the total amount owed, the school must determine whether grounds exist for the school to move to have the Chapter 13 case either dismissed or converted to Chapter 7 proceeding [11 U.S.C. 1307](#).
- ❑ The school must monitor the borrower's compliance with the repayment plan confirmed by the court. If the school confirms the borrower is not in compliance, or has filed for a hardship discharge under [11 U.S.C. 1328 \(b\)](#), the school must determine if grounds exist to dismiss the case filed under Chapter 13 or convert to a Chapter 7 case. If grounds do exist, the school MUST move to convert or dismiss the case
- ❑ The school must also oppose the hardship, if the borrower has not demonstrated entitlement to hardship discharge under [11 U.S.C. 1328 \(b\)](#) - unless the costs of these actions when added to those already incurred, would exceed one-third of the dischargeable debt

RESUMPTION OF BILLING AND COLLECTION

RESUMED BILLING AND COLLECTION FROM THE BORROWER
IF:

- Borrower's petition for relief in bankruptcy has been dismissed, or
- Court has NOT found that repayment would impose an undue hardship, or
- Borrower loan is not exempted from discharge under other applicable provision of the Code, or
- Bankruptcy petition didn't provide for the loan obligation or unsecured claims in general.
- Resumed collection from the endorser of a loan on which a borrower has filed Chapter 13 and the case has been completed or dismissed, or the stay has been lifted
- Deposited any payment received from a borrower into the FUND after a loan has been discharged in bankruptcy

ASSIGNMENT [\(34 CFR 674.50\)](#)

INSTITUTION MAY SUBMIT A DEFAULTED LOAN FOR
ASSIGNMENT IF:

- The institution is unable to collect despite complying with due diligence requirements
 - The total amount of the borrower account (principal, interest, late charges, and collection costs) is \$25 or more on a combination of Defense, Direct and Perkins loans
- AND
- The loan has been accelerated

*Appendix J. Sample Expedited Final Program Review
Determination – Version B*

XXXXXX
XXXXX
XXXX College
P.O. Box xxxx
City, State zip+four

**EXPEDITED PROGRAM REVIEW DETERMINATION LETTER
CERTIFIED MAIL #
RETURN RECEIPT REQUESTED
OPEID#: xxxxxxxx
PRCN#: xxxxxxxx**

Dear Dr. xxxxxxx:

On (date) through (date), Mr. xxxx and Dr. xxxxx conducted a review of xxxxx College's delivery of the U.S. Department of Education's, Title IV, Student Financial Assistance (SFA) Programs administered by your institution. The focus of the review was to determine the institution's compliance with Title IV statutes and regulations. The review consisted of, but was not limited to, an examination of the institution's Title IV policies and procedures, student financial aid and academic files, fiscal records, student ledgers and financial aid reports.

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 practices and procedures. Furthermore, it does not relieve the institution of its obligations to comply with all statutory and regulatory provisions governing the Title IV programs.

During the onsite review, no significant findings were cited, however one programmatic deficiency was identified and subsequently discussed with school administrators during the Exit Interview. Xxxxx College officials agreed with the determination of this finding and took appropriate corrective action.

This report references the program review finding to the applicable regulations and specifies the action required to comply with statutes and regulations. The institution must instruct its independent auditor to review and comment in the institution's next non-federal audit on the deficiency and the corrective action noted in the attached report.

The institution should consider the present correspondence to be the final program review determination letter which serves to close the program review of (date).

I would like to express my appreciation for the courtesy and cooperation extended to my staff during the review. If you have any questions concerning this report, please contact XXXXXXXX.

Sincerely,

XXXXXXXX, Area Case Director
Atlanta Case Management Team
Case Management and Oversight
Student Financial Assistance Programs

Cc: XXXXXXX, Director of Financial Assistance
XXXXXXXXXX, Case Management Specialist
XXXXXXX, Case Management Specialist

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INTRODUCTION

Background

xxxxx College, an independent college located in xxxxx, offers the first two years of college-level education and continuing education courses. The institution offers liberal arts programs which enable students to transfer to four-year colleges and universities and provides pre-professional programs to prepare students for career entry into selected areas, such as, business, education, health and fitness, fine arts, communications and computer science; or, for transfer to baccalaureate and professional programs in colleges and universities.

xxxxx College offers the Associate of Arts, Associate of Science, and Associate of Music degrees. It provides a one-year and two-year curricula with an emphasis on basic courses in the liberal arts. The educational program is semester-based, and is designed to serve a variety of student purposes, including transfer to senior-level baccalaureate and baccalaureate-professional programs and direct entry into selected range of careers.

For the 1999 to 2000 academic year, xxxx College had approximately xxxx students participating in some type of Title IV program.

Scope of the Review

The Atlanta Case Team conducted a program review on February 5, 2001, through February 9, 2001, to examine the administration of Title IV, Student Financial Assistance programs. The focus of the review was to determine xxxx College's compliance with the statutes and Federal regulations as they pertain to the institution's administration and delivery of Title IV programs.

The review consisted of, but was not limited to, an examination of the school's policies and procedures regarding institutional and student eligibility. To accomplish this purpose, a statistically valid sample of student files from the 1999-2000 and 2000-2001 award years was reviewed. From this sample, a smaller random sample of 30 files was selected for immediate examination. The student files were reviewed in detail, including academic, admissions, financial aid, and fiscal records. The attached Appendix 1 lists the names and social security numbers of students whose files were examined during the program review.

During the onsite review, one area of non-compliance was noted: Lack of an Accurately Developed Student Award Notification Letter. This finding is referenced to the applicable regulations and specifies the action to be taken by the institution in order for it to comply with the regulations and statutes governing administration of Title IV programs.

Although the review was thorough, it cannot be assumed to be completely 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 practices and procedures. It also does not relieve xxxxx College of its obligations to comply with all of the statutory and regulatory provisions governing the Title IV, SFA programs.

PROGRAM REVIEW FINDINGS
xxxxx College
February 5, 2001 – February 9, 2001

Finding 1: Award Notification Procedures Not Developed

The institution does not have an adequate system to notify students of the amount and type of Title IV funds they can expect to receive, how and when that amount will be disbursed, and their rights regarding their ability to cancel their respective loan. Therefore, the institution does not provide adequate financial aid counseling to its eligible students who apply for Title IV assistance. Failure to provide adequate financial aid counseling to eligible students constitutes an inability by the institution to properly administer the Title IV, HEA programs.

Awarding aid is part of the process of finding the best combination of funds to meet a student's financial need, given limited resources and institutional constraints. Students who do not receive adequate financial aid counseling are harmed because they have not received information to determine which combination of aid best meets their need.

Requirement:

Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive, and how and when those funds will be disbursed. 34 C.F.R. §668.165(a)(1).

In addition, if an institution credits a student's account at the institution with Direct Loan, FFEL or Federal Perkins Program funds, the institution must notify the student, or parent, of the date and amount of the disbursement; the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement; and the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. 34 C.F.R. §668.165(a)(2). This notification must be made either in writing or electronically no earlier than 30 days before and no later than 30 days after crediting the student's account. 34 C.F.R. §668.165(a)(3).

The institution was required to develop a policy with procedures to ensure that each student is counseled and notified of the amount of Title IV aid she or he can expect to receive and how and when that amount will be paid.

In response to this finding, the institution submitted a copy of the revised Award Notification Letter and a description of the procedures the school has implemented to ensure that students are notified properly of Title IV HEA program awards and disbursements. Therefore, this finding may now be considered closed.

APPENDIX 1
xxxxx College
Student Sample

1999-2000

1. Terra xxxxxxx
2. Ken
3. Robert
4. Angela
5. Christina
6. Sophia
7. Emily
8. Stacey
9. Julie
10. Mary
11. Robbie
12. Maxine
13. Jessica
14. April
15. Ginger
16. Angela
17. Emily
18. Mary
19. Maxine
20. Shaun
21. Maronda
22. Jennifer
23. Veronica
24. Suzanne
25. Angela

Social Security

XXXXXXXXXXXX

Appendix K. PIP Guidance Available on Web Site

- Deficiency codes are used by reviewers to categorize and identify specific violations in PEPS. They can be found under “Other Guidance and Materials” at <http://awaipos01/pipd/Perform/non-pipd-guid.htm>
- PIP procedures memoranda and IRB memoranda that remain in effect (see PIP memorandum 99-01) can be found at <http://awaipos01/pipd/Procedures/download.htm>

Appendix L. Consumer Information Resource

INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION FOR STUDENTS

Who Receives the Information	What They Receive	How It Must Be Provided	When It Must Be Provided
Currently enrolled students and current employees	The institution's annual campus security report in its entirety (pursuant to 668.46)	Through publications, mailings or electronic media sent directly to individuals. If a school chooses to post its annual security report to a Web site it must send each individual a notice through U.S. mail, campus mail, or directly to an E-mail address that <ol style="list-style-type: none"> 1. Identifies the information required to be disclosed; 2. Provides the exact electronic Web site address; 3. States that, upon request, the individual is entitled to a paper copy; & 4. Informs the individual how to request a paper copy. 	The institution must prepare and make available its security report annually by October 1.
Currently enrolled students	<p>Notice about the availability of the following:</p> <ol style="list-style-type: none"> 1. Information on financial assistance available to students enrolled in the institution (pursuant to 668.42); 2. Information on the institution (pursuant to 668.43); 3. The institution's completion or graduation rate, and, if applicable, its transfer-out rate (pursuant to 668.45); 4. Information about student' rights under FERPA (pursuant to 99.7); and 5. Information about athletic program participation rates and financial support (EADA) (pursuant to 668.47). <p>The notices must be sufficiently detailed to allow students to understand the nature of the disclosures and make an informed decision whether to request the full reports.</p>	<p>A school must provide direct individual notice to each person. A school may provide the required notice through direct mailing to each individual through the U.S. Postal Service, campus mail, or electronically directly to an E-mail address.</p> <p>The individual notice provided to student must</p> <ol style="list-style-type: none"> 1. Identify the information required to be disclosed; 2. Provide the exact electronic Web site address where the information can be found; 3. State that upon request the student is entitled to a paper copy; and 4. Inform the student how to request a paper copy. 	<p>Annually, a school must provide notice to each enrolled student. Immediately, upon request, the institution must provide the full reports.</p> <p>The institution must prepare its completion or graduation rate, and, if applicable, its transfer-out rate report by July 1, immediately following the point in time at which the 150% point for the cohort has elapsed.</p> <p>Institutions should prepare and make available information about athletic program participation rates and financial support (EADA) by October 15.</p> <p>Information on the institution and its financial assistance programs must be current.</p>
The general public	An institution that <ol style="list-style-type: none"> 1. Participates in any Title IV, HEA program and 2. Has an intercollegiate athletic program must provide a report on athletic program participation rates and financial support (EADA) (pursuant to 668.47) 	Through appropriate publications, mailings or electronic media.	Annually for the preceding year the institution must prepare the report and make it available by October 15.

Appendix L. Consumer Information Resource

INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION FOR STUDENTS

Who Receives the Information	What They Receive	How It Must Be Provided	When It Must Be Provided
Prospective students	<ol style="list-style-type: none"> 1. Information on financial assistance available to students enrolled in the institution (pursuant to 668.42). 2. Information on the institution (pursuant to 668.43). 3. Information about students' rights under FERPA. 4. Notice about the availability of the institution's annual campus security report (pursuant to 668.46). The notice must include: <ul style="list-style-type: none"> ➤ A list of the information in the report; ➤ Brief descriptions of the required disclosures that are sufficient to allow students to understand the nature of the disclosures and make an informed decision whether to request the full report (Please see the NPRM of 8/10/99 page 43583 for an example) and ➤ An opportunity to request a copy. 5. The institution's completion or graduation rate, and, if applicable, its transfer-out rate (pursuant to 668.45). 6. Information about athletic program participation rates and financial support (pursuant to 668.47). 	<p>Directly to prospective students through appropriate publications, mailings, or electronic media an institution must provide individual notice of the availability of Items 1 through 6.</p> <p>Upon request, institutions must provide their complete report on completion, graduation and, if applicable, transfer-out rates.</p> <p>Upon request, an institution must provide a copy of its annual security report to a prospective student.</p> <p>If provided electronically, notices and reports must be sent directly to an E-mail address.</p>	<p>Prior to a prospective student's enrolling or entering into any financial obligation with an institution, the institution must provide its report on completion, graduation and transfer rates.</p> <p>Notice about the availability of the other reports should be included in the materials an institution provides to prospective students.</p> <p>Immediately, upon request, the institution must provide its security report on a direct, individual basis.</p>
Prospective student-athletes and their <ol style="list-style-type: none"> 1. Parents, 2. High school coaches, & 3. Guidance counselors 	An institution that is attended by students receiving athletically -related student aid must produce a report on the completion and graduation rates of student athletes pursuant to 668.48.	<p>The information must be provided directly to the respective parties. It may be provided in writing (on paper) or through electronic mail but not simply by posting it to a Web site.</p> <p>If an institution's completion and graduation rates of student athletes are provided by the NCAA to high school coaches and counselors, the institution is deemed to be in compliance with that portion of this requirement.</p>	<p>The institution must provide the report at the time it makes an offer of athletically related student aid to a prospective student.</p> <p>Annually by July 1, institutions that are attended by students receiving athletically related student aid must produce the report and make it available.</p>

Appendix M. Program Eligibility

To qualify as an eligible institution, a school must offer at least one eligible program. Not all programs at an eligible institution must be eligible, but at least one of the program at the school must meet the eligible program requirements.

Types of eligible programs at an institution of higher education	Types of eligible programs at a proprietary or postsecondary vocational institution	Exceptions to eligible program definition
<p>A school qualifies as an institution of higher education if (in addition to meeting all other eligibility requirements, including being a public or private nonprofit school) it offers a program that leads to an associate, bachelor's, professional, or graduate degree. For such programs, there are no minimum program length requirements.</p> <p>A public or private nonprofit school may also qualify as an institution of higher education if it offers a program of at least two academic years in duration that is acceptable for full credit toward a bachelor's degree, or if it offers a program of at least one academic year in duration that leads to a certificate, degree, or other recognized credential and prepares students for gainful employment in a recognized occupation.</p>	<p>Three types of eligible programs will qualify an otherwise eligible school as a proprietary institution or a postsecondary vocational institution.</p> <ol style="list-style-type: none"> 1. The first type must provide at least 600 clock hours, 16 semester or trimester hours, or 24 quarter hours of undergraduate instruction offered during a minimum of 15 weeks of instruction. The program may admit as regular students persons who have not completed the equivalent of an associate degree. 2. The second type must provide at least 300 clock hours, 8 semester hours, or 12 quarter hours of instruction offered during a minimum of 10 weeks of instruction. The program must be a graduate or professional program or must admit as regular students only persons who have completed the equivalent of an associate degree. 3. The third type of program is known as the <i>short-term program</i>. A short-term program qualifies for the FFEL and Direct Loan programs only. This type of program must provide at least 300 but less than 600 clock hours of instruction offered during a minimum of 10 weeks of instruction. The program must admit as regular students some persons who have not completed the equivalent of an associate degree. Short-term programs must also satisfy qualitative factors for completion rates, placement rates, program length, and period of existence of the program. Specifically, these programs must: 	<p>There are two cases (certain types of preparatory coursework and teacher-certification programs) where students may receive FFEL or Direct Loan funds for enrollment in a program that does not meet the eligible program definition.</p> <p>Weeks of Instruction and the 12-hour rule</p> <p>Week of instructional time/week of instruction is used in determining:</p> <ol style="list-style-type: none"> 1. Program eligibility (measuring program length); 2. Academic year length; 3. Award limits in the Pell program (formulas three and four); and 4. The frequency of awards in the Direct Loan and FFEL programs. <p>Instructional time does not include any vacation periods, homework, or periods of orientation or counseling.</p> <p>For standard term programs (credit hour programs using a semester, trimester, or quarter system) and for clock hour programs a week of instructional time must contain within a consecutive seven-day period:</p>

Appendix M. Program Eligibility

Types of eligible programs at an institution of higher education	Types of eligible programs at a proprietary or postsecondary vocational institution	Exceptions to eligible program definition
	<ul style="list-style-type: none"> ➤ Have verified completion and placement rates of at least 70% ➤ Not be more than 50% longer than the minimum training period required by the state or federal agency, if any, for the occupation for which the program is intended, and ➤ Have been in existence for at least one year. <p>For purposes of demonstrating compliance with these qualitative factors, a school must calculate the completion and placement rates for the award year. The CPA who prepares the school's compliance audit report must attest to the accuracy of the school's calculation of completion and placement rates.</p>	<ul style="list-style-type: none"> ➤ At least one day of regularly scheduled instruction or examinations; or ➤ After the last scheduled day of classes for a term, at least one day of study for final examinations. <p>For nonterm and nonstandard term credit hour programs using credit hours but not offered in a semester, trimester, or quarter system, a week of instructional time must contain at least 12 hours:</p> <ul style="list-style-type: none"> ➤ Of regularly scheduled instruction or examinations; or ➤ After the last scheduled day of classes for a payment period, at least 12 hours of study for final examinations. <p>Treatment of holidays Because the 12-hour rule does not require a school to offer instruction, examinations, or preparation for examinations on specific days, an institution may not include a holiday in these calculations unless regularly scheduled instruction, examinations, or preparation for examinations occurs on that day.</p> <p>Clock/Credit hour conversions A school must use a clock hour/credit hour conversion formula to determine whether the undergraduate program qualifies as an eligible credit hour program for SFA purposes (unless the program is at least two academic years in length and provides an associate degree, a bachelor's degree, or an equivalent as determined by the Secretary, OR each course within the program is acceptable for full credit toward that school's associate degree, bachelor's degree, or an equivalent as determined by the Secretary, provided that the school's degree requires a minimum of two academic years of study)</p>

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**

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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.

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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

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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

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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
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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.

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1 N. Main St.
Denver, CO 80204**

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

APPENDIX

1998-99

NAME

SSN

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1999-00

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**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

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Limited Scope Review

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The School of Practical Nursing

Appendix O. Sample Final Program Review Determination

Mr. William Smith, President
The School of Practical Nursing
1 North Avenue
New York, N.Y. 10007

CERTIFIED MAIL
Return Receipt Requested
REF: OPEID#
PRCN 199840200000

Dear Mr. Smith:

This office has reviewed Ms. Norton's letter dated February 10, 2000, in response to the remaining issues from the November 14, 1998 Title IV program review report. That report covered The School of Practical Nursing's (TSPN) administration of the Federal Title IV, HEA programs during the 1997/98 and 1998/99 award years.

We have made final determinations for all program review findings. The purpose of this letter is to (1) identify the liabilities due from TSPN; (2) provide instructions for the payment of liabilities to the Department of Education (ED) and holders of the FFEL; and (3) notify you of your right to appeal. This final program review determination letter contains an appendix, which includes a list of all Title IV aid recipients sampled for the 1997/98 and 1998/99 award years.

TSPN should be aware that repeat findings in future program reviews or failure to resolve satisfactorily the findings of this program review may lead to administrative proceedings to fine, limit, suspend or terminate the institution pursuant to 34 CFR, Part 668, Subpart G of the Student Financial Assistance General Provisions regulations.

Additionally, this office will recommend that an Institutional Improvement Specialist contact TSPN to discuss the institution's technical assistance needs.

The institution has taken the required corrective actions to resolve findings # 3, and 5. Therefore, those findings are closed. The consequences of the program violation identified in findings #1, 2, and 4, are as follows.

FINDINGS AND FINAL DETERMINATIONS

Finding

1. Incomplete Verification

TSPN failed to complete verification for several students in the review sample who were selected for verification.

TSPN failed to collect copies of both sides of student #22's tax returns. Furthermore, the student reported that she received \$800 in child support on her verification worksheet. However, the child support had not been included on her Student Aid Report (SAR). There was no documentation in the student's file that calculations had been performed to determine whether this revised information affected her eligibility.

For student #16, the only verification documentation in her file were copies of her 1996 W-2 earnings statements. However, the student reported on her SAR that she and her spouse filed a tax return in 1996. The W-2 can only be accepted in place of a Federal tax return if the institution can document that the student could not provide a copy of the tax return, even after attempts to collect the document from the IRS. Also, there was no verification worksheet in her file, so the student's household size was not verified.

Side two of student #27's tax return was missing, and her tax return showed that she and/or her husband received \$1475 in untaxed pension funds in 1997. These funds should have been reported as untaxed income on her SAR, but were not. The only exception to including these funds as untaxed income would be if the funds were "rolled-over" into another qualified pension plan, such as an IRA. There was no documentation that this was the case, nor was there any evidence that calculations had been performed to determine whether the student's eligibility was affected by the revised information.

Similar findings were noted for students #12, 15, and 25.

An institution is responsible for verifying the information that is used to calculate an applicant's Pell Grant Index (PGI)/Expected Family Contribution (EFC) as part of the determination of need for student financial assistance, for certain students who are selected for verification by the Department. See 34 CFR § 668.54. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. 34 CFR § 668.56 and § 668.57. Once the required documentation is received, the institution must determine whether any of the data elements reported on the ISIR are incorrect and, if so, calculations must be performed to determine if the students' eligibility is affected. 34 CFR § 668.59.

Failure to complete verification could result in students receiving funds they are not entitled to, and create a financial burden for ED.

Final Determination

In response to this finding, TSPN was required to ensure that all persons responsible for the awarding of Title IV funds are familiar with the regulatory requirements, especially those relating to verification guidelines.

Furthermore, due to the pervasive nature of this finding, TSPN was also required to review the files of all students who received Title IV funds, and were selected for verification during the 1997/98 and 1998/99 award years. The institution was then afforded the opportunity to collect any required documentation that was missing and perform any required need analysis calculations if the documentation revised any of the data originally reported.

As a result of the file review, TSPN identified several additional students who had not completed verification. The institution was able to collect the required documentation and confirm the eligibility for most of the students.

However, documentation submitted for student #31 showed that the student's Pell Grant eligibility was reduced by \$100. Additionally, TSPN was unable to collect all required documentation for students #16 and 22, resulting in the following liabilities:

-student #16	\$ 845 Pell Grant	\$1,312 FFEL
-student #22	1,170 Pell Grant	2,625 FFEL

Detailed instructions for the payment of this liability are contained in the Payment Instructions section of this letter.

Finding

2. Unresolved Conflicting Information

The reviewers found that TSPN had failed to resolve conflicting information found in two student's files.

Student #17's file contained a copy of her 1996 federal tax return. That tax return showed that she received a \$716 earned income credit in 1996 that was not reflected on her SAR. Although the student was not selected for verification, TSPN was required to review the information that was in her file to determine if it showed any inconsistent information. The institution should have performed a revised need analysis to determine the effect the earned income credit would have on the student's eligibility, but it did not. TSPN performed a revised need analysis during the review, which showed the student's Pell Grant eligibility was reduced from \$2190 to \$1990.

A similar issue was noted in student #19's file.

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An institution must resolve any discrepant information prior to disbursing any Title IV funds to students. See 34 CFR § 668.16(f).

Failure to resolve conflicting information may result in students receiving funds they are not entitled to, and create a financial burden for the Department.

Final Determination

As a result of this finding, TSPN was instructed to implement procedures to ensure that all information collected for students is evaluated to determine its impact on a student's eligibility.

The institution was able to resolve the discrepancy for student #19. However, TSPN was unable to resolve the discrepancy for student #17 and is therefore liable for the \$200 Pell Grant overaward for student #17.

Detailed instructions for the payment of this liability are contained in the Payment Instructions section of this letter.

Finding

4. Incorrect Refund Calculations

TSPN did not perform a proper refund calculation for student #1, who withdrew from school on 3/14/98.

The school had determined that no refund was due after the student's tuition was adjusted to account for the withdrawal. However, TSPN failed to consider cash payments the student was expected to make when calculating whether a refund was due to the Title IV programs. Regulations published on 4/29/94, effective 7/1/94, state that "...an institution may not include any unpaid amount of a scheduled cash payment in determining the amount that an institution may retain for institutional charges" See 34 CFR § 668.22(g)(2)(ii)). Once it has been determined how much the student still owes the school after tuition charges have been adjusted, the student is expected to pay the amount of cash that he/she was scheduled to at the beginning of the enrollment period. The fact that the student withdrew should not reduce his/her obligation to make the expected payments. Only after the student has paid the expected share should Title IV funds be applied.

Additionally, TSPN was not considering the Federal refund criteria when performing refund calculations. The regulations at 668.22(b) specify that the institution must consider the federal refund criteria (defined at 668.22(d)) when the pro rata refund requirements do not apply, and there are no specific refund standards established by its accrediting agency or under state law. The school would then be required to pay the refund based on the criteria that is most beneficial to the student. The Director acknowledged that the federal refund criteria were not considered at TSPN.

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Failure to make proper refunds may result in the institution retaining funds it is not entitled to and cause increased expense for ED. Additionally, an institution's failure to make adequate refunds of FFEL funds to students' lenders may increase the possibility of default, which also causes increased expenses to ED.

Final Determination

As a result of this finding, TSPN was required to revise its refund procedures, to ensure that all regulatory provisions are addressed.

As a result of applying the regulatory provisions, it was determined that TSPN was required to pay an \$781 refund to the FFEL program for student #1.

Detailed instructions for the payment of this liability are contained in the Payment Instructions section of this letter.

SUMMARY OF LIABILITIES

The total liabilities resulting from this final program review determination are as follows:

<u>Finding #</u>	<u>Pell Grant</u>	<u>FFEL</u>	<u>Total</u>
1	\$ 2,115	3,937	\$ 6,052
2	200	0	200
4	0	781	781
Total	\$ 2,315	4,718	7,033

PAYMENT INSTRUCTIONS

TSPN must pay the \$4,718 FFEL liabilities to the current holders of the loan debts for the applicable students identified in this FPRD. TSPN must provide proof (copy of the canceled checks, front and back) that payment was made to the holder(s) of the loans within 45 days of receipt of this letter, to the following address:

Program Reviewer
U.S. Department of Education
75 Park Place, Room 1206
New York, NY 10007

The total liability to be remitted to the Department of Education based on this final program review determination is \$ 2,315.

Payment of the \$ 2,315 liability must be made within 45 days by forwarding a check, made payable to the U.S. Department of Education, to the following address:

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U.S. Department of Education
P.O. Box 952226
St. Louis, MO 63195-2226

To properly identify your institution's payment, and to ensure that the institution receives credit for the payment, please include the following information on the check and any accompanying documents:

DUNS Number: XXXXXXXX
TIN: XXXXXXXX
PRCN: 199840200000

If ED does not receive payment within the 45-day period, interest will accrue in monthly increments, starting with the date of this letter, until the date of receipt of your payment. If you have any questions regarding interest accruals or payment credits you may telephone (202) 401-1450 and ask to speak to your institution's account representative.

Payment Plan: If full payment to ED cannot be made within 45 days of the date of this letter, contact the Financial Improvement Receivables Group at (202) 401-1450 to apply for a payment plan. Interest charges and other conditions apply.

Written requests may be sent to the address below:

Nancy Hoglund, Supervisor
Financial Improvement Receivables Group
U.S. Department of Education
Room 4C107
400 Maryland Ave., S.W.
Washington, DC 20202-4330

If within 45 days of the date of this letter, your institution has neither made payment in accordance with the instructions provided, nor entered into an arrangement to repay the liability under terms satisfactory to the U.S. Department of Education, ED intends to collect the amount due and payable by administrative offset against payments due your organization from the Federal Government. Your institution may object to the collection by offset only by challenging the existence or amount of the debt. Your institution makes this challenge by timely appealing this determination under the procedures described in the "Appeal Procedures" section of this 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, ED will defer offset until completion of the appeal, unless it determines that offset is necessary as provided in 34 CFR § 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.

APPEAL PROCEDURES

This constitutes ED's final program review determination with respect to the liabilities identified from the November 14, 1998, program review report. If the institution wishes to appeal to the Secretary for a review of monetary liabilities established by this final program review determination, the institution must file a written request for an administrative hearing. ED must receive the request no later than **45 days** from the date the institution receives this final program review determination. **An original and four copies of the information you submit must be attached to your request.** Your request for an appeal must be sent to:

Ms. Mary Gust, Director
Administrative Actions and Appeals Division
U. S. Department of Education
830 First St. NE Rm. 083E1
Washington, D. C. 20202

If you hand-deliver your submission, or use an overnight delivery service other than the U.S. Postal Service, please address your submission as follows:

Ms. Mary Gust, Director
Administrative Actions and Appeals Division
U.S. Department of Education
830 First St. NE Rm. 083E1
Washington, DC 20002

Your institution's appeal request must: (1) indicate the findings, issues and facts you dispute; (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; and (4) include a copy of this final program review determination. The program review control numbers (PRCN) must also accompany your request for review.

If your institution's appeal request is complete and made on a timely basis, the Department will schedule an administrative hearing in accordance with Section 487 (b) (2) of the Higher Education Act of 1965, as amended (HEA), 20 U.S.C. §1094 (b) (2). The procedures followed with respect to your institution's appeal will be those provided in 34 CFR Part 668, Subpart H.

Program records relating to the period covered by this program review must be retained until the later of: resolution of the loan, claim or expenditure questioned in the program review, 34 CFR § 668.24 (e)(3)(I); or the end of the retention period applicable to the record under 34 CFR § 668.24 (e) (1) and (e) (2).

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Your continued cooperation throughout the program review process is appreciated. If you have any questions, please contact Program Reviewer at (212) 264-4022. Questions relating to any appeal of this final program review determination should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

Area Case Director
Case Management Division - Northeast
New York Team

cc: Financial Aid Administrator

APPENDIX

Student Name

Social Security #

1997/1998

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1998/1999

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Additional Student Identified in File Review for Finding #1

- 31.

Appendix P. Direct Loan Reconciliation

Comparing Cash Summary:

Once the school receives the DLSAS, the first step in monthly reconciliation is to compare the ending cash balance, cash receipts, excess cash, and disbursement totals from the DLSAS cash summary to each corresponding total in the school's Direct Loan System and business office. The following chart summarizes this process:

How to Compare the Direct Loan School Account Statement (DLSAS) and School Records--Chart 1

<i>DLSAS</i>	<i>Compare to School's</i>	<i>Look For</i>
<p>Cash Summary</p> <p>Contains totals of:</p> <p style="padding-left: 20px;">Beginning Cash Balance</p> <p style="padding-left: 20px;">Cash Receipts (Drawdowns)</p> <p style="padding-left: 20px;">Excess Cash Returned</p> <p style="padding-left: 20px;">Net Booked Disbursements</p> <p style="padding-left: 20px;">Net Booked Adjustments</p> <p style="padding-left: 20px;">Ending Cash Balance</p> <p style="padding-left: 20px;">Net Unbooked Loan Detail</p>	<p>School Business Office records/systems showing cash balances</p> <p>AND/OR</p> <p>Direct Loan System Cash Summary Reports (named "List-Cash" in EDEXpress)</p>	<p>Discrepancies in totals of:</p> <p style="padding-left: 20px;">Drawdowns</p> <p style="padding-left: 20px;">Excess cash</p> <p style="padding-left: 20px;">Disbursements</p> <p style="padding-left: 20px;">Adjustments</p> <p style="padding-left: 20px;">Ending cash balance</p>

If the school's internal systems match all the totals on the DLSAS cash summary, the reconciliation has been successfully completed.

If the cash balances do not match, the school has not reconciled and must continue with the reconciliation process.

There may be discrepancies in one or more areas between the DLSAS and the school's records. The initial analysis of the cash summary information should narrow the field for detailed analysis to those areas in which the school has identified discrepancies.

Each of the three systems-the school's business office system, the school's Direct Loan System, and the LOC-may account for cash receipts, excess cash, and disbursement transactions in different ways. Schools must take this into account when conducting their reconciliations.

Comparing Cash Detail:

If the school cannot reconcile the balances on the cash summary report with its internal records, the next step is for the school to compare the DLSAS cash detail records to the information in its Direct Loan and business office systems. The following chart summarizes this process:

How to Compare the Direct Loan School Account Statement (DLSAS) and School Records -- Chart 2

<i>DLSAS</i>	<i>Compare to School's</i>	<i>Look For</i>
<p>Cash Detail</p> <p>Includes detailed list of:</p> <p>Drawdown transactions reported by GAPS</p> <p>Returns of excess cash received by LOC</p>	<p>Business Office records:</p> <p>Bank Statements</p> <p>Canceled checks</p> <p>Ledgers</p> <p>AND/OR</p> <p>Direct Loan System Cash Detail Reports (if available)</p>	<p>Differences in dollar amounts</p> <p>Individual cash receipts or returns of excess cash not recorded for that month because of timing issues</p> <p>Cash receipts or excess cash not recorded in one or more systems</p> <p>Cash receipts or excess cash recorded in the wrong year in any system</p> <p>Returns of excess cash recorded as a payment in one or more systems</p>

If, after reviewing the DLSAS cash detail records, the school is able to resolve the accounting discrepancies, the reconciliation has been successfully completed.

If, after reviewing the cash detail records, the discrepancies are not resolved, the school will need to pursue other resources (for example, the DLSAS loan detail) to continue the reconciliation process.

Comparing Loan Detail:

One of the resources available to schools during the reconciliation process is the optional DLSAS loan detail report. Schools choosing not to receive the loan detail records with their monthly DLSAS can still request reports on an as-needed basis by contacting their LOC customer service representative.

Schools may choose to receive all loan detail records or only the unbooked records.

The school should compare the DLSAS loan detail records to the information in its Direct Loan and business office systems. The following chart summarizes this process:

How to Compare the Direct Loan School Account Statement (DLSAS) and School Records -- Chart 3

<i>DLSAS</i>	<i>Compare to School's</i>	<i>Look For</i>
<p>Loan Detail (Optional)</p> <p>Includes detailed list of:</p> <p>Booked disbursement transactions Disbursements Adjustments</p>	<p>List of disbursement transactions with all three status flags- origination, promissory note, and disbursements (named "Measurement-Booked Status" in EDExpress</p>	<p>Transactions with any of the three status flags not in "A" status</p>
<p>Unbooked disbursement transactions Disbursements Adjustments</p>	<p>30-Day Warning Report * Messages class (DIWR??OP). Question marks represent last two digits of the award year</p>	<p>Loans which are missing a necessary component to book the loan (missing a loan origination record, promissory note, or first disbursement)</p>

How to Compare the Direct Loan School Account Statement (DLSAS) and School Records -- Chart 3 (CONTINUED)

<i>DLSAS</i>	<i>Compare to School's</i>	<i>Look For</i>
	Actual Disbursement Status Report (named "List-Actual Disbursements" in EDEExpress)	Any disbursements not in "A" status: "R" - Batch and transmit "B" - Ensure it was transmitted and/or pull in acknowledgement "E" - Resolve the problem and batch and transmit
	Pending Disbursement Report (named "List-Anticipated Disbursements" in EDEExpress)	Unrecorded Disbursements
	Business Office Disbursement Records (credits to student accounts)	Any discrepancies between internal disbursement records, DLSAS, and Direct Loan System
	Origination Status Report (named "List-Loans" in EDEExpress)	Loan origination records not in "A" status
	Promissory Note Status Report (named "List-Promissory Note" in EDEExpress)	Notes not in "A" status: P = Printed, not signed S = Signed, with no corresponding manifest batch ID and/or not acknowledgement X = Pending, no accepted origination record

Note: Mainframe schools and third-party software vendors may develop reports similar to those available through EDEExpress.

If, after reviewing the DLSAS cash detail and loan detail records, the school is able to resolve the remaining accounting discrepancies between the DLSAS and its Direct Loan and business office systems, the reconciliation has been successfully completed.

There are many possible reasons for apparent discrepancies between the school's internal systems and the DLSAS cash and loan detail records. Some examples include:

- Timing of drawdowns,
- Timing of booked loans
- Drawdowns allocated to the wrong academic year,
- Drawdowns split between academic years,
- Excess cash in the wrong year or disbursed to a student in a different academic year,
- Unsent/unacknowledged disbursement batches,
- Disbursements recorded in the school's business office system but no in its Direct Loan System,
- Excess cash returned that should have been a payment,
- A payment sent that should have been excess cash,
- School data loss, and
- Unbooked records.

In the reconciliation process, cash detail information should generally be compared directly to the school's internal business office records, such as bank statements and canceled checks. Cash reports may be run from the school's Direct Loan System and business office records.

Remember that schools may be receiving DLSAS reports for up to three academic years each month. The concurrent reconciliation efforts may result in overlapping cash detail data, such as when a drawdown has been split between award years. Schools should ensure that there is good communication among the staff members responsible for reconciling the different academic years. These multiple-year reconciliation efforts will sometimes reveal global issues at the school that need to be resolved.