

1994 PROGRAM REVIEW GUIDE

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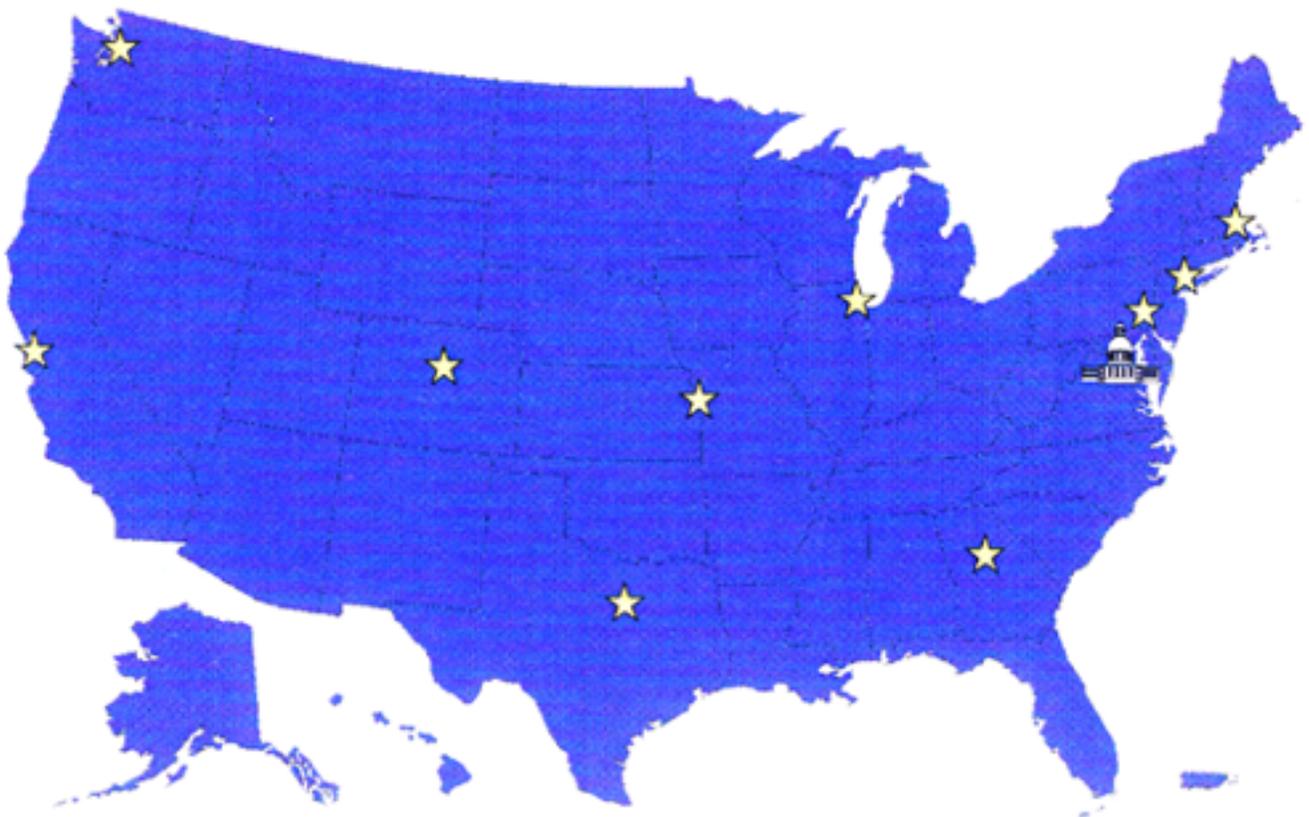
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Program Review Guide



U.S. Department of Education

INSTITUTIONAL REVIEW BRANCH

July 1994

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Introduction -- Program Review Guide

The program reviewer has an important and challenging job -- to protect the interests of taxpayers and students. The Program Review Guide is designed to assist the reviewer with that job.

Prepared by a team of central and regional office staff, this major revision of the Guide includes significant changes to the program review process. Valuable input was provided by numerous staff within IPOS, and important contributions were provided by many staff members from the regions and central office.

The Guide serves as a first point of reference in preparing for and conducting the Title IV program review. It is, in many ways, a living document, always evolving. Designed to be updated regularly, the Guide will be responsive to regulatory developments and the changing review process. Reviewers are encouraged to provide comments and suggestions to their supervisors on how to make the Guide a more effective program review resource.

The program review mission and the purpose of the Guide are summarized below:

PROGRAM REVIEW: THE MISSION

- Monitor compliance with Title IV statutes and regulations through on-site assessments of institutional administration of the Federal Student Financial Assistance (SFA) Programs.
- Refer for administrative action, including emergency action when appropriate, those institutions that are seriously mismanaging or abusing the SFA programs.
- Address financial harm to the taxpayer through liability assessments and fines.

PURPOSE OF THE GUIDE

- Assist reviewers in conducting reviews of the Title IV programs at participating institutions.
- Provide guidelines for consistency in the conduct of Title IV program reviews nationwide, with special emphasis on cross-regional review cooperation.

Reviewers can find additional review guidance in the publications listed below and in IRB procedures memoranda and generic paragraphs. Many references will be available on the reviewer's notebook computer. The most valuable resource, however, will be the knowledge of experienced reviewers.

- The 1994 Program Review Guide Team

ADDITIONAL PUBLICATIONS FOR REVIEWER REFERENCE

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

LIST OF ACRONYMS USED IN THE GUIDE

ARB	Audit Resolution Branch
ATB	Ability to Benefit
CED	Compliance & Enforcement Division
COA	Cost of Attendance
CPA	Certified Public Accountant
CPS	Central Processing System
DCL	"Dear Colleague" Letter
DMS	Default Management System
EAGIR	Electronic Access Group for Institutional Review
ED	U.S. Department of Education
EDL	Expedited Determination Letter
EDPMS	Education Payment Management System
EFC	Expected Family Contribution
ESAR	Electronic Student Aid Report
ESL	English As A Second Language
FAT	Financial Aid Transcript
FCC	Perkins Loan Federal Cash Contribution
FPRD	Final Program Review Determination letter
GA	Guaranty Agency
GED	General Equivalency Diploma
HEA	Higher Education Act, as amended
IDS	Institutional Data System
IQAP	Institutional Quality Assurance Program
IMD	Institutional Monitoring Division
IPD	Institutional Participation Division
IPOS	Institutional Participation and Oversight Service
IPS	Institutional Payment Summary
IRB	Institutional Review Branch
JTPA	Job Training and Partnership Act
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 (Audit and Investigation)
PEPS	Postsecondary Education Participants System
PGI	Pell Grant Index
SAP	Satisfactory Academic Progress
SAR	Student Aid Report
SOA	Statement of Account
SSCR	Student Status Confirmation Report
SFAP	Student Financial Assistance Programs
SPRE	State Postsecondary Review Entity
SPS	Student Payment Summary (Federal Pell Grant)

Chapter I. Types of Review

The two types of program review are (1) **survey** review and (2) **concentrated team** review.

A. Survey Review

In the **survey review**, the standard review approach, the reviewer examines the institution's Title IV policies, procedures, and records with two things in mind: **(1)** the selection factors that identified the institution as a review candidate and **(2)** the Program Review Focus Items for 1994. In addition, the reviewer must check on serious deficiencies noted in previous audits or reviews, as well as on negative reports received locally, sometimes referred to as "regional assessment" (see below). The reviewer will also examine other compliance issues that reveal themselves in the course of the review.

Generally, the survey review will be conducted by one experienced reviewer. However, a regional office supervisor may decide to assign more than one program officer to a review. Reviews will generally be **unannounced**, but the regional office supervisor may make exceptions to this practice and choose to announce some reviews.

During pre-review planning, the reviewer selects from the population of Title IV recipients under review a valid **statistical sample** list. From the statistical sample, the reviewer prepares a smaller, random sample list. The file review portion of the review begins with the random sample. (Additional information on sampling is found later in this Guide.)

If the survey review reveals no findings or insignificant findings, the reviewer is to complete the review, return to the regional office, and issue the program review report within 30 days. In some cases, reviewers may opt to use the Expedited Determination Letter in lieu of a report (Appendix J). More information on the expedited closeout process will be provided in a forthcoming procedures memorandum.

If significant, systemic violations are disclosed, the reviewer should recommend to the regional office supervisor that a concentrated team review be conducted, and discuss with the supervisor the observations that support this recommendation. The need for a concentrated review is suggested when the reviewer notes two conditions: (1) findings reflecting seriously deficient administrative and fiscal systems and (2) a substantial level of Title IV funding. A general threshold for substantial funding is the receipt of \$500,000 in Title IV funds per year. The reviewer's judgment will be relied upon in making this decision.

Additional deficiencies that would typically support the recommendation for a concentrated team review are as follows:

- N** Any finding of Title IV noncompliance with the potential for significant dollar impact that is adverse to the government or harmful to students. (Review Focus Items)
- N** Any other finding of noncompliance with specific program participation requirements (including provisional certification conditions) that, in combination with the findings above, indicate that the institution lacks administrative capability.
- N** Any finding that the institution is not in full compliance with the institutional refund and repayment requirements.

One or more such findings may justify referral to CED for administrative action.

B. Review Options and Decision-making Authority

After the survey review, if the reviewer concludes a concentrated team review is needed, the immediate supervisor should be consulted. The review supervisor, after discussion with the reviewer and consultation with the regional office supervisor, will determine whether one or all of the following actions is appropriate: (1) immediate referral of the institution to the Compliance and Enforcement Division (CED) for transfer to reimbursement, or for administrative action, including emergency action, when appropriate; (2) a request to the Director, Institutional Monitoring Division (or the Director's designee), to assign a concentrated team; and (3) in the case of suspected fraud, immediate notification of the Office of Inspector General (OIG).

If immediate referral is made to CED, the referring supervisor must ensure that specific findings and backup documentation are prepared and promptly forwarded to CED for evaluation and subsequent action. CED's action may include transferring the school to the payment reimbursement system and evaluating for appropriate administrative action. CED should also be advised of the request to the Institutional Monitoring Division (IMD) for a concentrated team review. The referring supervisor must notify the Director, IMD (or the designee) of the referral to CED because this could affect the scope, planning and scheduling of any concentrated team review activity. CED and IMD should coordinate their subsequent activities to ensure that any pending administrative action can proceed swiftly.

The following scenario is one example of how the new program review process should work: A reviewer determines on-site that a computer training school has violated a number of program requirements. In addition, the reviewer finds that the school has routinely mis-applied federal refund requirements and has calculated lower or no refund amounts. Although checks were prepared for the incorrect refund amounts, there is evidence that most checks were withheld by the business manager of the school. 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 reviewer contacts the supervisor and recommends a concentrated team review. The reviewer promptly sends a memo to the supervisor which describes the key findings and citations.

The supervisor reviews the findings and discusses what documentation has been collected to substantiate the violations, alerts the regional supervisor, and decides to make immediate referrals to CED and to OIG. Reimbursement and potential administrative action (including emergency action) should be referred to CED. Any potential fraud should be referred to OIG.

The supervisor prepares a memo to IMD and CED stating the findings and pertinent regulatory provisions, and ensures that it is then e-mailed or faxed to both Divisions. The supervisor also reminds the reviewer that it will be necessary to prepare and mail to CED copies of documentation that substantiate the findings which justify the referral for administrative action.

The supervisor's memo will request CED to transfer the school to reimbursement and evaluate the case for administrative action, identifying the lead reviewer who observed and collected documentation on the findings. The memo also requests CED to discuss the findings with the reviewer and provide a preliminary assessment of the case, including any additional information that may be helpful to CED. In addition, the memo requests IMD to assign a review team, coordinating with CED and the original reviewer the steps to be taken by the team.

The supervisor also provides a brief memo to OIG noting the nature of the case and the findings prompting the referral for possible investigation. Copies of the memo to CED or IMD should be attached to the OIG memo.

For the reviewer on-site, three options are available with regard to the assignment of a team: (1) if requested, prepare and send to the supervisor a memo summarizing the initial findings and plan to remain at the school, unless reasons of personal safety dictate not remaining, and continue review activities until the team's arrival; (2) if directed by the supervisor, or if sensing a risk to personal safety, leave the site, indicating to school officials only that review work is being suspended and may be resumed at a later date; prepare and send to the supervisor a summary memo of initial findings, safeguard copies of documents removed from the site, and prepare to either meet with the team initially or return later as part of the team; or (3) leave the site if no further work can be performed under current conditions, return to the regional office, brief the supervisor, prepare the memo of initial findings, make copies of documentation and send to CED; then resume other assignments until notified of the need to join the team.

C. Concentrated Team Review

1. COMPOSITION OF TEAM

For concentrated team reviews, IMD-HQ assigns a special review team, drawing on staff resources from all regions and requesting the support of other Institutional Participation and Oversight Service (IPOS) components or Departmental offices. The expanded team is under the guidance of a team leader (experienced senior reviewer) and includes additional reviewers, as well as other appropriate specialists, which may include: a financial analyst (perhaps a CPA), a systems analyst, a CED or OGC representative, or personnel from the state agency, guaranty agency, or accrediting body. IMD-HQ will consult with the regional office supervisor to select the team leader.

The actual composition of the team will depend upon the compliance issues identified during the survey review or which emerged during the team review itself. Before beginning the review, the team should examine available information, prepare a written work plan, and, if necessary, call in specialists in other review areas.

2. ROLE OF TEAM LEADER

The team leader is responsible for planning and directing the accomplishment of work on-site and for preparation of a review report (to be submitted to IMD and the team leader's supervisor for release to the institution) or any internal reports or recommendations to IMD, CED, or OIG that may be appropriate to address more serious risks of loss of funds or program abuse presented by the school's continued participation in the Title IV programs. If the review team itself surfaces grounds for a referral for administrative action, the team leader will promptly provide an internal recommendation to his or her immediate supervisor for such a referral to CED, and as soon as possible thereafter provides a written report and backup documentation to IMD, to be transmitted to CED. If the team review identifies a basis to suspect fraud, the team leader immediately makes a recommendation to the supervisor that such notification be made to the OIG and CED, and provides backup information.

3. TEAM ACTIVITY

If as a result of the survey review (or as a result of the team review itself), a referral is made to CED for administrative action, then, as suggested above, additional work may be required to document fully the scope and severity of findings which may lead to such action, including emergency action. The work to be performed on-site by the team must be defined case by case, and will vary, depending on the findings relied upon to justify such a referral.

CED, IMD, and the review team leader must communicate closely in selecting the key findings and identifying the relevant documentation that must be examined to sustain a referral for administrative action. If the Department can make a case for emergency action and subsequent termination, the team's **initial task** is to support that effort. The team should identify and copy all documentation necessary to make such a case, conduct interviews and secure affidavits or statements where possible, and safeguard and forward such materials promptly to CED.

After addressing the need for effective support of administrative action, the **primary task** of the concentrated team is to thoroughly evaluate the school's compliance with Title IV law, regulations, and agreement(s) with the Department, and determine the status of its administrative and fiscal systems. Special emphasis is placed on evaluating accounting processes, financial stability and key program issues identified during the survey review. As part of this effort, the concentrated team members complete the review of the entire statistical sample of student files to determine the extent of non-compliance and extrapolate a liability.

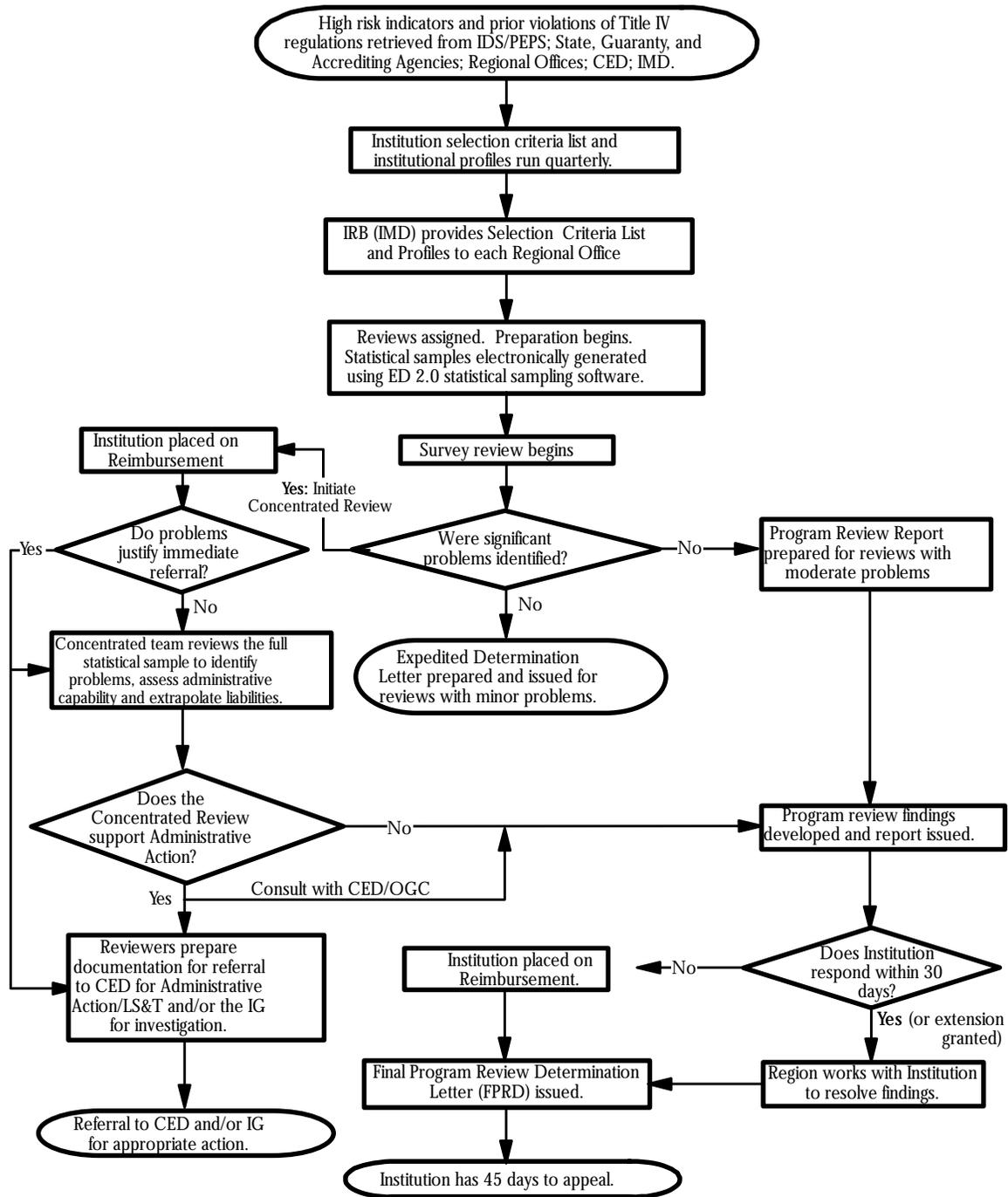
At the conclusion of the team review, if no referral for administrative action is pending, a program review report is prepared and will normally be sent to the school **within 30 days**. However, if such action is pending, the team leader's supervisor, in consultation with CED and or OGC, may elect **not** to issue such a report so as not to prejudice the case for administrative action, or may choose to issue a final program review determination letter in lieu of such report. Any such report or final letter (like the finding relied upon to justify administrative action) must be clear and logical narratives of observed violations, must include accurate citations, and must be supported by relevant workpapers.

It is essential that documentation -- copies of relevant correspondence, forms, checks, memos, attendance sheets, logbooks, registers, etc. -- be clear and readable. It is important that each finding be associated with specific student files, school files, checks, documents, etc. to substantiate each violation that supports the finding. It is insufficient to state a conclusion that a violation exists; the report must explain the facts and basis of that conclusion. If conflicting documents are at issue, the report must identify the documents and the specific information that is in conflict.

Further guidance on what constitutes adequate and persuasive documentation will be provided by the team leader or by the CED specialist, if any, on the review team or by telephone consultation with CED paralegal specialists. **Assume all reviews will end up in court, and that testimony to identify and vouch for work performed will be required. It is good practice for a reviewer to sign and date notes taken during a review, to help authenticate them as contemporaneous with the review, and to allow them to serve to refresh memory at a hearing.**

While the concentrated review team will have completed its review of the statistical sample, the review report that is directed to the school may require **school staff** to complete additional file reviews, indicating that a CPA must attest to accuracy. On **refund issues**, where a statistical sample is not appropriate for determining amounts owed to specific students, loanholders, or program accounts, either the full team (time permitting) will complete the full file review, or the institution may be required to do so, with CPA attestation of the results before submission to the Department. ED will specifically reserve the right to review original documentation.

D. Program Review Flow Chart



Chapter II. Institutional Selection/Review Preparation

A. Institutional Selection Process

1. SELECTION CRITERIA

IRB has redesigned the Program Review Selection Criteria. The new criteria more accurately identify institutions showing symptoms historically associated with deficient Title IV administration.

The objectives of the redesigned school selection process are to:

- N TARGET HIGH-RISK INSTITUTIONS** on a national basis where significant sums of Title IV funds may be in jeopardy;
- N PROMOTE CROSS-REGIONAL and MULTI-REGIONAL TEAM PROGRAM REVIEW STRATEGY**, drawing on resources from all regions to 1) staff **concentrated review teams** and 2) establish an oversight network which manages program review responsibilities from a national perspective.

Using information from the automated systems available to the Institutional Review Branch (IRB), factors were identified which resulted in a **PRIORITY REVIEW LIST** of institutions that may potentially warrant a concentrated team review.

A Survey Review List was also created and identifies a larger group of institutions which may warrant a program review, depending on the assessment of regional office staff. The selection criteria are included as Appendix M.

Initially, we have used 15 selection factors available on automated data bases; an additional 10 factors will be included as they become available on automated systems. The factors will be updated on a quarterly schedule.

In addition, IRB will add factors which will rely on information relating to institutions identified as having Perkins Loan excess cash and missing Pell Grant submission deadlines.

2. INSTITUTIONAL PROFILE/SUPPLEMENTAL REPORTS

To assist reviewers with preparation for any program review, IRB has designed the **Institutional Profile**. These profiles are prepared quarterly for the schools identified for review by the factors and are sent to regional offices with the list of schools. The Profile contains information gathered from a variety of sources in a format intended to save valuable research time in preparing for the review. The **Institutional Profile** contains the following data:

- N Institution Name/Address/OPE ID/Eligibility Date
- N Control/Type/Region/Accrediting Agency
- N Review History (2 most recent ED and GA reviews)
- N Factor Elements identifying the institution for review
- N Default Rates (last 3 years)
- N Latest ED Review (PRCN, findings, liabilities, fines)
- N Latest Audit Findings (ACN, audit period, findings, liabilities, fines)
- N Excess Cash => \$500,000
- N Total Title IV Dollars by Program/Year (last 3 years)
- N CED Actions (future data element)
- N Reimbursement/Escrow (future)

Additional data in **supplemental reports** will provide information on **(1)** funding levels above \$1 million, ranked by dollar amount and categorized by sector (public, private, proprietary), **(2)** last date of ED review, if any, **(3)** SPS data for use in selecting a statistically valid sample, and **(4)** the statistical sample based on SPS data. The supplemental reports will ensure that **high priority** is assigned to schools with more public funds at risk and longer periods without review, with **lower priority** to moderately-funded schools reviewed within the last three years.

3. REGIONAL ASSESSMENT

The regional office is often the first to receive information about institutional mismanagement of Title IV programs. Such local reports should be given special consideration in the process of school selection. This local information -- regional assessment -- may include a pattern of complaints from students or institutional staff, adverse press reports, or reports from state licensing agencies. Regional assessment could involve choosing to review a school that has not been identified on the selection criteria list. The regional office supervisor must notify IMD in advance of reviews scheduled at schools not on the selection list, but selected for review based on regional assessment.

4. 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 should 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 the reviewer with useful school information held by **OIG** or other entities.

Similarly, if **CED** has initiated or is planning administrative action against an institution, sharing the review schedule in advance may result in useful information for the reviewer. In addition, because **the Institutional Participation Division (IPD)** may have valuable information on an institution which may assist the reviewer, it is advisable to share the schedule with staff in that Division.

If the school is an **Institutional Quality Assurance Program (IQAP)** participant, a review exemption normally applies. (Central office will provide information on participating IQAP schools to assist regional office supervisors with schedule planning.) However, if serious deficiencies are suspected at an IQAP institution, supervisors may consider scheduling a review after consulting with IMD and the IQAP coordinator.

Pre-review school information may be sought from the relevant **guaranty agency, state licensing agency, accrediting agency, and state postsecondary review entity (SPRE)**. Scheduling details may be shared to promote maximum coordination, including the possible planning of joint-agency team reviews. However, if there is concern about information security and possible school alert at a particular agency, 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.

B. Review Preparation

1. INSTITUTIONAL DATA SYSTEM (IDS)

Although the Institutional Profile provides school background to assist with review preparation, reviewers may obtain additional data by checking **IDS** (the Institutional Data System). IDS is ED's automated system used to record and track information on participating postsecondary institutions. The system is useful for researching institutional data, such as basic identifying information, eligibility data, funding summaries, and program review, audit, and guaranty agency review history.

For example, a reviewer seeking information beyond the Profile, such as current or past school owner information, may check the eligibility screen on IDS; or, if a history of reviews is needed (beyond recent review information provided in the Profile), IDS can provide it.

To check patterns of student complaints against institutions, reviewers should check the IDS complaint subsystem and the regional office files.

In addition, if some months have passed since the issuance of the Institutional Profile, and a new one has not been generated, the reviewer may request a new Profile or check IDS for updated information.

Keep in mind that, because IDS may not always be current, it is most valuable as a starting point for researching institutional information. If information appears to be less than complete or fully up to date, reviewers are advised to check with the original source.

a. ACCURATE TRACKING AND TIMELY DATA ENTRY

Reviewers play a vital role in maintaining the integrity of IDS. It is important that staff enter program review information into the system at designated points in the process. Only when data is entered in a timely fashion can IDS serve its purpose as a research, tracking, and management information system.

Basic information on entering data into IDS is found in IRB procedures memorandum IRB-S-89-2 (and addendum), 1/26/89. The key points for data entry are at the conclusion of the review visit, issuance of the review report, issuance of the final program review determination, and closure of the review.

b. IDS/PEPS

IDS will soon be replaced by PEPS (Postsecondary Education Participants System), a new, interactive automated system linking ED, guaranty agencies, state agencies, and accrediting bodies. The Program Review Guide will refer to the systems jointly as IDS/PEPS.

Other automated data bases: The National Student Loan Data System (NSLDS) is in final development. NSLDS will include comprehensive information on student loan recipients and selected information on grant recipients. When NSLDS becomes available, reviewers will be able to use it as a valuable research tool, and to prepare more comprehensive statistical samples of an institution's Title IV population. In addition, program review staff in the EAGIR Group (Electronic Access Group for Institutional Review) will continue efforts to improve reviewer access to other ED data bases.

2. PRIOR AUDITS

The Institutional Profile contains information on the last non-federal audit. The reviewer may check IDS/PEPS or consult the Audit Resolution Branch (ARB) Section Chiefs 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 reviewer's audit research suggests required audits have not been submitted, check first with the Regional Inspector General for Audit (RIGA), then with ARB, and finally check on-site at the school, if needed, to verify audit submission. The school may be able to verify that

audits have been properly submitted. If not, notify ARB to see what corrective action has been taken. If no action has been taken, this will be a significant finding.

In an effort to strengthen coordination and follow-up between ARB and IRB, reviewers are encouraged to take special note during pre-review planning of an institution's audit activity and corrective action plans. 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.

Some institutions (typically large, public institutions) may fall under the Single Audit Act which only requires one audit to cover all federal programs. Therefore, if the reviewer's research does not find an audit for a specific institution, check to see if the institution falls under the Single Audit Act.

3. PRIOR REVIEWS

The Institutional Profile contains information on the last ED program review. Check IDS for additional information on **past reviews by ED and by guaranty agencies**. Again, note patterns of significant violations, especially within the focus items, and check for corrective action.

Also 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 states will be concerned primarily with academic and instructional issues. However, with the Congressional mandate in the 1992 Higher Education Amendments for expanded "gatekeeping" activity by **state postsecondary review entities (SPREs)** -- state units distinct from the licensing bodies -- state authorities will play an expanding role in reviewing Title IV issues.

Similarly, **accrediting agencies** will conduct more reviews of their member institutions as a result of the 1992 Amendments. Reviewers should 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, offices of consumer affairs, and legal aid agencies regarding records of student complaints against institutions.

4. UNANNOUNCED/ANNOUNCED REVIEWS

Unannounced: In general, all program reviews should be **unannounced**, although regional office supervisors may depart from this policy as they deem appropriate. The implications for review preparation are clear: In an unannounced review, the school will **not** be providing Title IV administrative information in advance -- the reviewer 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 Pell-only data available from within ED. (Sample preparation guidelines are provided in the following section.) In addition, reviewers may seek advice from experienced reviewers to share ideas and develop creative strategies for indirect information gathering.

Announced: If a review will be **announced**, information on institutional administration of the Title IV programs may be requested in advance (typically 3-4 weeks notice). Information requested should include a complete list of Title IV recipients, preferably in an electronic format.

5. SAMPLE SELECTION

While there has been past variation among the regions regarding the award years selected for review, in the interest of consistency and data availability (closed year reports) reviews should cover the **two most recent closed** award years. In addition, some files from the **current award year** should be examined.

While it may not be inclusive of a school's entire Title IV population, the Student Payment Summary (SPS) report is considered the best currently-available resource for the advance preparation of the statistical sample list. While SPS data is complete for **closed** award years, reviewers should note when planning **current** award year samples that most institutional Pell reports will not have been submitted until November. Pell Operations staff indicate that December 15 is the mandatory deadline for first SPS submission.

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. IRB software and ED's SPS data are used to prepare the statistical sample. (IRB-HQ is currently developing a method to provide the statistical sample along with the institutional profile.)

From the statistical sample list, the reviewer selects a **random sample**, usually 10-12 students per award year. This will be the initial focus of work for the review. Note: Upon arrival at the institution, the first information request should include a **complete, unduplicated, reconciled list (in an electronic database format, if possible) of all Title IV recipients, by award year**. If the reviewers are able to obtain from the school a complete Title IV recipients list, they should select a new statistical sample based on the more complete information. This 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.

Note: Comprehensive training on statistical sampling is being prepared for all reviewers to provide additional clarification of statistical sampling and extrapolation methods.

A final **cross-regional** note on review preparation: With a greater emphasis on cross-regional staffing of reviews, review preparation may also increasingly be conducted across regional lines. IRB-HQ and regional supervisors will examine the issue of coordinated cross-regional review planning.

6. NOTICE OF VISIT LETTER

A standard format for the Notice of Visit letter (used for unannounced reviews) is provided in Appendix B. The reviewer should adjust the text in advance, adding information relevant to the particular school. Information to be added should include the name of the chief administrative officer (from IDS/PEPS or other ED documents), OPE/EIN numbers, review team member(s), and award years to be reviewed.

The letter lists the documents the reviewer is requesting that the school provide. The list includes all programs, but the reviewer need not tailor the list to the school because the wording provides for certain documents to be provided **only** if applicable to the institution's participation.

For **announced** reviews, the basic Notice of Visit letter may be adapted by replacing the initial paragraph regarding ED's right to appear unannounced with language confirming schedule arrangements made in advance. The list of documents to be provided remains the same. Other minor adjustments may be needed.

Preparation Checklist: To assist reviewers with pre-review planning, a preparation checklist is included as Appendix A.

Chapter III. On-Site Review Procedures

Upon arrival at the institution, the reviewer should present the chief administrative officer with the Notice of Visit letter (see Appendix B), and have copies of the letter available for distribution to other institutional officials. This letter will introduce the reviewer, 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 reviewer.

If the reviewer is denied access to the records or institutional officials refuse to cooperate, the reviewer should immediately notify his or her supervisor with a recommendation for transfer of the school to reimbursement; then inform the school that it will be transferred to the reimbursement system of payment because the lack of access to records indicates a heightened need to monitor federal funds. In addition, adverse administrative action may be initiated.

A. Entrance Conference

During the entrance conference, the reviewer should state the objectives of the program review, meet institutional officials, discuss general organizational structure and establish time frames required for the retrieval of documents. The President/Owner, School Director, Financial Aid Officer, Business Manager and Registrar should be present at the entrance conference. Additional institutional officials may attend, depending on the type of institution being reviewed.

1. The reviewer should explain the following items to institutional officials:

PURPOSE - The purpose of the program review is to examine the institution's administration of the Title IV programs.

SCOPE - The scope of the review will be 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 five-year period. (Note: record-retention regulatory requirements.)

REASON FOR REVIEW - The reviewer may state the factors which contributed to the institution's selection for a review (factor list criteria), unless there is a need to withhold the reason, e.g., student or employee complaints, or suspected criminal activity.

TIME FRAME - The reviewer should inform the institutional officials that the program review time period will be approximately one week, although it may be extended if necessary. Upon completion of the review, an **exit conference** will 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.

RETRIEVAL OF DOCUMENTS - The reviewer should first request readily available items; e.g., catalogs, eligibility letter and program participation agreement, accreditation information, and state licensure documentation. These should be obtained by the reviewer directly after the entrance conference. Each request for documents should be made in writing.

Determine in the conference which documents may be obtained quickly and which documents may take longer to gather. The reviewer should set specific deadlines to receive documents. An example of this would be to request that student files be provided by that afternoon, offering to pull the files in an effort to facilitate the process. The availability of the documents will help the reviewer establish the structure of the program review. For example, if student files are not available the first day, the reviewers may want to begin reviewing Student Status Confirmation Reports (SSCRs), available fiscal records, or interviewing students or staff.

Keep in mind that some institutions may have their documents at their corporate offices or with their 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), the reviewer may require the institution to have the documents faxed to the review site.

2. Request student files by giving officials portions of the selected random sample list taken from the statistical sample. Provide the list only in portions, so as not to disclose more of the sample than can be reviewed at one time. Advise the institution that additional files may be selected.

Discuss with officials the general characteristics of Title IV recipients at the institution, including approximate percentages of grant and loan recipients (e.g., percentage of FFEL-only recipients). If the school has provided a list of all Title IV recipients, select a new statistical sample from the list. Ask school officials to provide student lists in an electronic database format, if possible.

3. Discuss the institution's general administration of the Title IV programs. For example: departmental interrelationships, organizational structure, and basic responsibilities of departments. Some key areas for discussion:

- N Admissions process
- N Financial aid packaging process
- N Ability to benefit procedures

- N Academic year definition
- N Payment period definition

Ask institutional staff to informally discuss their roles and specific procedures. Take notes on who, what, when and how.

(For more details on Title IV administration and institutional office relationships, see Office Systems and Coordination later in the Guide.)

4. Schedule interviews with institutional officials in key areas. (See appendix items C and D for suggested interview questions)
5. Request that a suitable work area and unimpeded access to a photocopy machine be provided for the program reviewer(s). If the school's photocopier is out of service, the reviewer should consider renting a copier and bringing it (or having it delivered) to the site.
6. Allow for a question and answer period.

B. Survey Review Process

The purpose of the Survey Review is to make an assessment of the institution's administration of the Title IV programs in the critical program review focus areas (see Chapter Four), determine if it is necessary to conduct a Concentrated Team Review, and, if not, determine appropriate corrective actions for any deficiencies noted. The following are general steps in the review process:

1. Obtain necessary documents from institutional officials, ensuring timely delivery. Collect all relevant documents prior to examining each focus review item, so that the reviewer may examine that item in its entirety. Example: in order 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 the administrator.
2. Analyze institutional documents for compliance with the regulations and determine if any deficiencies exist.
3. If documentation is missing, ask the institution if it is found any other place. If not, inform the officials that your report will cite this as a finding. Some institutions try to give the reviewer newly created documents for deficiencies identified during the review. This delays the review or takes time away from examining other areas. Example: the reviewer finds that the institution does not have a complete Satisfactory Academic Progress (SAP) policy; school

officials offer to develop one by the next day to avoid having the finding included in the program review report. The reviewer should indicate that the institution will be responsible for developing, implementing and retroactively applying a new policy **in response to the program review report**.

4. Document each deficiency completely. In conjunction with the Office of the General Counsel (OGC) and CED, a standard documentation guide will be developed and added to this Guide to assist reviewers. However, as a guideline, reviewers should document their reviews as if **each** finding will be challenged before a hearing officer.
5. Analyze the deficiencies to determine if they are systemic or if they are isolated instances.
6. Determine if the random sample needs to be expanded. Generally, an error rate of any deficiency greater than **ten percent** for any given award year would signal a systemic problem and warrant a more complete review of the statistical sample for that award year. Reviewers should use professional judgement in making that determination. Any expanded random sample should be selected from within the original statistical sample.
7. If serious and systemic deficiencies are noted in administrative systems, or deliberate misuse of funds is indicated, consult the appropriate regional office supervisor to determine the next step, or discuss assignment of a concentrated team review. This assessment should be made by the end of the second or third day of the survey review, if possible. This critical decision requires the best judgement of an experienced reviewer.

If the reviewer does not uncover any serious violations in the survey review, the reviewer should proceed with a normal or expedited program review closure, as discussed in Chapter VII.

C. Recommending The Concentrated Team Review

*****THIS IS THE MOST CRITICAL DECISION TO BE MADE DURING THE SURVEY REVIEW.*****

As discussed earlier in the Program Review Guide (Chapter I, Types of Review, Concentrated Team Review), the reviewer must determine during the survey review if a concentrated team review may be warranted.

Although detailed information on this process is provided in Chapter I, some key guideposts should be remembered. To justify recommending a concentrated team review, there must be significant evidence of serious, recurring or systemic problems relating to the program review focus items. Additional deficiencies the reviewer has noticed outside of the focus item

list should also be taken into consideration when determining the need for a concentrated team review.

The concentrated team review should be considered when **1)** serious violations are observed, **2)** systemic breakdown is noted, and **3)** the annual Title IV funding is greater than \$500,000 (reviewer discretion should be used).

If the reviewer sees no evidence of a broad, systemic breakdown, a concentrated team review may not be warranted. Instead, the reviewer may decide to complete the file review of the statistical sample, or may allow the school to complete the review (with a CPA attesting to accuracy).

However, if a concentrated team review appears to be justified, the reviewer should follow the steps provided in Chapter I, Types of Review, Concentrated Team Review.

D. Detecting and Documenting Suspected Fraud and Abuse

Reviewers should be aware that what may appear to be programmatic deficiencies resulting from oversight or a 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 the reviewer 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 school benefits, but other times the Title IV programs benefit, it is most likely the school isn't being careful enough with its calculations.

However, if the incorrect calculations consistently result in a benefit to the school, the reviewer should attempt to determine whether apparent errors are actually attempts by the institution to escape having to pay refunds. School staff performing the calculations should be interviewed to determine who instructed them how to do the calculations; if they are aware that the calculations are incorrect and, if they are aware, whether they brought this to the attention of their supervisor or the CEO of the school; and what the response of their supervisor or the CEO was.

Once this information is gathered, the reviewer should consult with his or her supervisor to determine what further action is appropriate:

- N referral to CED for emergency action, and/or
- N referral to the Office of Inspector General for Investigations (OIG-I) for possible fraud.

The Inspector General has the primary responsibility for investigating fraud and abuse, but the reviewer can provide valuable preliminary information and documentation. The reviewer 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:

1. Any institutional documents that support the findings of fraud or abuse must be photocopied. The reviewer must initial and date the back of each photocopy so that he/she can attest to when the document was copied and by whom, in the event of a future administrative or criminal hearing. CED should be consulted regarding documentation requirements before photocopying documents, if possible.
2. Interviews of students and staff should be summarized and the respondent should be asked to read the statement, make corrections, and sign, with the attestation that the document is a true and accurate representation of the interview. The document can be typed or handwritten. Where possible, interviews should be conducted in teams, with one person asking most of 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. (See Appendices C and D of this guide for suggested interview questions.)

Additional guidance on documentation will be provided in a standard documentation guide being developed with the aid of CED and OGC.

If the reviewer suspects fraud, he/she should first contact the regional supervisor to discuss review observations. Any contacts should be made away from the school from a secure telephone. The supervisor may decide to communicate any suspicions of fraud to the OIG before the reviewer leaves the school. The OIG's early involvement may provide significant input into planning for a concentrated team review, providing guidance on documentation priorities; ED may request that an OIG staff member also join the concentrated team.

While the OIG cannot direct the activities of the program review staff, it can make a determination if there is reason to suspect fraud, and it can sometimes provide assistance in securing school documents through its subpoena powers. This becomes especially important when reviewers suspect document alterations and the Department will need to secure the original files.

If the OIG obtains documents using an **OIG subpoena**, it can generally share the information obtained with the program reviewer. If the OIG obtains documents using a **Grand Jury subpoena**, it is prohibited from sharing documents or information disclosed to the Grand Jury. It is usually possible for the program reviewer to work parallel with the Inspector General for Investigations special agents in pursuing an administrative action as they are developing a criminal case. However, there may be some situations where the program reviewer is asked to withdraw from the program review so the Inspector General's staff can begin their investigation.

To protect the Title IV programs from further loss in cases of fraud, it is the responsibility of the program reviewer to work with CED in initiating appropriate administrative action. (OIG cannot initiate administrative actions.) Joint consultations with OIG and CED are recommended to assist the reviewer and supervisor in providing necessary documentary support for an administrative action. (See detailed discussion on coordinating administrative action under Chapter I, Concentrated Team Review, Review Options and Decision-making Authority.)

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

1. An institution that is experiencing cash flow problems may overlook or suspend administrative procedures that would reduce enrollment and, therefore, institutional income. Some examples: not enforcing satisfactory academic progress standards and not verifying enrollment.
2. 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.
3. Additional abuses may include manufactured high school diplomas or GED certificates, or falsified ATB tests.

There are many other factors that can become indicators of fraud to be tested by the program reviewer. The reviewer should try to ascertain the financial condition of the school prior to conducting the review. This can be a strong indicator of a motive to commit fraud or to abuse the Title IV programs. (The Financial Analysis Branch (FAB) maintains information on the financial condition of participating institutions.)

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 actual day 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, a recruiter may coach students to falsify (understate) their income information on the aid application so they will qualify for full Pell Grants.

The reviewer is the first line of defense in preserving the integrity of the Title IV programs. In order to effectively perform this function, the reviewer must be able to identify and test areas of program vulnerability or risk. It should be remembered that 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' funds are at risk.

Building on the concepts described above, the following examples illustrate some fraud situations which have been revealed in program reviews. Note that these are only indicators which **may** signal potential fraud and abuse:

1. ABILITY TO BENEFIT (ATB)

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

- a. Tests which have been altered in order to show that the student has passed.
- b. Tests not scored properly. Be sure to examine tests with scores exceeding the passing score by only one or two points.
- c. Tests completed with a pencil and obvious changes made.
- d. Test proctors telling students the answers to the questions.

2. ATTENDANCE RECORDS

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

- a. Attendance records altered or missing.
- b. Discrepancies in the supporting documents maintained for attendance records.
- c. Extended leaves of absence followed by one day of attendance (day of disbursement of funds) and then withdrawal.
- d. Majority of students taking extended leaves of absence.

3. SIGNATURES

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

- a. Inconsistencies in the use of middle name or middle initial.
- b. Signatures for the same person which appear to be dissimilar. If possible, interview the students to determine if they authorized someone to sign for them. Also, check for similarities between student and staff signatures.

4. SARS OR ESARS

Check for valid student signatures and dates (signed after LDA or prior to the processing date).

5. REFUND CHECKS

Verify original refund checks for the bank's processed date. Some institutions have made photocopies of checks and put them in the student files to make it appear as though the refunds have been paid, but have not actually processed the original check.

6. MISREPRESENTATION

Some institutions may:

- a. 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:
 - N Offering recruiting "gimmicks" to encourage students to sign up family and friends. Check with the state licensing agency for improper referral practices.
 - N Providing prospective students with erroneous placement and completion statistics.
 - N 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 school).
 - N Promising full transferability of credits.
- b. Misrepresent the costs of tuition and fees; the catalog may state one cost while the contract may indicate another.
- c. Describe availability of the latest equipment in advertising, but provide inferior equipment on-site; malfunction or disrepair of equipment.

While any student may be a victim of misrepresentation, low-income students seeking to improve their job prospects may be especially targeted; check for students' addresses from the same public housing authority or high percentages of "in care of" addresses.

For guidance on evaluating misrepresentation violations, see IRB procedures memorandum 91-19. Detailed documentation must support such allegations.

E. Compliance and Enforcement Issues

The Department has the authority to take various adverse 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 authorizes the imposition of "emergency actions."

The CED of IPOS is the Student Financial Assistance Program (SFAP) entity responsible for taking these actions and also takes suspension and debarment actions against individuals and corporations. CED works closely with attorneys in OGC. Program reviewers should recommend to the supervisor that schools be referred to CED for initiation or imposition of adverse administrative action(s), if such action is warranted.

If there is reason to suspect fraud in the administration of Title IV funds, referral to CED (and notification to OIG) should be made without hesitation. In addition, referrals to CED for administrative action are encouraged if the reviewer suspects 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 an open review, the institution has failed to respond timely and in good faith to the required corrective actions specified in the program review report.

Although the referral can recommend a particular administrative action, specifying a particular action is not necessary. CED will impose or initiate action after evaluating the referral, and after consulting with the reviewer, his or her supervisor, and personnel from OGC. Although the regulation authorizing CED to take action requires only that a school violate any Title IV regulatory provision, obviously CED will not take action against every school that makes a mistake.

If a reviewer is not certain a referral to CED is in order, he or she is urged to raise the matter for discussion with the supervisor. Usually, the referral only requires preparing a short memorandum to CED, including a copy of the program review report. CED will then consider the review report's findings, along with other factors not always readily available to

the reviewer, such as a school's compliance with audit report submission requirements and the school's financial condition.

Please note that there are circumstances under which CED will take action without a reviewer completing a program review report. The guiding regulation for CED 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 CED's official action letter, which must cite the violations on which the action is based.

As in Subpart H actions (formal appeals), 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 only means following normal program review procedures, taking reliable notes of interviews with school personnel and students, making legible copies of important documents and generally paying attention to details.

Since CED's administrative actions often seek to terminate a school's eligibility to participate in the federal SFAPs and thus threaten most schools' continued existence, schools hire competent attorneys to challenge CED's cases and reviewers' findings. If a reviewer has conducted the review properly and appropriately reported the findings, the reviewer has nothing to fear if cross examined during any litigation. Therefore, **CED recommends that all reviewers assume that every review that they conduct will result in litigation and that they will be witnesses in some litigation.**

Procedures memorandums (IRB 90-8, 91-10, 92-5, 93-7) have been developed by IRB to guide reviewers in their decision to recommend administrative action. A standard documentation guide is being developed with assistance from OGC and CED. This guide will contain minimum standards for documentation to support the Department's case in a hearing when an administrative action is challenged.

F. 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. The attached interview checklists provide suggested questions for student and staff interviews (see Appendices C and D). 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 which 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 you were processed?

Reviewers must take detailed notes at interviews, sign and date them. If students and staff are willing to sign statements, this can be extremely helpful in documenting serious program abuse or mismanagement. If they are unwilling to sign, record this, and check your observations with them, noting any changes or revisions they offer. In the absence of these signatures, 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.

G. 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 both share information with school officials and seek additional information from them, including their reactions to the deficiencies summarized by the reviewer. It is important to record the reactions of school officials to specific deficiencies. 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).

The exit conference has several purposes:

1. Summarize the deficiencies identified.
2. Inform institutional officials of the required corrective actions.
3. Advise the institutional officials of the time frames for issuing and responding to the program review report or issuance of the expedited determination letter.
4. Remind officials that the deficiencies noted and corrective actions required are preliminary. After consultation with the supervisor, additional findings and corrective actions may be required in the program review report.
5. Thank the officials for their cooperation during the review process

Sample - For survey reviews, advise institutional officials that a random sample of XX student files was selected from a statistically valid sample of the institution's Title IV recipients. Option: An additional XX student files were selected and reviewed. For concentrated team reviews, inform institutional officials that the **entire** statistically valid sample was reviewed.

Disclaimer - Inform the institution that although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the exit conference or program review report (or Expedited Determination Letter) 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 the institution of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV programs.

As a general rule, the reviewer at the exit conference should be brief, avoid excessive detail in describing deficiencies, take notes of staff reaction to deficiencies, and emphasize that the review report will provide additional information.

Note on tape-recording: If the institution insists on taping the exit (or entrance) interview, the reviewer may agree, but only on condition that he or she be given a copy of the tape at the end of the interview.

Chapter IV: Program Review Focus Items

In consultation with regional office staff, IRB-HQ has identified 34 focus review items for 1994. Reviewers should focus the program review on these deficiencies. Any deviations from the focus items list should be discussed with a supervisor.

The 34 focus items 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 past or current students. By focusing program reviews on these critical items, reviewers will be better able to 1) identify the most serious deficiencies and compliance issues; 2) use limited staff time and resources more productively; and 3) avoid duplication of effort between ED reviews, and in reviews and audits conducted by independent auditors, guaranty agencies, state entities, and accrediting agencies.

A list of the focus items follows. The list is formatted to also serve as a checklist to guide the reviewer on-site.

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

- a. 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 show no wages for the same period on their financial aid application.
- b. 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).

The following discussions summarize key issues associated with a review of the focus 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. These focus review item summaries are meant to provide guidance to reviewers, but not replace reviewer discretion and professional judgement.

Also, many of the typical problems are only briefly discussed, and do not include all possible considerations the reviewer must address. For example, in examining financial aid transcripts, the reviewer notes that financial aid was disbursed, even though a transcript showed the

student was in default. However, the reviewer must determine whether the school performed additional follow-up on what was reported on the transcript. 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.

Finally, even if it is not listed as a focus item, the reviewer 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 focus item to guide the reviewer to the appropriate regulatory or statutory authority. Dates are provided only for newly issued regulations. Full information on regulatory references for the focus items is found in the generic paragraphs. Please note that many recently issued regulations were not yet effective as of the time this Guide was prepared.

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



Program Review Focus Items 1994

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Review Focus Items

FISCAL:

1. FISCAL RECORDS/AUDIT TRAIL INADEQUATE
FIS 3000, 3010, 3050,3060

The institution's fiscal records should provide a clear audit trail of the status of federal funds from the time they are received by the school through the time they are used to pay students' eligible charges, delivered to the students for indirect educational expenses, or refunded to the programs.

Confirm the institution's methodology for determining the need for the amount of funds drawn through EDPMS. Then, verify how the school documents the use of the funds drawn. There must be a detailed accounting of the use of all federal funds received by the institution. If the school received \$10,000 in funds on 6/1/94, there should be a listing (ledger/journal) specifying the students to whom the funds were disbursed and the applicable program (e.g., FSEOG). The records for the bank account in which the federal funds are held must show that federal funds received were not used by the institution until they were delivered to the students (e.g., credited to their account). There should also be records of all FFEL check negotiations.

If federal funds are received and deposited in an account and combined with non-federal funds, there must be a separate record to show the status of federal funds in that account at all times. The overall account balance dropping below the balance of federal funds on hand in the account would be an indication that advances are being used for non-program purposes.

Federal funds should be maintained in a non-interest bearing account (except for the Federal Perkins account funds). However, if the federal funds are in an interest-bearing account, the interest earned on those funds must be returned to the Department.

There should also be a correlation between the different fiscal records at the institution. For example, the ledgers show \$10,000 was received on 6/1/94, and disbursed to 20 students on 6/3/94. Fiscal records (e.g., vouchers or ledgers) should reflect either payments against those students' charges, or checks issued to students, on or prior to 6/3/94. There is no specific requirement for an individual student account statement, but a school must maintain some system for evaluating students' accounts to determine when funds received have exceeded eligible costs for the applicable periods.

The fiscal system must also account for recoveries and refunds back to the Title IV programs.

The fiscal records must reconcile with specific program allocation limits set by the Department (e.g., Pell Grant Program Statement of Account, Campus Based Allocation Letters), and information provided to the Department in reports such as the Pell Grant Program Student Payment Summary, FISAP, and the Federal Cash Transactions Report (EDPMS 272). Therefore, the fiscal records should be able to identify not only the program, but the award year to which the funds are being applied. For example, if the records show Federal Pell Grant funds were disbursed to students on 7/5/94, were those funds for the 1993/94 or the 1994/95 award year? This determination is critical in ensuring they are reported against the appropriate year's authorization on the EDPMS 272 report.

The same standards of accountability also apply to the Federal Perkins Loan Fund. Those funds should only be used to make loans to students and pay certain program costs, as defined in 34 CFR § 674.47. There should be records showing the deposit of repayments received from students, and interest earned on the assets of the account.

The institution must also identify to banks those accounts containing federal funds, as specified in 34 CFR §§ 674.19, 675.19, 676.19, and 690.81.

Reviewing this system will require examining bank statements, fiscal reports, detailed ledgers, checkbooks, etc. Institutions' fiscal systems will vary, and there is no "usual" format. A Fiscal Review Worksheet has been provided as Appendix E to this Guide to assist the reviewer.

34 CFR § 668.23 General Provisions

34 CFR §§ 674.19 and 674.47 Perkins Loan, 675.19 FWS, 676.19 FSEOG

34 CFR § 682.610 FFEL

34 CFR §§ 690.81 through 690.84

The Blue Book (Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions)

U.S. Department of Education's Guide to Payment Management System

Fiscal Records Review Training, Trainee Guide, Fall 1991

2. EXCESS CASH MAINTAINED

FIS 3110

Evaluate the amount of funds drawn through EDPMS by the institution to verify that the funds are used for their intended purpose within the specified deadlines (FED WIRE 1 day, ACH/EFT 3 days). This is not strictly an evaluation of money in the federal bank account since the institution may have already earned the funds by crediting students' accounts, but has not

yet transferred the funds to its operating account. In such cases, the funds are not federal funds, and there is no excess cash.

Review reconciled bank statements and disbursement records/ledgers, comparing the amount received with the actual usage of funds.

Some schools draw funds based on projections of need (e.g., prior year's disbursement levels, % of allocations). If the projection is too high and the school will be unable to use all the funds in the specified timeframe, the excess should be returned to the Treasury.

Some schools improperly draw the total amount of their fund authorization at the beginning of year. The school then gradually disburses the funds over the course of the year, possibly earning interest on the funds.

Verify that funds returned to the Title IV account due to refunds or recoveries are immediately reallocated and used to pay students' awards. Some schools ignore refunds/recoveries when determining the amount of funds they draw through EDPMS. As a result, the refund/recoveries accumulate in the school's account.

Failure to make Title IV refunds to Pell Grant and Campus-Based accounts also constitutes excess cash maintained by the institution.

Determining whether excess cash exists in the Federal Perkins Loan fund is more complicated. The institution can properly hold such funds, and must earn interest on them. However, the institution is required to evaluate the amount of funds in the account to determine whether it has more funds than it can reasonably expect to lend out to its students. Guidance for the determination of excess funds in the Federal Perkins Loan account is provided in DCL 92-12. The institution is also required to expend the Federal Perkins Loan account funds on hand to make loans to students before drawing its Federal Cash Contribution (FCC) through EDPMS. Check that schools do not draw the FCC while there are still adequate funds in the account.

34 CFR § 668.16 General Provisions (12/1/87), reissued as 668.14(b) on 4/29/94

34 CFR § 690.74 Federal Pell Grant

34 CFR § 205.4 (a) Money and Finance, *Treasury Regulations*, 12/14/77

U.S. Department of the Treasury Circular #1075 and #1084

U.S. Department of the Treasury, *Treasury Financial Manual*, Chapters 6-2000,6-8000

U.S. Department of Education's Guide to Payment Management System

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Fiscal Records Review Training, Trainee Guide, Fall 1991

IRB Memos 91-22 and 93-7

3. EDPMS 272 EXPENDITURE REPORT INACCURATE

FIS 3100

The institution's receipt and expenditure of funds are reported on the Federal Cash Transaction Report (EDPMS 272). Compare the institution's records of Title IV expenditures to confirm that both the interim and cumulative amounts agree with the amounts reported to the Department for the specific periods required on the EDPMS 272, and that all expenditures are equal to or less than the authorized levels.

The following are other suggested review strategies:

- " If interest was earned on any federal funds in the institution's accounts (other than the Federal Perkins Loan account), confirm that the interest is reported on the EDPMS 272.
- " Confirm the status of federal cash on hand against reconciled bank statements.
- " Compare the closing balance of the prior EDPMS 272 with the opening balance of the current EDPMS 272 for consistency.
- " Review for proper reporting when transferring funds between programs; compare to the appropriate FISAP report.
- " Verify that the institution's records were revised based on adjustments and disallowances noted on page 3 (272-B) of the EDPMS 272.
- " Ensure that the expenditures listed on the EDPMS 272 reconcile with other reports filed for the same period (a reconciled Pell Grant Final Student Payment Summary, the FISAP, etc.).
- " Compare receipt of federal funds listed on EDPMS 272 with deposits into school's accounts.

Institutions may incorrectly report funds received at the end of a reporting period as disbursed within that period to avoid the appearance of excess cash. For example, \$40,000 was received on 9/29/93, but not disbursed until 10/3/93. However, the school reported the funds disbursed on the EDPMS 272 for the period ending 9/30/93, rather than report \$40,000 cash on hand as of 9/30/93.

For ease in tracing Title IV funds, obtain the "POO number" (document number) from the EDPMS 272 by programs from the allocation letter(s).

34 CFR §§ 674.19 Perkins Loan, 675.19 FWS, and 676.19 FSEOG

34 CFR §§ 690.81 through 690.83 Federal Pell Grant

U.S. Department of Education's Guide to Payment Management System

The Blue Book (Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions)

Fiscal Records Review Training, Trainee Guide, Fall 1991

4. ADVANCES USED FOR NON-PROGRAM PURPOSES

FIS 3040

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

This finding is often accompanied by a finding for excess cash, where the institution draws funds it is not yet entitled to and uses the funds for unauthorized purposes. As noted in the discussion for Excess Cash Maintained, the reviewer must determine whether or not the funds in the federal account have already been earned by the institution. Look for large, undocumented, lump-sum transfers of funds from the federal accounts.

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

Institutions may also fail to deposit their own funds to reimburse federal accounts for costs such as bank service charges and returned check fees. Therefore, Title IV funds are improperly used to used to pay the costs. Federal Perkins Loan funds can be used to pay certain program costs, as specified in 674.47.

Schools have also used federal funds for such diverse purposes as meeting institutional payrolls, paying personal expenses, as collateral for loans, and for investment purposes.

34 CFR § 668.14 General Provisions (12/1/87), reissued as 668.16 on 4/29/94

34 CFR § 674.8 Federal Perkins Loan

34 CFR §§ 675.18 FWS and 676.18 FSEOG

34 CFR § 690.81 Federal Pell Grant

5. MATCHES NOT MADE IN CAMPUS-BASED PROGRAMS

FWS 1090, FPERK 8190, FSEOG 9010

Verify that the institution has made the proper institutional match for campus-based funds (the required percentages of matching funds have changed several times in recent years). Also, confirm that the match was made at the time the funds were drawn through EDPMS by the institution.

Details of the institutional share requirements are provided in the Federal Student Financial Aid Handbook, Chapters 6, 7 & 8.

The institution should also be able to document how the match was made. In some cases, a school may deposit actual funds into the appropriate bank accounts, and the bank statements and ledgers will reflect the amount and date of the match. In other cases, the school will credit students' accounts for the full amount of the award, and then draw down a percentage of the full amount based on the federal share. In this scenario, the match would not be documented on the bank statement, since there would be no actual deposit of institutional funds into an account.

Given the previous scenario, where the school made its FWS match by drawing down \$750 out of a \$1000 payroll for a payment period, verify that each student was eligible for the 25% institutional match (students working off campus at a private, for-profit organization require a **50%** institutional match).

Other recommended review procedures are as follows:

- " Verify the accuracy of the institutional match calculations (many schools incorrectly calculate the match as 25% of the federal allocation, instead of 25% of the combined federal/institutional contributions).
- " Note that some institutions may receive waivers for institutional match requirements in the FWS and FSEOG programs. The school should have documentation of the waiver.

34 CFR § 674.8(a)(2) Perkins Loan

34 CFR § 675.26 FWS

34 CFR § 676.21 FSEOG

HEA, §§ 413(c)-FSEOG, 443(b)(5)-FWS, and 463(a)-Perkins

DCL, GEN 92-21, October 1992

The Blue Book, 5/6/91

Federal Student Financial Aid Handbook

6. LATE/UNPAID REFUNDS
GEN 2380 ,2340 FFEL 5170

Confirm that refunds due to the Federal Pell Grant, Federal SEOG, or Federal Perkins Loan were paid to the federal account **within 30 days** of the school's determination that the students withdrew or dropped out (determination date). Refunds to the Federal Stafford, FSLs, and FPLUS Loan calculated on or after July 20, 1989, must be returned to lenders **within 60 days** of the determination date.

Review the school's procedures for identifying the determination date for drop-outs and "no-show's". Clock-hour schools usually have a dismissal policy if students miss a number of consecutive days, or miss a certain percentage of hours offered. Make sure the school adhered to the policy. Accrediting and licensing bodies may also specify some criteria for determining the withdrawal date.

Many credit-hour schools improperly assume students dropped out at the end of the term they last enrolled in, even if they received all incomplete grades. If the school's records show students informally withdrew, the school must determine the date the students last attended, and use the date for calculating refunds.

To verify timeliness, compare the date the refund was paid to the date the school determined the student withdrew.

Other recommended review procedures are as follows:

- " Look at cancelled refund checks and account transactions to verify the date funds were actually transferred (e.g., a check may have been dated 6/15/94, but the bank stamped the check received and negotiated on 7/30/94. If this is common, school may be holding refund checks.)
- " Ask if there is a system for refunds to be "approved" before refund checks can be sent to lender; this may result in checks being held for long periods after being drawn.
- " Try to call and verify last dates of attendance with students whose attendance records show long period of absences, then one final day of attendance.
- " Check whether the school automatically gives LOAs to students who say they want to withdraw. This allows the school to hold the money another 60 days or so.

34 CFR §§ 668.21 and 22, General Provisions
34 CFR §§ 682.605 through 682.607 FFEL

7. REFUND CALCULATION INCORRECT

GEN 2360,2371

Confirm that the institution's refund consumer information and refund calculations are in compliance with the school's refund policy and regulations, and are mathematically correct.

Make sure the refund policy is "fair and equitable", using the calculation that is most beneficial to the student if more than one refund formula applies (i.e., pro rata, licensing body, accrediting body). Check that pro rata calculations are performed for all first-time students who withdraw from the school within 60% of the period for which they were charged, beginning 7/22/92. Also, ensure that the correct last date of attendance is used in the calculation.

Other recommended review procedures are as follows:

- " Review students' account records and verify all costs in the calculation are for the enrollment period in question (e.g., unpaid charges from prior semester not added in), and are specified in enrollment contracts and consumer information.
- " Ensure that correct tuition adjustments are made to tuition charges. Pro-rata requires adjustment based on hours **completed**; some state policies may specify using hours **offered**. The school must use the policy that results in the largest refund to the student.
- " Check that the unpaid amount of scheduled cash payments is subtracted from the amount of funds to be retained by the school (new provision, see DCL 94-13).
- " Confirm that repayment calculations have been performed, when non-FFEL funds were disbursed to students for indirect expenses.
- " Verify that the costs for books, supplies, and equipment have been properly adjusted based on the requirements of the formula (e.g., the cost of beauty kits was prorated). See Q & A section of DCL 94-13.
- " Ensure any excused absences counted as completed hours are based on a documented policy.

34 CFR §§ 668.21 and 668.22, General Provisions

34 CFR § 682.606 FFEL

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

Federal Student Financial Aid Handbook, Chapter Three, issued as DCL 94-13, 3/94

8. CREDIT BALANCES NOT PAID TO STUDENTS

FIS 3171, GEN 2381

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.** IRB 93-8 provides further guidance regarding credit balances. According to ED's Policy Development Division, the current standard regarding prompt delivery of excess funds to students is 45 days. An NPRM clarifying this issue was in preparation as of the date this Guide was prepared.

A student's authorization for the school to hold funds in excess of direct charges must be in writing. Check that statements designed by schools clearly explain to students that they are giving permission voluntarily. Statements should not be embedded in the middle of other certifications, under one signature. A school must also obtain students' permission to apply Federal Pell Grant funds to charges other than tuition, fees, or institutionally charged room and board.

Other recommended review procedures are as follows:

- " Verify what budgeting measures are taken (e.g., are funds paid out to students on a schedule?) if statement says funds held for budgeting.
- " Note that, even with the student's permission, funds cannot be held indefinitely (payment period for Pell & Campus-Based funds, loan period for FFEL).
- " Confirm that the institution deposited all FFEL funds held with the student's permission in a designated trust account, and are not co-mingled with other funds or used for other purposes. This provision of 682.604 (d)(ii) became effective 2/19/93.
- " Verify the school's "stale" check procedures when students do not negotiate checks sent to them for indirect expenses. Are the checks ever canceled, and what happens to the funds?

34 CFR § 668.14 General Provisions (reissued as 668.16 on 4/29/94)

34 CFR § 682.604 FFEL

34 CFR § 690.78 Federal Pell Grant

IRB 93-8

9. FFEL DISBURSEMENTS NOT ATTRIBUTED TO PAYMENT PERIODS

FFEL 5271

Check that the institution adheres to the payment period concept as defined in 668.22(c) for FFEL funds when students withdraw from school. Payment periods correspond to semesters, trimesters, quarters, etc., for programs with academic terms. At a minimum, a payment period is the time between the beginning and the midpoint, or between the midpoint and the end of the academic year for programs without academic terms. Confirm how the school defines its payment periods.

For example, if a student attended only two trimesters, and the full loan amount covering a three trimester loan period was disbursed, one third of the loan amount must be attributed back to the lender. This process must take place before determining the amount of loan funds to be included in a refund calculation.

34 CFR § 668.22 General Provisions

DCL GEN-88-32

STUDENT ELIGIBILITY:

10. ABILITY-TO-BENEFIT VIOLATIONS

GEN 2000, 2001

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). All students enrolled on or after 7/1/91 were required to pass a test approved by the Secretary in order to receive Title IV funds, and that test must be independently administered. Prior to 7/1/91, students could not be admitted to the school unless they first demonstrated 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.

Recommended review procedures are as follows:

- " Ensure that any test used for all Title IV recipients enrolling as of 7/1/91 is one of the approved tests listed in the Federal Register.
- " Verify the *complete* approved test was administered, the school cannot use only selected parts of the test.
- " Recheck the scoring of the test; make sure the student actually passed.

- " Verify that the test was administered as specified by the developer (the test was timed, if required; re-test procedures followed, etc.), by interviewing the test administrator (tester) and students.
- " Ascertain whether the tester meets the independence criteria in the Federal Register notice (review the tester's contract with the school).
- " Confirm whether tests meet 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, the reviewer 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 administrator records showed students failed their ATB tests, but the file documentation showed they passed! Refer to Appendix C of this guide 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.

HEA Sec. 484(d)

Higher Education Technical Amendments of 1991 (P.L. 102-26)

34 CFR § 600.11 Institutional Eligibility

34 CFR § 668.7 General Provisions

Federal Register Notice of 12/30/92

Federal Register Notice of 12/19/90

DCL, GEN 91-20

Federal Student Financial Aid Handbook, Chapter 2

IRB Memo 92-2, 2/20/92

**11. SATISFACTORY ACADEMIC PROGRESS STANDARDS
NOT MONITORED OR DEVELOPED
GEN 2390, 2400**

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

Institutions are required to 1) establish satisfactory academic progress (SAP) standards and, 2) confirm that students are maintaining those standards prior to releasing any federal student financial aid. An institution may award Title IV funds only to eligible students. Maintaining SAP is one eligibility criterion all students must meet.

The institution must have a written satisfactory academic progress policy which is the same as, or stricter than, standards for non-Title IV aid recipients.

Verify with institutional officials if they have checked with their accrediting body for specific SAP criteria; if yes, is the school in compliance? Does the policy contain all elements required in the regulations? Was the policy correctly applied for all students in the sample?

Establish when the school evaluates SAP. Determine which office is responsible for determining whether a student is maintaining SAP. Review the procedures in place to ensure that students who failed to meet the satisfactory academic progress policy are denied aid.

Other recommended review procedures are as follows:

- " Verify that the institution's quantitative measure of progress correlates to its stated maximum timeframes.
- " Check that the standards were consistently applied.
- " Ensure students are informed of appeal rights and procedures.
- " Confirm documentation maintained for all exceptions to SAP standards granted, based on appeals.
- " Recheck calculation of elements used in standards (e.g., GPA, cumulative hours/credits earned), especially if school's system is not computerized.
- " Verify that the standards define the effect of course incompletes, withdrawals, course repetitions, noncredit remedial courses, credit by exam, and other special considerations.

34 CFR § 668.7 General Provisions

34 CFR § 668.14 General Provisions, reissued as 34 CFR § 668.16 on 4/29/94

12. INELIGIBLE NON-CITIZEN

GEN 2190

Examine documentation collected for all students who have reported they are eligible non-citizen permanent residents on their institutional applications. *This also applies to parents of students who are applying for PLUS Loans.*

A student's SAR should contain some comment regarding confirmation of permanent residency status. The Higher Education Amendments of 1992 required schools to collect "secondary" confirmation from INS (Form G-845) for all students whose status was not confirmed on the SAR. Prior to that, secondary confirmation was not mandatory, and students were required to document their eligible non-citizen status based on the criteria described in Chapter Two of the Federal Student Financial Aid Handbook.

34 CFR § 668.7 General Provisions

HEA, Section 484(h) & (i)

DCL, GEN 92-21, October 1992

13. ATTENDANCE RECORDS MISSING/INACCURATE

GEN 2040, 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.? How are records kept at any externship sites?

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:

- " 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.

34 CFR § 668.23 General Provisions

34 CFR §§ 674.19 Federal Perkins Loan, 675.19 FWS and 676.19 FSEOG

34 CFR § 682.610 FFEL

34 CFR § 690.82 Federal Pell Grant

14. FINANCIAL AID TRANSCRIPT MISSING/INCOMPLETE GEN 2150

Check to determine whether complete financial aid transcripts (FATs) are collected from all prior postsecondary schools reported by students. The school must have some record that shows students were asked about prior schooling, and their responses to the question.

Many times students report prior schooling on admission applications, but do not report the same information on their financial aid applications. Schools must have a way to coordinate this information and collect FATs from all prior schools indicated on any institutional records. During the review, check **Admissions**, **Registrar**, and **Financial Aid records** for indications of prior postsecondary attendance.

Other recommended review procedures are as follows:

- " Check that the school has not disbursed Title IV funds when FAT reports student is in default/owes repayment.
- " Verify FAT is completely filled out and form provides all required documentation (see 668.19).

- " Review for conflicting information on FAT (e.g., reporting school says the student attended beyond the five-year record retention period, but application information shows the student attended there four years ago).
- " Verify that the school has obtained a financial aid transcript from the Federal Student Aid Information number (1-800-4-FED-AID) for **closed schools**.
- " Check the collected FATs for information on other schools previously attended and ensure that FATs were collected for all prior schools not previously reported to the institution.

Note: It is a school's responsibility to ensure it collects complete FATs; the school must follow up if it receives incomplete or conflicting information on FATs.

34 CFR § 668.7 General Provisions

34 CFR § 668.19 General Provisions

AWARDING/DISBURSEMENT:

**15. INCOMPLETE VERIFICATION:
GEN 2491**

Check that required verification was completed for all selected students. If a student's data was not processed through a need analysis with the required verification edits, the school must proceed as if the student was selected. The information to be verified and the specific types of required documentation are listed in The Verification Guide.

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.

Although many schools verify **all** selected applicants, schools were not required to verify more than 30 % of their total applicants prior to 7/23/92. A school choosing to verify only 30% must document how it identified the 30% who were verified. The 30% limitation was removed from statute by the Higher Education Amendments of 1992. The Department has yet to issue guidance to institutions regarding any change to the verification limitation requirements.

Please note: Schools participating in the Institutional Quality Assurance Program (IQAP) are exempt from selected sections of the General Provisions regulations. IQAP schools should not be cited for failure to complete verification of a student selected by the processor. A basic premise of the IQA Program is to allow schools to design their own verification programs, based on problem areas identified as critical at their schools.

34 CFR § 668.54 through 668.59 General Provisions, reissued 4/28/94
Minor changes to §§ 668.57 & 668.59 on 8/27/92
The Verification Guide
IRB Memo 91-27, 2/5/92

**16. INDEPENDENT STATUS (NOT DOCUMENTED; INCORRECT;
UNREASONABLE PROFESSIONAL JUDGEMENT)**

GEN 2161

Check that documentation was collected to support the status of students who were classified as independent for financial aid eligibility purposes because they reported they were not claimed by their parents in two prior years, and they had resources in excess of \$4000 in each of the years specified on their applications. These criteria were in effect for the years 1987/88 through 1992/93. The "conditional" criteria requiring documentation were removed from the definition of an independent student in the Higher Education Amendments of 1992.

If the student applied for financial aid in past years, check that documentation of income for the dependency status issue matches information provided on prior applications, if applicable. There is no specific definition of what is acceptable documentation for this issue. Therefore, a parent's statement that the student was not claimed would suffice instead of copies of his or her tax returns.

With regard to professional judgement, check that all adjustments are documented, and that adjustments were made on a case-by-case basis. Note: An institution cannot retroactively justify undocumented adjustments.

HEA, § 480(d)

Higher Education Amendments of 1986 (P.L. 99-498)

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

DCL, GEN 86-35, November 1986

DCL, GEN 92-21, October 1992

Note: There are no regulations providing guidance on professional judgement.

17. MISSING/UNSIGNED FEDERAL PERKINS LOAN PROMISSORY NOTES

PERK 8200, 8210

Confirm that signed, complete, and valid promissory notes are on file 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 funds are not disbursed until a note is signed (both the note and schedule of advances). Some schools 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, but regular photocopies are not acceptable.

34 CFR §§ 674.16, 674.31, and 674 - Appendix A through D (Perkins Loan)

18. TIMECARDS FOR FWS STUDENTS MISSING/INVALID
FWS 1040, 1100

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.

34 CFR § 675.19 FWS

19. IMPROPER FEDERAL PELL GRANT CALCULATIONS/DISBURSEMENTS
PELL 4030, 4040, 4050, 4060, 4080, 4090, 4130, 4131, 4140

An institution must determine a student's Federal Pell Grant eligibility, taking into account the student's expected family contribution (Pell Grant Index prior to 1993/94), enrollment status, budget, and award year/payment period duration.

Chapter Four of the 1992/93 Federal Student Financial Aid Handbook specifies the regulatory requirements for calculating Federal Pell Grant eligibility prior to the Higher Education Amendments of 1992 (Reauthorization).

Reauthorization changed most aspects of calculating a student's Federal Pell Grant eligibility. Reauthorization eliminated the separate Pell Grant family contribution (PGI), and the specific

Pell Grant cost of attendance (COA) requirements. Family contribution and COA methodologies are now consistent for all Title IV programs.

Reauthorization also added a minimum duration requirement (30 weeks) to the academic year definition. The new definition of an academic year is the most significant change in calculating a student's Federal Pell Grant eligibility. The specific procedures for the eligibility calculation are provided in DCL 93-33, which also represents Sections 2 and 3 of Chapter Four of the 1993/94 Federal Student Financial Aid Handbook. **Please pay special attention to the "hold harmless" provision delineated in the second paragraph of DCL 93-33.**

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

Generally, a student must submit a valid Student Aid Report (SAR) or Electronic Student Aid Report (ESAR) to establish eligibility for a Federal Pell Grant. The (E)SAR requirements are discussed in the Student Aid Report Invalid focus item. If a student submits a valid (E)SAR later in the award year, the institution may not make a retroactive disbursement for a prior term if the student did not complete that term.

Other recommended review procedures are as follows:

- " Carefully check award calculations for non-standard payment periods.
- " Verify that the proper calculation was performed when an FAT 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 JTPA funding, as discussed in Section Three, Chapter Four of the Federal Student Financial Aid Handbook.
- " Review the elements used in constructing the COAs, especially the maximum standard allowance, and child care allowance.

34 CFR §§ 690.3, 690.61, 690.62, 690.63, 690.75, and 690.83 Federal Pell Grant
Federal Student Financial Aid Handbook

20. INVALID STUDENT AID REPORT

PELL 4090, 4180

Check that SARs and ESARs are valid, and compare with academic records to verify they were received while the student was eligible and still enrolled.

ESARs must be signed to be valid (see 34 CFR 690.2 for definition of a valid SAR). Signature requirements for ESARs were more restrictive prior to 12/28/91. The ESAR format may vary slightly based on the software used. In some cases, the ESAR certification is a separate, pre-printed document. When reviewing these separate certifications, the date the students indicate they signed the certification might predate the ESAR processing date. It cannot be a valid ESAR if the student signed the ESAR certification, and certified the correctness of the ESAR data before the ESAR was produced!

Schools have been known to have students sign the ESAR certification when they fill out their financial aid application, in order to save time later when the ESAR comes in. Ask students and staff what documents are completed when students first apply (especially if many of the ESAR statements are undated).

Please note that as of 7/23/92 a full-data paper roster from the Central Processing System (CPS), or a formatted output document from a CPS-produced tape or cartridge could be used in place of an (E)SAR to justify Federal Pell Grant payments to a student.

Also, check the comments on (E)SARs to ensure that student eligibility problems, such as loan defaults, Selective Service registration problems, or problems identified through the new Social Security number match have been resolved. Such problems, identified through electronic matches with other databases, should now cause a "C" code to appear next to the EFC on the (E)SAR. Some schools do not print the actual comments on the ESAR, but print a list of codes in the body of the document. See Chapter Two, Appendix B of the Federal Student Financial Aid Handbook for a translation of the codes.

34 CFR § 668.7 General Provisions (Social Security match requirements added to this regulation in 3/16/94 Federal Register)

34 CFR §§ 690.13, 690.14, and 690.61 Federal Pell Grant

34 CFR § 690.2 Federal Pell Grant

HEA, Section 401(f)

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

The 1993/94 Federal Student Financial Aid Handbook

DCL, GEN 92-21, October 1992

21. DISBURSEMENTS MADE PRIOR TO MIDPOINT
PELL 4040

Students 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 ever completing the required number of clock or credit hours, having therefore received an overpayment.

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 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, this does not apply to FFEL disbursements. Strict adherence to payment periods for FFEL is not required unless the student withdraws, at which time loan attribution applies.

For FSEOG and FWS, funds can be credited to students' accounts up to three weeks 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.

- 34 CFR § 690.3 Federal Pell Grant
- 34 CFR § 690.75 Federal Pell Grant

22. ENROLLMENT NOT VERIFIED BEFORE DISBURSEMENT

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.

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:

- " The student is not registered for classes.
- " FWS payments made to a student for work performed after the student withdrew from school.
- " Federal Pell Grant payments are made after a student's last date of attendance (LDA) without a valid (E)SAR or other official notification of the student's EFC.
- " FSEOG and Federal Perkins Loan disbursements are made after students LDA (see DCL 94-13 for limited late disbursement criteria).
- " FFEL disbursed after LDA without late disbursement approval (late disbursement rules specified at 682.604(e) effective 2/19/93, based on guaranty agency criteria prior to that).

The reviewer 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).

34 CFR § 668.7 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

23. NEED ANALYSIS IMPROPER/UNDOCUMENTED

GEN 2222, 2270, 2290

Verify that the need analysis performed to determine student eligibility was complete.

An institution must receive an official Expected Family Contribution (EFC) under the Federal Methodology to document a student's Title IV eligibility, beginning with the 1993/94 award year. The institution may recalculate an EFC without resubmitting the information for an official recalculation, but the school is liable for any incorrect calculation.

Prior to 1993/94, under the Congressional Methodology, schools could award and disburse funds having performed and documented the calculations themselves (PGI *recalculations* could be performed by the school to demonstrate that award amounts would not change). The Department approved various need analysis software packages that schools used to determine EFCs and PGIs. The reviewer should be careful to recheck all manual calculations performed by the school, and verify that software packages were approved by the Department.

Other recommended review procedures are as follows:

- " Verify the institution has received official EFCs beginning in 1993/94.
- " Confirm EFCs and PGIs 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.

HEA, Sections 471 through 480, Part F

The EFC Formula, 1993/94

The Pell Grant Formula through 1992/93

The Congressional Methodology through 1992/93

24. FFEL LOANS NOT PRO RATED FOR PROGRAMS < ONE YEAR

FFEL 5141

Ensure the loan amounts have been pro rated for programs of less than a full year. This provision was effective on or after October 1, 1992. Regulations providing more specific guidance will be issued at a later date.

For purposes of proration, the academic year is divided into thirds. The specific proration amounts are described in DCL,GEN 92-21.

Until regulations are published, institutions are required to make a good faith effort to meet the statutory requirements.

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

DCL, GEN 92-21, 10/92

34 CFR § 682.604 FFEL

25. FFEL LOAN AMOUNTS INCORRECT FOR GRADE LEVEL

FFEL 5220

Verify that the academic level on the FFEL application corresponds to the school's documented grade-level progression criteria. Some schools incorrectly certify grade levels on the loan application 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.

34 CFR § 682.603 FFEL

OTHER:

**26. INELIGIBLE PROGRAM
GEN 2180, 2181**

Verify that students are awarded Title IV funds only for courses that are part of an approved program of study at the institution. (See Section 484(b) of HEA for exceptions). Determine whether the school's state licensing or accrediting bodies require approval of all individual programs of study, and that the required approval was received.

Many licensing bodies are very exacting in approving clock-hour programs. If the school deviates from the specific conditions of the course approval, the program may not be eligible. For example, if a course is approved and licensed as a 900 clock-hour program, but the school only *offered* 850 hours of instruction as of the date the students graduated, that program is not the same program approved by the licensing body. The licensing body should be consulted to determine the effect of the deviation from program approval requirements.

The Higher Education Amendments of 1992 changed the eligibility definition for programs of less than 600 clock hours at proprietary institutions of higher education and postsecondary vocational institutions. Refer to 34 CFR 668.8(d) for details of revised program length requirements.

Other recommended review procedures are as follows:

- " 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 ESL-only courses admit students who already possess pre-existing work skills.
- " Check that off-site laboratory work at a clock-hour school is faculty-supervised.

34 CFR § 600.2 Institutional Eligibility 4/29/94 and 4/5/88

34 CFR § 668.8 General Provisions 4/29/94 and 12/1/87

HEA, Section 481(e)

Higher Education Amendments of 1992 (P.L. 102-325) § 495

DCL, GEN 92-21, October 1992

IRB Memo 93-6, 4/28/93

Federal Student Financial Aid Handbook, Chapter 3

27. INELIGIBLE SCHOOL/BRANCH/LOCATION

GEN 2170, 2300, 2311

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

The school should be able to demonstrate that its licensing and accrediting bodies have approved all locations where instruction is being offered, *if approval is required*. Specific criteria as to whether approval is required for all locations may vary based on the licensing agency and accrediting body. In some cases, approval of a location is not required if complete programs of study are not offered and only individual classes are taught. The reviewer should learn accrediting and licensing body requirements. Title IV funds awarded based on enrollment at ineligible locations are school liabilities.

Verify that the school has notified the Department when changes occur, such as a change of ownership that results in a change in control, and a change in address.

The Higher Education Amendments of 1992 stipulated further conditions of a school's eligibility to participate in the Title IV programs, such as limitations on the percentage of incarcerated students or students without high school diplomas or the equivalent. Regulations specifying these requirements were published on 4/29/94. Refer to 600.5(a)(8), 600.5(d), and 600.7(a) of the 4/29/94 Federal Register for the most important changes.

34 CFR §§ 600.2, 600.4-7, 600.30-32 Institutional Eligibility

HEA, Section 481(a)

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

DCL GEN 92-21, October 1992

28. UNRESOLVED ITEMS FROM PAST REVIEWS/AUDITS

GEN 2240, 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 SPREs. 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.

34 CFR § 668.14, reissued as 668.16 on 4/29/94

29. FISAP INCOME GRID NOT DOCUMENTED

CBA 0030

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 1994/95 award year in October 1993, using eligible applicant data from the 1992/93 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. Many schools 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 at line 27 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 judgement.
- " 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.

34 CFR § 674.19 Federal Perkins Loan

34 CFR § 675.19 FWS

34 CFR § 676.19 FSEOG

IRB-S-88-3, IRB-91-4, and IRB-93-12.

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.

30. PERKINS LOAN DUE DILIGENCE DEFICIENCIES

PERK 8090, 8140, 8180, 8230

(See Appendix I -- Perkins/NDSL Due Diligence Checklist)

The reviewer 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, the reviewer 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 itself should be providing the required exit counseling for students who withdraw or graduate.

If school staff perform due diligence procedures themselves, the reviewer 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 of the deficiencies which 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.

34 CFR § 674.41 through 674.50 Perkins Loan

31. IMPROPER COMMISSIONED SALES REPRESENTATIVE PRACTICES

FFEL 5000

Under 34 CFR § 600.7, a commissioned sales representative at a school approved for participation in the Title IV programs cannot provide prospective or enrolled students with FFEL applications, names of lenders, or other information to encourage students to apply for loans. Further, the Higher Education Amendments of 1992 prohibited any institution from providing a commission, bonus or other incentive based on an employee's success in securing enrollments, admissions, or financial aid.

The reviewer should interview a sales representative to verify compensation policies, and ask what part they play in providing students with information about loan availability. This should also be discussed with school administrators. Additionally, the reviewer should ask students and other school personnel, especially financial aid staff, how loan information is provided. The applicable regulations and statutes deal with an institution's eligibility to participate in the programs. Violations reflect on the administrative capability of the institution, and could possibly affect Title IV eligibility.

HEA, Section 487(a)(20)

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

DCL, GEN 92-21, October 1992

34 CFR § 600.7 Institutional Eligibility

32. CREDIT/CLOCK HOUR CONVERSION IMPROPER

(CODE TO BE ASSIGNED)

Verify the school has correctly determined the credit hour measurement of its programs for purposes of determining students' Title IV eligibility. This applies to undergraduate vocational educational programs* of less than two years in length, unless each course within the program is fully acceptable for credit toward the school's degree programs.

The credit/clock hour conversion criteria are defined in the Federal Register published on 7/23/93; effective date: 7/1/94.

* See § 668.8(2)(iii),(iv), and (v) for definitions of vocational educational program.

34 CFR §§668.8 and 668.9 General Provisions 7/23/93

**33. FFEL STUDENT STATUS CONFIRMATION REPORT NOT FILED/INACCURATE
FFEL 5210 AND 5260**

Find out which office completes the student status confirmation reports--SSCRs (it is usually Financial Aid or the Registrar), and ask to see at least a sample of the reports for the period under review. IDS will show which guaranty agencies the school has utilized in the past. Guaranty agencies are required to solicit confirmation of student enrollment status at least twice a year (usually in the Fall and Spring), so there should be a minimum of two completed confirmation rosters for each year at the school. Schools must keep copies of the reports they submit. Usually, a guaranty agency can confirm whether a report was submitted. Failure to submit reports or reporting inaccurate status information can signal that the school is trying to conceal refund problems.

Other recommended review procedures are as follows:

- " Check the status of each FFEL recipient in the program, review sample against the confirmation rosters to verify whether the enrollment status or status change date has been correctly reported.
- " If the Financial Aid Office completes the confirmation reports, verify that there is a system by which that office is provided up-to-date information from the registrar about student status.

34 CFR §§ 682.605 and 682.610 FFEL

34. HIGH DEFAULT SCHOOL
FFEL 5030, 5040, 5130, 5131

(See Appendix H-- Default Review Checklist)

Check that schools with default rates in excess of 20% have implemented an approved default management plan. The plan for schools with rates of 30% or higher must include all elements of Appendix D of the General Provisions regulations from 6/5/89.

Other recommended review procedures are as follows:

- " Check that delivery of loan funds for first-time borrowers is delayed.
- " Confirm that loan entrance and exit counseling is expanded.[†]
- " Verify that student retention, counseling, and placement procedures are enhanced.[†]
- " Ensure no FSLs loans are certified (30% and above).
- " Check that the pro rata formula is included in refund procedures.[†]
- " Verify that loan references are updated and additional references are identified.[†]
- " Determine whether schools with commissioned sales representatives have compensation structure based on student retention.

[†] These issues are optional parts of the default management plan for schools with rates under than 30%.

Refer to IRB Memo 91-15 (5/14/91) for further guidance and requirements.

34 CFR §§ 668.15, and 668-Appendix D, General Provisions
34 CFR §§ 682.603, 682.604, and 682.606 FFEL
HEA §§ 485(b), 428(a)(b)

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. The primary focus of the program review is to identify systemic problems at an institution. Discussions should be held with the appropriate managers to identify how the systems work, and whether there are any obvious weaknesses. Review of the school's records will demonstrate whether the systems work as they are designed.

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 which maintains the records of payments made to students under FWS.

It is suggested that the reviewer determine as quickly as possible the structure of the organization in order 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?)

An institution must have systems which allow for the coordination of information between different offices. For example, if the school's admission application collects information about prior schooling, this information must be shared with the Financial Aid Office (FAO). Many students report different schools on their admission application than they report to the FAO, and the institution cannot assume that information will always be reported consistently when the same question is asked on different forms. Similarly, students sometimes apply to the Registrar to transfer credits from prior schools not reported to either Admissions or the FAO. The FAO may be responsible for collecting financial aid transcripts, but failure to coordinate information received in other offices may cause a breakdown in this process.

If a school maintains a computer system, determine if the system allows sharing of one office's data with another. For example, does the financial aid staff have access to the admissions data, and do they review it?

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 there is no adequate system of tracking, and many students withhold authorization, the school may have a significant problem with credit balances not paid to students.

Understanding the institution's procedures may also 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 Records 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 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 Management

Survey reviews of institutions with high FFEL default rates will also focus on default management. Applicable default measures must be examined at institutions with high default rates during survey reviews.

During the survey review of a high default institution, the reviewer should examine the following items for the default management focus:

- High withdrawal rate
- Consumer disclosure information inadequate
- FFEL entrance and exit counseling not conducted
- FFEL lender not notified of withdrawal
- Inconsistent information
- Appendix D - high default schools

Each year the institution receives notification from ED of its fiscal year cohort default rate on loans to students for attendance at that institution under the FFEL Stafford and Supplemental Loan for Students programs. The Institutional Profile will state the three most recent fiscal year cohort default rates and the dates of notification.

Institutions are not responsible retroactively for complying with the requirements associated with a revised/recalculated rate. However, once notified of the revised rate, the institution must immediately comply with the applicable default rate measures. When determining the notification date, reviewers should allow no more than ten days from the date of the notification letter. If the notification letter issuance date has month and year only, the reviewer should allow ten days from the last day of the month.

For some of the regulatory provisions, the applicable default measures that apply to each rate are to be implemented immediately upon notification of the new rates. In other instances, appropriate measures must be implemented within 60 days from the date the school was notified of its new rate. Use the Default Review Checklist (Appendix H) to determine whether the institution has implemented the applicable default measures for each rate.

If it is found that an institution changes its status through branching, consolidation, change of ownership, or other means, but no revision to the cohort default rate is shown in IDS, be sure to contact the Default Management Section (DMS) with the names of the locations and the appropriate School ID number. Rules governing changes in status are prescribed in the April 29, 1994 Student Assistance General Provisions, Interim Final Rule Regulations, 34 CFR 668.15. DMS will review the information provided and notify the reviewer and the school if a revision to the cohort default rate is necessary.

NOTE: The institution must use the appropriate FFEL School ID number on the loan applications it certifies. If a branch campus becomes freestanding, it must use its new school identification number.

IRB Procedure Memo: IRB-91-15

Deficiency Codes: GEN 2371, FFEL 5030, 5040, 5060, 5130, 5131 and 5140

Enclosure B: Information on FY 1992 School Cohort Default Rates

(Enclosure B above describes the methods of calculation for FFEL cohort default rates, institutional requirements for various default rates, and appeal procedures. Consult staff in the Default Management Section if more information is needed.)

DEFAULT RATE TERMS AND DEFINITIONS:

ACTUAL: The original cohort default rate calculated for institutions based on the data provided by the guaranty agency for a given fiscal year.

RECALCULATED: A revised cohort default rate that was calculated due to incorrect data submitted by some guaranty agencies and, for the FY 1988 default rates, the deletion of some loans that were serviced by United Education Software (UES).

CONTESTED: A revised cohort default rate that was calculated based on information submitted by an institution, and verified by the appropriate guaranty agency that erroneous data existed in the original data used in the calculation.

SUBSTITUTED: A cohort default rate that replaces an actual calculation due to a change in institutional status. When an institution changes from a location (branch), or if one school is to become a freestanding institution, it is subject to the default rate of its former parent institution. This is accomplished by applying the actual default rate calculated for the former parent to the new freestanding school.

MERGED: A cohort default rate that replaces an actual calculation due to a change in institutional status. However, this calculation is performed by adding all borrowers and default data together and computing one new rate for all locations to use. Merged rates are calculated when an institution changes from freestanding to become a location of another institution, when an institution changes from a location of one institution to a location of another institution, and when two or more freestanding institutions merge.

AVERAGE: The cohort default rate calculated for institutions that have fewer than 30 borrowers entering repayment for the fiscal year being calculated and that have three consecutive years of default data. The rates for each of the three years are added and divided by three to obtain the average rate. An average rate is an official rate for a school and determines the action that a school must take.

Chapter VII. Review Reports/Final Determinations/Appeals

A. The Program Review Report

1. GENERAL FORMAT

The program review report is the official ED notification to the institution of the findings uncovered during the on-site visit. The report lists the regulatory and statutory findings and specifies required corrective actions, including a time frame for institutional response.

Details on program review report format are included in IRB procedures memo 91-28.

The report writing process can be enhanced if begun while on-site at the school or in the field, and findings are fresh in the mind. Because laptop computers have been only intermittently available to reviewers, writing in the field was problematic. However, notebook computers will be provided to each reviewer in 1994 to make this process easier.

Program review reports generally should be issued **no later than 30 days** after conclusion of the review visit. Guidelines will be developed specifying time frames for report issuance when the level of the review is more serious or when the case has been referred to CED for adverse administrative action. Similar guidelines will also be developed to structure the process of reviewing institutional responses and issuing FPRDs.

The tone and style of writing in the program review report should be professional, concise and factual.

Level of review seriousness: IRB procedures memorandum 91-21, "Guidelines on the Clearance Process," includes an attachment on "Classifying Review Reports: From Taxonomy to Level." Although submission of certain draft reports to central office for review (clearance) is no longer required, the procedures memo attachment on classification remains an accurate description of program review categories of seriousness. Categories range from Level 0 -- No Violations to Level 4 -- Fraud and Abuse; guidelines are provided to assess and categorize review seriousness.

Note on tracking: To facilitate program review tracking, reviewers should enter the review level into IDS/PEPS at the time the report is being issued.

Report preparation: IRB procedures memorandum 91-28 provides guidance on preparation of the program review report, including models of the cover letter, cover sheet, introduction and student appendix lists. Reviewers should continue to be guided by the procedures in that memorandum. However, based on recent OIG recommendations on additional items to be included in the report and in supporting documentation, please note the following:

- a. Provide information on the **type of file sample used** and how the sample was derived. This is an expansion of the brief sampling information currently listed

under Scope of Review in the procedures memo model (Introduction, second paragraph). The recommended language is as follows:

Example: A sample of XX student files was selected for the review, X each for the 19XX-XX and 19XX-XX 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.

- b. The reviewer should also document in the workpapers the **reasons a school was selected for review.**

The structure for reporting findings is described below. Reviewers should use the generic paragraphs as the base for describing findings, and build upon them by adding detail. See Section 2 (Generic Paragraphs/Deficiency Codes) later in this chapter.

Finding: Describe the statutory or regulatory violation; provide sufficient detail in order to build a prima facie 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.

Include in the finding a concise statement identifying the harm to ED or to students that results from the specific violation.

Example of harm statement: "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." (Note: The harm statement should also be included in the final program review determination letter.)

Reference: List the statutes, regulations, and policy issuances supporting the finding. However, do not cite a policy issuance alone without a supporting regulation or statute.

Requirement: Describe the corrective action to be taken by the institution to return it to compliance.

Additional details and models for Finding, Reference, and Requirement can be found in the generic paragraphs, in IRB 91-28, and in Appendix N.

2. GENERIC PARAGRAPHS/DEFICIENCY CODES

Generic paragraphs. To save time in report preparation, ensure consistency in descriptions of findings and corrective actions, and provide clarity and a concise format, the reviewer should use the generic paragraphs as the base for each program review report. Complete with regulatory references, these examples of standard language assist in structuring descriptions of findings.

Generic paragraphs should be considered only a **starting point** for the reviewer, with adjustments made by the writer to reflect the details of the particular noncompliance identified in the review. The updating of existing generic paragraphs, plus the continuing addition of new paragraphs, will ensure that the recommended standard language will be current. Feedback from all reviewers on the usefulness of these paragraphs will help IRB-HQ keep the paragraphs complete and up to date.

Deficiency codes. Currently, IRB has approximately 170 codes for classifying regulatory violations. The numbering systems for the deficiency codes and the corresponding generic paragraphs are identical. Entering deficiency code into IDS/PEPS is vital for tracking and analysis. Codes may be entered into IDS as soon as possible after a review, but no later than issuance of the program review report. Reviewers are encouraged to provide feedback through their supervisors on the need for new codes or revisions to existing codes.

NOTE: The Generic Paragraph Team is currently (7/1/94) updating the deficiency codes and generic paragraphs. See Appendix L for the draft list of the deficiency codes and corresponding generic paragraph titles. The new list will be distributed when it is complete.

B. Final Determinations

IRB procedures memorandum 91-5 provides guidance on preparation of the final program review determination letter (FPRD). This memorandum provides FPRD procedures and models. Again, as with the program review report, a guiding principle for FPRD preparation is to describe a prima facie case.

Time frame for issuance: As noted above for review reports, new guidelines will be developed to provide for orderly management of the closure process and appropriate time frames for FPRD issuance.

Resolved findings. Reviewers should be certain to document fully in the workpapers, 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).

Note on the Expedited Determination Letter (EDL). To save time for the reviewer 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 reports and spares the school the necessity of a formal response to review report requirements. Paperwork is reduced; elapsed time to closure is shortened. **A model EDL is included as Appendix J.** As indicated in Chapter 1, more information on the EDL process, plus EDL models, will be available in a separate procedures memorandum.

Time frame for EDL issuance: The Expedited Determination Letter should be issued no later than 10 working days after conclusion of the review visit.

C. Appeals

Under Subpart H, General Provisions Regulations, an institution may file a formal appeal if it disagrees with the 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, IMD. The request must state the basis for the appeal, and include any documents that the institution may wish to present to support its case.

IMD must transmit the administrative record of the appeal including the request for review and supporting documents to the Office of Hearings and Appeals (OHA) within 30 days of receipt of the appeal. Under new procedures being developed, upon receipt of the appeal, IRB-HQ will promptly notify the appropriate regional director and forward a copy of the appeal and supporting documentation. The regional director can then review the objections and materials submitted to support the institution's case, and can reconsider the findings challenged in the appeal. This informal process supplements the formal appeal procedure described in the regulations, and may resolve some appeals before they are forwarded to OHA.

IRB-HQ will coordinate the two processes so that critical deadlines in the formal appeal process are met. IRB-HQ will forward the appeal to OHA and notify that office that the regional office is simultaneously pursuing an informal resolution of the appeal.

Generally, IRB-HQ must forward the appeal to OHA about 20 days after receipt of the institution's appeal. Under the regulations, OHA must establish a hearing schedule within 30 days of the date the institution appeals, and the hearing must be conducted within 120 days of the date it is scheduled. To avoid the complications of withdrawing or modifying the FPRD after OHA assigns the case to a hearing official, the regional office should try to conclude its review of the appeal within 30 days of the date the institution appeals.

Working closely with OGC, IRB/IMD will develop detailed procedures on the new appeal process and issue an IRB procedures memorandum to regional offices.

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Appendix A. Program Review Preparation Worksheet

Date _____

INSTITUTIONAL INFORMATION

School Name _____	OPE ID _____
Address _____	EIN _____
City, State ZIP Code _____	
Contact Person _____	Title _____ Phone _____
Branch Campus Address(es) (and Phone Number(s))	
1. _____	
2. _____	
3. _____	
Title IV Participation <input type="checkbox"/> Pell <input type="checkbox"/> Perkins <input type="checkbox"/> FWS <input type="checkbox"/> FSEOG <input type="checkbox"/> FFEL	

PROGRAM REVIEW PLANNING INFORMATION

Reviewer(s) Names _____	
Reason School Selected for Review _____	
Program Review Dates _____	Award Years to Review _____
Location _____	Entrance Conference Time _____
Survey/Team Review _____	Number of SPS Recipients _____
Statistical Sample Size _____	Random Sample Size _____
<input type="checkbox"/> Announced Review	<input type="checkbox"/> Unannounced Review

BACKGROUND INFORMATION

Correspondence, Complaints (Students/IDS), Regional Institutional Files, CED Actions, OIG Actions

NOTE: THIS WORKSHEET SHOULD BE USED IN CONJUNCTION WITH THE INSTITUTIONAL PROFILE FOR THIS PROGRAM REVIEW.

Program Review Preparation Worksheet (cont'd)

SCHOOL NAME: _____ OPE ID: _____ Date _____

PRIOR ED PROGRAM REVIEW INFORMATION

PRCN _____	Review Date _____	Report Date _____	AY's Reviewed _____
Finding(s) _____		Liabilities _____	
_____		_____	
_____		_____	
Review Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No		Date: _____	Liabilities Paid? _____

AUDIT INFORMATION

ACN _____	Award Years Audited _____
Finding(s) _____	

Liabilities _____	

Audit Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Date: _____	Liabilities Paid? _____

PRIOR GUARANTY AGENCY REVIEWS

Report Date _____	AY's Reviewed _____
Finding(s) _____	

Liabilities _____	

Review Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Date: _____	Liabilities Paid? _____

STATE AGENCY REVIEWS (SPRES)

Report Date _____	AY's Reviewed _____
Finding(s) _____	

Liabilities _____	

Review Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Date: _____	Liabilities Paid? _____

AREAS FOR FOCUS

Prior/Repeat Findings- _____

Appendix B. Notice of Visit Letter

(DATE)

(NAME OF PRESIDENT OR CHIEF EXECUTIVE OFFICER)

(NAME OF INSTITUTION)

(ADDRESS OF INSTITUTION)

OPE ID:XXXXXXXX

(CITY, STATE & ZIP CODE)

EIN:X-XX-XXX-XXXX-XX

Dear (NAME OF PRESIDENT OR CEO):

34 CFR Section 668.23(e) of the General Provisions Regulations states: "Upon written request, an institution shall give the Secretary access to all Title IV, HEA program and fiscal records, including records reflecting transactions with any financial institutions with which it deposits or has deposited any Title IV, HEA program funds." The institution must also provide access to its administrative staff and students.

This letter constitutes our written request to the officials of (Name of Institution) for access, beginning today, to your HEA records, staff and students, so that (Program Officers' names) can conduct a program review of your institution's administration of the Title IV Student Financial Assistance programs.

Failure to provide this access to the program officers will result in the Department taking administrative action against the institution. This action may include, but is not limited to: limitation, suspension or termination of the institution's participation, pursuant to 34 CFR Part 668, Subpart G.

This program review will encompass your administration of the Title IV programs included in your Program Participation Agreement, and will evaluate the following:

1. General institutional eligibility;
2. Program administration;
3. Student eligibility;
4. Student financial aid files;
5. Academic records;
6. Registration and attendance records; and
7. Fiscal administration records.

Please inform members of your staff who are responsible for the Title IV programs that we will need to interview them or their designees during the program review. We will also conduct a brief entrance interview. In addition, we will need work space and access to a copier during this period.

Notice of Visit Letter (Cont'd)

Page 2 - (SCHOOL PRESIDENT OR CEO)

A list of the documents that you must provide to the reviewers is enclosed (Attachment A) to this letter. The list is in order of priority, with items needed immediately marked with asterisks. All other documents must be provided as soon as possible.

Your cooperation throughout the program review process will be appreciated.

Sincerely,

(Branch Chief's Name)
Chief, Institutional Review Branch

Enclosure

cc: Financial Aid Director

Notice of Visit Letter (Cont'd)

ATTACHMENT A - Page 1

School: _____ **Review Date:** _____

You are required to provide the following documents:

- * 1. School catalog(s), together with the refund policies, and satisfactory academic progress policy;
- * 2. A list of Title IV recipients for the 19XX-XX and 19XX-XX award years. Please provide this information in an unduplicated and reconciled format, organized by: name, social security number, award year, and dollar amount of Title IV student financial aid by program received by each recipient, enrollment status and refunds paid or due to be paid. This information should be provided on a Lotus 123 worksheet or DOS text file; if the institution cannot provide this information by electronic means, a hard copy list must be provided;
- * 3. A copy of the institution's most current audited financial statements;
- * 4. Eligibility letter and Program Participation Agreement;
- * 5. Copy of accreditation documentation;
- * 6. Copies of course approval notices issued by the State Education Department for each course offered by the school;
- 7. Sample of student financial aid forms used;
- 8. Sample award letter;
- 9. Pell and/or Campus-based and FFEL student budgets;
- 10. Ability to benefit test, answer key, passing score, and the dates the test was in use;
- 11. ED/PMS 272 Reports;
- 12. Student Payment Summary;
- 13. Fiscal Operations Report and Application to Participate (FISAP), with supporting documentation;
- 14. Current withdrawal rate;
- 15. Non-Federal SFA audit (most recent);
- 16. Written verification policies and procedures;
- 17. A list of all current owners and owner percentages;
- 18. Number of current students enrolled; and,
- 19. Percentage of current students enrolled receiving federal assistance.

Depending upon the programs in which your institution participates, the following records or documents must be made available for examination by the program officer(s). Any other records necessary to complete the review will also be requested.

- 20. Complete set of books for financial aid, including a chart of accounts for each program, general ledgers and subsidiary ledgers, including student subsidiary accounts;

Notice of Visit Letter (Cont'd)

ATTACHMENT A - Page 2

21. Original canceled checks, bank statements, deposit slips, checkbook or check roster and cash request to ED Payments (EDPMTS);
22. Federal Pell Grant Program Institutional Payment Summary(ies) (IPS), Statements of Accounts (SOA);
23. Policies and procedures manual pertaining to administration of Title IV programs;
24. Financial aid recipients' academic and financial aid records which include the following --
 - N Student contracts, enrollment agreements or registration forms;
 - N Evidence of admissions criteria such as high school diploma, GED or ability to benefit;
 - N Institutionally developed admissions and financial aid forms;
 - N Class schedules and attendance records;
 - N Student financial aid transcript(s);
 - N Satisfactory academic progress determination documentation;
 - N Student's drop date or withdrawal date documentation;
 - N Refund calculation worksheet(s);
 - N Student need analysis documentation;
 - N Pell Grant Student Aid Report (SAR);
 - N Stafford Loan, SLS and/or PLUS application(s);
 - N Student loan programs entrance and exit counseling documentation;
 - N Federal Perkins Loan promissory notes; and
 - N Student account ledger(s).

Appendix C. Staff Interview Questions

We have assembled some staff interview questions to help the reviewer 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 a reviewer may ask, and the interview process will differ based upon the type of institution which 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. The reviewer must use her/his professional judgement in the type of questions being asked, and expand the questioning when necessary to follow up on areas of concern disclosed by the answers to other questions. We hope these questions will serve as a guide to the staff interview process.

It is important to note that all interviews must be completely documented for future reference in a program review report or to support any administrative action taken against an institution.

Staff Interview Questions (Cont'd)

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?

What is the school's attendance policy? Are students dropped after a number of absences? If so, what number is that?

How and when is it enforced?

Who makes the final decisions regarding terminations for attendance problems (if applicable)?
Are exceptions documented?

Who keeps attendance records and how often (daily, weekly, monthly?)

Does the attendance policy or attendance probation (if applicable) relate to financial aid?

Are excused absences allowed? How much or what percentage?

SATISFACTORY ACADEMIC PROGRESS POLICY

1. **What is the school's general SAP policy?** (include appeals for mitigating circumstances)
2. **Quantitative** _____
Qualitative _____
 (for different programs?)
3. **Maximum time-frame (different programs)?**
4. **When/how often is SAP checked/verified (different programs)?**
5. **What is the probationary period?** Do students get financial aid while on probation?

Staff Interview Questions (Cont'd)

ACADEMIC OR EDUCATION PERSONNEL/REGISTRAR QUESTIONS (CONTINUED)

6. **What is the school's policy on repeats and remedial courses?**
7. **When are students terminated? When can they re-enroll? How is this handled?**
8. **What are the appeal procedures? Is there established criteria for approving/denying appeals?**

For programs without academic terms, how is the midpoint determined for Pell disbursements (different programs)?

If the school has externships, how is attendance monitored during this time?

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)?

Are students charged for exceeding their contracted hours? (Clock hour schools)

What is the school's withdrawal rate? _____ How is this determined? (need back-up documents)

What information do you share and coordinate with the financial aid office (prior schooling)?

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 (eg. 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)

Staff Interview Questions (Cont'd)

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? Do you have commissioned admissions rep's (ie. retention-based bonus)?

Describe programs in terms of their length (months, weeks, units/hours)

What information is requested on the admissions application? (past schools?)

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, 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?

ABILITY-TO-BENEFIT

1. ATB test used _____
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. Passing scores for different programs?
5. Retake policy?
6. Who administers the ATB test? (one or more? _____)
7. How is that person paid? (need copies of pay documentation and contracts)

8. Who keeps the original test answer sheets?
9. How are test results reported by the independent tester?

Staff Interview Questions (Cont'd)

ADMISSIONS PERSONNEL INTERVIEW QUESTIONS (CONTINUED)

10. Do admissions representatives or any school employee ever administer ATB tests?
11. Do the admissions representatives have access to test questions and answers?
12. Are students ever counseled in strategies for passing the test?
13. Passing scores for different programs?
14. What GED program is available for ATB students?

(SEE THE INDEPENDENT ATB ADMINISTRATOR QUESTIONS)

Additional 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 frequently do starts occur (different programs)?

What is the school's enrollment? _____ % 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?

Is a separate admissions file kept on each student?

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 data base?

Describe any remedial programs.

For students enrolled in ESL-only programs, how are pre-existing job skills documented ?

Are any high school students admitted into the program?

Who verifies high school graduation for students who applied prior to finishing high school, and how is this accomplished?

Staff Interview Questions (Cont'd)

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 and the school get together?

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.

Describe the test requirements. (e.g., whether test is timed, whether different versions of tests should be used for retests, number of times student can retake test).

Explain the ATB testing process at the school.

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).

What test is used?

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 do you notify the school of the students' test results?

Who keeps the original copy of the test?

Do you keep an independent record of who was tested, and the scores for each student? If so, please give us a copy.

Staff Interview Questions (Cont'd)

INDEPENDENT ATB ADMINISTRATOR QUESTIONS (CONTINUED)

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 counselling 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 retests.)

Have you met the requirements of the test publisher as a proctor? (Wonderlic requires the test proctors to be certified by their company prior to administering their test.)

Staff Interview Questions (Cont'd)

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. Ask for changes between award years.)

The following questions are suggested for this interview process:

General responsibilities in Title IV administration and functions of different employees in the financial aid office: Please describe the financial aid process chronologically (open-ended question).

What has to happen in order for a student to get financial aid once they decide to go to your school?

Describe process before aid is disbursed: application for financial aid, FAT requests, needs analysis, budget determination, award letters, receipt of Student Aid Report(SAR)/Electronic SAR (ESAR) (on EDE?), student signatures, loan counseling, etc.

Describe verification policies and procedures. (Check for written policies and procedures)

Explain the ESAR process. When are ESAR certifications signed?

If only comment codes are printed on the ESAR, does everyone have the explanation of codes?

What is the role of the servicer (if applicable)?

Which needs analysis is used? Were there different needs analysis for different award years?
When is it used and for what purposes?

How does the school define its academic year for financial aid purposes?

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?

What is included in the Federal Pell Grant budgets or cost of attendance for the different programs? (Beginning with the 1993-94 award year, a single budget is used for the Pell and FFEL programs)

For campus-based and FFEL, when would the data elements that affect the EFC be adjusted?

Staff Interview Questions (Cont'd)

FINANCIAL AID PERSONNEL INTERVIEW QUESTIONS (CONTINUED)

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 completes the Student Status Confirmation Reports (SSCR)? Where are they maintained?

How does the financial aid office communicate or receive information from other offices such as admissions, academic or education department, placement, etc.?

Is there or was there any problems with the school's Title IV administration that we should know about?

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 familiarized with their forms.*****

SATISFACTORY ACADEMIC PROGRESS (SAP) POLICY - FINANCIAL AID PURPOSES

*** How is midpoint determined for Pell (different programs)?**

*** What is the school's attendance policy as it relates to financial aid?**

*** How often is SAP checked/verified (for different programs)?**

*** What is the probationary period? Do students get financial aid on probation?**

*** What are the appeals procedures for mitigating circumstances?**

*** What is the school's policy on repeats and remedial courses?**

*** What is the school's LOA policy? Procedures?**

How does the financial aid office monitor the student's enrollment status?

How is the financial aid office notified if the student is not making SAP?

* Indicates that these areas may be also/only found in the Academic or Education/Personnel Office

FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAMS:

Are specific people responsible for certifying FFEL loans?

What is the criteria for certifying SLS instead of PLUS for dependent students?

How is the COA determined for a loan period (different programs)?

How is the FC determined for a loan period of other than 9 months (different programs)?

Staff Interview Questions (Cont'd)

FINANCIAL AID PERSONNEL INTERVIEW QUESTIONS (CONTINUED)

Are loan amounts prorated?

What loan counseling is done and when? Is in-person exit counseling done before graduation?

* **Who awards/disburses financial aid -- grants and loan proceeds?** How and when?

* **Is a loan log book kept** (records the date the check is received from the lender, the date the check is released to the student and the date any check was returned or a refund was made)?

* **Describe the timing and amounts of the first and second disbursements, loan disbursement procedures, and what is checked prior to disbursing funds to the students' account/student.**

* **Are any FFEL funds maintained for the students' budgeting purpose?** Is an escrow account available for excess funds?

* **How does financial aid disbursement differ for students in different programs?**

* Indicates that this item may be found in the business office rather than the financial aid office.

FEDERAL PERKINS LOAN PROGRAM:

Where are Perkins promissory notes stored (should be in a fire-proof, locked cabinet)?

When do students sign for 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)

What is done with credit balances on students' accounts?

Staff Interview Questions (Cont'd)

FINANCIAL AID PERSONNEL INTERVIEW QUESTIONS (CONTINUED)

REFUNDS:

Explain the financial aid office's role in the school's refund procedures.

How is the financial aid office notified when a student has withdrawn?

Who completes the refund calculations? Who prepares/endorsees the refund check?

Where are the canceled refund checks maintained?

What refund policy is used? Do state/accrediting agency refund policies differ from Title IV minimums?

What are the refund deadlines and when are refunds calculated/made?

How is the business office or corporate office notified of refund amounts?

Do refund checks go through any type of approval process before they are sent to the lender?

DEFAULT MANAGEMENT PLAN:

(NOTE: see the Default Focus Checklist - APPENDIX 8)

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 the Department or is the school required to implement Appendix D?

If Appendix D, how does financial aid office coordinate with other offices? Their roles?

Staff Interview Questions (Cont'd)

FISCAL INTERVIEW QUESTIONS

Name _____
Position/Title _____
Award years in position _____
Name of CPA _____
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 EIN's, PIN's?)

Who requests the drawdowns (calls EDPMS for money)? How? 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? How is this interest returned? (by check or through the PMS 272 report?)

How are the accounts identified at the bank (with word "Federal")?

Are there any bank service or other charges on the Federal accounts?

Who does the bank reconciliations between the ledgers and bank statements?

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?

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?

Staff Interview Questions (Cont'd)

FISCAL INTERVIEW QUESTIONS (CONTINUED)

Who does the reporting on the PMS 272 and FISAP to the Department? What methodology?

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 reconciliations with the PMS 272, FISAP, SPS, and ledgers? How often? Explain process.

Who can explain your institution's accounting system?

How and when are disbursements made to students? (after how many units/hours?) How are students notified that their checks have arrived?

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 checks?

For what reasons would a check 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)?

Are student credit balances ever maintained on a student's account? Under what circumstances?

Who completes the refund calculations? Who prepares/writes the refund check?

How are refunds made? What refund policy is used?

When are refunds made for each of the Title IV programs?

Are copies of canceled or negotiated checks held at the institution? Where?

Has the school been on financial monitoring (determine from IDS first)?

What is the status of the financial statements? (current asset-to-liability ratios)

What are the procedures for monitoring outstanding 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?

Does the institution delay the date it releases the loan proceeds for first time students?

Are there any current Title IV funding or reconciliation discrepancies or problems that we should know about?

Staff Interview Questions (Cont'd)

PLACEMENT OFFICER INTERVIEW QUESTIONS

Name _____

Position/Title _____

Award years in position _____

(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.

What is the institution's default management plan?

If Appendix D, what activities has the person been doing to fulfill Section II, #1-3. (ie. Does the school have a liaison with the Private Industry Council? Federal Employment Development agency?)

Does the school communicate with its accrediting agency about improvements to its job placement rate?

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?

Appendix D. Student Interview Questions

We have assembled some student interview questions to help the reviewer target problem areas during a program review. Student interviews are an essential part of the interview process. They can provide the reviewer with valuable information about the administration of the Title IV programs at an institution. They can identify problems and systemic deficiencies not readily apparent in a file review alone. These questions are not intended to be all-inclusive. The reviewer must use her/his professional judgement in the type of questions being asked, and expand the questioning when necessary to follow up 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 the reviewer discovers unusual documents or discrepancies during a file review, the reviewer 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. We hope these questions will serve as a guide to the student interview process.

It is important to note that all interviews must be completely documented for future reference in a program review report or to support any administrative action taken against an institution.

Student Interview Questions (Cont'd)

Name _____

Program of Study _____

Award Years Enrolled/Status _____

(Freshman, Sophomore, et.c)

Date of Withdrawal/Graduation (if applicable) _____

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)

PROPRIETARY

How did you hear about this school?

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?

Did you talk to a sales representative?

GENERAL QUESTIONS

Are you a U.S. citizen? If not, are you a permanent resident of the U.S.?

Do you have a high school diploma or GED? If not, what type of admissions test did you take and who administered the test?

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 type of federal aid did you apply for at this school? Did anyone in the financial aid office help you fill out the forms?

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?

When did you receive your student aid report (SAR)? How or when were you contacted to sign and review your ESAR?

Student Interview Questions (Cont'd)

Were you given an opportunity to review all of the information on your SAR/ESAR prior to signing it?

Have you given the school written permission to hold your federal funds to pay for tuition and fees or help budget your aid?

INDEPENDENT/DEPENDENT STATUS

(A yes answer to any one of these questions indicates an independent status)

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?**

Do you live with your parents or on your own? Do you have special circumstances?

Are you maintaining satisfactory academic progress? 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 received all the books, equipment and supplies you should have received, and for which you have been charged?

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?**

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?)

Did you receive a Leave of Absence (LOA)? More than one? If so, when?

Student Interview Questions (Cont'd)
FEDERAL FAMILY EDUCATION LOAN PROGRAMS:

1. **When did you fill out your FFEL application?**
2. **Did anyone help you fill out the application?**
3. **Which lender did you select?**
4. **Were you offered any incentive to get a student loan through that lender?**
5. **Did you receive any counseling before you received your first disbursement?**
In-person counseling?
6. **How did you receive your disbursement check from the lender?** Did the school give you the check or were you required to sign it and give it back to the school?
7. **Was the check made out just to you, or co-payable to you and the institution?**
8. **Did you receive a copy of your promissory note/application?**

If the student dropped below half-time/withdrew/graduated:

9. **When was your last date of attendance (LDA) or full-time date?**
10. **Did you receive counseling after you ceased to be enrolled at least half-time?**
11. **Did you receive a refund calculation? If so, was any refund due to your lender?**
12. **Did you receive notification of any refund made to your lender?**
13. **Was a refund paid to your lender?**

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?**

If the student withdrew/graduated:

6. **When was your last date of attendance (LDA)?**
7. **Did you receive counseling after you withdrew/graduated?**
8. **Did you receive a refund calculation? If so, was any refund due to your loan?**
9. **Did you receive notification of any refund made to your loan?** Was a refund paid on your loan?
10. **Did you sign a repayment agreement?** Did you receive a copy of that agreement?

Student Interview Questions (Cont'd)

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?

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 F. Sample Student File Worksheet

STUDENT FILE WORKSHEET

Name of Institution: _____

OPE ID#: _____

Name	<input type="checkbox"/> M <input type="checkbox"/> F	SSN	Marital Status <input type="checkbox"/> Mtd. <input type="checkbox"/> Sgl.		Household Size	# In College	Grade Level	Hrs/Cred Earned
	Program of Study	Program Length	Academic Yr. Length	Enrollment Date	Enrollment Status <input type="checkbox"/> F <input type="checkbox"/> 3/4 <input type="checkbox"/> 1/2 <input type="checkbox"/> <1/2	Adjusted Gross Income	Taxable Income	Non-Taxable
	Grad/Withdl Date	Award Yr. Reviewed	Midpoint Date	Enrollment Status	<input type="checkbox"/> Indep <input type="checkbox"/> Dep <input type="checkbox"/> Documentation			

Student Eligibility:

- Citizen Perm Res HS Diploma GED FAT, If Required
 Alien Reg # _____ ATB Approved ATB Test Previous School: _____

Prev School (Cont'd): _____
 Prev School (Cont'd): _____

Federal Pell Budget	C-B/FFEL Budget/Combined Budget (93-94)	Scheduled Award	Federal Perkins Loan
Tuition/Fees _____	Tuition _____	PELL _____	<input type="checkbox"/> Signed Note
Living Exp _____	Fees _____	FSEOG _____	<input type="checkbox"/> Signed Disclosure
Child Care _____	Books/Supplies _____	PERKINS _____	<input type="checkbox"/> Signed Repayment
Handicapped _____	Room/Board _____	FWS _____	
Total COA _____	Personal Exp _____	Stafford _____	
PGI/SAI _____	Transportation _____	SLS _____	
PELL Grant _____	Dependent Care _____	PLUS _____	
<input type="checkbox"/> Adjusted <input type="checkbox"/> Documented	Misc _____	Other _____	FWS
	CB COA _____	Other _____	<input type="checkbox"/> Signed Timesheets
Verification	FC _____	Total Aid _____	
<input type="checkbox"/> Required <input type="checkbox"/> Completed	Need _____	Unmet Need _____	
<input type="checkbox"/> Documented Tolerance _____	<input type="checkbox"/> Adjusted <input type="checkbox"/> Documented	Overaward _____	

FFEL	Stafford	SLS	PLUS	Default Data	Stafford	FFEL	SLS
COA _____	Amount Requested _____			Rate: _____	<input type="checkbox"/> Entrance Counseling		<input type="checkbox"/> Entrance Counseling
EFA _____	Date Student Signed _____			<input type="checkbox"/> Required Default Steps Taken	<input type="checkbox"/> Exit Counseling		<input type="checkbox"/> Exit Counseling
FC _____	Date School Certified _____				<input type="checkbox"/> Proration		<input type="checkbox"/> Slt Conf Rpt - OK
Need _____	Loan Period _____						

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

- Does the school's nationally recognized accrediting agency have standards of satisfactory progress?
- If the school's policy conforms with its accrediting agency's standards, does it meet all of the Title IV program requirements? [Sections 668.7(c) and 668.16(e)]

SAME AS OR STRICTER THAN STANDARDS FOR NON TITLE IV AID RECIPIENTS

- 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

- Does the school's policy include the use of grades or other qualitative factors which are measurable against a norm? The qualitative factors are: _____

- 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)?

A QUANTITATIVE MEASURE

- Does the school's policy set a maximum time frame for completion of the degree(s) and certificate(s) it offers? The policy sets the following maximum time frame(s) for:
 - Full-time, and either
 - Part-time, or
 - Three-quarter-time, and
 - Half-time, and
 - Less-than-half-time.
- Does the school's policy divide the maximum time frame into increments (not to exceed one academic year)? Those increments are: _____

SAP Policy Checklist (continued)

A QUANTITATIVE MEASURE

- Does the school determine a student's quantitative progress at least once during programs that are one academic year or less in length?
- Does the school choose to include summer sessions in the length of the increments into which the maximum time frames are divided?
- 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: _____

- 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: _____
- 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: _____
- 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

- Does the school choose to establish specific standards in its policy for different categories of students and for different programs?
- Do the standards for each category or program meet all of the Title IV program requirements?
- Does the school choose to detail in its policy how its standards are applied to transfer students?

NONPUNITIVE GRADES AND COURSES

- Does the school's policy define the effect on satisfactory progress of the following:
 - Course incompletes,
 - Withdrawals,
 - Course repetitions, and
 - Noncredit remedial courses?

SAP Policy Checklist (continued)

APPEAL

- 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?
- Does the school choose to specify in its policy the mitigating circumstances that will be evaluated?
- Does the school choose to include in its policy a blanket-type probationary period?
- Does the school's policy detail the student's responsibilities during the probationary period (due to mitigating circumstances or a blanket-type decision)?

REINSTATEMENT OF AID

- 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?

FIRST TIME ASSISTANCE 1987-88 OR AFTER (PROGRAMS LONGER THAN 2 YEARS)

- Does the school's policy include requirements for reviewing student's academic progress at the end of each academic year?
- 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?
- Does the school's policy identify "equivalent of a C average" and "academic standing consistent with graduation requirements"?
- 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?

GENERAL

- Is the school's complete policy published in appropriate publications?
- Does the school disseminate these publications to all enrolled students and to prospective students upon request?
- Are all of the school's standards consistent within its overall policy?
- 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 Review Checklist

School Name and Address	OPE ID: _____
_____	FY _ Def. Rate: ____% # of Borrowers ____
_____	FY _ Def. Rate: ____% # of Borrowers ____
_____	FY _ Def. Rate: ____% # of Borrowers ____
_____	FY _ Def. Rate: ____% # of Borrowers ____
Review Date: _____	Name of Reviewer(s) _____
Review Period: _____	

I. DEFAULT RATE CATEGORY

- Default Rate between 20.1% and 40.0%*** **Yes** **No**
1. Did the school appropriately submit a default management plan to the U.S. Department of Education for approval?
 2. Has the school implemented its approved default management plan?

- Default Rate above 30.0%** **Yes** **No**
1. Are pro-rata refunds applied to all Title IV recipients as of July 1, 1990? (only first-time recipients as of July 1992) [P.L. 101-166]
 2. Are pro-rata refunds applied to FFEL recipients as of the date the school was notified that its default rate exceeded 30% or November 21, 1989? [P.L. 101-166]
 3. Has the school implemented measures to ensure that loan proceeds are not released until 30 days of the enrollment period have elapsed for all first-time Stafford borrowers? [34 CFR 682.603(c)]

- Default Rate above 40.0%** **Yes** **No**
- Has the school adopted Appendix D as its default management plan?

II. GENERAL (ALL SCHOOLS REGARDLESS OF DEFAULT RATE) **Yes** **No**

1. Does the school have an initial loan counseling program? [34 CFR 682.604(f)]
2. Does the school have an exit loan counseling program? [34 CFR 682.604(g)]
3. If the school is delaying the certification of Stafford or SLS loans, are loans delivered no later than 45 days after the date of enrollment?

Default Review Checklist (continued)

School: _____ OPE ID: _____

Default Reduction Measures

III. 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? [App D, I, 1]	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the school have effective academic counseling programs and support services in place, which assist the academically high risk student? [App D, I, 2]	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the school adequately review its attendance or other records to identify students withdrawing without notice to the school? [App D, I, 4]	<input type="checkbox"/>	<input type="checkbox"/>
IV. CONSULTATION WITH ACCREDITING BODY	Yes	No
1. Has the school contacted its accrediting body to explore possible enhancements to reduce its withdrawal rate? [App D, I, 3]	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the school contacted its accrediting body to explore possible enhancements to improve its job placement and licensing? [App D, II, 2]	<input type="checkbox"/>	<input type="checkbox"/>
V. EMPLOYMENT	Yes	No
1. Has the school expanded its job placement program? [App D, II, 1]	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the school have a liaison for job information and placements with appropriate public and private agencies? [App D, II, 3]	<input type="checkbox"/>	<input type="checkbox"/>
VI. BORROWER CONTACTS	Yes	No
1. Does the school contact each borrower for whom the lender requests pre-claims assistance? [App D, III, 1]	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the school have procedures for contacting the borrower during the grace period? [App D, III, 2]	<input type="checkbox"/>	<input type="checkbox"/>

Default Review Checklist (continued)

School: _____	OPE ID: _____		
VII. COUNSELING		Yes	No
1. Does the school collect additional references and make these references available to the lender upon request? [App D, III, 3]	<input type="checkbox"/>	<input type="checkbox"/>	
2. 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? [App D, III, 4]	<input type="checkbox"/>	<input type="checkbox"/>	
3. Initial Counseling. Does the school test potential borrowers on their knowledge of the terms and conditions of their loan? [App D, III, 5, (a), (1)]	<input type="checkbox"/>	<input type="checkbox"/>	
4. Initial Counseling. Does the school fully explain to each borrower their rights and responsibilities under the FFEL loan programs? [App D, III, 5, (a), (2)]	<input type="checkbox"/>	<input type="checkbox"/>	
5. Initial Counseling. Does the school inform the student of the average indebtedness and repayment data for all students and the potential indebtedness and repayment data for each student individually? [App D, III, 5, (a), (3)]	<input type="checkbox"/>	<input type="checkbox"/>	
6. Initial Counseling. Does the school inform each borrower of the consequences of default? [App D, III, 5, (a), (3), (ii)]	<input type="checkbox"/>	<input type="checkbox"/>	
7. Initial Counseling. Does the school review repayment options? [App D, III, 5, (a), (4)]	<input type="checkbox"/>	<input type="checkbox"/>	
8. Initial Counseling. Does the school explain the sale of loans and the use of servicers? [App D, III, 5, (a), (5)]	<input type="checkbox"/>	<input type="checkbox"/>	
9. Initial Counseling. Does the school provide debt management strategies? [App D, III, 5, (a), (6)]	<input type="checkbox"/>	<input type="checkbox"/>	
10. Exit Counseling. Does the school test borrowers on their knowledge of the terms and conditions of their loan? [App D, III, 5, (b), (1)]	<input type="checkbox"/>	<input type="checkbox"/>	
11. Exit Counseling. Does the school provide a sample loan repayment schedule to each borrower? [App D, III, 5, (b), (2)]	<input type="checkbox"/>	<input type="checkbox"/>	
12. Exit Counseling. Does the school provide the name and address of the lender(s) to the student? [App D, III, 5, (b), (3)]	<input type="checkbox"/>	<input type="checkbox"/>	
13. Exit Counseling. Does the school provide guidance to the borrower on preparation of correspondence to the lender and completing deferment forms? [App D, III, 5, (b), (4)]	<input type="checkbox"/>	<input type="checkbox"/>	
14. Exit Counseling. Does the school update borrower references? [App D, III, 5, (c)]	<input type="checkbox"/>	<input type="checkbox"/>	

Appendix I. Perkins/NDSL Due Diligence Checklist

CONTACTS WITH THE BORROWER (674.42)

- Conducted an Exit Interview
- Grace Period Contacts
 - 9-month initial grace period
 - 90 days after the commencement of any grace period
 - 150 days after the commencement of any grace period
 - 240 days after the commencement of any grace period
 - 6-month initial grace period & post deferment grace periods
 - 90 days after the commencement of any grace period
 - 150 days after the commencement of any grace period

BILLING PROCEDURES (674.43)

TYPE OF BILLING SYSTEM USED:

- Coupon System, OR
- Billing System
 - Statement of account at least 30 days before first payment due date
 - Statement of account 15 days before due date of subsequent payments

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

LATE CHARGES:

- Late charges assessed for period of enrollment beginning on or after 1/1/86
- Borrower notified of the amount of the late charge imposed

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

TELEPHONE CONTACT (If borrower does not respond to Final Demand Letter):

- Telephone contact made with borrower before beginning collection procedures

ADDRESS SEARCHES (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
- Telephone directories & information operators used to obtain new address
- ED Skiptracing Service used

Perkins/NDSL Due Diligence Checklist (continued)

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 (674.45)

- Defaulted borrower reported to credit bureau, unless prohibited by State law
 - Institutional personnel used to collect
- OR
- Collection firm used to collect
 - Second collection firm used
 - (12-month limit on unsuccessful collection attempt by any entity)
 - Collection costs assessed against the borrower
 - Annual attempts made to collect from the borrower
 - Fund reimbursed for all collection costs initially charged to the Fund and subsequently paid by the borrower

LITIGATION PROCEDURES (674.46)

- 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 easily served
- Borrower has assets or income to satisfy major portion of outstanding debt
- Borrower does not have a valid defense that will bar judgement for the institution
- Expected litigation costs, including atty.'s fees, do not exceed amount which can be recovered
- Account litigated

WRITEOFF

- Account written off: Balance under \$200 SOL has expired

BANKRUPTCY PROCEDURES (674.49)

UPON RECEIPT OF BANKRUPTCY NOTICE:

- Collection effort ceased
- Filed a Proof of Claim, unless Chapter 7 notice states borrower has no assets
- Suspended collection efforts against any endorser
- Proper objections/complaints filed, if appropriate

Perkins/NDSL Due Diligence Checklist (continued)

RESUMPTION OF COLLECTION

RESUMED COLLECTION FROM THE BORROWER IF:

- Borrower's petition for relief in bankruptcy has been dismissed
- Court has denied borrower request for undue hardship discharge
- Borrower loan is not excepted from discharge under other applicable provision of the Code
- 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 (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 \$200 or more on a combination of Defense, Direct and Perkins loans

AND

- The loan has been accelerated

Appendix J. Expedited Determination Letter (EDL)

{MODEL -- WITH LIABILITIES/FINES}

Certified Mail

Mr. _____, President
 Technical School
 100 Main Street
 Anytown, USA 00000

PRCN: _____
 EXPEDITED DETERMINATION LETTER

Dear Mr. _____:

On January __-__ 19__, Mr. _____ and Ms. _____, Program Officers, conducted a program review of the Title IV Federal Student Financial Assistance Programs administered at Technical School. The focus of the review was to determine the institution's compliance with Title IV program statutes and regulations. The review consisted of, but was not limited to, an examination of the institution's Title IV policies and procedures, student aid and academic files, attendance records, ledgers, and financial reports.

A statistically valid sample of __ student files was identified for review from the 19__-__, 19__-__, and 19__-__ award years. From this sample, the reviewers selected a random sample of __ student files to examine admissions, academic, and financial aid data. In addition, the reviewers examined the institution's records, forms, and procedures and interviewed appropriate personnel. The enclosed Appendix identifies students in the file sample examined by the reviewers.

Although the review was thorough, it was not all-inclusive. The absence of statements in this letter concerning some of the institution's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, the institution must continue to comply with all statutory or regulatory provisions governing the Title IV Programs.

The Addendum to this letter identifies __ programmatic deficiencies. The reviewers discussed these programmatic deficiencies during the exit conference on January __, 19__. At the exit conference, the institution agreed to implement prompt corrective action and provide certification of this corrective action to the regional office within a specified time frame. The certification was to be received in the Regional Office within 15 days, no later than February __, 19__.

The Regional Office has received acceptable certification from the institution for Finding __. Therefore, the Department considers this finding(s) resolved. The Department may request copies in the future of the documents supporting the certification. If the documents do not support the certification, the Department will take appropriate administrative action.

Expedited Determination Letter (continued)

Page 2 - Mr. _____

However, because the Department did not receive certification for Findings __ and __, the Department is assessing liabilities of \$_____ and proposing a fine of \$_____ (payment instructions below). Details on liabilities/fines are included in the Addendum.

The institution must instruct its independent auditor to review and comment in the next nonfederal audit on all findings and corrective actions noted in this Expedited Determination Letter. The absence of such comment may result in administrative action and/or a fine.

Finally, the institution should consider this Expedited Determination Letter a combined Program Review Report and Final Program Review Determination letter which serves to close the program review of January __-__, 19__, pending the institution's payment of the liabilities/fines listed. Details on the liabilities/fines are included in the Addendum.

Payment Instructions

A. Liabilities

1. The total liability to be remitted to Stafford Loan note holders is as follows: (insert amount).

The institution must submit certification to this regional office within 45 days that payment has been made to the current loan note holders. The certification must include the (1) student name and SS#, (2) name, address, and telephone number of the note holder(s), (3) the check number and amount, and (4) the exact amount of loan obligation being repaid, since the actual amount as specified by the note holder may be higher (interest and penalties) or lower (student has made payments) than the assessed liability. If certification of payment is not received at the regional office within 45 days from the date of this letter, the Department will take appropriate administrative action.

2. The total liability to be remitted to the U.S. Department of Education is as follows: (insert amount).

Payment of the (insert amount) liability must be completed by forwarding your check, payable to the U.S. Department of Education, within 45 days of the date of this letter to the following address:

USDA - Administrative Collections
P.O. Box 70792
Chicago, IL 60673

The following identification data is applicable to this payment and must be placed on your check and accompanying document(s):

Expedited Determination Letter (continued)

Page 3 - Mr. _____

Amount: \$ _____
 EIN : _____
 PRCN : _____

If payment is not received within 45 days by our collection agent, the National Finance Center (NFC), interest will accrue in monthly increments, starting with the date of this letter, until the date of receipt at NFC. In addition, the Department may initiate an administrative action. Any questions regarding interest accruals or payment credits should be referred to the Administrative Billings and Collections Section of NFC on 1-800-421-0323.

B. Proposed Fine

The Department is proposing for Finding __ that the institution pay a fine of (insert amount). Since the Department is not proposing this fine formally, it is not subject to the Subpart H appeal process outlined below. If your institution does not pay the proposed fine, we will refer your institution to the Department's Compliance and Enforcement Division (CED). CED may initiate a formal administrative action pursuant to Title 34, Part 668, Subpart G. Formal administrative action may include initiation of a formal fine action. If CED initiates a formal administrative action, CED will inform you of your rights to contest the action.

To pay the proposed fine, send your check, payable to the U.S. Department of Education, within 45 days of the date of this letter, to the following address:

Institutional Monitoring Division
 Student Financial Assistance Programs
 U.S. Department of Education
 P.O. Box 23800
 L'Enfant Plaza Station
 Washington, D.C. 20026

The following identification data is applicable to this payment and must be placed on your check:

Amount : (insert amount)
 EIN : _____
 PRCN : _____

Appeal Procedures

This constitutes the Department's final program review determination with respect to the findings identified in the January __ - __, 19__ program review. If you wish to appeal to the Secretary for a review of any matter in this Expedited Determination Letter (except for proposed fines), you must

Expedited Determination Letter (continued)

Page 4 - Mr. _____

file a written request for an administrative hearing. Your request must be received by the Department no later than 45 days from the date the institution receives this expedited determination letter.

If you wish to appeal, your request for a review must be sent to:

Ms. Lynda M. Folwick, Acting Director
Institutional Monitoring Division
Student Financial Assistance Programs
U. S. Department of Education
P. O. Box 23800
L'Enfant Plaza Station
Washington, D. C. 20026

If you request an administrative hearing in a timely manner, the Department will provide a hearing conducted by a qualified hearing officer. You will be notified concerning the date of the hearing after the Department receives your request.

The procedures followed with respect to your appeal will be those provided in 34 CFR 668, Subpart H except for the provisions that refer to the hearing as a "hearing on the record" conducted by "an Administrative Law Judge." These regulations were superseded by Section 490 of P.L. 102-325.

The regulations require that your request for review must (1) identify the issues and facts in the final determination that you dispute, (2) state your position on the disputed matters with the pertinent facts and reasons supporting your position on (34 CFR 668.113 (c)). The program review control number (PRCN) must also accompany your request for review.

The regulations also require that you submit with your request for review any institutional work papers, records, or other materials that you may later wish to offer in this proceeding to support your position (34 CFR 668.113 (b)). Your continued cooperation throughout the program review process is appreciated. If you have any questions, please contact Mr./Ms. _____ at (____) ____-____.

Sincerely,

_____, Chief
Institutional Review Branch

Enclosure
cc: Chief, Institutional Review Branch, IMD

*Expedited Determination Letter (continued)***{MODEL -- WITH LIABILITIES/FINES}****Addendum**

Expedited Determination Letter
Technical School, Anytown, USA
Program Review, January __-__, 19__

Programmatic Deficiencies**1. Financial Aid Transcript Missing**

Deficiency: The reviewers noted that the institution had no record of a request for student 11's financial aid transcript. Therefore, the Pell Grant disbursements made to this student were improper.

Before a student who previously attended another eligible institution may receive any Title IV HEA program funds, the institution or the student shall request each institution that the student previously attended to provide a financial aid transcript to the institution that the student is or will be attending. Until an institution receives a financial aid transcript from each eligible institution the student previously attended, the institution:

- (1) May withhold payment or make one disbursement of Pell Grant, campus based, or ICL funds to the students;
- (2) May decline to certify the student's Stafford Loan or SLS application;
- (3) Shall not disburse Stafford or SLS proceeds to a student;
- (4) Shall not certify an application for a PLUS Program loan sought on behalf of the student.

In the absence of a financial aid transcript, there is a risk that the institution may violate legal restrictions on a student's federal student aid by improperly awarding funds to students who received previous Title IV assistance at another postsecondary institution. This may result in other needy students being deprived of assistance and could cause financial harm to the taxpayer.

Reference: 34 CFR 668.19

Corrective Action: At the exit conference, institutional officials agreed to attempt to obtain the required financial aid transcript(s) for student 11 and to provide certification of the transcript's receipt to the regional office within 15 days; further, to certify that the student was not in default on a federal student loan nor owed a repayment on a federal grant. In the absence of such certification, a liability for all Title IV funds disbursed to the student would be assessed.

In addition, the institution had no procedures for coordinating admissions and financial aid application data in order to

Expedited Determination Letter (continued)

Addendum -- Page 2

determine the need for a financial aid transcript. The institution agreed to certify to the Department its development and implementation of procedures for internal coordination on previous postsecondary attendance.

Determination: The institution forwarded acceptable certification to the regional office regarding its receipt of student 11's transcript, including the absence of default or grant repayment obligations. Therefore, no liability is assessed.

However, the institution failed to provide certification that appropriate internal procedures on financial aid transcripts were developed and implemented. As a result, the institution has failed to demonstrate it has an internal process for determining the need for financial aid transcripts.

Therefore, the Department is proposing a **fine of \$1,000**. Payment instructions are included in the accompanying letter.

2. Verification - Parents' Tax Return Not Signed.

Deficiency: The reviewers noted that the parents' 1040 tax forms in the files of students 1 and 14 were not signed by either of their parents. Title IV regulations require institutions to obtain signed copies of tax returns to document income for verification purposes.

An institution's failure to complete verification procedures may result in awards to non-needy students and may cause financial harm to taxpayers.

Reference: 34 CFR 668.56(a)(1)(2) and 668.57(4)(i).

Corrective action: At the exit conference, institutional officials agreed to complete the verification process, the institution agreed to attempt to obtain from students 1 and 4 copies of signed parents' tax returns. The institution agreed to send certification of receipt of these documents to the regional office within 15 days. In the absence of certification, liabilities would be assessed.

Determination: Because certification was not received by the regional office, **liabilities of \$7,425** are assessed:

Student 1 Pell Grant	\$2,400
Student 4 Pell Grant	\$2,400
" " Stafford Loan	<u>\$2,625</u>
	\$7,425

In addition, this is a **repeat finding**. A similar verification finding was noted in the institution's nonfederal audit for the previous year (19__-__), and the institution indicated that corrective action was to be implemented. Therefore, the Department is proposing a **fine of \$1,000**. Payment instructions are included in the accompanying letter.

Expedited Determination Letter (continued)

Addendum -- Page 3

3. Satisfactory Academic Progress Standards Not Monitored

Deficiency: The institution did not consistently apply its satisfactory academic progress (SAP) policy standards to all of its students.

Title IV regulations require an institution to consistently apply its satisfactory academic progress (SAP) standards for measuring whether a student is maintaining satisfactory academic progress before disbursing Title IV funds.

The reviewers found that Title IV funds were disbursed to students 1 and 19 for the Fall 1993 semester, even though their cumulative grade point averages were below the institution's required standard (3.0) at the end of the Spring 1993 semester. There was no documentation that the institution made any exceptions to the SAP policy for these students based on special circumstances.

By not adequately or consistently monitoring student (SAP) standards, the institution may be disbursing ineligible Title IV aid to students who have ceased to be making SAP; this may deprive other eligible students of need-based aid and create a financial burden on the U.S. Department of Education.

Reference: 34 CFR 668.7(c), 668.14(e), reissued as 668.16(e)

Corrective Action: At the exit conference, institutional officials agreed to provide certification within 15 days that the students in question had been evaluated and were meeting SAP standards. In the absence of such certification, liabilities for Title IV funds disbursed to students 1 and 19 would be assessed.

The institution also agreed to provide certification that procedures would be developed to ensure that SAP standards would be consistently applied and monitored for all students in the future.

Determination: The institution provided a certification acceptable to the Department. This finding is considered resolved.

Expedited Determination Letter (continued)

PRCN: _____

EXPEDITED DETERMINATION LETTER
Technical School, Anytown, USA
Appendix

Student Name

SS#

19 __ - __

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

19 __ - __

- 9.
- 10.
- 11.
- 12.
- 13.
- 14.
- 15.
- 16.

19 __ - __

- 17.
- 18.
- 19.
- 20.
- 21.
- 22.
- 23.
- 24.

Appendix K. IRB Procedures Memorandums

The following is a list of **current** IRB procedures memoranda.

Any superseded memos are not included on this list

FISCAL YEAR 1990

- IRB-90-1** Institutional Review Policy and Procedures For Violations of 34 CFR 682.604(b)(2) - Maintaining Eligibility
- IRB-90-4** Disposition of Excess Cash/Check for Perkins Loan Program
- IRB-90-6** Closed School Procedures
- IRB-90-7** Procedures for Processing Missing and Unsigned Certification Statements
- IRB-90-8** Emergency Action Regulations
- IRB-90-10** IRB Procedure for Non-Compliance with Delayed Certification of Loans
- IRB-90-11** Pell Cost of Attendance (COA) for Students Receiving Funds under the Job Training Partnership Act (JTPA)

FISCAL YEAR 1991

- IRB-91-1** Guidelines for the Selection of Supplemental Educational Opportunity Grant (SEOG) Recipients
- IRB-91-4** Procedures for Submitting Requests for FISAP Recalculations
- IRB-91-5** Preparation of Final Program Review Determination (FPRD)
- IRB-91-6** Guidelines for Use of *The Federal Student Financial Aid Handbook*, Dear Colleague Letters, etc. as References for Program Review Findings
- IRB-91-7** Guidelines for Ability to Benefit (ATB)
- IRB-91-8** Expected Date of Receipt of Program Review Report
- IRB-91-9** Simplified Formula Rate Change
- IRB-91-10** Minimum Liability, Fine for Program Review Findings and Violations
- IRB-91-11** Guidelines for Title IV Payments to Students When an Institution Loses its Eligibility to Participate in the Title IV Programs
- IRB-91-12** Unannounced Program Review
- IRB-91-13** Perkins Loan and College Work-Study Program Awards to Undergraduate Students Having a First Baccalaureate or Professional Degree
- IRB-91-14** Guidelines for Handling Financial Aid Transcript Requests of Closed Schools
- IRB-91-15** Guidelines for Default Management Reviews
- IRB-91-16** Procedures for Treatment of Pell Grant Underawards from Prior Years

*IRB Procedures Memorandums (continued)***FISCAL YEAR 1991 (CONTINUED)**

- IRB-91-17** Generic Paragraphs and DAPR's Revised Deficiency Codes
- IRB-91-18** Procedure for Review of Institutions with Consortium/Contractual Agreements
- IRB-91-19** Procedure for Handling Suspected Misrepresentation
- IRB-91-20** Interpretation and Application of the Regulatory Definition for "Clock Hour"
- IRB-91-21** New Guidelines -- Clearance Process
- IRB-91-22** Procedures for Liabilities and Fines for Excess Cash
- IRB-91-23** Revised Guidelines for Processing Missing or Unsigned Anti-Drug Certification Statements
- IRB-91-24** Guidelines for Processing Final Program Review Liability Determinations For Schools In Bankruptcy
- IRB-91-25** Guidelines for the Escrow Process
- IRB-91-26** FRPD Clearance Form
- IRB-91-27** Guidelines for Verification of Student Data
- IRB-91-28** Program Review Format Revisions

FISCAL YEAR 1992

- IRB-92-1** Audit/Program Review CAN's for Recoveries
- IRB-92-2** Ability to Benefit Guidelines - Update
- IRB-92-3** Method of Calculating the Actual Loss to the Department for Ineligible Stafford and SLS Loans
- IRB-92-4** Perkins Excess Cash Procedure
- IRB-92-5** Emergency Action Referrals to Program Compliance Branch
- IRB-92-6** Simplified Formula Rate Change
- IRB-92-7** Review of Institutional Compliance with Pell Grant Submission Requirements
- IRB-92-8** Escrow School List/Procedures
- IRB-92-9** Certified Mail Receipt Cards for Final Program Review Determination (FPRD) Letters -- Procedural Change
- IRB-92-10** Change Concerning Administrative Hearing "On the Record"

IRB Procedures Memorandums (continued)

FISCAL YEAR 1992 (CONTINUED)

- IRB-92-11** Subpoenas - Guidelines for IRB Staff
- IRB-92-12** Federal Perkins Loan Excess Cash Procedures
- IRB-92-13** GSL Cost of Attendance--Tuition and Fee Component
- IRB-92-14** Judgemental and Statistical Sampling
- IRB-92-15** Statistical Sampling System
- IRB-92-16** Proposed Fine in Final Program Review Determination Letters (FPRD) for Bankrupt/Closed Schools
- IRB-92-17** Tracking And Monitoring Unannounced Program Review

FISCAL YEAR 1993

- IRB-93-1** Common Accounting Numbers (CANs) for Recoveries
- IRB-93-2** Guidelines for Reviewers Monitoring an Institution's Safeguarding of IRB Tax Information and Documents While Participating in the IRS/ED Skiptracing Program
- IRB-93-3** Institution Nonresponse To Review Report
- IRB-93-4** Revised Reimbursement Procedures
- IRB-93-5** Guidance/Referral Form for Compliance/Enforcement or Eligibility Issues
- IRB-93-6** Interim Guidelines for Short-Term Programs and Vocational Schools
- IRB-93-7** Revised Guidance on Proposing Informal Fines
- IRB-93-8** Student Credit Balance Finding
- IRB-93-9** New Statement in FPRD: Potential Increase in Proposed Informal Fines if Action is Taken
- IRB-93-10** IMD's Deficiency Code Update
- IRB-93-11** Compliance Exemptions/Flood Disaster Areas: Financial Aid Transcripts and Verification
- IRB-93-12** Procedures for Assessing Penalties for Liabilities Resulting from Recalculated Fair-Share Funds
- IRB-93-13** Reimbursement and the 30-week Academic Year

IRB Procedures Memorandums (continued)

FISCAL YEAR 1994

- IRB-94-1** Current Interest Rate for Outstanding Debts (NR)
- IRB-94-2** Common Accounting Numbers (CANs) for Recoveries
- IRB-94-3** Revised Form for Reporting Program Reviews Liabilities to Financial Management
- IRB-94-4**
- IRB-94-5**
- IRB-94-6**
- IRB-94-7**
- IRB-94-8**
- IRB-94-9**
- IRB-94-10**
- IRB-94-11**
- IRB-94-12**
- IRB-94-13**
- IRB-94-14**
- IRB-94-15**
- IRB-94-16**

Appendix L. Institutional Monitoring Division Deficiency Codes

This list contains deficiency codes and corresponding generic paragraph titles as of July 1,1994

<u>CODES</u>	<u>TRANSLATION</u>
	GENERAL
GEN 2000	ABILITY TO BENEFIT - TEST NOT DOCUMENTED
GEN 2001	ABILITY TO BENEFIT - TESTING REQ. NOT MET
GEN 2010	ACADEMIC RECORDS NOT PROPERLY MAINTAINED
GEN 2020	ACADEMIC YEAR NOT DEFINED CORRECTLY/INADEQUATE LENGTH
GEN 2030	ADMISSIONS POLICY NOT FOLLOWED/DOCUMENTED
GEN 2040	ATTENDANCE POLICY NOT APPLIED
GEN 2050	ATTENDANCE RECORDS - MISSING/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2070	AUDIT REPORT NOT SUBMITTED
GEN 2080	AWARD NOTIFICATION PROCEDURES NOT DEVELOPED
GEN 2090	CLOSED SCHOOL-FAILURE TO SUBMIT AUDIT REPORT
GEN 2100	CONSORTIUM AGREEMENT - UNAVAILABLE/INADEQUATE
GEN 2110	CONSUMER INFORMATION REQUIREMENTS NOT MET/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2111	CRIME AWARENESS REQUIREMENTS NOT MET
GEN 2115	DEFAULT RATE EXCEEDS 20 PERCENT/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2120	WITHDRAWAL RATE EXCESSIVE/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2130	ENROLLMENT STATUS NOT VERIFIED BEFORE DISBURSEMENT
GEN 2131	INELIGIBLE LATE DISBURSEMENTS
GEN 2150	FINANCIAL AID TRANSCRIPT MISSING/INCOMPLETE
GEN 2160	INCONSISTENT INFO. IN STUDENT FILE/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2161	INDEPENDENT STUDENT STATUS NOT DOCUMENTED

Institutional Monitoring Division Deficiency Codes (continued)

GENERAL (CONT'D)

GEN 2170	INELIGIBLE BRANCH
GEN 2180	INELIGIBLE PROGRAM - APPROVAL REQUIREMENTS NOT MET
GEN 2181	INELIGIBLE PROGRAM - INADEQUATE LENGTH
GEN 2190	INELIGIBLE STUDENT - CITIZENSHIP
GEN 2200	INELIGIBLE STUDENT - IN DEFAULT ON LOAN
GEN 2220	INELIGIBLE STUDENT - STUDENT OWED A REFUND
GEN 2221	INELIGIBLE STUDENT - HIGH SCHOOL STUDENT
GEN 2222	FINANCIAL NEED NOT DETERMINED/INCORRECT
GEN 2230	JOB PLACEMENT RECORDS INADEQUATE
GEN 2240	INADEQUATE INTERNAL CONTROLS/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2245	LACK OF ADMINISTRATIVE CAPABILITY
GEN 2250	INSUFFICIENT PERSONNEL/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2260	MISREPRESENTATION-INSTITUTION OR PROGRAM
GEN 2270	NEED ANALYSIS IMPROPER/NOT DOCUMENTED
GEN 2280	REMEDIAL COURSE WORK REQUIREMENTS NOT MET
GEN 2290	OVERAWARD-NEED EXCEEDED
GEN 2300	OWNERSHIP/NAME/ADDRESS CHANGE NOT REPORTED/DELAYED
GEN 2310	PARTICIPATION AGREEMENT MISSING/NEEDS UPDATING
GEN 2311	FAILURE TO REVIEW ELIGIBILITY EVERY FOUR YEARS
GEN 2312	IMPROPER FEE CHARGED TO STUDENTS FOR PROCESSING TITLE IV APPLICATIONS OR FORMS
GEN 2313	IMPROPER USE OF POWER OF ATTORNEY AUTHORIZATION
GEN 2320	RECORDS NOT MAINTAINED/RETAINED FIVE YEARS/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2330	REPEAT FINDING - FAILURE TO TAKE CORRECTIVE ACTION
GEN 2335	REFUND - INADEQUATE METHOD OF DETERMINING LAST DAY OF ATTENDANCE
GEN 2340	REFUND - PROCEEDS RETAINED BY INSTITUTION

Institutional Monitoring Division Deficiency Codes (continued)

GENERAL (CONT'D)

GEN 2350	REFUND - LACK OF SUPPORTING DOCUMENTATION
GEN 2360	REFUND - CALCULATION INCORRECT
GEN 2370	REFUND - INSTITUTIONAL POLICY NOT DEVELOPED
GEN 2371	REFUND - PRO-RATA NOT USED
GEN 2372	REFUND - PRO RATA POLICY NOT PUBLISHED
GEN 2380	REFUND - NOT MADE TO TITLE IV ACCOUNT
GEN 2381	CREDIT BALANCE NOT DISBURSED TO STUDENT
GEN 2382	REPAYMENT POLICY NOT DEVELOPED/IMPLEMENTED
GEN 2390	SATISFACTORY ACADEMIC PROGRESS STANDARDS NOT MONITORED/IMPAIRED ADMINISTRATIVE CAPABILITY
GEN 2400	SATISFACTORY ACADEMIC PROGRESS POLICY NOT DEVELOPED/IMPAIRED ADMIN. CAPABILITY
GEN 2410	SCHOOLS W/CENTRALLY ADMINISTERED SFA PROGRAMS - REQ. TO REVIEW ALL LOCATIONS FOR SIMILAR DEFICIENCIES/IMPAIRED ADMIN. CAPABILITY
GEN 2420	STUD. CERT. - MISSING STATEMENT OF ED PURPOSE
GEN 2430	STUD. CERT. - DRUG-FREE STATEMENT UNSIGNED
GEN 2431	DRUG PREVENTION PROGRAM REQUIREMENTS NOT MET
GEN 2440	STUD. CERT.- MISSING STATEMENT OF NON-DEFAULT
GEN 2450	STUD. CERT.- STATEMENT OF SELECTIVE SERVICE
GEN 2460	STUD. CERT. - UNSIGNED STMT. OF UPDATED INFO.
GEN 2480	TRANSFER-OF-CREDIT FROM AN UNACCREDITED INSTITUTION - REQUIREMENT NOT MET
GEN 2490	VERIFICATION POLICIES AND PROCEDURES NOT DEVELOPED/INADEQUATE
GEN 2491	VERIFICATION NOT DOCUENTED/INCOMPLETE

FISCAL

FIS 3000	ACCOUNTING RECORDS NOT MAINTAINED
FIS 3010	ACCOUNTING RECORDS INADEQUATE
FIS 3020	ACCOUNTING AND FISCAL SYSTEM NOT DEVELOPED

Institutional Monitoring Division Deficiency Codes (continued)

FISCAL (CONT'D)

FIS 3030	ADM. COST/EXCEEDS ALLOWABLE MAXIMUM
FIS 3040	ADVANCES USED FOR NON-PROGRAM PURPOSES
FIS 3050	FISCAL RECORDS NOT AVAILABLE
FIS 3060	AUDIT TRAIL INADEQUATE/CANNOT TRACE EXPENDITURES
FIS 3070	FEDERAL PELL GRANT EXPENDITURES DIFFER FROM PROGRAM AUTHORIZATION LEVEL
FIS 3080	BANK ACCOUNTS - FEDERAL FUNDS NOT IDENTIFIED
FIS 3090	BANK CHARGES MADE TO FEDERAL ACCOUNT
FIS 3100	EDPMS EXPENDITURES/UNTIMELY/INCORRECTLY REPORTED
FIS 3110	EXCESS CASH BALANCES MAINTAINED
FIS 3120	EXPENDITURES REPT. ON FISAP REPORT INACCURATE
FIS 3130	EXPENDITURE REPORTS LATE
FIS 3140	FAILURE TO COORDINATE ALL STUDENT FINANCIAL AID
FIS 3160	INTEREST EARNED ON FED FUNDS NOT RET. TO ED
FIS 3170	IMPROPER TRANSFER OF FEDERAL FUNDS
FIS 3171	IMPROPER/UNAUTHORIZED RETENTION OF STUDENT CREDIT BALANCES

FEDERAL PELL GRANT PROGRAM

PELL 4000	ACCOUNT CREDITED WITHOUT STUDENT'S PERMISSION
PELL 4030	IMPROP. DISB. - PELL NOT MADE IN MULTI/EQUAL PYMTS.
PELL 4040	IMPROP. DISB. - PELL DISBURSED PRIOR TO MIDPOINT
PELL 4050	IMPROP. DISB. - STUDENT SUBMITTED SAR AFTER JUNE 30 DEADLINE DATE
PELL 4060	IMPROPER FEDERAL PELL AWARDS TO TRANSFER STUDENTS
PELL 4070	IMPROPER STUDENT BUDGET/COA
PELL 4080	IMPROPER FEDERAL PELL DISBURSEMENTS
PELL 4090	IMPROPER DISBURSEMENT/WITHOUT VALID SAR/ESAR
PELL 4100	INCORRECT AWARDS ACROSS ACADEMIC YEARS
PELL 4110	INCOR. CAL./CLOCK HR. OR INST. W/O FIXED TERMS

Institutional Monitoring Division Deficiency Codes (continued)

FEDERAL PELL GRANT PROGRAM (CONT'D)

PELL 4120	INSTITUTION SUBMITTED SARS AFTER DECEMBER 31 DEADLINE DATE
PELL 4130	FEDERAL PELL GRANT OVERPAYMENT/UNDERPAYMENT
PELL 4131	FAILURE TO MAKE ADJUSTMENTS TO PAYMENT VOUCHERS
PELL 4140	PART-TIME AWARD INCORRECTLY PRORATED
PELL 4180	SAR/ESAR NOT SIGNED

FEDERAL FAMILY EDUCATION LOAN PROGRAM

FFEL 5000	COMMISSION/BONUS/INCENTIVE PAID FOR SECURING ADMISSIONS
FFEL 5030	FFEL DEFAULT RATE OVER 20 PERCENT
FFEL 5040	FFEL DEFAULT REDUCTION PLAN NOT IMPLEMENTED
FFEL 5050	FFEL DEFERMENT IMPROPERLY CERTIFIED
FFEL 5060	FFEL DELAYED DELIVERY REQUIREMENT NOT MET
FFEL 5090	FFEL CHECK CASHED WITHOUT STUDENT SIGNATURE
FFEL 5100	FFEL CHECKS DISBURSED BEFORE ENROLLMENT
FFEL 5110	FFEL CHECK DISBURSED - NOT DOCUMENTED
FFEL 5130	FFEL INITIAL COUNSELING NOT DOCUMENTED/PERFORMED
FFEL 5131	FFEL EXIT COUNSELING NOT DOCUMENTED/PERFORMED
FFEL 5140	IMPROPER CERTIFICATION OF FFEL
FFEL 5141	FFEL IMPROPER - NOT PRO-RATED
FFEL 5151	IMPROPER DISB. FAILURE TO RE-CERTIFY ELIGIBILITY FOR FFEL AFTER LAPSE IN ENROLLMENT
FFEL 5160	INSTITUTION DID NOT COMPLY WITH PRE-CLAIM ASSISTANCE REQUEST
FFEL 5170	LATE FFEL REFUNDS MADE TO LENDERS
FFEL 5180	LEAVE OF ABSENCE--EXCESSIVE LENGTH
FFEL 5181	LEAVE OF ABSENCE--EXCEEDS ONE PER YEAR
FFEL 5190	LEAVE OF ABSENCE--REQUEST NOT DOCUMENTED
FFEL 5191	LEAVE OF ABSENCE--STUDENT CHARGED ADDITIONAL FEES

Institutional Monitoring Division Deficiency Codes (continued)

FFEL PROGRAM (CONT'D)

FFEL 5210	LENDER NOT NOTIFIED OF STATUS CHANGE IN 60 DAYS
FFEL 5220	FFEL/AWARD EXCEEDS MAX. ANN. OR CUM. LIMIT
FFEL 5221	FFEL PROCEEDS NOT DELIVERED WITHIN 45 DAYS
FFEL 5230	MISSING FFEL APPLICATION
FFEL 5240	FFEL RECORDS NOT MAINTAINED/DOCUMENTATION MISSING
FFEL 5260	STUDENT CONFIRMATION REPORT FILED LATE/NOT FILED
FFEL 5270	SINGLE DISBURSEMENT OF FFEL PROCEEDS
FFEL 5271	FFEL DISBURSEMENTS ATTRIBUTED TO UNATTENDED/INCORRECT PAYMENT PERIODS
FFEL 5280	STUDENTS NOT NOTIFIED OF REFUND TO LENDER

FEDERAL CAMPUS-BASED PROGRAMS

CBA 0001	ADJUSTMENTS TO FC NOT DOCUMENTED
CBA 0010	CAMPUS-BASED AWARD SELECTION PROCEDURES NOT WRITTEN
CBA 0011	CAMPUS-BASED AWARDS NOT MADE AVAILABLE TO NON-TRADITIONAL STUDENTS
CBA 0020	DISBURSEMENT - NOT MADE IN EQUAL PYMTS.
CBA 0030	FISAP INCOME GRID - NOT DOCUMENTED

FEDERAL WORK-STUDY PROGRAM

FWS 1000	FWS - CARRY FORWD./BACK FUNDS NOT DOCUMENTED
FWS 1010	FWS EARNINGS NOT MONITORED
FWS 1020	FWS EARNINGS CREDITED TO STUDENT ACCOUNT
FWS 1030	FWS OFF-CAMPUS AGREEMENT NOT AVAILABLE
FWS 1040	FWS TIME CARDS NOT SIGNED BY SUPERVISOR
FWS 1050	FWS - IMPROPER PAYMENTS FOR HOURS WORKED
FWS 1060	FWS INELIGIBLE EMPLOYMENT
FWS 1070	FWS JOB DESCRIPTIONS NOT AVAILABLE/NOT FOLLOWED
FWS 1080	FWS JOB DISPLACED REGULAR EMPLOYEE

Institutional Monitoring Division Deficiency Codes (continued)

FEDERAL WORK-STUDY PROGRAM (CONT'D)

- FWS 1090** FWS MATCHING REQUIREMENT NOT MET/UNTIMELY
- FWS 1100** MISSING FWS TIME SHEETS
- FWS 1120** FWS SELECTION POLICY INADEQUATE

FEDERAL PERKINS LOAN PROGRAM

- PERK 8000** ADJUSTMENTS TO SCHEDULE OF ADVANCES NOT CERTIFIED
- PERK 8010** ANNUAL FEDERAL PERKINS LOAN SAFEGUARD REPORT NOT SUBMITTED
- PERK 8020** FEDERAL PERKINS LOAN BORROWERS NOT PROVIDED COPIES OF NOTES
- PERK 8030** FEDERAL PERKINS LOAN CANCELLATIONS FOR INELIGIBLE STUDENTS
- PERK 8070** FEDERAL PERKINS LOAN COLLECTIONS NOT DEPOSITED IN FUND
- PERK 8080** FEDERAL PERKINS LOAN EXCESSIVE DEFAULT RATE
- PERK 8090** FEDERAL PERKINS LOAN EXIT COUNSELING NOT CONDUCTED
- PERK 8100** EXCESS FEDERAL PERKINS LOAN CASH BALANCE
- PERK 8110** FEDERAL PERKINS LOAN - FUNDS NOT DEP. INTO INTEREST-BEARING ACCOUNT
- PERK 8120** FEDERAL PERKINS LOAN - FUNDS CHARGED FOR UNALLOWABLE COLLECTION COSTS
- PERK 8130** FEDERAL PERKINS LOAN IMPROPER DEFERMENTS
- PERK 8140** FEDERAL PERKINS LOAN - BILLING/COLLECTION PROCEDURES INADEQUATE
- PERK 8150** FEDERAL PERKINS LOAN - INCORRECT REPAYMENT SCHEDULE
- PERK 8160** FEDERAL PERKINS LOAN INSTITUTIONAL DATA NOT RECONCILED WITH BILLING/COLLECTION AGENCY
- PERK 8180** FEDERAL PERKINS LOAN PRE-LOAN COUNSELING AND DISCLOSURE REQUIREMENTS NOT MET
- PERK 8190** FEDERAL PERKINS LOAN MATCHING FUNDS NOT MET/UNTIMELY

Institutional Monitoring Division Deficiency Codes (continued)

FEDERAL PERKINS PROGRAM (CONT'D)

PERK 8200	FEDERAL PERKINS LOAN NOTES NOT ADEQUATELY SAFEGUARDED
PERK 8210	FEDERAL PERKINS LOAN NOTES UNSIGNED, MISSING, IMPROPER
PERK 8211	FEDERAL PERKINS LOAN EXCEEDS LOAN MAXIMUM
PERK 8220	FEDERAL PERKINS LOAN REPAYMENT SCHEDULE NOT IN FILE/NOT SIGNED
PERK 8230	FEDERAL PERKINS LOAN - SAME AGENCY BILLS AND COLLECTS
PERK 8240	FEDERAL PERKINS LOAN - SCHEDULE OF ADVANCES NOT SIGNED
PERK 8250	FEDERAL PERKINS LOAN SELECTION POLICY INADEQUATE

FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

SEOG 9000	FEDERAL SEOG - EXCEPTIONAL NEED NOT MET
SEOG 9005	FEDERAL SEOG FUNDS NOT MADE REASONABLY AVAILABLE
SEOG 9010	FEDERAL SEOG MATCHING FUNDS NOT PROVIDED/LATE
SEOG 9020	FEDERAL SEOG - MINIMUM/MAXIMUM AWARD REQUIREMENT NOT MET
SEOG 9040	UNEQUAL FEDERAL SEOG DISBURSEMENTS
SEOG 9050	FEDERAL SEOG DISBURSEMENT W/O PELL ELIGIBILITY

Appendix M. Program Review Selection Criteria

1994 PROGRAM REVIEW SELECTION CRITERIA

SELECTION CRITERIA (CRITERIA LIST REVISED QUARTERLY)

REVIEW (X)

COMBINATION =
COMPREHENSIVE REVIEW

(✓) INDICATES SELECTION CRITERIA TO BE INCLUDED IN REVIEW RESPONSE DOCUMENT

PROGRAM SPECIFIC CRITERIA

<p>(✓)*1. Schools with FY 91 FFELP default rates of: 30% or higher for three consecutive years (89-90-91) - loss of FFELP eligibility 40% or higher for 1991 with no reduction of at least 5% from 1990 (LS&T action) 50% or higher for 1991 (LS&T action) (schools with loan volume of \$100,000 and greater)</p>	X	
<p>(✓) 2. 10 cases or more where students receive more than one grant per payment period (if cases exceed 2% or more of Pell recipients) during most recent completed award year: a. Request justification from school b. If adequate justification is not received within 30 days, place school on [reimbursement funding method]</p>	X	
<p>(✓) 3. 10 cases or more where students receive Pell Grants for more than 6 years (if cases exceed 2% of Pell recipients) during most recent completed award year. a. Request justification from school b. If adequate justification is not received within 30 days, place on school on [reimbursement funding method]</p>	X	
<p>4. One or more cases of two or more sequential social security numbers of Pell recipients at same school a. Request justification from school b. If adequate justification is not received in 30 days, place school on [reimbursement funding method]</p>		
<p>(✓)*5. Significant increases in Federal Pell Grant Program volume (based on percentage for most recent award year) schools with Pell Grant volume of \$500,000 and greater</p>		1, 5/6, 7/8
<p>(✓)*6. Significant increases in schools with \$499,999 and less in Pell Grant Program volume (1989-90 and 1990-91)</p>		1, 5/6, 7/8
<p>(✓)*7. Significant increases in FFELP loans (30% or greater) schools with loan volume of \$500,000 and greater</p>		1, 5/6, 7/8
<p>*8. Significant increases in schools with \$499,999 and less in FFELP loans (1989-90 and 1990-91)</p>		1, 5/6, 7/8
<p>*9. Schools in the top 25% of FFELP loan dollar volume - ranked in descending order - for FY 91</p>		1, 7/8, 9
<p>*10. Schools in the top 25% of FFELP participants - ranked in descending order by default rate</p>	X	1, 5/6, 7/8, 9

*NOTE: HIGHLIGHTED CRITERIA INDICATES FACTORS TO BE USED FOR 1994. REMAINING FACTORS WILL BE IMPLEMENTED WHEN DATA IS AVAILABLE IN PEPS OR OTHER SYSTEMS.

Program Review Selection Criteria (continued)

SELECTION CRITERIA (CRITERIA LIST REVISED QUARTERLY)		REVIEW (X)	COMBINATION =
(✓) INDICATES SELECTION CRITERIA TO BE INCLUDED IN REVIEW RESPONSE DOCUMENT			COMPREHENSIVE REVIEW
ADMINISTRATIVE SPECIFIC CRITERIA			
11. Significant academic deficiencies referral from SPRE/ or accreditation agency (future selection criteria)		X	
12. Requested or received Title IV funds for ineligible branch or additional locations (specific request run as arranged)		X	
a. Place on reimbursement system of funding			
b. Request justification from school for ineligible branch			
c. Pursue possible emergency action			
13. School's failure to meet compliance aspects of institutional self-evaluation model (QA)		X	
*14. Audit report late - one year or more			14 and 16
*15. Schools participating in Lender or Last Resort process (future criteria)			[1,5/6,15=Emergency Action]
FINANCIAL SPECIFIC CRITERIA			
(✓)*16. Schools with EDPMS 272 reports overdue for more than two quarters - monitored by ED Financial Management			[16,19=Emergency Action]
(✓) 17. History and/or complaints for non-payment of refunds		X	
a. Place on reimbursement system of funding			
b. Review actions and/or request justification from school			
c. Establishment of escrow account			
d. If escrow account is not established in 45 days, evaluate for possible [emergency action]			
(✓)*18. Problems indicated through financial monitoring by IPD/FAB		X	
*19. Indicators of excess cash (over \$100,000)		X	
20. Schools that are highly dependent on Title IV program funding (85%, as stipulated by statute)		X	
*21. Schools that are provisionally certified			1, 5/6, 7/8, 21, 22
*22. Withdrawal rate of 33% and above (this criteria is in current--1992--selection criteria)			5/6, 7/8, 16, 18, 21, 23
*23. Schools that are closed and/or ceased to participate in Title IV programs (if school has Perkins Fund or excess federal cash on hand)		X	
*24. No ED program review in last four (4) years			5/6, 7/8, 16, 18, 19, 24
25. State agency, regional offices and accreditation agency assessment (student complaints, adverse publicity, false advertising practices, etc.)			Coordinate with Central Office

*NOTE: HIGHLIGHTED CRITERIA INDICATES FACTORS TO BE USED FOR 1994; REMAINING FACTORS WILL BE IMPLEMENTED WHEN DATA IS AVAILABLE IN PEPS OR OTHER SYSTEMS.

Appendix N. Sample Program Review Report

June 6, 1994

Mr. I.V. League, President
No Particular College
1 Main Street
Anytown, USA 00000

PRCN _____

Dear Mr. League:

On May 15-19, 1994, Ms. I. M. Perceptive, Program Officer, conducted a program review of the Title IV federal student financial assistance programs administered at your institution. The findings of that review are presented in the enclosed report.

This report contains findings regarding the school's administration of the Title IV student financial assistance programs. Following are some of the report's findings of noncompliance: 1) Independent Student Status Not Documented, and 2) Satisfactory Academic Progress Standards Not Monitored.

Note to Reviewer: Additional comments in this section may be appropriate if very serious problems are found in the program review. Refer to IRB Procedures Memorandum 91-28 for guidance.

Findings of non-compliance are referenced to the applicable statutes and regulations and specify the action required to comply with these statutes and regulations. Please review and provide a full response to the findings indicated in this report, detailing the corrective actions taken by the institution. Your response should be sent directly to this office, to the attention of Ms. Perceptive, within 30 days unless otherwise noted.

Note to Reviewer: New language will be incorporated into this letter explaining the consequences to the institution for failure to respond, or failure to provide a complete response.

I would like to express my appreciation for the courtesy and cooperation extended during the review. If you have any questions concerning this report, please call Ms. Perceptive at (555) 867-5309.

Sincerely,

Chief, Section I
Institutional Review Branch
Field Operations Service/IPOS
Student Financial Assistance Programs

Enclosure

cc: Ms. E. Sar, Financial Aid Administrator

Sample Program Review Report (continued)

PROGRAM REVIEW REPORT

Please note, a table of contents is not required as part of the report format, however it may be helpful in particularly lengthy reports.

No Particular College
 1 Main Street
 Washington, D.C. 20202
 (555) 222-2222

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Sample Program Review Report (continued)

No Particular College - Program Review Report - page 2

METHOD OF FUNDING:

Advance Payment

INSTITUTIONAL OFFICIALS CONTACTED:

Mr. I.V. League, President

Ms. E. Sar, Financial Aid Administrator

Mr. C.P. Accountant, Business Office Manager

Ms. A.T. Bee, Director of Admissions

Sample Program Review Report (continued)

No Particular College - Program Review Report - page 3

INTRODUCTION**A. BACKGROUND**

No Particular College opened in January 1969, at its current location. Branch campuses were opened in Baltimore MD in 1974, and Richmond VA in 1979. The institution is co-owned by Mr. I.V. League, and Mr. Strictly Anonymous. No Particular College offers training leading to a degree or certificate in the following fields:

Computer Science
Accounting
Medical Technician
Paralegal Specialist

No Particular College is accredited by the Accrediting Commission for Schools Used in Examples. School records indicate a current enrollment of approximately 265 students, with approximately 80% of the student body currently receiving financial aid. The institution participates in the Federal Pell Grant, FFEL, FSEOG, and Federal Perkins Loan programs.

B. SCOPE OF REVIEW

A program review was conducted during the week of May 15-19, 1994, to examine the administration of the Title IV SFA programs. The focus of the review was to determine No Particular College's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of No Particular College'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 1991/92, 1992-93, and 1993-94 award years. From this sample, the reviewer selected a random sample of student files. The student files were reviewed in detail, including academic, admissions, financial aid and fiscal records. The attached Appendix A lists the names and social security numbers of the students whose files were examined during the program review. Students are referenced throughout this report by the numbers noted in Appendix A.

Sample Program Review Report (continued)

No Particular College - Program Review Report - page 4

During the visit, some areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by the institution to bring operations of the financial aid programs into compliance with the statutes and regulations.

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 No Particular College of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV programs.

C. FINDINGS AND REQUIREMENTS

1. INDEPENDENT STUDENT STATUS NOT DOCUMENTED

FINDING: The institution failed to properly document three students' independent status for the 1991/92 award year.

Student #6 was processed as an independent student based on his assertions that he was not claimed as a tax exemption by his parents in 1989 and 1990, and that he had resources in excess of \$4000 in both 1988 and 1989. However, No Particular College did not collect documentation to support these assertions, as required in statute. The same deficiency was found in the files of students #7 and 9.

By failing to properly establish students' eligibility for Title IV, HEA funds, No Particular College may have deprived other needy students of funds, caused Title IV funds to be misdirected to ineligible students, and received Title IV funds for which it was not eligible.

REFERENCES: Higher Education Amendments of 1986 (P.L. 99-498) Section 480(d), enacted 10/17/86, effective 7/01/87
"Dear Colleague" Letter GEN 86-35, 11/86

REQUIREMENT: The Financial Aid Administrator (FAA) acknowledged that new staff members were hired during the 1991/92 award year, and that they had not been adequately trained about documentation requirements for independent students. The FAA stated that proper training was provided before 1992/93 awards were processed, and the reviewers observed that documentation was collected for all students in 1992/93.

Sample Program Review Report (continued)

No Particular College - Program Review Report - page 5

Therefore, due to the systemic nature of this finding for the 1991/92 award year, No Particular College must determine the extent of improper Title IV awards made to students in that year within 60 days of receipt of this letter.

To confirm the dependency status for all 1991/92 aid recipients, No Particular College has two options. It may either review the files of all Title IV recipients claiming independent status for the award year, or it may review all the students in the statistically valid sample claiming independence (see Appendix B for listing). In either case, the institution may collect documentation to ascertain students' correct status. If No Particular College determines that an incorrect status was used in determining the student's award, it must recalculate the award and will be liable for all Title IV funds disbursed in excess of the students' revised need. If the school is unable to collect appropriate data to support a claim of independence, and cannot perform dependent student calculations, it will be held liable for all Title IV funds disbursed to those students for the 1991/92 award year.

The institution must provide a report of all liabilities in a spreadsheet format with the following column headings:

Student's Name
Student's Social Security Number
Liability Amount (by Title IV Program)

Please note, all FFEL liabilities must reflect the total amount of funds approved for and disbursed to the student, including origination and guarantee fees. This amount will be greater than the amount received at the school. If the school chose to review the statistically valid sample, this office will extrapolate the liabilities over the universe of aid recipients for the 1991/92 award year. The school will be notified of the total liability amount in the Final Program Review Determination Letter. This letter will also contain instructions for payment of these liabilities.

Sample Program Review Report (continued)

No Particular College - Program Review Report - page 6

2. SATISFACTORY ACADEMIC PROGRESS STANDARDS NOT MONITORED

FINDING: The institution did not consistently apply its satisfactory academic progress (SAP) policy standards to all of its students.

The reviewers found that Title IV funds were disbursed to students #1 and 19 for the Fall 1993 semester even though their cumulative grade point averages were below the required standard (3.0) at the end of the Spring 1993 semester. There was no documentation that the institution made any exceptions to the SAP policy based on special circumstances.

By failing to adequately or consistently monitor SAP standards, the institution may be disbursing ineligible Title IV aid to students who have ceased to be making SAP; by failing to properly establish students' eligibility for Title IV, HEA funds, No Particular College may have deprived other needy students of funds, caused Title IV funds to be misdirected to ineligible students, and received Title IV for which it was not eligible.

REFERENCES: 34 CFR 668.7(c), General Provisions, 12/1/87
34 CFR 668.14(e), General Provisions, 12/1/87
reissued as
34 CFR 668.16(e), General Provisions, 4/29/94

REQUIREMENT: Federal regulations require an institution to consistently apply its SAP standards for measuring whether a student is maintaining satisfactory academic progress before disbursing Title IV funds. Unless the institution can provide documentation that the students were meeting SAP requirements for the Fall 1993 semester, all Title IV funds disbursed to students #1 and 19 for that semester are institutional liabilities.

In response to this finding, No Particular College must either provide documentation substantiating the students' eligibility, or confirm the liability amounts. The institution must also provide written assurances that SAP standards will be consistently applied and monitored for all students in the future. Instructions for the payment of any liability will be provided in the Final Program Review Determination letter.

Sample Program Review Report (continued)

No Particular College - Program Review Report - page 7

3. INCONSISTENT INFORMATION IN STUDENT FILE

FINDING: The review of Student #8's file revealed inconsistent information. The 1992/93 student aid report (SAR) indicates that the student had \$0 income in 1991, but the student noted on her 1991/92 financial aid application that she had worked from June through December 1991.

The financial aid office maintains separate files of students' application information separately for each award year. The Financial Aid Administrator confirmed that staff usually reviews only a student's current year's file, and would therefore not identify a discrepancy from a previous year's file, as noted for student #8.

No Particular College's failure to resolve inconsistent information could result in the improper use of Title IV, HEA funds and deprive eligible, needy students of assistance.

REFERENCES: 34 CFR 668.14(f), General Provisions, 12/1/87
 reissued as
 34 CFR 668.16(f), General Provisions, 4/29/94
 34 CFR 690.77(b), Federal Pell Grant, 10/14/87

REQUIREMENT: An institution must identify and resolve all discrepant information before disbursing Title IV funds.

In response to this finding, No Particular College must contact student #8 and resolve the discrepancy. If the student's income for 1991 changes as a result, a revised need analysis must be performed. The institution is liable for any Title IV funds disbursed in excess of the student's revised need. The institution is liable for all Title IV funds disbursed in 1992/93 (except FPLUS or FSLs funds) if it is unable to contact the student and resolve the discrepant information.

No Particular College must also apprise this office of procedures it has developed and implemented to ensure that inconsistent information is identified and resolved prior to the disbursement of Title IV funds. Instructions for the payment of any liability will be provided in the Final Program Review Determination letter.

Sample Program Review Report (continued)

No Particular College - Program Review Report - page 8

4. FSEOG MATCHING FUNDS REQUIREMENT NOT MET

FINDING: The institution did not provide matching funds in a timely manner for the FSEOG disbursed for the 1991-92 award year. The institution matched the funds drawn and disbursed throughout 1991-92 after the end of the award year, on July 9, 1992. By not making the institutional match in a timely manner, the institution reduced the funds available, therefore depriving eligible students of need-based aid.

REFERENCE: 34 CFR 676.21 Federal SEOG Program, 12/1/87

REQUIREMENT: Beginning with the 1989/90 award year, institutions were required to match the federal share of FSEOG funds with the institutional contribution at the time the federal funds are disbursed. The institution must provide written assurances that it has implemented procedures to ensure it provides the institutional match of FSEOG federal funds in a timely manner. A recurring finding in the future could result in an informal fine being proposed.

D. TECHNICAL ASSISTANCE**RECOMMENDATION**

Discussions with the Admissions Director regarding identifying "no-show" students revealed that the institution allows students to begin classes up to 30 days after instruction commenced. This practice appears to put such students at a severe disadvantage, especially in the shorter 600 clock hour programs. There appear to be no procedures for evaluating whether such students have any preexisting knowledge that would facilitate their ability to quickly make up the coursework they missed. The Department is concerned that this practice may place these students at a severe disadvantage, and may hinder their ability to successfully complete their programs of study.

We recommend that the institution reevaluate the process of allowing students to begin classes so late after instruction has commenced. We also recommend that No Particular College evaluate the past performance of students admitted under this criteria, and consult with its accrediting body for further recommendations. We request that the institution apprise this office of any decisions or actions taken with regard to this recommendation.

Sample Program Review Report (continued)

NAME OF INSTITUTION: **No Particular College**

Appendix A

1991-92 Award Year

	<u>Student's Name</u>	<u>Social Security Number</u>
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

1992-93 Award Year

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

1993-94 Award Year

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