

GENERIC PARAGRAPHS AND DEFICIENCY CODES

ABOUT THIS FILE

March 1999

This document contains all the available generic paragraphs for the deficiency codes listed in the 1994 Program Review Guide. It also contains new deficiency codes that were not included in the Program Review Guide and, where available, generic paragraphs for the new codes.

The generic paragraphs are provided to program reviewers as a starting point for the preparation of program review reports. Reviewers may modify the paragraphs to take into consideration the specific circumstances of a finding or they may decide not to use them. Please note that the references and requirements in the generic paragraphs may be out of date.

The deficiency code areas covered in this document are:

0000	FEDERAL CAMPUS BASED AID PROGRAMS
1000	FEDERAL WORK STUDY PROGRAM
2000	GENERAL
3000	FISCAL
4000	FEDERAL PELL GRANT PROGRAM
5000	FEDERAL FAMILY EDUCATIONAL LOAN PROGRAM
5500	FEDERAL DIRECT LOAN PROGRAM
8000	FEDERAL PERKINS LOAN PROGRAM
9000	FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

FEDERAL CAMPUS-BASED AID DEFICIENCY CODES

CBA 0001 ADJUSTMENTS TO FAMILY CONTRIBUTION NOT DOCUMENTED

FINDING: ADJUSTMENTS TO FAMILY CONTRIBUTION NOT DOCUMENTED

During the _____ award year(s), the institution adjusted individual student family contribution calculations to award student financial assistance. The adjustments to student #'s _____ budgets were not documented.

An institution that fails to properly establish a student's eligibility for Title IV, HEA funds deprives other needy students of these funds and creates a financial burden for the U.S. Department of Education (ED).

REFERENCE:

(Use prior to the 1993/94 award year)

Higher Education Amendments of 1986, Public Law 99-498, Part F, Section 479A, 10/17/86
Higher Education Amendments of 1987, Public Law 100-50, 6/03/87

(Use for the 1993/94 award year and after)

Higher Education Amendments of 1992, Public Law 102-325, Part F, Section 479A, 7/23/92

REQUIREMENT:

Institutions are permitted to make changes in an individual student's need analysis based on that student's extenuating circumstances. However, an explanation of the reason(s) for these changes must be documented and maintained in the student's file at the institution.

The institution must review the above-mentioned student files and determine whether the required documentation is contained in the files. If the documentation is missing, the institution must recalculate the students' family contribution, using an approved needs analysis system. A report on the results of the review must be provided to this office. All incorrectly disbursed aid is an institutional liability and must be returned to ED. Instructions for repayment, if any, will be provided in the Final Program Review Determination letter.

If this finding recurs in a subsequent program review or audit, ED will assess a liability and may propose an informal fine.

CBA 0010 CAMPUS-BASED SELECTION PROCEDURES NOT WRITTEN/FOLLOWED (formerly CAMPUS-BASED SELECTION PROCEDURES NOT WRITTEN)

FINDING: CAMPUS-BASED AWARD SELECTION PROCEDURES NOT WRITTEN

Although the institution's campus-based (**specify applicable program(s)**) awarding policy meets regulatory requirements in practice, the institution does not have written criteria for selecting recipients of Federal (specific campus-based program) awards.

REFERENCE:

34 CFR 668.43, General Provisions, December 1, 1986

(Select applicable program reference)

34 CFR 674.10, Federal Perkins Loan Program, December 1, 1987

34 CFR 675.10, Federal Work-Study Program, December 1, 1987

34 CFR 676.10, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987

REQUIREMENT:

Federal regulations require that an institution's selection criteria for campus-based recipients be: 1) in writing; 2) uniformly applied; and 3) maintained in the institution's files.

In response to this finding, the institution must develop written criteria based on the regulations cited above and consistently apply it to all Federal _____ (specific campus-based programs) recipients. A copy of that policy must be submitted to this office.

CBA 0011 CAMPUS-BASED AWARDS NOT MADE AVAILABLE TO NON-TRADITIONAL STUDENTS

(This code no longer used – Generic Paragraph Not Developed)

CBA 0020 CAMPUS-BASED DISBURSEMENT NOT IN MULTIPLE/EQUAL PAYMENTS (formerly DISBURSEMENT – NOT MADE IN EQUAL PAYMENTS)

FINDING: CAMPUS-BASED DISBURSEMENT NOT MADE IN MULTIPLE/EQUAL PAYMENTS

The student(s) listed below received unequal disbursements of campus-based awards.

Failure by the institution to make multiple/equal payments of campus-based funds to students may cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 674.16, Federal Perkins Loan Program, December 1, 1997

34 CFR 676.16, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987, amended July 21, 1992

REQUIREMENT:

Each payment period, the institution must pay the student a portion of the campus-based aid awarded to him/her for a full academic year. The institution must determine the amount of each payment by dividing the total award by the number of payment periods in that academic year.

If a student incurs uneven costs or resources during an academic year and needs additional funds in a particular payment period, the institution may advance funds to the student for those uneven costs.

In its response, the institution must provide its assurance that Federal SEOG/Perkins Loan disbursements will be made in multiple/equal payments unless, as described by regulations, a given student incurs uneven costs or resources.

CBA 0030 FISAP INCOME GRID-INCORRECT/NOT DOCUMENTED (formerly FISAP INCOME GRID-NOT DOCUMENTED)

FINDING: **APPLICATION AND FISCAL OPERATIONS REPORT (FISAP)/
INCORRECT INCOME GRID INFORMATION**

The institution misreported taxable and non-taxable income (or applicable situation) on the income grid, Part II, Section E of the FISAP, for (#) of its aid applicants in the _____ (i.e. 1991/92) award year and (#) of its aid applicants in the _____ (i.e. 1992/93) award year (application for campus-based funding for the _____ (i.e. 1993/94) and _____ (i.e. 1994/95) award years respectively). An examination of the grids revealed the following:

<u>Line #</u>	<u>Income Amount</u>	<u># of Applicants Per FISAP</u>	<u>Per School's Documentation</u>
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Information reported in this section of the FISAP directly affects the amount of future campus-based program funds a school receives. Therefore, it is essential that accurate data be submitted. Inaccurate data could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

- 34 CFR 668.23(a), General Provisions, April 29, 1994
- 34 CFR 674.19(d)(3)(5), Federal Perkins Loan Program, December 1, 1987
- 34 CFR 675.19(b)(3)(5), Federal Work-Study Program, December 1, 1987
- 34 CFR 676.19(b)(5)(c)(1), Federal Supplemental Opportunity Grant Program, December 1, 1987
- Dear Colleague Letter, CB-90-11, May 1990

REQUIREMENT:

The institution must report both taxable and non-taxable income when classifying each student on the income grid. Also, for dependent students, the parent's and the student's income (taxable and non-taxable) must be included on the income grid.

The institution must develop and submit with its response procedures which will ensure that income grid data accurately reflects the correct student and parental income.

(Alternative Requirement: For excessive errors)

Although there is no immediate liability to the institution, the errors that surfaced in the institutions _____ (i.e., 1991/92) FISAP could result in incorrect funding in future award years. Therefore, the institution must review the taxable and non-taxable income for each student listed on the income grid, Part II, Section E of the FISAP for the _____ (i.e., 1991/92) award year and make the necessary corrections. For dependent students, the parent's and the student's income (taxable and non-taxable) must be included on the income grid. Income categories for Part VI, Section A, are determined in the same manner as those income levels used for the eligible aid applicants in Part II, Section E, therefore, corrections must also be made to this section.

The institution must submit a copy of the original pages of the FISAP with corrections indicated in red, to this office in response to this finding.

CBA 0040 IMPROPER DISBURSEMENT

(This code not in the Guide – Generic Paragraph Not Developed)

FEDERAL WORK STUDY PROGRAM DEFICIENCY CODES

FWS 1000 FWS CARRY FORWARD/CARRY BACK USED INCORRECTLY OR NOT DOCUMENTED (formerly FWS-CARRY FORWARD/BACK FUNDS NOT DOCUMENTED)

FINDING: **FEDERAL WORK-STUDY CARRY FORWARD/CARRY BACK USED INCORRECTLY OR NOT DOCUMENTED**

(Note: If the institution failed to document its carry back and/or carry forward on its general and subsidiary ledgers, it will probably have a FISAP and 272 reconciliation problem; in this case, use also FIS 3100 and/or 3120.)

The institution failed to _____ (ie. properly document/properly expend) its Federal Work-Study (FWS) carry back (and/or) carry forward funds. Specifically, the institution _____ (insert dates and amounts of improper expenditures or dates in which the carry back or carry forward amounts should have been documented in the general and subsidiary ledger accounts.)

Failure to document FWS carry forward/back funds constitutes an inability by the institution to properly administer the FWS Program.

REFERENCE:

34 CFR 675.18, Federal Work-Study Program, December 1, 1987, amended July 21, 1992
34 CFR 675.19(b), Federal Work-Study Program, December 1, 1987, amended August 10, 1988

REQUIREMENT:

(Select applicable requirement paragraphs)

An institution may carry forward and expend in the next award year up to 10 percent of the sum of its initial and supplemental FWS allocations for the current award year. Before an institution may spend its current year FWS allocation, it shall spend any funds carried forward from the previous year.

An institution may carry back and expend in the previous award year up to 10 percent of the sum of its initial and supplemental FWS allocations for the current award year. The institution's official allocation letter represents the Secretary's approval to carry back funds.

An institution may only use these carry forward/carry back funds for paying the federal share of FWS wages, carrying out the administrative activities as described in 675.18(b), meeting the cost of the Job Location and Development program, and transferring a portion of its FWS allocation to its Federal Supplemental Educational Opportunity Grant (SEOG) program. FWS funds are held in trust by the institution for the intended student beneficiaries and the Secretary. Funds may not be used or hypothecated for any other purpose.

All FWS program transactions must be reflected on financial records which the institution shall establish and maintain on a current basis. The general ledger control accounts and related subsidiary accounts shall identify each program transaction; these transactions must be kept separate from all other institutional financial activity.

(Select applicable paragraph)

In response to this finding, the institution must provide written assurance to this office that all FWS funds will be spent in accordance with the above regulations.

In the absence of further documentation, the institution will be liable for all FWS funds which it improperly expended.

OR

In response to this finding, the institution must properly document its FWS carry back/carry forward expenditures and submit copies of the general and subsidiary ledgers on which it is documented.

The institution will be liable for all FWS funds for which it cannot account.

Instructions for repayment of any liability will be provided in the Final Program Review Determination letter.

FWS 1010 FWS EARNINGS NOT MONITORED

FINDING: FEDERAL WORK-STUDY EARNINGS NOT MONITORED

The institution has not developed a system for tracking actual Federal Work-Study (FWS) earnings against the amount awarded to students. This system is needed to prevent overawards. The review disclosed that the following students earned funds in excess of their awards:

<u>Student #</u>	<u>FWS Award</u>	<u>Total FWS Earnings</u>
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The institution's failure to properly monitor FWS student earnings may cause overawards and deprive other needy students of funds.

REFERENCE:

The Higher Education Amendments of 1992, Section 443(b)(4), Public Law 102-325, July 23, 1992
34 CFR 675.19(b), Federal Work-Study Program, December 1, 1987, amended August 10, 1988
34 CFR 675.14, Federal Work-Study Program, December 28, 1988

REQUIREMENT:

The Higher Education Amendments of 1992 require FWS employment to be discontinued when a student employed under the program receives more than \$300 from any need-based employment that exceeds the student's need. Schools are no longer required to monitor income from non-need-based employment in determining an FWS overaward. Note that a \$200 overaward limit is still in effect for Federal Supplemental Educational Opportunity Grants (FSEOG) and Federal Perkins Loans; the only situation in which a \$300 FWS overaward is permitted is when FWS is the only campus-based aid awarded. If FWS is awarded in conjunction with other campus-based aid, the \$200 overaward limit is in effect for total aid from all campus-based programs.

FWS earnings of up to \$200 (or \$300) in excess of need are not considered to be an overpayment in the current award year and should not be counted in the following award year, either as a resource or as income to be included in calculating the expected family contribution (EFC). Income from a non-need based job is not considered a resource in the current award year but will be counted as taxable income and included in the student's EFC for the following award year.

If a school learns that a student earning FWS wages has received additional resources that were not included in calculating the student's FWS eligibility, the school must take the steps outlined in the _____ (i.e., 1993/94) Federal Student Financial Aid Handbook (Chapter 7).

The institution must review the records of all students who received FWS earnings during the _____ award year(s) to determine if overawards resulted from the failure to monitor earnings. The institution must prepare a report of all students who received an overaward in the following format:

1. Award Year

2. Student's Name
3. Social Security Number
4. Student's Need
5. Type and Amount of Aid Awarded
6. FWS Earned
7. Amount of Overaward

Repayment instructions of any overawards will be provided in the Final Program Review Determination letter.

The institution must also develop and implement a system to monitor FWS students' earnings to ensure that overawards do not occur. The system must include notification to the student when he/she has earned the FWS award. In its response to this report, the institution must submit a copy of its newly developed procedures and provide its assurance that FWS employment will be governed by its provisions.

FWS 1020 FWS EARNINGS CREDITED TO STUDENT ACCOUNT

FINDING: FEDERAL WORK-STUDY EARNINGS CREDITED TO STUDENT ACCOUNT

It is the institution's practice to credit student accounts with Federal Work-Study (FWS) earnings to pay outstanding balances. A student does not have the option to cash his or her FWS check on his or her own endorsement.

The institution's failure to properly disburse FWS student earnings deprives these students of funds needed for living expenses.

REFERENCE:

34 CFR 675.16, Federal Work-Study Program, December 1, 1987, amended July 21, 1992

REQUIREMENT:

The institution must pay a student at least once a month. The federal share of FWS compensation must be paid by check or similar method (a draft or purchase order or electronic transfer to the student's bank account, for example) that the student can cash on his or her own endorsement. The institution may not directly transfer the federal share to a student's account at the institution, nor may it obtain a student's power of attorney to authorize any disbursement of funds unless the Department has granted prior approval.

The institution must **immediately** cease its practice of crediting student accounts with the federal share of FWS earnings. In its response, the institution must provide assurance that its administration of the FWS Program will be governed by regulations. The institution will be subject to administrative action if this issue recurs as a result of a future audit or program review.

FWS 1030 FWS OFF-CAMPUS EMPLOYMENT AGREEMENTS NOT AVAILABLE

FINDING: FEDERAL WORK-STUDY OFF-CAMPUS EMPLOYMENT AGREEMENTS NOT AVAILABLE

The off-campus Federal Work-Study (FWS) employment agreements for student(s) # _____ were unavailable.

Failure to secure off-campus FWS agreements constitutes an inability by the institution to properly administer the FWS Program.

REFERENCE:

34 CFR 675.20(b), Federal Work-Study Program, December 1, 1987

REQUIREMENT:

When an institution wishes to have its students employed by a federal, state or local agency, or a private, nonprofit or for profit organization, it must enter into a written agreement with that agency or organization. The institution must make sure that:

- * the off-campus employer is a reliable agency or organization with professional direction and staff,
- * the work to be performed is adequately supervised, and
- * the work is consistent with the purpose of the FWS Program.

In response to this report, the institution must provide copies of off-campus employment agreements for all students who were assigned off-campus employment during the _____ award year(s). In addition, the institution must establish procedures to ensure that off-campus agreements will be signed by students in the future. Please forward a copy of the procedures with the response to this report.

FWS 1035 FWS AUTHORIZATION CARD NOT SIGNED/DATED BY SUPERVISOR/STUDENT

(This code not in the Guide – Generic Paragraph Not Developed)

FWS 1040 FWS TIME CARDS NOT SIGNED/DATED BY SUPERVISOR/STUDENT (formerly FWS TIME CARDS NOT SIGNED BY SUPERVISOR)

FINDING: FEDERAL WORK-STUDY TIME CARDS NOT SIGNED BY SUPERVISOR

The Federal-Work Study (FWS) timesheet(s) for student #'s _____ did not have the appropriate supervisor's signature.

The institution's failure to certify the accuracy of FWS student timesheet(s) may deprive other needy students of funds.

REFERENCE:

34 CFR 675.19(b), Federal Work-Study Program, December 1, 1987, amended August 10, 1988

REQUIREMENT:

The institution must establish and maintain fiscal records for each student employed under the FWS Program which includes a certification that each student has worked and earned the amount being paid. The student's supervisor or an official of the institution or off-campus agency must sign the certification, which must include for students being paid on an hourly basis, a timesheet showing the hours each student worked.

In its response, the institution must submit copies of the required signed timesheets for the above referenced student(s) which verify the amounts paid to students.

(If a file review is necessary)

The institution must submit the required signed timesheets for the above referenced students. Further, the institution must review the FWS timesheets and disbursements for all FWS recipients for the _____ award year(s) and submit the required timesheets which verify the amounts paid to students.

(Current Year) disbursements which cannot be supported by the required signed time cards must be refunded by the institution to the FWS account and (Prior Award Year) disbursements must be refunded to the Department of Education. If necessary, instructions for repayment will be provided in the Final Program Review Determination letter.

FWS 1045 FWS TIME CARD INACCURATE

(This code not in the Guide – Generic Paragraph Not Developed)

FWS 1050 FWS IMPROPER PAYMENTS FOR HOURS WORKED

FINDING: FEDERAL WORK STUDY - IMPROPER PAYMENTS FOR HOURS WORKED

The institution did not verify the accuracy of the Federal Work Study (FWS) hours worked by student #'s _____.

An institution's failure to verify the accuracy of hours worked may deprive needy students of funds and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 675.16(a), Federal Work Study Program, December 1, 1987

34 CFR 675.19(b)(2)(i), Federal Work-Study Program, December 1, 1987, amended August 10, 1988

REQUIREMENT:

Regardless of who employs the student under the FWS program, the institution is responsible for ensuring that the student is paid for work performed.

The institution must be certain that its certification of time card entries is, in fact, an accurate representation of student work activity. An institution must compute FWS compensation on an hourly basis for actual time on the job and pay the student the established rate set by the institution for all work performed. A graduate student may be paid a salary or an hourly wage. In its response, the institution must provide assurances that, in the future, students will be paid for actual hours worked.

The institution must review the records of all FWS students employed during the _____ award year(s) to determine the extent of the problem. In its response, the institution must provide the results of its review in the following format:

1. Student Name
2. Social Security Number
3. Award Year
4. Rate of Pay
5. Actual Hours Worked
6. Incorrect Hours Paid
7. Discrepancy in Hours and Dollars

If the review shows that a given student was underpaid for actual hours worked, the institution must immediately issue a check to the student and provide proof of its action to this office (front and back of canceled check). If the review shows that the institution overpaid a given student, the institution will be liable to the U.S. Department of Education for that amount. Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

FWS 1055 FWS TIME CARD SIGNED/DATED BEFORE WORK PERFORMED
(This code not in the Guide – Generic Paragraph Not Developed)

FWS 1060 FWS INELIGIBLE EMPLOYMENT

FINDING: INELIGIBLE FEDERAL WORK-STUDY EMPLOYMENT

The institution employed student #'s _____ in ineligible Federal Work-Study (FWS) positions.
(Describe how positions are ineligible.)

Failure to employ students in eligible FWS positions creates a financial burden for the U.S. Department of Education (ED) and deprives other needy students the use of these funds.

REFERENCE:

- 34 CFR 675.20, Federal Work-Study Program, December 1, 1987
- 34 CFR 675.21, Federal Work-Study Program, December 1, 1987, amended December 21, 1992
- 34 CFR 675.22 and 675.23, Federal Work-Study Program, December 1, 1987, amended July 21, 1992

REQUIREMENT:

Regardless of the student's employer, FWS employment may not impair existing service contracts; displace employees; fill jobs that are vacant because the employer's regular employees are on strike; or involve the construction, operation, or maintenance of any part of a facility used or to be used for religious worship or sectarian instruction.

The institution must immediately terminate the above-referenced students from the ineligible FWS positions. All FWS wages paid to these students are an institutional liability and must be returned to ED. Repayment instructions will be provided in the Final Program Review Determination letter.

FWS 1070 FWS JOB DESCRIPTIONS NOT AVAILABLE (formerly FWS JOB DESCRIPTIONS NOT AVAILABLE/FOLLOWED)

FINDING: FEDERAL WORK-STUDY JOB DESCRIPTIONS NOT AVAILABLE

The institution does not have written job descriptions for its on and/or off campus Federal Work-Study (FWS) positions.

REFERENCE:

34 CFR 675.20, Federal Work-Study Program, December 1, 1987
1993/94 Federal Student Financial Aid Handbook, Chapter 7, Section 4

RECOMMENDATION:

Each FWS position should have a job description that includes:

- * name and address of employer (department, agency, organization)
- * purpose of the job
- * duties and responsibilities
- * job qualifications
- * wage rate or range
- * length of employment (beginning and ending dates)
- * name of supervisor

Job descriptions clearly define whether the job qualifies under the FWS Program. The institution should develop job descriptions for its FWS positions.

FWS 1080 FWS JOB DISPLACED REGULAR EMPLOYEE

FINDING: FEDERAL WORK-STUDY JOB DISPLACED REGULAR EMPLOYEE

The Federal Work-Study (FWS) job authorized for student #___ displaced one of the institution's _____ (i.e. **full-time assistant librarian**) regular employees.

Failure to properly assign FWS positions constitutes an inability by the institution to properly administer the FWS Program.

REFERENCE:

34 CFR 675.20(c), Federal Work-Study Program, December 1, 1987
1993/94 Federal Student Financial Aid Handbook, Chapter 7, Section 1

REQUIREMENT:

FWS employment may not displace employees, including those on strike, nor may it impair existing service contracts. If the institution has an employment agreement with a private sector organization, the organization's employees must not be replaced with FWS students. Replacement is interpreted as displacement. Similarly, if the institution terminates the employee against that employee's wishes and replaces the employee with a FWS student, that would constitute displacement.

However, if an employee leaves for personal reasons and the opening is filled with a FWS student, the institution is not guilty of displacement because it was the employee's decision to leave.

In its response, the institution must provide assurance that all FWS positions will be assigned to students according to Federal regulations on this subject.

FWS 1090 FWS MATCHING REQUIREMENT NOT MET/UNTIMELY

FINDING: FEDERAL WORK-STUDY MATCHING REQUIREMENT NOT MET/UNTIMELY

(If match was not made)

The institution did not provide the required institutional match to the Federal Work-Study (FWS) Program for the ____ award year(s). No documentation of the institutional match by ledger entries and/or corresponding payments from institutional sources was provided to the reviewer.

(If match was made late)

On (date), the institution deposited the federal match of 70 percent (for 1992/93 award year)/75 percent (1993/94 award year) of \$ _____. However, the institution disbursed \$ _____ in FWS awards prior to making its 30/25 percent match.

An institution's failure to provide its FWS match (timely) deprives students of funds and creates a financial burden for the U.S. Department of Education.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 443(b)(5), July 23, 1992
34 CFR 675.16 and 675.26, Federal Work-Study Program, December 1, 1987, amended July 21, 1992
34 CFR 675.27, Federal Work-Study Program, December 1, 1987

REQUIREMENT:

If an institution pays its students their FWS funds by check, the institution must pay a student its share of the student's FWS wages at the same time it pays the federal share. For the 1992/93 award year, the federal share may not exceed 70 percent of the amount of the FWS awards; for the 1993/94 award year, the federal share may not exceed 75 percent of the FWS awards. Therefore, the institutional share is 30 percent for the 1992/93 award year and 25 percent for the 1993/94 award year.

An institution may use any resource available to pay its share of FWS compensation to its students except federal funds allocated under the FWS Program. The school's share may come from its own funds, from outside funds (such as from an off-campus agency), or from both. The institutional share may also be paid in the form of a non-cash contribution of services and equipment--for example, tuition and fees, room and board, and books and supplies. If the school's share for the award period is paid by non-cash contributions, it must be paid before the end of the student's final payroll period. The institution must document all amounts claimed as non-cash contributions. Please note that if an institution has assessed a charge against a student who is employed under FWS (such as a parking fine or library fine), the **FWS** school may not include forgiveness of such a charge as part of the school's non-cash contribution for the student.

(If match was not made)

Also, in the absence of any additional documentation, the institution will be liable for the institutional match that was not provided in the 199_/_ award year(s).

(If match was made late)

The institution must develop and submit with its response, procedures which will ensure that, in the future, the institutional match is made in a timely manner.

This office may propose an informal fine for the institution's non-compliance. If necessary, instructions for payment of this informal fine and repayment of any liability will be provided in the Final Program Review Determination letter.

FWS 1091 FIVE PERCENT OF FWS FUNDS NOT ALLOCATED TO EMPLOY STUDENTS IN A COMMUNITY SERVICE

(This code not in the Guide – Generic Paragraph Not Developed)

FWS 1100 FWS TIMESHEETS MISSING/INCOMPLETE/INACCURATE

(formerly MISSING FWS TIMESHEETS)

FINDING: MISSING FEDERAL WORK-STUDY TIME SHEETS

Federal Work-Study (FWS) time sheets were missing for student #'s _____.

Failure to comply with record retention requirements constitutes an inability by the institution to properly administer the FWS program.

REFERENCE:

34 CFR 675.19(b)(c), Federal Work-Study Program, December 1, 1987, amended August 10, 1988

REQUIREMENT:

An institution must keep intact and accessible records of the application, the receipt, and the expenditure of federal funds, including all accounting records and original and supporting documents necessary to document how the funds are spent. The institution must also establish and maintain program and fiscal records that include a certification that each student has worked and earned the amount being paid. The student's supervisor, an official of the institution or off-campus agency, must sign the certification. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day.

The institution must review the files to determine the extent of missing time sheet(s) for all FWS recipients during the ____ award year(s). A report on the results of the review must be submitted to this office in the following format.

1. Student's Name
2. Social Security Number
3. Award Year
4. Time Sheet and Status
5. FWS Amounts Disbursed

Any disbursement(s) made which cannot be supported by the required time sheet(s) must be refunded to the Department. Instructions for repayment, if any, will be provided in the Final Program Review Determination letter. The institution may be subject to additional administrative penalties if this issue recurs as a result of a future audit or program review.

FWS 1110 CWS-EXCESSIVE OFF-CAMPUS EMPLOYER CONTRACT NOT USED

(This code not in the Guide – Generic Paragraph Not Developed)

FWS 1120 FWS SELECTION POLICY INADEQUATE

FINDING: FEDERAL WORK-STUDY SELECTION POLICY INADEQUATE

The institution's Federal Work-Study (FWS) selection procedures were not in compliance with regulations. Specifically, the institution _____

(Specify if the institution did not have written procedures; the written procedures were not adequate; or the procedures were not followed.)

The institution's failure to award FWS funds in accordance with regulatory requirements, may deprive other needy students of these funds.

REFERENCE:

34 CFR 675.10, Federal Work-Study Program, December 1, 1987

REQUIREMENT:

An institution must make employment under the FWS Program reasonably available, to the extent of available funds, to all eligible students. The selection procedures must be in writing, uniformly applied, and maintained in the institution's files.

In response to this finding, the institution must revise its selection procedures so that they are in compliance with the above regulation. A copy of these revised procedures, in addition to written assurance that the institution will uniformly apply its policy and make funds reasonably available to eligible students, must be provided to this office.

A recurrence of this finding in a future audit or program review may result in an informal fine being proposed.

GENERAL DEFICIENCY CODES

GEN 2000 ABILITY TO BENEFIT - TEST NOT DOCUMENTED

FINDING: ABILITY TO BENEFIT - TEST NOT DOCUMENTED

The institution failed to provide the reviewers with a copy of its ability to benefit (ATB) test, which was the basis of admittance for student # _____ who had received \$ _____ in Title IV aid.

Failure to document a student's admission based on ATB requirements results in the institution disbursing Title IV aid to ineligible students which causes increased expense for the government.

REFERENCE:

Omnibus Budget Reconciliation Act of 1990, Public Law 101-508, November 5, 1990
Higher Education Technical Amendments of 1991 Public Law 102-26, April 9, 1991
Higher Education Amendments of 1992, Public Law 102-325, Section 484(d), July 23, 1992
34 CFR 668.7(b), General Provisions, December 1, 1987
34 CFR 668.23(f), General Provisions, December 1, 1987, amended June 5, 1989, and June 8, 1993
34 CFR 668.23(h), General Provisions, April 29, 1994

REQUIREMENT:

On or after July 1, 1991, a student must pass an independently administered test which is approved by the U.S. Department of Education in order to determine whether or not a student has the ability to benefit from the program in which the student is admitted. For each Title IV recipient, the institution must maintain, on a current basis, records regarding the student's admission to the institution, including ability to benefit documentation.

In response to this finding, the institution must submit to this office any additional documentation regarding the student's admission to the school. In the absence of acceptable documentation, all Title IV funds disbursed to the student will be an institutional liability. Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

(If a file review is warranted)

To resolve this finding, the institution must review the files of all students admitted on the basis of ATB during the award year(s) to determine for which students the institution is unable to provide a copy of the ATB admissions test. The results of the review must be submitted in the following format:

1. Student's Name
2. Social Security Number
3. Title IV Disbursements (For FFEL, Amount Certified)

The institution must summarize the total amount of Title IV aid disbursed to the ineligible students by program and award year. Repayment instructions for any determined liabilities will be provided in the Final Program Review Determination letter.

GEN 2001 ABILITY TO BENEFIT TESTING REQUIREMENTS NOT MET

FINDING: ABILITY TO BENEFIT TESTING REQUIREMENTS NOT MET

(This ATB code should only be used for findings such as unapproved tests (refer to SFA Handbook), minimum passing score not met, or improper administration of the test. If an institution is unable to provide documentation that an ATB test has been administered, use GEN 2000.)

The institution did not follow the ability to benefit (ATB) testing procedures according to **(test used)** for the following students:

Student # **(Explain what specific testing requirements were not met e.g., the test was not approved by ED, the student did not receive a passing score, the test was administered by the owner of the school.)**

Failure to properly admit students on the basis of ATB results in the institution disbursing Title IV aid to ineligible students and causes increased expense for the Department of Education.

REFERENCE:

Omnibus Budget Reconciliation Act of 1990, Public Law 101-508, November 5, 1990
Higher Education Technical Amendments of 1991, Public Law 102-26, April 9, 1991
Higher Education Amendments of 1992, Public Law 102-325, Section 484(d), July 23, 1992
34 CFR 668.7(b), General Provisions, December 1, 1987

REQUIREMENT:

As of July 1, 1991, a student must pass a test which is approved by the U.S. Department of Education in order to determine whether or not a student has the ability to benefit from the program in which the student is seeking admission. The test must be nationally-recognized, standardized, or industry-developed, subject to criteria developed by the institution's nationally recognized accrediting agency or association.

To make a valid ATB determination, the institution must administer the test in accordance with the guidance provided by its publisher. **All** parts of the test must be used and the passing score (cut-score) may not be lower than one full standard deviation below the mean for that examination.

The test must be administered by an individual or organization that has no current or prior fiscal interest with the school. A test administrator may not be a current or former owner, employee, board member, consultant, student, or family member.

The institution will be held liable for all Title IV funds disbursed to students who were admitted with less than the minimum ATB requirements. To resolve this finding, the institution must conduct a file review of all students admitted on the basis of ATB during the _____ award year(s). A report of the review must be provided to this office with the following information:

1. Student's Name
2. Social Security Number
3. Failed ATB Criteria (With Relevant Details)
4. Awards Disbursed by Title IV Program (FFEL Amount Certified)

For every student included in the file review report, provide a copy of each student's test and, if applicable, proof that it was independently administered (tester's certification statement). One score sheet must be provided for each version of the test. The institution must summarize the total of Title IV aid incorrectly disbursed to students by program and award year.

Due to the serious nature of this finding, an informal fine may be proposed. Instructions for payment of the fine and repayment of any liability will be provided in the Final Program Review Determination letter.

GEN 2010 INACCURATE RECORDKEEPING (formerly ACADEMIC RECORDS NOT PROPERLY MAINTAINED)

FINDING: INACCURATE RECORDKEEPING

(This is a very broad Finding; it must be tailored to fit specific situations at each institution, i.e. admission records, academic records, financial records reflecting all Title IV transactions, etc.)

Institutional records disclosed frequent inaccuracies in program records and all required transactions were not recorded. Examples are described as follows:

Student # (Specify the problem for each student).

Without accurate records, the institution may disburse ineligible Title IV funds, which may deprive other eligible, needy students of those funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

- 34 CFR 668.23(h), General Provisions, April 29, 1994
- 34 CFR 674.19(d), Federal Perkins Loan Program, December 1, 1987
- 34 CFR 675.19(b), Federal Work-Study Program, December 1, 1987, amended August 10, 1988
- 34 CFR 676.19(b), Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
- 34 CFR 682.610, Federal Family Education Loan Program, December 18, 1992
- 34 CFR 690.82, Federal Pell Grant Program, March 15, 1985, amended December 1, 1987

REQUIREMENT:

In addition to program and fiscal records, an institution must keep records that substantiate the eligibility of its students for student financial assistance (SFA) funds. For each student who receives SFA funds, a school must keep records of:

- the student's admission to and enrollment status at the school (and the test results for a student who does not have a high school diploma or GED).
- the student's program of study and the courses he or she is taking.
- whether the student is making satisfactory academic progress.
- all financial aid the student receives (and a financial aid transcript for a transfer student).
- all refunds due or paid to the student, the SFA programs, or the Federal Family Education Loan lenders.
- whether the student received a job from the school's job placement service.
- verification information on the student aid application.
- any required certifications (educational purpose, registration status, etc.), signed by the student, and any documents used to document the student's registration status.

With the response to this report, the institution must provide an explanation regarding the discrepancies in the records for the above-referenced student(s). The institution must also develop and submit procedures to ensure that the required records are consistent with the regulations.

A review of the response will determine if any further action is required.

GEN 2015 INSTITUTIONAL STUDENT INFORMATION REPORT NOT SIGNED/MISSING/INCOMPLETE/ADJUSTMENTS NOT DOCUMENTED

(This code not in the Guide – Generic Paragraph Not Developed)

GEN 2020 ACADEMIC YEAR NOT DEFINED CORRECTLY./INADEQUATE PROGRAM LENGTH

FINDING: ACADEMIC YEAR NOT DEFINED CORRECTLY/INADEQUATE PROGRAM LENGTH

The institution did not define its academic year in accordance with Federal regulations.

The institution used _____ (**clock or credit**) hours as its academic year definition. For an institution that measures academic progress in _____ (**clock or credit**) hours, the minimum definition of an academic year is ____ (**clock or credit**) hours.

By defining its academic year with an inadequate length, the institution may disburse Title IV funds prematurely and calculate refunds incorrectly. Early disbursements and incorrect refund calculations may result in overpayments which create a financial burden for the U.S. Department of Education.

REFERENCE:

Higher Education Amendments of 1992, Public Law 102-325, Section 481(e)(2), July 23, 1992
34 CFR 668.2(b), General Provisions, April 29, 1994
34 CFR 668.8, General Provisions, April 29, 1994

REQUIREMENT:

An academic year is a period that begins on the first day of classes and ends on the last day of classes or examinations. It is a minimum of 30 weeks of instructional time during which for an undergraduate educational program, a full-time student is expected to complete at least:

1. Twenty-four(24) semester or trimester hours or thirty-six(36) quarter hours in an educational program whose length is measured in credit hours; or
2. Nine hundred(900) clock hours in an educational program whose length is measured in clock hours.

The disbursements of all Federal Pell Grant, Federal Perkins Loan, and Federal Supplemental Educational Opportunity Grant funds must be based on the correct definition of an institution's academic year. Enrollment status must be verified for each payment period to ensure that the student is eligible for a Title IV disbursement.

The institution is required to perform a file review of all its Title IV recipients during the ____ award year(s). For each student, the institution must provide the following information, in spreadsheet format:

1. Student's Name
2. Social Security Number
3. Title IV Disbursements Based on Incorrect Academic Year Definition, by Program
4. Title IV Disbursements Based on Current/Revised Academic Year Definition, by Program
5. Incorrect Payment Period
6. Correct Payment Period
7. Amount(s) of Any Overpayments Resulting from Incorrect Academic Year Definition
8. Refunds Already Paid to Title IV Program(s) Lender(s) by Program and Award Year
9. Difference Between Overpayment and Refunds Already Paid, by Program and Award Year

The institution must summarize the amount of overpayments which must be repaid for each Title IV program, by award year. Copies of canceled checks (front and back) must be provided to this office to support the refunds already paid.

Any overpayment based on the incorrect academic year definition will become an institutional liability.

Due to the systemic nature of this finding, an informal fine may be proposed. Instructions for payment of any fine and repayment of any liability will be issued in the Final Program Review Determination letter.

GEN 2030 ADMISSIONS POLICY NOT FOLLOWED/DOCUMENTED

FINDING: ADMISSIONS POLICY NOT FOLLOWED/DOCUMENTED

It is the institution's policy to _____. **(i.e., obtain a copy of the student's high school diploma or GED certificate for the admissions file)** prior to accepting a student for enrollment at the school. The institution failed to adhere to its admissions policy when it accepted student #'s ___ for enrollment at the institution without _____ **(obtaining a copy of his or her high school diploma/GED)**.

Students who do not meet admissions criteria established by an institution should not be accepted for enrollment at that institution. A student is only eligible to receive Title IV assistance if the student is a regular student enrolled or accepted for enrollment in an eligible program. Failure to establish a student's eligibility for Title IV aid may deprive other needy students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 600.4 and 600.7, Institutional Eligibility, 4/05/88
34 CFR 600.5 and 600.6, Institutional Eligibility, 4/05/88, amended 12/03/92
34 CFR 668.7(a), General Provisions, December 1, 1987, amended June 8, 1993 and March 16, 1994
34 CFR 668.8(a)(1) General Provisions, December 1, 1987
34 CFR 668.14, General Provisions, December 1, 1987, amended June 8, 1993
34 CFR 668.16, General Provisions, April 29, 1994
34 CFR 668.23(h), General Provisions, April 29, 1994

REQUIREMENT:

A student is eligible for Title IV financial assistance only if the student is a regular student enrolled or accepted for enrollment in an eligible program. An eligible program is a program of education or training that admits as regular students only persons who:

- Have a high school diploma; or
- Have the recognized equivalent of a high school diploma;
- Are beyond the age of compulsory school attendance in the state in which the institution is located, and have the ability to benefit from the education or training offered; or
- For a program at a vocational school, have completed or left elementary or secondary school and have the ability to benefit from the education or training offered.

For each Title IV recipient, the institution must maintain, on a current basis, records regarding the student's admission to and enrollment status at the institution.

In response to this finding, the institution must provide this office with copies of the documentation used to determine the basis of admission for the above students. If documentation cannot be obtained, all Title IV disbursements made to the students will become institutional liabilities.

(If a file review is warranted)

The institution must review its files for all students admitted during the _____ award year(s) to determine the basis for their admission. For each student admitted who did not meet the admissions requirements, the institution must provide a report to this office with the following information:

1. Student's Name
2. Social Security Number
3. Admission Criteria Not Met
4. Amount(s) and Date(s) of Ineligible Title IV Disbursement(s) During Period in Which Admissions Criteria Was Not Met, by Program and Award Year

The institution must summarize the total amount of ineligible Title IV disbursements by program and award year.

Following our receipt and review of the institution's response, this office may propose an informal fine. Instructions for payment of any fine and repayment of any determined liability will be provided in the Final Program Review Determination letter.

GEN 2040 ATTENDANCE POLICY NOT APPLIED

(This code no longer used)

FINDING: ATTENDANCE POLICY NOT APPLIED

The institution did not apply its attendance policy, as published in the institution's catalog, for the student(s) listed:

Student #

REFERENCE:

34 CFR 668.14(e), General Provisions, 12/01/87

REQUIREMENT:

An institution must consistently apply its attendance policy as published in the catalog or student consumer information brochure.

The institution must retroactively apply its attendance policy to the student(s) listed above for the _____ award year(s). In addition, the institution must develop a written procedure to ensure that its attendance policy is consistently applied to all students. A copy of the required file review accompanied by a copy of the written procedures must be submitted to this office in the following format.

1. Student Name
2. Social Security Number
3. Start Date
4. Termination Date
5. Student's Attendance Records

Any inconsistent application of this policy will result in a liability to the appropriate Title IV program(s). Instructions for repayment of any liability will be forwarded at a later date.

GEN 2041 APPLICATION (FASFA) NOT CERTIFIED BY NON-STUDENT PREPARER

(This code not in the Guide – Generic Paragraph Not Developed)

GEN 2042 FAILED TO SIGN AN APPLICATION FOR FINANCIAL AID

(This code not in the Guide –Generic Paragraph Not Developed)

GEN 2050 ATTENDANCE RECORDS MISSING/IMPAIRED ADMINISTRATIVE CAPABILITY

FINDING: ATTENDANCE RECORDS MISSING/IMPAIRED ADMINISTRATIVE CAPABILITY

The institution was unable to provide attendance records for the student(s) listed below:

Student(s) # (Specify the periods of enrollment for which attendance records are missing.)

Without attendance records indicating each student's enrollment status, the institution may be disbursing Title IV funds to ineligible students; this deprives other eligible students of Title IV aid and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(1)(i)(5), General Provisions, December 1, 1987
34 CFR 668.14(e), General Provisions, December 1, 1987
34 CFR 668.16(e) and 668.23(h), General Provisions, April 29, 1994

REQUIREMENT:

In addition to the records required for each Title IV program, the institution must establish and maintain, on a current basis, records regarding the student's enrollment status at the institution, the program and courses in which the student is enrolled, and whether the student is maintaining satisfactory academic progress in the student's course of study. A student is only eligible for Title IV assistance if the student is a regular student enrolled or accepted for enrollment in an eligible program.

Without documentation to substantiate a student's enrollment status during a given period, the institution cannot prove that a student was enrolled and eligible to receive Title IV aid.

The institution must submit the missing attendance records for the above-mentioned students to this office with its response to this report. In the absence of such documentation, the institution may be held liable for all Title IV funds disbursed during periods in which attendance records cannot be provided for those students.

(If a file review is warranted, use paragraph below.)

Due to the high number of occurrences in which attendance records are missing, the institution must review all Title IV recipient records for the _____ award year(s) to determine the extent of the institution's non-compliance. The institution may be held liable for Title IV funds disbursed to student(s) without the appropriate attendance documentation. The institution must submit a report on the results of the review to this office in the following format:

1. Student's Name
2. Social Security Number
3. Dates With No Attendance Records
4. Title IV Disbursements by Date, Program, and Amount During Time Without Attendance Records

The institution must summarize the total amount of ineligible disbursements by program and award year.

Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2070 AUDIT REPORT NOT SUBMITTED

FINDING: AUDIT REPORT NOT SUBMITTED

The institution did not submit the required annual audit of its Title IV programs for the _____ award years.

Failure to submit the required audit(s) constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

34 CFR 668.23, General Provisions, April 29, 1994

REQUIREMENT:

An institution must have performed at least annually a compliance audit of its Title IV, HEA programs. This non-federal audit must be conducted by an independent auditor.

The institution must submit its audit report to the Department of Education's Inspector General within 120 days of the end of the institution's fiscal year or, if applicable, in accordance with deadlines established in the Single Audit Act.

The institution must contract to have an annual audit(s) performed by an independent auditor of its Title IV, HEA programs for the _____ award years. Copies of these audit reports must be submitted to the appropriate Department of Education Regional Inspector General for Audit.

Because the institution has not complied with audit requirements outlined in the regulations, we are referring this matter to the Division of Audit and Program Review, Audit Resolution Branch for any further action deemed appropriate.

GEN 2075 AUDIT REPORT NOT SUBMITTED--CLOSED SCHOOL

(see GEN 2090)

FINDING: CLOSED SCHOOL - FAILURE TO SUBMIT AUDIT/PERFORMANCE REPORTS

The institution has failed to comply with Federal regulations which require a closed institution to submit to the Secretary, within 45 days after closing, financial, performance and other reports required by each appropriate Title IV student financial assistance program regulation.

An institution's failure to submit the required reports to the Secretary upon closing, constitutes an inability by the institution to properly administer the Title IV, HEA programs.

REFERENCE:

34 CFR 668.25, General Provisions, July 19, 1991
34 CFR 668.26(b), General Provisions, April 29, 1994

REQUIREMENT:

When an institution's participation in a Title IV, HEA program ends, the institution must immediately notify the Secretary of that fact and submit to the Secretary, within 45 days after the effective date of the closing or loss of eligibility, all financial, performance, and other reports required by each appropriate Title IV, HEA program regulation. The institution must immediately submit to the Secretary the following required reports, along with the closing report dates:

- a. final Federal Pell Grant Student Payment Report through _____.
- b. Federal Campus-based Fiscal Operations Report (FISAP) through _____.
- c. final EDPMS 272 Report of Expenditures through _____.

In addition, an independent audit of all funds that the institution received under each program must be submitted to the Secretary within 45 days after the date of the engagement letter.

A copy of the engagement letter must be provided to this office by the certified public accounting firm who will conduct the audit. Copies of the completed audit report must be submitted to the appropriate Regional Inspector General for Audit.

The institution must immediately complete and submit these reports to the Secretary and provide documentation to this office of its action.

GEN 2076 AUDIT REPORT SUBMITTED LATE

(This code not in the Guide – Generic Paragraph Not Developed)

GEN 2080 AWARD NOTIFICATION PROCEDURES NOT DEVELOPED

FINDING: AWARD NOTIFICATION PROCEDURES NOT DEVELOPED

The institution does not have an adequate system to notify students of the amount and type of Title IV funds he/she can expect to receive, and how and when that amount will be disbursed. Therefore, the institution does not provide adequate financial aid counseling to its eligible students who apply for Title IV assistance.

Failure to provide adequate financial aid counseling to eligible students constitutes an inability by the institution to properly administer the Title IV, HEA programs.

REFERENCE:

34 CFR 668.14(h), General Provisions, December 1, 1987
34 CFR 668.16(h), General Provisions, April 29, 1994
34 CFR 674.16(d), Federal Perkins Loan Program, December 1, 1987
34 CFR 676.16(c), Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
34 CFR 690.78(a)(4), Federal Pell Grant Program, October 14, 1987

REQUIREMENT:

An institution must provide adequate financial aid counseling to eligible students who apply for Title IV assistance. Specifically, the institution must notify the student of the amount he or she can expect to receive, and how and when those funds will be disbursed.

The institution must develop a policy with procedures to ensure that each student is counseled and notified of the amount of Title IV aid he/she can expect to receive, and how and when that amount will be paid. A copy of this newly developed policy and procedures must be submitted to this office in response to this finding.

GEN 2090 CLOSED SCHOOL – FAILURE TO SUBMIT AUDIT REPORT

(See GEN 2075)

GEN 2095 COMMISSION/BONUS/INCENTIVE PAID FOR SECURING ADMISSIONS

(This code not in the Guide)

FINDING: COMMISSION/BONUS/INCENTIVE PAID FOR SECURING ADMISSIONS

The institution has a policy that pays its salespeople (i.e. any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the awarding of student financial assistance) for referring new students. The bonus is paid after those referred students complete one semester at the institution.

Failure to comply with regulations which prohibit the payment of any incentive to an employee constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

Higher Education Amendments of 1992, Public Law 102-325, Section 487(a), July 23, 1992
34 CFR 668.14(b)(22), General Provisions, April 29, 1994
34 CFR 682.200(b), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

The Higher Education Amendments of 1992 prohibit an institution from providing any commission, bonus or other incentive payment based directly or indirectly on an employee's success in securing enrollment, admissions, or awarding financial aid. This prohibition does not apply to the recruitment of foreign students who are not eligible to receive federal student assistance.

An institution may not employ or use commissioned salespersons to promote the availability of federal financial aid. A "commissioned salesperson" is any person who receives compensation that is related to, or calculated on the basis of, student applications, enrollments, or acceptances.

The institution should have ceased paying bonuses to salespeople after July 23, 1992. During the review, the reviewer advised the institution of its non-compliance. The institution agreed that its policy of paying salespeople a commission would cease immediately. In its response to this report, the institution must provide its assurances in that regard.

A recurrence of this finding in a future program review or audit may result in administrative action.

**GEN 2100 CONSORTIUM OR CONTRACTUAL AGREEMENT UNAVAILABLE/
INADEQUATE** (formerly CONSORTIUM AGREEMENT UNAVAILABLE/ INADEQUATE)

FINDING: CONSORTIUM CONTRACTUAL AGREEMENT UNAVAILABLE/INADEQUATE

For the ____ award year(s), _____ (**home institution**) paid the following students Title IV financial aid for course credits at _____ (**host institution**) without a signed, valid written consortium/contractual agreement.

<u>Student #</u>	<u>Amount and Type of Aid</u>	<u>Award Year</u>
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By disbursing ineligible funds to students for course credits earned at a host institution with which the home institution has no valid consortium/contractual agreement, the institution may deprive other eligible students of need-based funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 600.9, Institutional Eligibility, April 29, 1994
34 CFR 690.9, Federal Pell Grant Program, March 15, 1985

REQUIREMENT:

Two or more institutions may enter into a contractual or a consortium agreement so that a student can continue to receive student financial assistance (SFA) funds while studying at a school other than his or her "home" institution. The "home" institution is the one that will grant the student's degree or certificate.

The home institution must maintain a formal and effective consortium/contractual agreement with other host institutions. This agreement must be signed by both institutions in order to disburse Title IV aid to students for course credits received at those institutions. This agreement is effective for the payment period in which it is signed. However, it can be retroactive to a previous payment period if the payment period is in the same award year. Further requirements for both consortium and contractual agreements are specified in the regulations cited above.

In response to this finding, the institution must provide documentation that shows it has met the requirements of a consortium/contractual agreement. If the institution is unable to provide this documentation, it will be liable for Title IV funds improperly awarded to students studying at host institutions during the time period in which the home institution had no valid consortium/contractual agreement. For those students, the institution must provide the following information:

1. Student's Name
2. Social Security Number
3. Host Institution with No Valid Consortium/Contractual Agreement
4. Date(s) and Amount(s) of Title IV Disbursement(s) by Program and Award Year
5. Ineligible Amount(s) of Title IV Disbursements Based on the Credit/Clock Hours Earned at the Host Institution by Program

The institution must summarize the total amount of ineligible Title IV disbursements, by program and award year. Due to the serious nature of this finding, an informal fine may be proposed. Instructions for repayment of any liability and payment of any informal fine will be provided in the Final Program Review Determination letter.

GEN 2110 CONSUMER INFORMATION REQUIREMENTS NOT MET

FINDING: CONSUMER INFORMATION REQUIREMENTS NOT MET

The current student consumer information disseminated at the institution does not meet all the requirements set forth in regulations. The following required items were not covered:

LIST ITEMS NOT COVERED

Failure to publish and/or distribute the required consumer information to students constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

34 CFR 668.14(h), General Provisions, December 1, 1987

34 CFR 668.14(b)(9) and 668.16(h), General Provisions, April 29, 1994

34 CFR 668.41, 668.42, and 668.45, General Provisions, December 1, 1986

34 CFR 668.43, General Provisions, December 1, 1986, amended April 29, 1994

34 CFR 668.44, General Provisions, December 1, 1986, amended July 31, 1991 and April 29, 1994

REQUIREMENT:

Institutions participating in any of the Title IV programs are required to provide student consumer information. This information must be published and readily available to current and prospective students and their families. The institution is required to:

1. Develop student consumer information to comply with the regulations;
2. Place the information in an appendix to the catalog or update its catalog; and
3. Send a copy of the revised student consumer information to this office.

GEN 2111 CRIME AWARENESS REQUIREMENTS NOT MET

(This code no longer used - See GEN 2113)

GEN 2112 CREDIT/CLOCK HOUR CONVERSION IMPROPER

(This code not in the Guide)

FINDING: CREDIT/CLOCK HOUR CONVERSION IMPROPER

The institution incorrectly determined the credit hour measurement of its program(s) for purposes of determining student #___'s Title IV eligibility.

The institution's failure to properly determine the credit hour measurement of its program results in the institution receiving funding to which it is not entitled and creates increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.8(k)(1), General Provisions, April 29, 1994
34 CFR 668.9, General Provisions, April 29, 1994

REQUIREMENT:

If an institution offers an undergraduate educational program in credit hours, the institution must use a formula to determine whether that program satisfies the requirements contained in 668.8(c)(3) or (d), and the number of credit hours in that educational program for purposes of the Title IV, HEA programs, unless:

1. The program is at least two academic years in length and provides an associate degree, a bachelor's degree, or a professional degree; or
2. Each course within the program is acceptable for full credit toward that institution's associate degree, bachelor's degree, or professional degree, provided that the institution's degree requires at least two academic years of study.

For purposes of determining whether a program satisfies the requirements in 668.8(c) or (d), and the number of credit hours in that educational program with regard to the Title IV, HEA programs:

1. A semester hour must include at least 30 clock hours of instruction;
2. A trimester hour must include at least 30 clock hours of instruction; and
3. A quarter hour must include at least 20 hours of instruction.

In determining the amount of Title IV, HEA program assistance that a student who is enrolled in a program is eligible to receive, the institution must apply the aforementioned formula to determine the number of semester, trimester, or quarter hours in that program, if the institution measures academic progress in that program in semester, trimester or quarter hours.

The institution must retroactively apply the formula to all of its students who attended its _____ program since (i.e., July 1, 1994). The school's review must be submitted to this office in the following format:

1. Student's Name
2. Social Security Number
3. Award Year
4. Title IV Aid Disbursed
5. Title IV Eligibility Based on Credit/Clock Hour Conversion Formula
6. Overaward

The institution will be liable for all overawards. Repayment instructions, if any, will be provided in the Final Program Review Determination letter. Also, the institution must ensure this office that it will use the formula, when applicable, to determine the credit hour measurement of its program(s).

GEN 2113 CRIME AWARENESS REQUIREMENTS NOT MET

(see GEN 2111 – This code not in the Guide)

FINDING: CRIME AWARENESS REQUIREMENTS NOT MET

The institution failed to collect and distribute the required campus security crime statistics and policies to its current and prospective students and employees.

Failure to collect and distribute the required campus security crime statistics and policies to current and prospective students and employees, constitutes an inability by the institution to properly administer the Title IV, HEA programs.

REFERENCE:

Higher Education Amendments of 1992, Public Law 102-325, Section 486, July 23, 1992
34 CFR 668.14(c)(2), General Provisions, April 29, 1994
34 CFR 668.47, General Provisions, Campus Safety, April 29, 1994

REQUIREMENT:

As of September 1, 1992, all schools were required to provide annual campus security information to all of their current and prospective students and employees. This information was to be provided through publications and mailings.

The campus security report must contain information regarding campus security policies and campus crime statistics. The report must discuss the role and function of campus security personnel, the school's procedures for reporting (and responding to reports of) emergencies and crimes and school security policies regarding on-and-off campus facilities.

The report should also outline the school's policy regarding alcohol-and-drug related violations, including use, sale, possession and underage drinking. Lastly, the report must describe the informational programs available to students and employees about crime prevention, campus security and alcohol or drug abuse (as required by law).

The statistical portion of the campus security report must include data on the occurrence of murder, sex offenses, robbery, aggravated assault, burglary and motor vehicle theft on campus, as reported to campus security personnel or local law enforcement authorities, during the last three years.

Statistics must also be provided that show the number of on-campus arrests for liquor law violations, drug abuse violations and weapons possessions. These statistics should reflect only the nature and specific conditions of the crimes and arrests; no names should be collected or reported for the purpose of these statistics. Schools were required by law to begin collecting these statistics on August 1, 1991.

The institution must immediately provide this information to its students and staff. With its response, the institution must submit a copy of the report and provide assurance, that in the future, a procedure will be developed to disseminate the required information within the designated time frame.

GEN 2114 DENIAL OF ACCESS TO RECORDS

(This code not in the Guide)

FINDING: DENIAL OF ACCESS TO RECORDS

The institution failed to provide access to Title IV financial aid records.

An institution's denial of access to records is a violation of the written program participation agreement with the Secretary and an indication of impaired administrative capability. An institution's impaired administrative capability may cause the institution to disburse Title IV funds to ineligible students which deprives other eligible, needy students of this aid and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.14, General Provisions, April 29, 1994

34 CFR 668.23(b), General Provisions, April 19, 1994, revised November 29, 1994

REQUIREMENT:

An institution that participates in the Federal Perkins Loan, Federal Work-Study, Federal SEOG, Federal Stafford Loan, Federal PLUS, William D. Ford Federal Direct Loan (Federal Direct Stafford Loan and the Federal Direct Unsubsidized Stafford Loan), Federal Pell Grant or the Presidential Access Scholarship Programs shall comply with the regulations for that program concerning fiscal and accounting systems; program and fiscal recordkeeping; and record retention. The institution's or servicer's cooperation must include providing timely access for examination and copying of any Title IV records; provide reasonable access to personnel associated with the institution's or servicer's administration of the Title IV, HEA programs. In providing reasonable access, the institution or servicer shall **NOT** refuse to supply any relevant information; refuse to permit interviews with those personnel that do not include the presence of institution's or servicer's management; and refuse to permit interviews with those personnel that are not tape recorded by the institution or servicer.

The institution must immediately cease awarding and disbursing Title IV funds and certifying Title IV loans. In the absence of acceptable documentation to review, the institution becomes ineligible for Title IV funding and all Title IV funds disbursed to students are an institutional liability and must be returned to the Department of Education (ED). In addition, any Federal Family Education Loans (FFEL) delivered to students must be purchased from the current holders of the notes. The institution must also notify all students, by letter, of the new status of their loans. The Department will no longer pay interest and special allowance on these loans and the institution is liable for all interest and special allowance paid by the Department from the date of loan disbursement until the date of loan purchase by the institution.

The institution will also be immediately referred to the Compliance and Enforcement Division (CED) for emergency action and to the Office of the General Counsel (OGC) for concurrence for all administrative actions including emergency action, suspension, limitation, or termination proceedings.

In response to this finding, the institution must submit to this office, in spreadsheet format, all documentation pertaining to Title IV aid disbursements. The spreadsheet must contain the following information:

1. Student Name
2. Social Security Number
3. Award Year
4. Title IV Disbursements by Date, Program, and Amount
(for FFEL, Amount Certified)
5. Refunds Paid to the Title IV Programs or Lender(s) and
date of payment

Repayment instructions will be provided in the Final Program Review Determination letter.

GEN 2115 DEFAULT RATE EXCEEDS 20 PERCENT/IMPAIRED ADMIN. ABILITY
(Generic Paragraph Not Developed)

GEN 2120 DROP-OUT/WITHDRAWAL RATE EXCESSIVE/IMPAIRED ADMINISTRATIVE CAPABILITY (formerly WITHDRAWAL RATE EXCESSIVE/IMPAIRED ADMINISTRATIVE CAPABILITY)

FINDING: **DROP-OUT/WITHDRAWAL RATE EXCESSIVE/IMPAIRED ADMINISTRATIVE CAPABILITY**

The institution's withdrawal rate is _____ percent for the _____ award year(s). The Secretary considers a withdrawal rate in excess of 33 percent to be an indication of impaired administrative capability.

REFERENCE:

34 CFR 668.15(a)(3), General Provisions, June 5, 1989
34 CFR 668.16(l), General Provisions, April 29, 1994

REQUIREMENT:

Regulations require institutions to maintain a withdrawal rate of 33 percent or less to show good administrative capability and financial responsibility. Therefore, the institution must:

1. Demonstrate that conditions of high withdrawal rates do not have an adverse affect on the administration of the programs; and
2. Submit a plan of action designed to alleviate the excess withdrawal rate.
3. Continue to monitor the withdrawal rate and implement the necessary steps to reduce it to an acceptable level.

The institution's comments on items #1 and #2 above must be submitted in response to this finding.

Failure to reduce the withdrawal rate in the future may result in administrative penalties being imposed on the institution.

GEN 2130 ENROLLMENT STATUS NOT VERIFIED BEFORE DISBURSEMENT

FINDING: ENROLLMENT STATUS NOT VERIFIED BEFORE DISBURSEMENT

The institution disbursed **(select applicable program)** funds to student #'s _____ without verifying his/her enrollment status.

An institution that fails to establish a student's eligibility for Title IV, HEA funds may deprive other needy students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 401(b)(6)(7), July 23, 1992

34 CFR 668.7, General Provisions, December 1, 1987, amended June 8, 1993 and March 16, 1994

(Select applicable program regulations)

34 CFR 690.75(a), Federal Pell Grant Program, December 1, 1987, amended November 6, 1991

34 CFR 674.9(a)(b), Federal Perkins Loan Program, December 1, 1987

34 CFR 675.9(a)(b), Federal Work-Study Program, December 1, 1987

34 CFR 676.9(a)(b), Federal Supplemental Educational Opportunity Grant Program, December 1, 1987, amended July 21, 1992

REQUIREMENT:

To be eligible for Title IV student financial assistance, a student must be enrolled or accepted for enrollment in an eligible program.

Institutions must verify student eligibility, including the student's enrollment status, before making Title IV disbursements. The student's enrollment status determines the student's eligibility for each Title IV program. The regulations specify minimum enrollment standards for each program.

(Select applicable program requirement that corresponds with the applicable reference)

For the Federal Pell Grant Program, Federal campus-based programs, and Federal Family Education Loan (FFEL) programs, the student had to be enrolled on at least a half-time basis during the 1991-92 and 1992-93 award years. During the 1993-94 award year, students who were less than half-time were eligible for Federal Pell Grants and campus-based program funds. If students meet the minimum enrollment standards for the campus-based and FFEL programs, enrollment status is not used to determine program eligibility amounts.

However, for the Federal Pell Grant Program, the institution must use the relevant disbursement schedule to determine the student's award based on the student's enrollment status (ie. less-than-half-time, half-time, three-quarter-time, or full-time.)

In response to this finding, the institution must develop written procedures that describe how it will prevent improper disbursements to students based on changes in their enrollment status. A copy of these procedures must be submitted to this office. The institution must also explain why the students listed in this finding were given disbursements based on the incorrect enrollment status.

The institution will be liable for the amount of improper disbursements in excess of the students' correct awards. Instructions for repayment will be issued in the Final Program Review Determination letter.

GEN 2131 INELIGIBLE LATE DISBURSEMENTS

(Generic Paragraph Not Developed)

GEN 2140 FALSIFICATION OF RECORDS

(This code not in the Guide – Generic Paragraph Not Developed)

**GEN 2150 FINANCIAL AID TRANSCRIPT/AWARD LETTER MISSING/
INCOMPLETE** (formerly FINANCIAL AID TRANSCRIPT MISSING/INCOMPLETE)

FINDING: FINANCIAL AID TRANSCRIPT MISSING/INCOMPLETE

The institution did not request student financial aid transcripts (FAT) for _____ of the students in the sample. This was caused because _____ (i.e., a cross-reference of information did not take place between the admissions and financial aid office). For example:

Student # (Describe specific situation)

An institution that fails to establish a student's eligibility for Title IV, HEA funds deprives other needy students of funds and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.19 General Provisions December 1, 1987, amended August 30, 1988 and June 8, 1993

REQUIREMENT:

Before a student who previously attended another eligible institution may receive any Title IV HEA program funds, the institution or the student must request each institution that the student previously attended to provide a financial aid transcript to the institution 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 a Federal Pell Grant, campus based, or Income Contingent Loan (ICL) funds to the students;
- (2) May decline to certify the student's Federal Family Education Loan (FFEL) application;
- (3) Must not disburse FFEL proceeds to a student; and
- (4) Must not certify an application for a Federal PLUS sought on behalf of the student.

The institution must obtain the required financial aid transcript(s) for the student(s) listed above. A copy of the transcript(s) must be submitted with your response to this report. If a copy cannot be obtained, all Title IV funds disbursed area liabilities. Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2160 INCONSISTENT INFORMATION IN STUDENT FILE

FINDING: INCONSISTENT INFORMATION IN STUDENT FILE

The institution disbursed Title IV aid prior to resolving conflicting information in the following student files:

Student # (Describe specific situation)

An institution's failure to resolve conflicting information could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.14(f), General Provisions, December 1, 1987

34 CFR 668.16(f), General Provisions, April 29, 1994

34 CFR 690.77(b), Federal Pell Grant Program, October 14, 1987, amended November 6, 1991

REQUIREMENT:

The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. The above regulations require institutions to develop an adequate system to ensure the consistency of information related to a student's application for Federal student aid, regardless of the source of that information. The institution is responsible for reconciling all information received, with one exception: if the applicant dies during the award year, you are not required to pursue the resolution of conflicting data.

In response to this finding, the institution must obtain the necessary documentation to resolve the conflicting information for the above-mentioned student(s) and forward it with the response to this report.

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter. **(Delete this sentence if the section on file review is used. Repayment instructions are at the end of that section).**

The institution must also develop and submit written procedures and control mechanisms which will ensure that, in the future, inconsistent information will be identified and resolved prior to the disbursement of Title IV funds.

(USE IF FILE REVIEW IS NECESSARY)

In addition, the institution must review the files of all Title IV recipients for the period _____ to _____ to determine the extent of conflicting information in student files. The institution must identify those students for whom it cannot resolve the conflicting information. All disbursements made to these students will be considered ineligible and will result in an institutional liability.

The school must also identify those students for whom inconsistent information was resolved but which required a recalculation of the student's need and a Title IV overaward was identified. All overawards will also result in an institutional liability.

For each student identified, the institution must provide the following information by award year in spreadsheet form:

1. Name
2. Social Security Number
3. Award Year
4. Original Title IV Eligibility
5. Title IV Awarded, by Program and Disbursement Date
6. Revised Title IV Eligibility
7. Revised Title IV Aid Entitlement by Program
8. Ineligible Award Amounts and Refunds Due to the Title IV Programs

Instructions for the repayment of any identified liability will be provided in the Final Program Review Determination letter.

GEN 2161 INDEPENDENT STUDENT STATUS NOT DOCUMENTED

FINDING: INDEPENDENT STUDENT STATUS NOT DOCUMENTED

(Use for periods of enrollment prior to July 1, 1993)

Student #__ was considered to be independent in the _____ award year by the institution when need analysis was performed. However, the institution did not obtain the necessary documentation which would verify that the parents did not claim the student as a tax exemption in either of the two prior tax years, or evidence that the student had resources of more than \$4,000 in those two years. Documentation to support independent student status is necessary when a student does not meet the criteria which would make the student automatically independent.

(Use for periods of enrollment on or after July 1, 1993)

Although student # ___ did not meet any of the criteria to make the student automatically independent, the institution considered student # ___ to be independent when need analysis was performed. However, the institution failed to document the student's unusual circumstances to justify its dependency override.

An institution that fails to establish a student's eligibility for Title IV, HEA funds may deprive other needy students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE: (select applicable references)

Higher Education Amendments of 1992, Public Law 102-325, Section 471, Part F, July 23, 1992
Higher Education Amendments of 1986, Public Law 99-498, Section 480(d), October 17, 1986
34 CFR 668.2(b), General Provisions, July 31, 1994, revised April 29, 1994
1992/93 and 1993/94 Federal Student Financial Aid Handbook, Chapter 2, Section 2

REQUIREMENT:

The institution must submit with its response the required documentation to support the student's independent status. If unable to secure the proper independent status documentation, the institution must attempt to collect parental information and recalculate the student's eligibility as a dependent student.

The institution must submit the recalculation to this office and will be liable for the difference, if any, between the amount of Title IV funds improperly disbursed and the amount of Title IV funds the student is eligible to receive as a dependent student. If the institution fails to obtain the appropriate documentation, it will be liable for all Title IV funds disbursed to student # ____. Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2162 INCOMPLETE INFORMATION MISSING IN STUDENT FILE

(This code not in the Guide – Generic Paragraph Not Developed)

GEN 2170 INELIGIBLE BRANCH/LOCATION (formerly INELIGIBLE BRANCH)

FINDING: INELIGIBLE BRANCH/LOCATION

_____ disbursed Title IV funds to student(s) # _____ for attendance at a branch campus which is not recognized as an eligible branch/location by the Secretary.

Failure to establish eligibility for additional locations prior to the disbursement of Title IV funds results in the institution receiving funding to which it is not entitled and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 600.20, 600.21, 600.30, and 600.32, Institutional Eligibility, April 29, 1994
34 CFR 600.4 or 600.7, Institutional Eligibility, April 5, 1988
34 CFR 600.5 or 600.6, Institutional Eligibility, April 5, 1988, amended December 3, 1992

REQUIREMENT:

The Approval Notice that the Department sends to the school sometimes lists the educational programs and locations which have been determined to be eligible. However, the eligibility of a school and its programs does not automatically include separate locations and extensions. If educational services are provided at other locations that are not listed in the school's Approval Notice, or if the school adds other locations after it receives the Notice, the school must request participation approval of the locations.

The institution must immediately cease awarding and disbursing Title IV funds to, or certifying any Title IV loans for, students at the ineligible branch/location. The institution must repay any Title IV funds disbursed to students at the

ineligible branch/location. The institution must also purchase from the current holders those loans made to students who attended the ineligible branch/location. Concurrently, the institution must notify by letter all students of the new status of their loans. The Department will no longer guarantee or pay interest or special allowances on these loans. The institution is liable for interest and special allowances paid by the Department from the date of loan disbursement until the date of loan purchase by the institution.

With its response, the institution must provide the following information regarding each student who received Title IV funds while attending the ineligible branch/location:

1. Award Year
2. Name of Student
3. Social Security Number
4. Amount of Title IV Disbursement by Program (for Federal Stafford or Federal SLS, amount of loans certified) Subtracting any Refunds Previously Paid
5. Dates of Loan Delivery

Also, please provide the cumulative amount disbursed by program and award year. Repayment instructions will be provided in the Final Program Review Determination (FPRD) letter.

Because of the serious nature of this finding, under the Department of Education's informal compliance procedures, and in consultation with the Department's Compliance and Enforcement Division, an informal fine may be proposed. Instructions for payment of any fine will be included in the FPRD letter.

GEN 2171 INELIGIBLE INSTITUTION-FAILED TO MEET THE 85 PERCENT RULE
(This code not in the Guide – Generic Paragraph Not Developed)

GEN 2180 INELIGIBLE PROGRAM - APPROVAL REQUIREMENTS NOT MET

FINDING: INELIGIBLE PROGRAM -- APPROVAL REQUIREMENTS NOT MET

The institution did not provide the reviewers with adequate documentation that its _____ (**accrediting, state approval, and/or state licensing**) agency approved its _____ program(s). However, since _____ (**date of change or beginning of time period in which the program was not approved**), the institution disbursed Title IV aid to students enrolled in this/these programs.

Without approval from the relevant agencies, an institution's program(s) may not be eligible. Disbursements to students enrolled in ineligible programs deprives other eligible students of need-based aid and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 600.2 and 600.10, Institutional Eligibility, April 29, 1994

REQUIREMENT:

An institution's eligibility does not necessarily extend to all of its programs. Before awarding Title IV aid, the institution must make certain that the program is included under its notice of accreditation from a nationally recognized accrediting agency (unless that agency does not require its accreditation) and is authorized by the appropriate state agency to offer the program (if the state licenses individual programs at postsecondary institutions.)

For Title IV purposes, an "educational program" is defined in the regulations as a legally authorized postsecondary program of organized instruction or study which leads to an academic or professional degree, vocational certificate, or other recognized educational credential. The term "legally authorized" is defined as the legal status granted to an institution through a charter, license, or other written document issued by the appropriate agency or official of the state in which the institution is physically located.

In response to this finding, the institution must provide this office with the necessary documentation from its _____ (**accrediting agency/state approval agency/state licensing agency**) to support the approval of the _____ program(s), as well as any other information that may be pertinent to the Department's review of this matter. Further instructions will be provided in the Final Program Review Determination letter.

(If file review is necessary)

All Title IV aid that was disbursed to students who were enrolled in the _____ program(s) that were not approved will be an institutional liability. The institution must perform a file review of all students enrolled in the program during the time period in which it was not approved and submit a report with the following information:

1. Student's Name
2. Social Security Number
3. Ineligible Program in which Student was Enrolled
4. Dates of Enrollment in Ineligible Program
5. Title IV Disbursement(s) (for FFEL, amount certified), by Program and Award Year
6. Refunds already Paid to the Title IV Programs or Lender(s), by Program and Award Year
7. Difference between Title IV Disbursements and Refunds Already Paid, by Program and Award Year

The institution must summarize the total amount of ineligible Title IV funds disbursed that remain to be paid, by program and award year. Also, copies of the canceled refund checks (front and back) must be submitted to this office.

Due to the serious nature of this finding, an informal fine may be proposed. If necessary, instructions for payment of any fine and repayment of any determined liability will be provided in the Final Program Review Determination letter.

GEN 2181 INELIGIBLE PROGRAM – INADEQUATE LENGTH

(This code no longer used – Generic Paragraph Not Developed)

GEN 2190 INELIGIBLE STUDENT--CITIZENSHIP

FINDING: INELIGIBLE STUDENT-CITIZENSHIP

The institution did not verify eligible non-citizen status prior to disbursing \$_____ in Title IV funds to student #_____.

An institution that fails to establish a student's eligibility for Title IV, HEA funds deprives other needy students of funds and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(4), General Provisions, December 1, 1987, amended June 8, 1993

REQUIREMENT:

A student is eligible to receive Title IV assistance if the student is:

1. A U.S. citizen or national;
2. Provides evidence from the U.S. Immigration and Naturalization Service that he or she-
 - (a) Is a Permanent resident of the United States; or
 - (b) Is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident;
3. Is a permanent resident of the Trust Territory of the Pacific Islands (Palau) or;
4. For purposes of the Federal Pell Grant, FSEOG, and FWS Programs-
 - (a) Is a resident of the Federated States of Micronesia; or
 - (b) Is a resident of the Republic of the Marshall Islands

The institution must submit the required documentation to verify student #___'s eligible non-citizen status. Without the required documentation, all funds disbursed will become an institutional liability. Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2200 INELIGIBLE STUDENT - IN DEFAULT ON TITLE IV LOAN

FINDING: INELIGIBLE STUDENT - IN DEFAULT ON TITLE IV LOAN

Although student #___ signed the certification that he/she was not in default, the documentation in the file (i.e. from FAT) indicated that the student is in default on a Federal Title IV loan. There was no indication in the file that the institution had resolved this discrepancy (i.e. satisfactory arrangements, paid in full). The institution credited the student's account with \$_____ in Title IV aid.

An institution that fails to establish a student's eligibility for Title IV, HEA funds deprives other needy students of funds and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(7), General Provisions, December 1, 1987

34 CFR 668.7(e), General Provisions, December 1, 1987, amended June 8, 1993

REQUIREMENT:

A student who is in default on a prior student loan does not meet the definition of an eligible student. Title IV funds disbursed to the ineligible student(s) are an institutional liability. Repayment instructions will be provided in the Final Program Review Determination Letter.

GEN 2210 INELIGIBLE STUDENT – NOT MAKING SATISFACTORY ACADEMIC PROGRESS

(This code not in the Guide – Generic Paragraph Not Developed)

GEN 2220 INELIGIBLE STUDENT - REFUND OWED TO SFA PROGRAM (formerly INELIGIBLE STUDENT – STUDENT OWED A REFUND)

FINDING: INELIGIBLE STUDENT - REFUND OWED TO SFA PROGRAM

The institution awarded and disbursed Title IV funds to the following student(s) who owed a refund to a student financial assistance program.

<u>Student #</u>	<u>Title IV Funds Received</u>	<u>Title IV Program</u>
------------------	--------------------------------	-------------------------

An institution that fails to establish a student's eligibility for Title IV, HEA funds deprives other needy students of funds and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(6), General Provisions, December 1, 1987, amended June 8, 1993

REQUIREMENT:

According to regulations, a student who owes a refund to a student financial assistance (SFA) program does not meet the definition of an eligible student and may not receive further Title IV assistance.

The institution must provide evidence that the student has resolved the overpayment with the previous institution. If the institution is unable to provide this evidence, the \$____ in Title IV aid disbursed to the student will be a liability. Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2221 INELIGIBLE STUDENT - HIGH SCHOOL STUDENT

FINDING: INELIGIBLE STUDENT - HIGH SCHOOL STUDENT

Documentation in student #__(s) file indicated that the student was enrolled concurrently in high school and at the institution. Although the student was ineligible to receive Title IV funds, for the period of enrollment _____ the institution disbursed \$_____.

An institution that fails to establish a student's eligibility for Title IV, HEA funds deprives other needy students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(2), General Provisions, December 1, 1987

REQUIREMENT:

A student is not eligible to receive assistance under the Title IV programs if a student is enrolled in a secondary school.

The institution will be required to reimburse the Department for the improper Title IV funds disbursed to the ineligible student. Instructions for repayment of these funds will be provided in the Final Program Review Determination letter.

GEN 2222 FINANCIAL NEED NOT DETERMINED/INCORRECT

(Generic Paragraph Not Developed)

GEN 2230 JOB PLACEMENT RECORDS INADEQUATE

FINDING: JOB PLACEMENT RECORDS INADEQUATE

The institution was unable to provide adequate documentation to substantiate its job placement statistics reported to its current and prospective students. For example, the institution claims that ___ % of its students found jobs in their respective fields. However, the institution's backup documentation was insufficient to demonstrate the accuracy of its published job placement rate.

An institution's failure to properly disclose job placement rates to prospective students constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

34 CFR 668.14(b)(10), General Provisions, April 29, 1994

REQUIREMENT:

If an institution advertises job placement rates as a means of attracting students to enroll, it must make available to those prospective students, at or before the time of enrollment the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements.

The institution must also make available to these prospective students the relevant State licensing requirements of the State in which the institution is located for any job for which an educational program offered by the institution is designed to prepare those prospective students.

In response to this finding, the institution must submit copies of its **original** backup documentation substantiating its job placement rate claims for both 199__ and 199__. The documentation submitted must be clearly marked, organized in a logical manner and include the following information for the student population represented in the placement statistics:

1. Student Name
2. Social Security Number
3. Date of Graduation
4. Date and location of job placement (for students who were placed)
5. Reason for Unemployment (for students who were not placed)

The institution's failure to submit adequate documentation to substantiate the institution's job placement claims may result in an informal fine. Payment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2240 INADEQUATE INTERNAL CONTROLS/ IMPAIRED ADMINISTRATIVE CAPABILITY

FINDING: INADEQUATE INTERNAL CONTROLS/IMPAIRED ADMINISTRATIVE CAPABILITY

The institution does not have adequate internal controls. Specifically, the institution has not divided the functions of authorizing payments and disbursing or delivering funds. Both of these functions are carried out by the financial aid office.

An inadequate internal control system constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

34 CFR 668.14(d), General Provisions, December 1, 1987, amended June 8, 1993
34 CFR 668.16(c), General Provisions, April 29 1994

REQUIREMENT:

To begin and to continue participation in the Title IV, HEA programs, an institution must demonstrate to the Secretary that the institution is capable of adequately administering those programs. The Secretary considers an institution to have that administrative capability if the institution administers Title IV programs with adequate checks and balances in its system of internal controls.

An institution must divide the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. The two functions must be carried out by at least two organizationally independent individuals who are not members of the same family or who do not together exercise substantial control over the institution.

The institution must develop procedures which will ensure that its revised internal mechanisms are governed by regulations. A copy of these procedures must be submitted with the institution's response to this report.

A recurrence of this finding in a subsequent audit or program review may result in an informal fine being proposed.

GEN 2245 LACK OF ADMINISTRATIVE CAPABILITY

FINDING: LACK OF ADMINISTRATIVE CAPABILITY

(This is a summary finding for reviewers to use only if the school has several areas of impaired administrative capability as defined in 668.14 and 668.15 (For periods 7/01/94 and after, the 4/29/94 regulations changed the administrative capability section to 668.16). These areas include the findings GEN 2010, 2050, 2110, 2120, 2160, 2240, 2250, 2320, 2390, 2400; FFEL 5030 and PERK 8080. Each of the areas listed in this finding must also be in a separate finding.)

The following serious findings, which are included in this report, indicate that the institution has a lack of administrative capability:

(List finding #'s and finding titles)

- Finding # ____: _____
- Finding # ____: _____
- Finding # ____: _____

An institution's impaired administrative capability may cause the institution to disburse Title IV funds to ineligible students which deprives other eligible, needy students of this aid and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.14, General Provisions, December 1, 1987, amended June 8, 1993
34 CFR 668.15, General Provisions, June 5, 1989, amended July 19, 1991 and March 10, 1993
34 CFR 668.16, General Provisions, April 29, 1994

REQUIREMENT:

To continue participation in any Title IV, HEA program, an institution must demonstrate that it is capable of adequately administering that program under standards established by the Secretary. The Secretary considers an institution to have that administrative capability if it establishes and maintains student financial records required under Section 668.23 and the individual Title IV, HEA program regulations, and if it performs other functions, including the following:

(Select the applicable impaired administrative capability paragraphs.)

(For GEN 2010, GEN 2050 and GEN 2320)

Student/Financial Records Not Maintained:

* Establishes and maintains student and financial records required under 668.23 and the individual Title IV regulations.

(For FFEL 5030 and PERK 8080)

Default Rate Exceeds 20%:

* Has a Federal Perkins or Federal Stafford/SLS default rate of less than 20 percent, as described in 668.15(a) and (b). **(The April 29, 1994 General Provisions regulations, Section 668.16 states, for Federal Stafford/SLS, an institution must have a cohort default rate of less than 25 percent for each of the three most recent fiscal years for which the Secretary has determined the institution's rate. Under the Federal Perkins Loan Program, the cohort default rate must not exceed 15 percent).**

(For GEN 2120)

Withdrawal Rate Exceeds 33%:

* Has a withdrawal rate in excess of 33 percent, as described in 668.15(c). **(For periods 7/01/94 and after, the regulatory citation is 668.16).**

(For GEN 2250)

Personnel:

* Designates a capable individual to be responsible for administering all the Title IV programs in which it participates, and coordinates the programs with the institution's other Federal and non-Federal programs of student financial assistance.

* Uses an adequate number of qualified persons to administer the Title IV programs.

(For GEN 2160)

Consistency of Information:

* Communicates all information received by any institutional office that bears on a student's eligibility for Title IV, HEA assistance to the individual designated to be responsible for administering the Title IV programs.

* Develops and applies an adequate system to identify and resolve discrepancies in the information it receives from different sources with respect to a student's application for Title IV financial aid.

(For GEN 2240)

Internal Controls:

* Administers Title IV programs with adequate checks and balances in its system of internal controls, and divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions.

(For GEN 2390 and GEN 2400)

Satisfactory Academic Progress:

* Establishes, publishes, and applies reasonable standards of measuring a Title IV-eligible student's satisfactory academic progress, as defined in 668.14(e). (For periods 7/01/94 and after, the regulatory citation is 668.16).

(For GEN 2110)

Student Consumer Information/Counseling:

* Provides adequate financial aid counseling to Title IV aid applicants, as described in 668.14(h). (For periods 7/01/94 and after, the regulatory citation is 668.16).

(For other serious administrative capability findings)

*Does not otherwise appear to lack the ability to administer the Title IV programs competently.

(Use this paragraph only if an LST administrative action will not be taken as a result of this program review report.)

A recurrence of this finding in a future program review or audit may result in administrative action against the institution including termination, limitation, or suspension from participation in Title IV programs.

Due to the serious nature of this finding, an informal fine will be proposed. The amount of the informal fine and instructions for its payment will be issued in the Final Program Review Determination letter.

GEN 2250 INSUFFICIENT PERSONNEL/IMPAIRED ADMINISTRATIVE CAPABILITY

FINDING: **INSUFFICIENT PERSONNEL/IMPAIRED ADMINISTRATIVE CAPABILITY**

The institution did not have an adequate number of qualified persons to administer the Title IV programs. Specifically, the institution _____. (Specify the inadequacy or insufficiency.)

Without sufficient personnel to administer the Title IV programs, the institution's administrative capability is impaired; this may result in the institution disbursing Title IV aid to ineligible students and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.14(c), General Provisions, December 1, 1987
34 CFR 668.16(b), General Provisions, April 24, 1994

REQUIREMENT:

To continue participation in the Title IV programs, an institution must demonstrate to the Secretary that it is capable of adequately administering those programs. A capable individual must be designated to be responsible for administering and coordinating the Title IV programs with the institution's other federal and non-federal programs of student financial assistance.

In determining whether an institution uses an adequate number of qualified personnel, the Secretary considers the numbers of students aided, the number and types of programs in which the institution participates, the number of applications evaluated, the amount of funds administered and the financial aid delivery system used by the institution.

In response to this finding, the institution must review the staffing of the financial aid office in terms of the current workload and advise this office in writing of the results of the review and of any decisions made in terms of increased staffing and/or clerical support.

GEN 2251 TERMINATION BY GUARANTEE AGENCY

(This code not in the Guide – Generic Paragraph Not Developed)

GEN 2260 MISREPRESENTATION - INSTITUTION OR PROGRAM

FINDING: MISREPRESENTATION

(Use this finding for misrepresentation pertaining to the nature of educational program(s), nature of financial charge(s), and/or employability of graduates)

The institution published false information in its _____ (i.e., **student catalog**) Specifically, the school stated that

(Specify how the school misrepresented itself e.g., placement rates, transferring of credits, additional fees, etc.,)

A student's decision to attend an institution may be based on the consumer information that is published by that institution. Misrepresentation on the part of the institution speaks to the school's integrity in the administration of the Title IV programs and can ultimately create a financial burden for the government.

REFERENCES:

34 CFR 668.41, 668.42, 668.71, and 668.73 through 668.75, General Provisions, December 1, 1986

34 CFR 668.43, General Provisions, December 1, 1986, amended April 29, 1994

34 CFR 668.44, General Provisions, December 1, 1986, amended June 5, 1989, July 31, 1991, and April 29, 1994

34 CFR 668.72, General Provisions, December 1, 1986, amended June 5, 1989 and April 24, 1994

REQUIREMENT:

Each institution participating in any Title IV program must disseminate appropriate publications to all enrolled students, and prospective students upon request. These publications must contain information pertaining to the nature of the institution's educational program, financial charges, and employability of its graduates.

Misrepresentation constitutes any false, erroneous or misleading statement an eligible institution makes to a student enrolled at the institution, to any prospective student, to the family of an enrolled or prospective student, or to the Secretary. Misrepresentation includes the dissemination of endorsements and testimonials that are given under duress. Substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment.

The institution must **immediately** take measures to publish and disseminate correct information to all current and prospective students, and submit proof of this action with its response to this report. Due to the serious nature of this finding, an informal fine may be proposed. The amount and payment instructions of any fine will be issued in the Final Program Review Determination letter. A recurrence of this finding in a subsequent audit or program review report may result in administrative action.

(Reviewers -- Please see IRB-91-19 for further information on how to handle misrepresentation)

GEN 2270 NEED ANALYSIS IMPROPER/NOT DOCUMENTED

FINDING: NEED ANALYSIS IMPROPER/NOT DOCUMENTED

The institution failed to perform need analysis for student #'s _____.

Although no determination of need was calculated for the following students, the institution disbursed the following Federal Title IV aid:

<u>Student #</u>	<u>Title IV Program</u>	<u>Amount of Disbursement</u>
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An institution that fails to establish a student's eligibility for Title IV, HEA funds results in the institution receiving funds for which it is not entitled and creates a financial burden for the U.S. Department of Education.

REFERENCE:

Higher Education Amendments of 1992, Public Law 102-325, Section 483, Part G, July 23, 1992
Higher Education Amendments of 1986 Public Law 99-498, Section 472, Part F, October 17, 1986
34 CFR 668.7(a)(10), General Provisions, December 1, 1987, amended June 8, 1993
34 CFR 674.9(c), Federal Perkins Loan Program, December 1, 1987
34 CFR 675.9(c), Federal Work-Study Program, December 1, 1987
34 CFR 676.9(c), Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
34 CFR 682.201(a), Federal Family Education Loan Program, December 18, 1992, amended May 17, 1994
34 CFR 682.603, Federal Family Education Loan Program, December 18, 1992
34 CFR 690.13, Federal Pell Grant Program, March 15, 1985, amended November 6, 1991

REQUIREMENT:

The Higher Education Act of 1986 requires that a specific need analysis system be used in the calculation of need for Title IV funds.

Need analysis is the process of finding the student's financial need (i.e., the difference between the cost of attendance and the expected family contribution (EFC) plus other estimated financial assistance.

Using the need analysis system approved by the Secretary to determine student eligibility for Federal Title IV aid, the institution must calculate eligibility for the students and return all incorrectly disbursed aid to the Department.

The institution must review and reconcile all student files for the _____ award years to ensure that need analysis was performed and that the appropriate family contributions were used in determining financial need.

A report of the review results must be submitted to this office in the following format:

1. Student's Name
2. Social Security Number
3. Award Calculation
4. Need Analysis System Used
5. Expected Family Contribution
6. Cost of Attendance
7. Other Estimated Financial Assistance
8. Amount of Aid Disbursed by Award Year and Program
9. Amount Incorrectly Disbursed by Award Year and Program

Any funds incorrectly disbursed will become an institutional liability. Instructions for repayment, if any, will be included in the Final Program Review Determination letter.

GEN 2271 SIMPLIFIED NEEDS TEST IMPROPERLY USED

(This code not in the Guide – Generic Paragraph Not Developed)

GEN 2280 REMEDIAL COURSE WORK REQUIREMENTS NOT MET

(This code no longer used - see GEN 2325)

GEN 2290 OVERAWARD - FINANCIAL NEED EXCEEDED (formerly OVERAWARD – NEED EXCEEDED)

FINDING: OVERAWARD - FINANCIAL NEED EXCEEDED

The following students were awarded Title IV student financial assistance funds in excess of his/her financial need.

<u>Student #</u>	<u>Financial Need (COA - EFC)</u>	<u>Other Resources</u>	<u>Overaward</u>
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An institution that fails to properly award Title IV, HEA funds to students deprives other needy students of funds and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(10), General Provisions, December 1, 1987, amended June 8, 1993
34 CFR 674.14, Federal Perkins Loan Program, December 28, 1988
34 CFR 675.14, Federal Work-Study Program, December 28, 1988
34 CFR 676.14, Federal Supplemental Educational Opportunity Grant Program, December 28, 1988, amended December 21, 1992

REQUIREMENT:

An institution may only award and disburse Title IV funds to a student if those funds, combined with the other resources the student receives, are not in excess of the student's financial need.

The institution must perform a file review for the _____ award years to determine the extent of its non-compliance. Any further overawards identified must be provided with your response to this report in the following format (Supporting documentation for each item must be enclosed):

1. Student Name
2. Social Security Number
3. Cost of Attendance
4. Expected Family Contribution
5. Other Resources
6. Title IV Disbursement (By Program and Award Year)
7. Amount of Overaward

The institution will be liable for the amount equal to the overpayment and any administrative cost allowance claimed on that amount to the applicable Title IV fund.

Instructions for repayment will be provided in the Final Program Review Determination letter.

GEN 2300 OWNERSHIP CHANGE NOT REPORTED OR REPORTED LATE (formerly OWNERSHIP/NAME/ADDRESS CHANGE NOT REPORTED/DELAYED)

FINDING: **OWNERSHIP CHANGE NOT REPORTED OR REPORTED LATE**

The institution failed to report a change of ownership to the U.S. Department of Education.

The institution's failure to properly report a change in ownership could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education (ED).

REFERENCE:

34 CFR 600.30 and 600.31, Institutional Eligibility, April 29, 1994

REQUIREMENT:

An eligible institution must notify the Secretary in writing, at an address specified by the Secretary in a notice published in the Federal Register, no later than ten days after the change occurs, of any change in the following information provided in the institution's eligibility application:

1. Its name
2. Its address
3. The name, telephone number, and address of locations other than the main campus at which it offers at least fifty percent of an educational program and the percentages of the educational programs that it provides at each location
4. The way it measures program length (e.g. clock hours or credit hours).
5. Its ownership, if that ownership change results in a change in control of the institution
6. Its status as a proprietary, nonprofit, or public institution
7. The exercise of a person's substantial control over the institution, if the person did not previously exercise that control.

(Use if the institution is owned by a corporation)

An eligible institution that is owned by a publicly-traded corporation must notify the Secretary in writing, at an address specified by the Secretary in a notice published in the Federal Register, of any change in the above mentioned information at the same time that the institution notifies the institution's accrediting agency, but no later than ten days after the corporation learns of the change.

The Secretary notifies the institution in writing if the change affects the institution's eligibility. The institution's failure to inform the Secretary of its change in ownership within the proper time period may result in adverse action against the institution, including the loss of its eligibility.

The institution must provide documentation showing the exact date the school notified the Department of its change of ownership or change in control, and submit a copy of the Department's eligibility notification recognizing this change in ownership or control.

In response to this report, the institution must prepare a written report which discloses all financial aid disbursed during the period between the change of ownership date and the date of the eligibility letter recognizing the change of ownership or control.

Any federal funds disbursed during the period of the institution's ineligibility must be returned to ED.

Further instructions will be provided in the Final Program Review Determination letter.

GEN 2310 PPA MISSING / FAILURE TO RENEW ELIGIBILITY (formerly PPA MISSING/NEEDS UPDATING)

FINDING: **PROGRAM PARTICIPATION AGREEMENT MISSING/FAILURE TO RENEW ELIGIBILITY**

The institution was unable to provide a signed copy of the current Title IV Program Participation Agreement to the reviewer.

OR

The institution's Title IV Program Participation Agreement expired on _____; therefore, the institution is no longer eligible to participate in the Title IV programs.

Failure to obtain or renew a program participation agreement results in the institution receiving funding to which it is not entitled and causes a financial burden for the U.S. Department of Education (ED).

REFERENCE:

34 CFR 600.10(d), Institutional Eligibility, April 29, 1994

34 CFR 668.12, General Provisions, December 1, 1987, amended November 3, 1989, December 3, 1992, and June 8, 1993

34 CFR 668.14, General Provisions, April 29, 1994

REQUIREMENT:

An institution may participate in the Title IV, HEA programs, only if the institution enters into a written program participation agreement with the Secretary, on a form approved by the Secretary. A program participation agreement conditions the initial and continued participation of an eligible institution in the Title IV programs. An institution's eligibility under the Title IV, HEA programs expires when its program participation agreement expires.

By entering into a program participation agreement, an institution agrees that it will comply with all statutory provisions of, or applicable to, Title IV of the HEA.

The institution must contact the Division of Eligibility and Certification to obtain its Title IV Participation Agreement. A copy of the agreement must be submitted to this office with its response to this report.

OR

The institution must immediately cease awarding and disbursing Title IV funds and certifying Title IV loans. Any Title IV funds disbursed to students after (the date the program participation agreement expired) is an institutional liability and must be returned to ED. In addition, any Federal Family Education Loans (FFEL) delivered to students after this date must be purchased from the current holders of the notes. The institution must also notify **GEN 2310 (Continued)**

all students, by letter, of the new status of their loans. The Department will no longer pay interest or special allowance on these loans and the institution is liable for any interest and special allowance paid by ED from the date of loan disbursement until the date of loan purchase by the institution.

With its response, the institution must provide the following information for all students who were awarded and disbursed Title IV funds after (the date the program participation agreement expired):

1. Award Year
2. Student's Name
3. Social Security Number
4. Amount of Title IV disbursement by Program (for Federal Stafford and/or Federal SLS, amount of loans certified)
5. Dates of Loan Delivery

Also, please provide the cumulative amount delivered by program and award year.

Further instructions will be provided in the Final Program Review Determination letter.

GEN 2311 FAILURE TO REVIEW ELIGIBILITY EVERY FOUR YEARS

(This code no longer used – Generic Paragraph Not Developed)

GEN 2312 PROCESSING TITLE IV APPLICATIONS OR FORMS - IMPROPER FEE CHARGED TO STUDENTS (formerly IMPROPER FEE CHARGED TO STUDENTS FOR PROCESSING TITLE IV APPLICATIONS OR FORMS)

FINDING: **IMPROPER FEE CHARGED TO STUDENTS FOR PROCESSING TITLE IV APPLICATIONS OR FORMS**

The following students were improperly charged a \$_____ fee for processing their Title IV applications or forms:

Student #

An institution that charges a fee to students for processing Title IV applications or forms, results in that institution receiving funds for which it is not entitled and deprives students of those funds.

REFERENCE:

- 34 CFR 668.12(b)(2)(iii), General Provisions, December 1, 1987
- 34 CFR 668.14(b)(3), General Provisions, April 29, 1994
- 34 CFR 682.603(g), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

In the program participation agreement, the institution agrees that it will not request from or charge any student a fee for processing or handling any application, form or data required to determine a student's eligibility for, and amount of, Title IV assistance.

For instance, institutions cannot charge (or include in the student's cost of attendance) a fee to certify a loan application, complete a deferment form, process a Federal Pell Grant payment, verify an application, or send or request a financial aid transcript.

Effective for the 1993/94 award year, if a school requires additional data that is not provided on the Free Application for Federal Student Aid (FAFSA) to award institutional or state aid, institutional charges for collecting this data must be reasonable and within marginal costs.

The institution must immediately discontinue charging a fee for processing information to determine a student's eligibility for Federal financial aid.

The institution must refund to the above students the improperly charged fees and provide this office with documentation of such (copies of front and back of canceled checks) with the response to this report.

(USE IF FILE REVIEW IS NECESSARY)

In addition, the institution must review all student files for the _____ award year(s) to identify all improperly charged fees to these students. In its response, the institution must provide the above-referenced documentation that refunds of the improper fees were made to these students.

A repeat violation in a subsequent audit or program review may result in a proposed informal fine.

GEN 2313 POWER OF ATTORNEY AUTHORIZATION - IMPROPER USE

FINDING: IMPROPER USE OF POWER OF ATTORNEY AUTHORIZATION

The institution improperly used the following students' power of attorney authorization to endorse the delivery or disbursement of _____ funds (**select applicable Title IV programs**) without the Department's prior approval.

Student # (**Specify dates, types, and amounts of Title IV funds delivered or disbursed under the power of attorney authorization**)

An institution that disburses Title IV funds with improper power of attorney authorizations, deprives other eligible students of need-based aid and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 674.16(h), Federal Perkins Loan Program, December 1, 1987

34 CFR 675.16(d), Federal Work-Study Program, December 1, 1987

34 CFR 682.207(b), Federal Family Education Loan Program, December 18, 1992, amended June 28, 1994

REQUIREMENT:

For the Federal Perkins Loan, Federal Work-Study, and Federal Family Education Loan (FFEL) Programs, an institutional official may not obtain a student's power of attorney authorization to either endorse any check used to deliver FFEL funds {except for study abroad cases as noted in 682.207 (b)(1)(v)(C)} or authorize any other disbursements, without prior approval from the Secretary.

The institution will be liable for all improperly disbursed or delivered Title IV funds under student #'s _____ power of attorney authorization, including interest and special allowance for ineligible FFEL funds delivered.

In response to this finding, the institution must immediately cease improper student power of attorney authorizations to disburse or deliver Title IV funds and provide written assurance to this office that this will not occur in the future.

Due to the serious nature of this finding, an informal fine may be proposed. Instructions for payment of any fine and repayment of any liability will be provided in the Final Program Review Determination letter.

GEN 2320 RECORDS NOT MAINTAINED/RETAINED FIVE YEARS

FINDING: TITLE IV RECORDS NOT MAINTAINED/RETAINED FIVE YEARS

The institution did not maintain and/or retain records pertaining to the Title IV programs for the required five year retention period as specified in federal regulations.

(List specific record maintenance and/or retention problems)

Failure to maintain or retain Title IV, HEA records can cause increased expense to the U.S. Department of Education and deny other eligible students the use of funds.

REFERENCE:

34 CFR 668.14(b)(4) 668.23, General Provisions, April 29, 1994

34 CFR 674.19, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992

34 CFR 675.19, Federal Work-Study Program, December 1, 1987, amended August 10, 1988

34 CFR 676.19, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987

34 CFR 682.610, Federal Family Education Loan Program, December 18, 1992

34 CFR 690.81, Federal Pell Grant Program, March 15, 1985

34 CFR 690.82, Federal Pell Grant Program, March 15, 1985, amended December 1, 1987

REQUIREMENT:

Generally, federal regulations require that an institution keep records for five years after the last day of the award year or for five years from the date the Fiscal Operations Report is submitted. Federal Perkins loan repayment records, including cancellation and deferment requests, must be retained for at least five years from the date on which the loan is assigned to the Department of Education, canceled, or repaid. Federal Family Education Loan records must be retained for five years from the last day of the loan period.

The institution must immediately establish procedures to ensure that it will maintain accurate records of Title IV program expenditures for five years. A copy of the procedures must be submitted with the response to this report.

DEPENDING ON THE SEVERITY OF MISSING RECORDS--REQUIRE FILE REVIEW

An informal fine may be proposed for failure to comply with the five year record retention requirement. Payment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2325 REMEDIAL COURSEWORK REQUIREMENTS NOT MET

(see GEN 2280 - This code not in the Guide)

FINDING: REMEDIAL COURSEWORK REQUIREMENTS NOT MET

The institution disbursed Title IV aid to the following students who did not meet the requirement for enrollment in remedial coursework that _____ (cite specific deficiency):

Student # (specify amount of Title IV aid disbursed to those students based on the remedial hours)

By disbursing ineligible funds to students for course credits earned in remedial courses that do not meet regulatory requirements, the institution is depriving other eligible students of need-based funds and creates a financial burden on the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(1)(ii), General Provisions, December 1, 1987, amended June 8, 1993 and March 16, 1994
34 CFR 668.20, General Provisions, December 1, 1987, amended July 31, 1991
1992/93 and 1993/94 Federal Student Financial Aid Handbook, Chapter Two, Section 1

REQUIREMENT:

Remedial coursework is work that prepares a student for study at the postsecondary level. However, a student generally may not be paid for remedial work by itself. The student must be enrolled in an eligible program at the school, and the remedial coursework must be necessary for the student to pursue the eligible postsecondary program. If a student's acceptance into the eligible program is conditional on the completion of the remedial work, the student is not yet enrolled in an eligible program, and cannot be paid for the remedial coursework.

However, students who are not enrolled in a degree or certificate program are eligible for Federal Family Education Loans (FFEL) for one year if they are taking courses that are necessary for the student to enroll in an eligible program. These courses must be part of an eligible program otherwise offered by the school, although the student does not have to be enrolled in that program. If a student is enrolled at least half-time in these prerequisite courses, and the courses are part of an eligible program, the student is eligible for loans for one consecutive 12-month period beginning on the first day of the loan period for which the student is enrolled (The \$2,625 Federal Stafford loan limit applies).

The institution must develop and submit with its response procedures which will ensure that Title IV aid will be disbursed according to regulations which govern the eligibility of those students involved in remedial coursework.

The institution must also conduct a file review to identify all students who were paid Title IV funds based on their course credits for their ineligible remedial coursework. For those students, the institution must provide the following information:

1. Student's Name
2. Social Security Number
3. Hours of Ineligible Remedial Coursework
4. Portion of Amount(s) of Title IV Disbursements
5. Date(s) and Program(s) of Disbursements
6. Refunds Already Paid to the Title IV Programs
7. Difference between Ineligible Disbursements and Refunds Already Paid, by Program and Award Year

The institution must summarize the total amount of ineligible Title IV funds disbursed that remain to be paid, by program and award year. Copies of the previously paid refunds ((front and back of canceled check) must be provided to this office.

Repayment instructions of any determined liability will be provided in the Final Program Review Determination letter.

GEN 2330 REPEAT FINDING--FAILURE TO TAKE CORRECTIVE ACTION

FINDING: REPEAT FINDING--FAILURE TO TAKE CORRECTIVE ACTION

The institution has not taken the corrective action on any of the following findings as of (review date).

(List findings)

Failure to take corrective action on prior program review findings, constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

34 CFR 668.16(a) and 668.23(a)(b), General Provisions, April 29, 1994

REQUIREMENT:

The institution is required to take the prescribed corrective actions immediately to resolve the finding(s) and submit evidence of its action with the response.

Additionally, because these are repeat findings, an informal fine may be proposed.

Instructions for payment of any fine will be provided in the Final Program Review Determination letter.

GEN 2335 REFUND - INADEQUATE METHOD OF DETERMINING LAST DAY OF ATTENDANCE

FINDING: REFUND -- INADEQUATE METHOD OF DETERMINING LAST DAY OF ATTENDANCE

The institution does not have a system to determine a student's actual last day of attendance (LDA). The institution's practice has been to determine a student's withdrawal date for refund calculation purposes on the basis of

_____.
Therefore, refund calculations for student #'s _____ were incorrectly calculated.

An institution's failure to adequately determine a student's LDA may affect his/her refund calculation which may deprive these students of funds and cause increased expense for the U.S. Department of Education (ED).

REFERENCE:

34 CFR 668.22 and 668.23, General Provisions, April 29, 1994
34 CFR 682.605, Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

In addition to the records required for each Title IV program, the institution shall establish and maintain, on a current basis, records regarding the student's enrollment status at the institution, the program and courses in which the student is enrolled, and whether the student is maintaining satisfactory academic progress in the student's course of study.

An institution is required to determine whether a refund is owed to a student who officially withdraws, drops out unofficially, or is expelled on or after the student's first day of class. To determine the proper refund/repayment of Title IV funds due, an institution must perform any calculations using a student's last recorded day of class attendance, as documented by the institution.

If the institution cannot document that the student attended at least one class, the institution must return any Federal Pell Grant, Federal Perkins, or Federal Supplemental Educational Opportunity Grant (FSEOG) funds disbursed to the student. If a student who received a Federal Family Education Loan (FFEL) withdraws (officially or unofficially) before attending any classes, the institution must determine if the student registered for classes. For any student who registered but did not begin attending classes, the institution must return to the lender any loan proceeds that were credited to the student's account. In addition, any loan proceeds that were paid directly to the student, but were used by the student to pay school charges, must be returned to the lender.

In response to this finding, the institution must develop and implement procedures to determine and document a student's last actual date of attendance and submit a copy with its response to this report. The institution must also conduct a file review and apply the procedure to all students for the _____ award year(s), including the above-referenced students, to determine the actual last day of recorded attendance for each student. The institution must then recalculate each student's refund using the correct LDA to determine if any additional funds are due to the Title IV programs.

With its response, the institution must provide the following information regarding the file review:

1. Student's Name
2. Social Security Number
3. Class Start Date
4. Last Date of Attendance
5. Original Refund Calculation
6. Previous Refund Made (By Program and Award Year; include legible front and back copies of canceled checks)
7. Correct Refund Calculation (Using Correct LDA)
8. Additional Refund Amount (By Program and Award Year)

The institution must summarize the total amount of additional refunds due by program and award year.

In addition to refunding the ineligible portion of FFEL funds to the lender, the school is responsible for reimbursing ED for interest and special allowance payments made on the late refunds.

Instructions for the repayment of any liability, and/or interest and special allowance unnecessarily paid by ED, will be provided in the Final Program Review Determination letter.

GEN 2340 REFUND – GSL PROCEEDS RETAINED BY INSTITUTIONS (formerly REFUND – PROCEEDS RETAINED BY INSTITUTION)

(Generic Paragraph Not Developed)

GEN 2350 REFUND CALCULATION NOT DOCUMENTED/PERFORMED (formerly REFUND- LACK OF SUPPORTING DOCUMENTATION)

FINDING: REFUND CALCULATION NOT DOCUMENTED/PERFORMED

Institutional records documented that student's #'s _____ had withdrawn from the institution. However, there was no documentation in the files that a refund calculation had been performed for these students.

An institution's failure to perform and/or document refund calculations may deprive students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.22 and 668.23(a), General Provisions, April 29, 1994

REQUIREMENT:

An institution must have a fair and equitable refund policy under which the institution makes a refund of unearned tuition, fees, room and board, and other charges to a student who received Title IV, HEA program assistance, or whose parent received a Federal PLUS loan on behalf of the student if the student:

1. Does not register for the period of enrollment for which the student was charged; or
2. Withdraws, drops out, takes an approved leave of absence, is expelled from the institution, or otherwise fails to complete the program on or after his or her first day of class of the period of enrollment for which he or she was charged.

Regulations require an institution to retain the supporting documentation for any refund calculation performed, whether or not a refund was made.

In its response, the institution must provide this office a list of all students, in the _____ award years, who ceased to be enrolled during a given enrollment period. Along with this list the institution must provide a copy of each refund calculation performed and evidence that the refunds were returned to the proper Title IV program/student.

Further instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2360 REFUND CALCULATION INCORRECT

FINDING: REFUND CALCULATION INCORRECT

Refund calculations for student #'s _____ were not calculated correctly according to the standards outlined in the refund policy (**Specify which refund policy was not correctly calculated - i.e., pro rata, state, or accrediting agency's refund policy**). Specifically, the institution _____

_____.
(i.e., retained the full amount of fees which were supposed to be refundable).

Improperly calculated refunds may result in the retention of Title IV, HEA funds to which the institution is not entitled. The incorrect retention of Title IV aid deprives students of those funds.

REFERENCE:

34 CFR 668.22, General Provisions, April 29, 1994

REQUIREMENT:

An institution must calculate refunds in accordance with the measures outlined in the specific refund formulas.

The institution must recalculate a correct refund for the above-mentioned student(s) and submit a copy to this office. The institution will be liable for any further refunds due. Instructions for repayment of any liability will be provided in the Final Program Review Determination letter.

(Use if file review is necessary)

The institution must conduct a file review for the _____ award year(s) to determine if other incorrectly calculated refunds exist. A report of this file review must be forwarded to this office in the following format:

1. Student's Name
2. Social Security Number
3. Withdrawal Date
4. Original Refund Calculation
5. Refunds Previously Paid, by Program and Award Year
6. Correct Refund Calculation
7. Additional Refund Due to Title IV Program, by Program and Award Year

Instructions for the repayment of any determined liability will be provided in the Final Program Review Determination letter.

GEN 2370 REFUND - FAIR AND EQUITABLE POLICY NOT PUBLISHED (formerly REFUND – INSTITUTIONAL POLICY NOT DEVELOPED)

FINDING: REFUND - FAIR AND EQUITABLE POLICY NOT PUBLISHED

The institution does not have a fair and equitable refund policy published for the Title IV programs.

An institution's failure to publish a fair and equitable refund policy in accordance with regulations, may deprive students of funds and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.22, General Provisions, April 29, 1994

34 CFR 668.44(a)(2)(3), General Provisions, December 1, 1986, amended July 31, 1991

REQUIREMENT:

An institution must have a fair and equitable refund policy under which the institution makes a refund of unearned tuition, fees, room and board, and other charges to a student who received Title IV, HEA program assistance, or whose parent received a Federal PLUS loan on behalf of the student if the student:

1. Does not register for the period of enrollment for which the student was charged; or
2. Withdraws, drops out, takes an approved leave of absence, is expelled from the institution, or otherwise fails to complete the program on or after his or her first day of class of the period of enrollment for which he or she was charged.

The institution must provide a clear and conspicuous written statement containing its refund policy, including the allocation of refunds and repayments to sources of aid to a prospective student prior to the earlier of the student's enrollment or the execution of the student's enrollment agreement. The institution must make available to students upon request examples of the application of this policy and inform students of the availability of these examples in written statement. The institution must make its policy known to currently enrolled students. The institution must include in its policy the procedures that a student must follow to obtain a refund, but the institution must return the portion of a refund allocable to the Title IV, HEA programs whether the student follows those procedures or not. If

the institution changes its refund policy, the institution must ensure that all students are made aware of the new policy.

The institution is required to develop and submit with its response a fair and equitable refund policy which is in accordance with regulations. In addition, this policy must be applied to all students who withdrew prior to the completion of their programs of study during the _____ award years. The institution's review must be submitted to this office in the following format:

1. Student Name
2. Social Security Number
3. Class Start Date for Applicable Enrollment Period
4. Last Date of Attendance
5. Amount and Type of Aid Disbursed
6. Refund Calculation
7. Refund Amount (By Program and Award Year)

Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2371 REFUND CALCULATION - MOST FAIR AND EQUITABLE POLICY NOT USED (formerly REFUND – PRO-RATA NOT USED)

FINDING: **REFUND CALCULATION - MOST FAIR AND EQUITABLE POLICY NOT USED**

The institution failed to use the most fair and equitable refund policy for student #'s _____ who ceased to be enrolled. (Specify if the student withdrew, dropped out, took an approved LOA, was expelled from the institution, or otherwise failed to complete the program on or after his or her first day of class for the period of enrollment for which he or she was charged.)

Failure to perform appropriate refund calculations could result in the institution receiving funding to which it is not entitled and cause increased expense for students and the U.S. Department of Education.

REFERENCE:

34 CFR 668.22, General Provisions, April 29, 1994

REQUIREMENT:

An institution must have a fair and equitable refund policy under which the institution makes a refund of unearned tuition, fees, room and board, and other charges to a student who received Title IV, HEA program assistance, or whose parent received a Federal PLUS loan on behalf of the student if the student:

- Does not register for the period of enrollment for which the student was charged; or
- Withdraws, drops out, takes an approved leave of absence, is expelled from the institution, or otherwise fails to complete the program on or after his or her first day of class of the period of enrollment for which he or she was charged.

An institution's refund policy is fair and equitable if the policy provides for a refund of at least the larger of the amount provided under:

1. The requirements of applicable State law;
2. The specific refund standards established by the institution's nationally recognized accrediting agency if those standards are approved by the Secretary;

3. The pro rata refund calculation for any student attending the institution for the first time whose withdrawal date is on or before the 60 percent point in time in the period of enrollment for which the student has been charged; or
4. For purposes of determining a refund when the pro rata refund calculation does not apply, and no standards for refund calculations exist, the larger of
 - a. The specific refund standards contained in Appendix A (April 29, 1994, General Provisions) or;
 - b. The institution's refund policy

The institution must determine which of the aforementioned policies provides for the largest refund to a student. After comparing the institution's calculations for the above-mentioned students, the reviewer noted that the institution did not apply the most fair and equitable refund policy. The institution should have used the _____ (i.e., **pro rata**) policy instead of the policy established by _____ (i.e., **the institution's accrediting agency**).

The institution must perform _____ (i.e., **pro rata refund**) calculation(s) for student #(s)____ and provide the results with its response to this program review report. The institution will be liable for all Title IV refunds due in excess of any refunds already made.

Due to the systemic nature of this finding, the institution must perform a file review to identify all students for whom incorrect refund calculations were performed. For these students, the institution must perform the correct refund calculations and provide the results to this office in spreadsheet format with the following information:

1. Student's Name
2. Social Security Number
3. Previous Refund Made, if any, by Program
4. Correct Refund Amounts to be Refunded to each Program
5. Additional Amounts of Refunds Due, by Program

The institution must provide the total amounts of refunds due by program and award year. Copies (front and back) of canceled checks must be provided for any previous refunds made.

Repayment instructions for any determined liability will be provided in the Final Program Review Determination letter.

In addition, please provide assurance that, in the future, the institution will perform the most fair and equitable (i.e., **pro rata**) refund calculation for all Title IV recipients who cease to be enrolled.

GEN 2372 REFUND – PRO RATA POLICY NOT PUBLISHED
(Generic Paragraph Not Developed)

GEN 2380 REFUND NOT MADE/MADE LATE TO TITLE IV ACCOUNT (formerly
REFUND NOT MADE TO TITLE IV ACCOUNT)

FINDING: **REFUND NOT MADE TO TITLE IV ACCOUNT**

The institution has not made the appropriate refund(s) to the appropriate program account(s) within the required time frame. Documentation found in student files indicated that, although a refund calculation was performed, the refunds were not made to the appropriate federal programs.

Examples are:

Student #	Withdrawal date	Refund due/Title IV Program
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Failure to make refunds to the Title IV programs results in the institution receiving funding to which it is not entitled and causes increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.22, General Provisions, April 29, 1994

REQUIREMENT:

Regulations require that the amount of the Title IV, HEA program portion of the refund allocated to the Title IV programs must be returned to the appropriate program account(s) within 30 days of the date that the student officially withdraws, or the institution determines that a student has unofficially withdrawn.

The institution must conduct a file review for the _____ award year(s) to determine the amount of refunds due to the Title IV programs. The report of this file review must be forwarded to this office in the following format:

1. Student's Name
2. Social Security Number
3. Withdrawal Date
4. Refund Calculation
5. Refund Due to Title IV Program/By Program and Award Year
6. Date Returned to Title IV Program(s), if Any

Due to the systemic nature of this finding, this office may propose that the institution pay an informal fine. Instructions for payment of this informal fine and repayment of any liability will be provided in the Final Program Review Determination letter.

The institution must also develop and submit with its response, procedures which will ensure that all refunds will be returned to the applicable Title IV programs within the required 30 day time frame.

GEN 2381 UNAUTHORIZED RETENTION OF STUDENT CREDIT BALANCE
(formerly CREDIT BALANCE NOT DISBURSED TO STUDENTS)

FINDING: RETENTION OF STUDENT CREDIT BALANCES - UNAUTHORIZED/FAILURE TO PROVIDE FINANCIAL AID COUNSELING

The institution failed to document that it had provided satisfactory financial aid counseling information to students regarding the method and frequency of credit balance disbursements to students.

Specifically, _____

(the institution failed to document that students were adequately informed about their option to request that the institution retain and budget their student aid credit balances). Students must be made fully aware that upon request such funds are to be returned to them within a reasonable period of time during their attendance.

The institutions improper retention of student credit balances results in students being deprived of Title IV assistance needed for living expenses and other indirect educational costs.

REFERENCE:

- 34 CFR 668.14(h), General Provisions, December 1, 1987
- 34 CFR 668.16(h), General Provisions, April 29, 1994
- 34 CFR 674.17, Federal Perkins Loan Program, December 1, 1987
- 34 CFR 676.17, Federal Supplemental Opportunity Program, December 1, 1987
- 34 CFR 682.604(b)(d), Federal Family Education Loan Program, December 18, 1992, amended May 17, 1994
- 34 CFR 690.78, Federal Pell Grant Program, March 15, 1985, amended October 14, 1987 and November 6, 1991

REQUIREMENT:

As a fiduciary for the benefit of the guaranty agency, the Secretary and the student, the school may hold any additional Title IV funds in order to assist the student in managing his or her Title IV funds for the remainder of the academic year if the student makes this request in writing. **The school must deposit these funds in a designated trust account and may not commingle them with other funds or use them for any other purpose.** A student also has the right to rescind this authorization at any time and request that credit balance funds be disbursed.

The institution must adjust its counseling procedures and student consumer information to ensure that students are provided complete information on disbursements and their options regarding same. These new policies, procedures and consumer information materials must be provided as part of the institution's response to this finding.

To determine the extent of the improper/unauthorized credit balances existing on the student account cards, the institution must perform a file review of its Title IV recipients for the _____ award years. The information must be submitted in to this office in the following format:

1. Student's Name
2. Social Security Number
3. Award Year
4. Copy of student's authorization for Budgetary Assistance
5. Date(s) and Amount(s) of Credit Balance(s)
6. Date(s) Returned to Student, if Any
7. Copy of Complete Account Card

The institution must promptly disburse credit balance funds owed to currently enrolled students for whom the proper authorization for budgetary assistance was not obtained and provide appropriate documentation (front and back of canceled check) of disbursement to this office.

This office may propose an informal fine for the institution's non-compliance. Administrative action may result if this finding appears in a future audit or program review report.

GEN 2382 REPAYMENT POLICY OR CASH DISBURSEMENT NOT DEVELOPED/IMPLEMENTED (formerly REPAYMENT POLICY NOT DEVELOPED/IMPLEMENTED)

FINDING: CASH DISBURSEMENT REPAYMENT POLICY NOT DEVELOPED/IMPLEMENTED

The institution failed to develop and/or implement a repayment policy. The institution must return a portion of a refund to the Title IV, HEA programs if the student to whom the refund is owed received assistance under any Title IV, HEA program other than the Federal Work-Study (FWS) Program. Although student(s) # ___ had ceased to be enrolled and had received Title IV funds as a cash disbursement to cover living expenses, the institution did not perform a repayment calculation.

Failure to perform the required repayment calculation for Title IV recipients constitutes an inability by the institution to properly administer the student financial assistance (SFA) programs and may cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.22, General Provisions, April 29, 1994

REQUIREMENT:

The institution must determine if a portion of a refund to the Title IV, HEA programs is due, if the student to whom the refund is owed received assistance under any Title IV, HEA program other than the Federal Work-Study (FWS) Program. The portion of the refund that an institution must return may not exceed the amount of assistance that the student received under the Title IV programs for the period of enrollment for which the student had been charged.

An institution must determine whether a student must repay a portion of the cash disbursement he/she received which was used to cover living expenses, if that student withdraws, drops out, or is expelled from school. If the institution determines that the student's living expenses incurred up to the time of withdrawal exceed the amount of cash disbursed, the student has not been overpaid. However, if the cash disbursement is greater than the student's living expenses incurred up to the withdrawal date, the student must repay the excess amount. If the student received Title IV funds (except FWS, Byrd, Douglas, or FFEL), a portion of any repayment must be returned to the appropriate SFA program.

An institution may not include any unpaid amount of a scheduled cash payment in determining the amount that the institution may retain for institutional charges. A scheduled cash payment is the amount of institutional charges that have not been paid by financial aid for the period of enrollment for which the student has been charged.

The institution must develop and submit with its response a repayment policy which is in accordance with regulations. In addition, the institution must retroactively apply its policy to determine if any refunds are due to any of the Title IV programs. A report of the review must be submitted to this office in the following format:

1. Student's Name
2. Social Security Number
3. Award Year
4. Repayment Calculation
5. Title IV Previously Returned, if Any (By Program and Award Year)
6. Additional Title IV Due (By Program and Award Year)

Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

GEN 2390 SATISFACTORY ACADEMIC PROGRESS STANDARDS NOT ADEQUATELY MONITORED OR APPLIED/IMPAIRED ADMINISTRATIVE CAPABILITY (formerly SATISFACTORY ACADEMIC PROGRESS STANDARDS NOT MONITORED/IMPAIRED ADMINSTRATIVE CAPABILITY)

FINDING: SATISFACTORY ACADEMIC PROGRESS STANDARDS NOT ADEQUATELY MONITORED OR APPLIED/IMPAIRED ADMINISTRATIVE CAPABILITY

(Use this SAP finding for schools which have an adequate written SAP policy, but who failed to document that they adequately monitored and applied their SAP standards to their students -- i.e., student not placed on probation for unsatisfactory grades, terminated for lack of attendance, maximum time frame or grade increment not measured.)

The institution did not consistently or adequately apply its satisfactory academic progress (SAP) policy standards to all of its students. Specifically, the institution did not _____ (state specific element not consistently applied or monitored. Then quote the institution's policy and cite the source --i.e. catalog.)

The institution did not apply this/these element(s) of its SAP policy to the student(s) listed below:

Student # (Specify how the institution did not apply SAP standards; if the student should have been ineligible to receive Title IV aid, specify the ineligible amounts of Title IV disbursements made after the date the student became ineligible).

By not adequately or consistently monitoring (SAP) standards for its students, the institution may be disbursing Title IV aid to ineligible students; this deprives other eligible students of aid and creates increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(c) and 668.14(e), General Provisions, December 1, 1987
34 CFR 668.16(e) and 668.23(h), General Provisions, April 29, 1994

REQUIREMENT:

Federal regulations require an institution to consistently apply its SAP standards to all students within categories of students (i.e., full-time, part-time, undergraduate and graduate students, and educational programs established by the institution). The school must determine, prior to disbursing Title IV funds, if a student is meeting satisfactory progress standards.

The institution must retroactively apply its SAP policy to all students for the _____ award year(s) to determine which students were ineligible to receive Title IV funds as a result of their failure to meet SAP standards. The institution will be held liable for any improper awards disbursed to the ineligible students. For each student for whom the SAP policy was not previously applied, the institution must submit a report in the following format:

1. Student's Name
2. Social Security Number
3. Student's SAP Category (ie. full-time, part-time, etc.)
4. Qualitative Determination at Each Measured Increment
5. Hours Completed at Each Measured Increment
6. Result of Correct Policy Application
7. Amount(s) and Date(s) of Any Incorrectly Disbursed Funds, by Program

The institution must summarize the total amount of incorrectly disbursed funds by program and award year. For each student in the file review, the institution must submit documentation showing both the qualitative (4) and quantitative (5) determinations, including any relevant attendance records, for each measured increment.

Further, the institution must develop and submit with its response, procedures which will ensure that, in the future, SAP standards will be consistently applied to all students.

Due to the serious nature of this finding, an informal fine may be proposed. Payment instructions for any fine and repayment instructions for any determined liability will be provided in the Final Program Review Determination letter.

GEN 2400 SATISFACTORY ACADEMIC PROGRESS POLICY NOT ADEQUATELY DEVELOPED/IMPAIRED ADMINISTRATIVE CAPABILITY (formerly SATISFACTORY ACADEMIC PROGRESS POLICY NOT DEVELOPED/IMPAIRED ADMINISTRATIVE CAPABILITY)

FINDING: SATISFACTORY ACADEMIC PROGRESS POLICY NOT ADEQUATELY DEVELOPED/IMPAIRED ADMINISTRATIVE CAPABILITY

The reviewer observed that the institution's written satisfactory academic progress (SAP) policy is not in compliance with regulations. Specifically, _____. (State which element is missing from the institution's SAP policy)

The institution's failure to properly develop a SAP policy constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

34 CFR 668.7(c) and 668.14(e), General Provisions, December 1, 1987
34 CFR 668.16(e), General Provisions, April 29, 1994

REQUIREMENT:

The institution must establish, publish and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. These standards must conform with the standards of satisfactory progress of the institution's nationally recognized accrediting agency, and must be the same as or stricter than the institution's standards for a student enrolled in the same educational program, who is not receiving assistance under a Title IV, HEA program. These standards must include:

- (A) Qualitative Measure: Grades, work projects completed, or comparable factors which are measured against a norm.
- (B) Quantitative Measure: A maximum timeframe in which the student must complete his or her educational program. The timeframe must be: (1) based on the student's enrollment status; (2) for an undergraduate program, no longer than 150 percent of the published length of the educational program for a full-time student; and (3) divided into increments of equal size, not to exceed the lesser of one academic year or one-half the published length of the educational program.
- (C) A schedule established by the institution designating the minimum percentage or
 - a. amount of work that a student must successfully complete at the end of each increment
 - b. to complete at the end of each increment to complete his or her educational program
 - c. within the maximum time frame.
- (D) A determination at the end of each increment by the institution whether the student has successfully completed the appropriate percentage or established schedule.
- (E) Consistent application of standards to all students within categories of students, e.g., full-time, part-time, undergraduate and graduate students, and educational programs established by the institution.

- (F) Specific policies defining the effect of course incompletes, withdrawals, repetitions, and non-credit remedial courses on satisfactory progress.
- (G) Specific procedures under which a student may appeal a determination that he or she is not making satisfactory progress.
- (H) Specific procedures for reinstatement of aid.

In response to this finding, the institution must revise its current SAP policy to comply with regulations. A copy of the revised policy must be submitted to this office.

(If the school's inadequate written SAP policy resulted in inadequate monitoring of SAP standards, e.g., probation/termination of student which could have resulted in ineligible Title IV disbursements, require the school to retroactively apply its revised SAP policy. Refer to GEN 2390 for file review)

GEN 2410 FAILURE OF CORPORATE/CENTRAL OFFICE TO PROPERLY ADMINISTER SFA FUNDS-REVIEW ALL LOCATIONS FOR SIMILAR DEFICIENCIES (formerly SCHOOLS W/CENTRALLY ADMINISTERED SFA PROGRAMS-REQUIRED TO REVIEW ALL LOCATIONS FOR SIMILAR DEFICIENCIES/IMPAIRED ADMINISTRATIVE CAPABILITY

FINDING: FAILURE OF CORPORATE/CENTRAL OFFICE TO PROPERLY ADMINISTER SFA FUNDS - REVIEW ALL LOCATIONS FOR SIMILAR DEFICIENCIES

The policies and procedures of all institutions owned and operated by _____ are established under the direction of the corporate/central office umbrella which issues administrative guidelines for the management of the Title IV, HEA programs. The corporate/central office also provides exclusive fiscal management services for Title IV funds, including the draw-down and disbursement of funds for its institutions.

The findings cited in this report may exist at some or all of the institutions owned and managed by _____. The review of the corporate/central office has disclosed the presence of systemic problems associated with, but not necessarily limited to **(i.e., excess cash, late refunds, incorrect verification, ineligible Federal Pell disbursement, inadequate accounting and reconciliation procedures, incorrect tuition charges, etc.)** which reveal breaches of the program participation agreement.

In order for the institutions to continue their participation in the Title IV programs, the Department must be assured that the corporate/central office has rectified the problems discussed in the program review report and that these problems will not recur.

Failure of a corporate/central office to properly administer the Title IV, HEA programs at each institution under its umbrella, could result in these institutions receiving funding to which they are not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.14 through 668.16, General Provisions, April 29, 1994

REQUIREMENT:

The administrative capability and financial responsibility for all centrally administered institutions are determined by the conduct of the corporate/central office. Therefore, the corporate/central office must review all its institutions to determine to what extent the findings represented in this report (and, if applicable, in any program review/audits of any institution under the corporate/central office umbrella) exist at the other schools within the corporate/central office umbrella.

The corporate/central office's response to this report must include a statement that the required review has been conducted. This statement must indicate the extent of the problem discussed in each finding and the corrective action to be taken (including an implementation timetable). If action has already been taken, the report should provide documentation of the corrective action and evidence of its effectiveness.

The corporate/central office must also direct its auditors to provide comments, in the next regularly scheduled audit, on the thoroughness and accuracy of the schools' reviews and any corrective actions taken.

Due to the potential abuse that may occur when impaired administrative capability or financial irresponsibility exists, the corporate/central office and all umbrella institutions may be subject to administrative action including the imposition of a fine, limitation, suspension, or termination in accordance with 34 CFR Subpart G.

GEN 2420 STUDENT CERTIFICATION – MISSING/UNSIGNED STATEMENT OF EDUCATIONAL PURPOSE (formerly STUDENT CERTIFICATION – MISSING STATEMENT OF EDUCATIONAL PURPOSE)

FINDING: STUDENT CERTIFICATION - MISSING STATEMENT OF EDUCATIONAL PURPOSE

The institution failed to obtain the required Statement of Educational Purpose for the following students:

Student #

An institution that fails to establish a student's eligibility for Title IV, HEA funds may deprive other needy students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(8), General Provisions, December 1, 1987, amended March 16, 1994
34 CFR 668.32, General Provisions, December 1, 1987
34 CFR 668.34, General Provisions, December 1, 1987, amended June 8, 1993

REQUIREMENT:

Before receiving funds under any Title IV, HEA program, a student must file a Statement of Educational Purpose for each award year with the institution, or under the Federal Family Education Loan programs, with the lender. In this statement the student must include his or her social security number and certify that he or she will use any funds received under these programs solely for educational expenses connected with attendance at the institution at which the student is enrolled or accepted for enrollment.

In its response, the institution must provide its assurances that a Statement of Educational Purpose will be secured for each award year in which a given student is enrolled.

A recurrence of this finding in a future audit or program review may result in an informal fine being proposed.

GEN 2430 STUDENT CERTIFICATION – MISSING/UNSIGNED DRUG FREE CERTIFICATION

FINDING: STUDENT CERTIFICATION - DRUG FREE CERTIFICATION UNSIGNED

The institution disbursed Title IV funds to student #'s _____ who failed to sign or initial the required drug-free certification statement.

An institution that fails to establish a student's eligibility for Title IV, HEA funds may deprive other needy students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

Anti-Drug Abuse Act of 1988, Public Law 100-690, November 18, 1988

REQUIREMENT:

Effective for students enrolled in the 1989/90 award year, Federal Pell Grant recipients must sign the Anti-Drug Abuse statement. The institution must obtain the missing certification statements and the students' signatures and forward with the response to the report. If the certifications cannot be obtained, an informal fine will be imposed in lieu of a liability.

A repeat finding in a subsequent audit or program review will result in a liability plus an informal fine per occurrence.

GEN 2431 DRUG ABUSE PREVENTION PROGRAM REQUIREMENTS NOT MET
(formerly DRUG PREVENTION PROGRAM REQUIREMENTS NOT MET)

FINDING: DRUG ABUSE PREVENTION PROGRAM REQUIREMENTS NOT MET

The institution did not have an adequate drug abuse prevention program. Specifically, the institution's policy on drug-free schools did not contain _____ (state missing element).

REFERENCE:

Drug-Free Schools and Communities Act, Public Law 101-226,
December 12, 1989
34 CFR 86.100), Drug-Free Schools and Campuses, August 16, 1990
34 CFR 668.12(b)(2)(ii), General Provisions, December 1, 1987
34 CFR 668.14(c)(1), General Provisions, April 29, 1994

REQUIREMENT:

As part of the institution's Program Participation Agreement with the Secretary, the institution agrees that it operates a drug abuse prevention program that the institution has determined to be accessible to any officer, employee, or student at that institution.

To implement this program, the institution must distribute to students and employees, on an annual basis, information containing the following minimum elements:

- (a) Standards of conduct that prohibits unlawful possession, use, or distribution of illicit drugs and alcohol on its property or as part of its activities;
- (b) A description of applicable legal sanctions under local, state, or Federal Law and the health risks associated with the use of illicit drugs and the abuse of alcohol;
- (c) A description of applicable drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees and students; and
- (d) A clear statement of the disciplinary sanctions the institution will impose on students and employees.

The law further requires and institution to conduct a biennial review of its program to determine its effectiveness, implement changes if they are needed, and ensure that the sanctions it has developed are consistently enforced.

In response to this finding, the institution must revise its drug-free school policy to include all of the required elements described in the above references and submit a copy to this office. The institution must also provide written assurance that it has distributed the above materials to all students and employees and that it will continue to do so on at least an annual basis.

If this deficiency is found in a future program review or audit, the Department may propose an informal fine.

GEN 2440 STUDENT CERTIFICATION – MISSING/UNSIGNED STATEMENT OF NON-DEFAULT (formerly STUDENT CERTIFICATION – MISSING STATEMENT OF NON-DEFAULT)

FINDING: STUDENT CERTIFICATION - MISSING STATEMENT OF NON-DEFAULT

The institution failed to secure the required Statement of Non-default for the following students:

Student #

An institution that fails to establish a student's eligibility for Title IV, HEA funds may deprive other needy students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(7), General Provisions, December 1, 1987

34 CFR 668.7(e), General Provisions, December 1, 1987, amended June 8, 1993

REQUIREMENT:

A student is eligible to receive assistance under the Title IV, HEA programs if the student is not in default, and certifies that he or she is not in default, on any loan made under the National Defense/Direct Student Loan, Perkins Loan, Income Contingent Loan, Federal Family Education Loan, or Consolidation Loan programs.

A student who is or has been in default on any of the aforementioned loan programs is eligible to receive assistance under a Title IV, HEA program under the following conditions:

1. The student is otherwise eligible; and
2. The Secretary/guaranty agency/institution (**choose applicable entity**) determines that the student has made satisfactory arrangements to repay that loan;
3. The loan has been paid in full; or
4. For a Federal Family Education Loan, has been rehabilitated and sold under section 328F of the HEA.

The school must review the files of all students in the _____ award years to determine whether or not the files contain the required statements. If a statement is not in the file, the school must attempt to obtain it. A report of each case in which the institution was unable to obtain a missing non-default statement must be submitted to this office in the following format:

1. Student's Name
2. Social Security Number
3. Award Year
4. Amount of Title IV Disbursements (By Program)
5. Default Status

For cases in which the statement cannot be obtained and the student is not in default or does not owe a refund, an informal fine may be proposed. If a student is in default or owes a refund, the institution must repay all Title IV funds disbursed to the student plus interest and special allowance, if applicable.

Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

In addition, in its response to this program review report, the institution must assure this office that it will secure a signed Statement of Non-default from each student prior to the disbursement of Federal student aid.

GEN 2450 STUDENT CERTIFICATION – MISSING/UNSIGNED STATEMENT OF SELECTIVE SERVICE REGISTRATION (formerly STUDENT CERTIFICATION – STATEMENT OF SELECTIVE SERVICE)

FINDING: **STUDENT CERTIFICATION - MISSING STATEMENT OF SELECTIVE SERVICE REGISTRATION**

The institution did not collect the appropriate statement which verifies registration with Selective Service for the following student(s):

Student #

An institution that fails to establish a student's eligibility for Title IV, HEA funds may deprive other needy students of funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7(a)(8), General Provisions, December 1, 1987, amended March 16, 1994
34 CFR 668.33, General Provisions, June 28, 1985, amended June 8, 1993
34 CFR 668.34, General Provisions, December 1, 1987, amended June 8, 1993

REQUIREMENT:

An institution may not disburse any Title IV funds to a student or certify the institutional portion of a Federal Family Education Loan application for any student until the student files a Statement of Registration Status with the institution, indicating that he/she has properly registered or is not required to do so.

In the Statement of Registration Status the student must certify either that he is registered with Selective Service or that, for a specified reason, he or she is not required to be registered.

An institution may waive the requirement that a student file a Statement of Registration Status if the institution determines, based on clear and unambiguous evidence that the student is or was not required to be registered with the Selective Service or the student:

1. Was required to be registered with the Selective Service prior to age 26;
2. Is now at least 26 years old;
3. Failed to register with the Selective Service prior to age 26; and
4. Demonstrates to the institution that he did not knowingly and willfully fail to register with the Selective Service. The Secretary considers that a student satisfies this requirement by obtaining and presenting to the institution an advisory opinion from the Selective Service System that does not dispute the student's claim that he did not knowingly and willfully fail to register, and the institution does not have uncontroverted evidence that the student knowingly and willfully failed to register; or
5. Served as a member of one of the U.S. Armed Forces on active duty and received a DD Form 214, "Certificate of Release or Discharge from Active duty" showing military service with other than the reserve forces and National Guard.

The institution must perform a file review of all students in the _____ award year(s), to identify those students whose registration statement is missing. If a student was registered with Selective Service at the time of the award or, if a signed Selective Service Registration statement is on file for a prior award for which the student was required to be registered, the institution may waive the required signature or subsequent certification statements. For students who were required to but failed to register, the institution must provide a report of the following information to determine the extent of the liability:

1. Student's Name
2. Social Security Number
3. Award Year
4. Amount of Title IV Aid Disbursed by Program

Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

The institution must ensure this office that, in the future, a signed Selective Service Registration statement will be secured from each student prior to the disbursement of Title IV funds.

GEN 2460 STUDENT CERTIFICATION - UNSIGNED STATEMENT OF UPDATED INFORMATION

(This code no longer used)

FINDING: STUDENT CERTIFICATION - UNSIGNED STATEMENT OF UPDATED INFORMATION

The following Federal Pell Grant recipient file(s) did not contain the required signed certification statement of updated information:

Student #

An institution that fails to update a student's eligibility for Title IV, HEA funds may deprive other needy students of funds and may create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.55, General Provisions, December 2, 1991, amended April 28, 1994

REQUIREMENT:

Federal Pell Grant recipients are required to certify that the number of family members in the household, the number of those members attending postsecondary educational institutions and the applicant's dependency status is correct at the time the SAR/ESAR is received by the institution.

The institution is required to take that newly updated information into account when awarding for that award year further Federal Pell Grant, campus-based, or need-based Income Contingent Loan program assistance or certifying a Federal Stafford Loan application.

The institution must attempt to obtain the missing statement(s) and forward copies to this office with its response to this report. If the statements can be obtained, no liability will be assessed. For those cases in which the statements can not be obtained, in lieu of assessing a liability for all Title IV aid disbursed, an informal fine will be proposed per student, per missing statement, per award year.

GEN 2480 TRANSFER OF CREDIT ALTERNATIVE TO ACCREDITATION REQUIREMENT NOT MET (formerly TRANSFER-OF-CREDIT FROM AN UNACCREDITED INSTITUTION- REQUIREMENT NOT MET)

(Generic Paragraph Not Developed)

GEN 2490 VERIFICATION POLICY AND PROCEDURES NOT DEVELOPED/ INADEQUATE

FINDING: VERIFICATION POLICY AND PROCEDURES NOT DEVELOPED/INADEQUATE

The institution did not have written policies and procedures to verify information contained on a student's application for Title IV aid. **(If their written policy did not contain all required elements. List which elements were not included in their policy.)**

REFERENCE:

34 CFR 668.53, General Provisions, December 2, 1991

REQUIREMENT:

The institution's written verification policy and procedure must include:

1. The deadlines applicants must meet for supplying information;
2. The action the school will take if the applicant does not provide the information before the deadline;
3. How the school will notify applicants if the award changes because of verification; and
4. How the school requires applicants to correct information.

In addition, procedures must detail a process for furnishing to each applicant selected for verification:

1. A clear explanation of the documentation needed to satisfy the verification requirements;
2. The applicant's responsibilities with respect to verification; and
3. The consequences of failing to complete verification.

The institution must submit a copy of its newly developed written verification policy and procedure to this office in response to this finding.

GEN 2491 VERIFICATION NOT DOCUMENTED/INCOMPLETE

FINDING: VERIFICATION NOT DOCUMENTED/INCOMPLETE

The institution failed to accurately verify the following students who were selected for verification in the _____ award year(s):

Student # (For each student, list verification problem: discrepancy in household size, number in college, adjusted gross income, earned income credit, etc.)

An institution's failure to complete verification could result in the improper use of Title IV, HEA funds and deprive eligible, needy students of assistance.

REFERENCE:

34 CFR 668.54 and 668.55, General Provisions, December 2, 1991, amended April 28, 1994

34 CFR 668.56 through 668.59, General Provisions, December 2, 1991, amended August 27, 1992 and April 28, 1994
(date of Guide used) Verification Guide for Title IV Programs

REQUIREMENT:

An institution is responsible for verifying the information that is used to calculate an applicant's Pell Grant Index (PGI)/Expected Family Contribution (EFC) as part of the determination of need for student financial assistance. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. The regulations also require an institution to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV programs.

The institution must resolve the verification deficiencies and demonstrate that verification has been properly completed for the students referenced above. If any student's PGI/EFC, scheduled award and expected disbursement changes as a result of verification, the institution is liable for the difference between the correct disbursement and the actual disbursement. Also, for each case where the institution cannot complete the verification process, the institution is liable for the actual disbursement.

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.

(Delete this sentence if the following section on file review is used. Repayment instructions are at the end of the following section).

(USE IF FILE REVIEW IS NECESSARY)

In addition, the institution must review all student files for the _____ award year(s) and identify all recipients for whom verification was not completed and/or discrepant information was discovered. Verification must be completed and discrepant information must be clarified. As appropriate, you must recalculate a student's PGI/EFC based on revised data and identify any incorrect awards.

The institution must report the results of its file search in the response to this report. On a spreadsheet, you must list all students who had incomplete verification and/or discrepant information in their files in the following format:

- a. Student Name and Social Security Number
- b. Award Year
- c. Original PGI/EFC
- d. Title IV aid disbursed by program
- e. Revised PGI/EFC
- f. Revised Title IV aid entitlement by program
- g. Ineligible award amounts and refunds due the Title IV programs

Instructions regarding repayment of ineligible disbursements will be provided in the Final Program Review Determination letter, as appropriate.

FISCAL DEFICIENCY CODES

FIS 3000 ACCOUNT RECORDS FOR STUDENTS NOT MAINTAINED (formerly ACCOUNTING RECORDS NOT MAINTAINED)

FINDING: ACCOUNT RECORDS FOR STUDENTS NOT MAINTAINED

The institution does not maintain records (ledger cards) which identify each student's account and its status. Records maintained are inconsistent and all required transactions are not posted.

Failure to maintain Title IV, HEA records can cause increased expense to the U.S. Department of Education and deny other eligible students the use of funds.

REFERENCE:

- 34 CFR 668.23, General Provisions, April 29, 1994
- 34 CFR 674.19(d), Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
- 34 CFR 675.19(b), Federal Work-Study Program, December 1, 1987, amended August 10, 1988
- 34 CFR 676.19(b), Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
- 34 CFR 682.610(b), Federal Family Education Loan Program, December 18, 1992
- 34 CFR 690.82, Federal Pell Grant Program, March 15, 1985

REQUIREMENT:

An institution must maintain records of each student's account showing cost of attendance, payments, credit refunds and account balance.

To respond to this finding, the institution must reconstruct fiscal records for all students who attended in the _____ award year(s). A summary report of the reconstruction must be submitted to this office. The report must identify each student as follows:

- Name and Social Security Number
- Cost of Attendance
- Awards Disbursed by Program
- Credits to Accounts
- Refunds
- Student Account Balance

(INSERT CPA ATTESTATION LANGUAGE HERE)

The institution will be liable to the Department for any Title IV funds for which it cannot account. If necessary, instructions for repayment will be provided in the Final Program Review Determination Letter.

The institution's next regularly scheduled audit must comment on the record reconstruction. Finally, the institution must provide assurances that accurate and updated fiscal records will be kept for all students in the future.

FIS 3010 ACCOUNTING RECORDS INADEQUATE

(This code no longer used – Generic Paragraph Not Developed)

FIS 3020 ACCOUNTING RECORDS NOT RECONCILED (formerly ACCOUNTING AND FISCAL SYSTEM NOT DEVELOPED)

FINDING: ACCOUNTING RECORDS NOT RECONCILED

The financial aid and fiscal offices did not have a system to regularly reconcile student financial aid awards and disbursements.

Failure to reconcile Title IV awards and disbursements could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.14(b)(4), General Provisions, April 29, 1994
34 CFR 674.19, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
34 CFR 675.19, Federal Work-Study Program, December 1, 1987, amended August 10, 1988
34 CFR 676.19, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
34 CFR 690.81, Federal Pell Grant Program, March 15, 1985

REQUIREMENT:

Program regulations require institutions to maintain, on a current basis, financial records which reflect all program transactions. Accepted accounting procedures dictate that those transactions be reconciled. Therefore, the institution must reconcile its financial aid records to its general ledgers on a timely basis. In addition, the institution must develop policies and procedures to accomplish the foregoing on at least a monthly basis. A copy of these procedures must be included in the response to this report.

Further, the institution must reconcile all transactions for the _____ award year(s) and submit a copy of that reconciliation with all reconciling items to this office. The institution will be liable for any Title IV funds received for which it cannot account. Instructions for repayment of any liability will be issued in the Final Program Review Determination letter.

FIS 3030 ADMINISTRATIVE COST ALLOWANCE EXCEEDS ALLOWABLE MAXIMUM (formerly ADMINISTRATIVE COST/EXCEEDS ALLOWABLE MAXIMUM)

FINDING: ADMINISTRATIVE COST ALLOWANCE - EXCEEDS ALLOWABLE MAXIMUM

The institution withdrew administrative cost allowances in excess of its entitlement.

Failure to properly calculate administrative cost allowances constitutes an inability by the institution to properly administer the campus-based programs.

REFERENCE:

34 CFR 674.18(b), Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
34 CFR 675.18(b), Federal Work-Study Program, December 1, 1987
34 CFR 676.18(b), Federal Supplemental Educational Opportunity Grant Program, December 1, 1987

REQUIREMENT:

A participating institution is entitled to an administrative cost allowance for an award year if it advances funds to students in that year under the campus-based programs. With some exceptions detailed in regulations, the amount of the administrative cost allowance equals-

- five percent of the first \$2,750,000 of the institution's expenditures in that award year under the Federal Work-Study (FWS), Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Perkins Loan Program; plus

- four percent of its expenditures which are greater than \$2,750,000 but less than \$5,500,000; plus
- three percent of its expenditures which are in excess of \$5,500,000.

The school takes the administrative cost allowances out of the annual authorizations it receives for the FSEOG and FWS programs and from the available cash-on-hand in the Federal Perkins Loan Fund.

The institution must examine all the administrative cost allowances taken from the campus-based programs during the _____ award year and compare them with those amounts to which the school was entitled. Any amount which exceeds the allowable administrative cost allowance will be an institutional liability. The results of the institution's review must be submitted with its response to this report. Further instructions will be provided in the Final Program Review Determination letter.

FIS 3040 ADVANCES USED FOR NON-PROGRAM PURPOSES

FINDING: ADVANCES USED FOR NON-PROGRAM PURPOSES

The institution used Title IV funds to pay parking fines which had been charged to student(s) # _____ account records (or applicable situation in which Title IV funds were used for non-program purposes).

(Additional deficiencies: Using Title IV funds as collateral or for investment purposes, to pay association membership dues, for subscriptions, etc.; using FWS funds to meet the institution's payroll).

An institution that uses Title IV, HEA funds for non-program purposes deprives needy students of those funds and creates a financial burden for the U.S. Department of Education.

REFERENCE:

- 34 CFR 668.14(b)(1), General Provisions, April 29, 1994
- 34 CFR 668.16, General Provisions, December 1, 1987
- 34 CFR 674.8(b), Federal Perkins Loan Program, December 1, 1987
- 34 CFR 674.18, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
- 34 CFR 675.18, Federal Work-Study Program, December 1, 1987, amended July 21, 1992
- 34 CFR 676.18, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987, amended July 21, 1992
- 34 CFR 690.81(c), Federal Pell Grant Program, March 15, 1985

REQUIREMENT:

In general, student financial assistance (SFA) funds received by the institution are intended solely for the use of student beneficiaries, with the exception of funds received as an administrative cost allowance, which are intended as a payment to the school. Funds are held in trust for the intended student beneficiaries and the Secretary. Funds may not be used or hypothecated (i.e. serve as collateral) for any other purpose. The institution must administer or account for SFA funds with the highest standards of due diligence.

The institution must repay the misused Title IV funds to the Department. Repayment instructions will be included in the Final Program Review Determination letter.

FIS 3050 AVAILABILITY OF FISCAL RECORDS (formerly FISCAL RECORDS NOT AVAILABLE)

FINDING: AVAILABILITY OF FISCAL RECORDS

The institution was unable to provide complete records of the bank accounts designated to hold Federal funds for the following periods _____ (or list pertinent fiscal records missing/not available).

Failure to provide complete fiscal records could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

- 34 CFR 668.23, General Provisions, April 29, 1994
- 34 CFR 674.19, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
- 34 CFR 675.19, Federal Work-Study Program, December 1, 1987, amended August 10, 1988
- 34 CFR 676.19, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
- 34 CFR 690.81, Federal Pell Grant Program, March 15, 1985
- 34 CFR 690.82, Federal Pell Grant Program, March 15, 1985, amended December 1, 1987

REQUIREMENT:

An institution must establish and maintain on a current basis financial records that reflect all program transactions. These fiscal records must be available for review, including, upon written request, any records of transactions between a school and the financial institution where the school deposits any Title IV funds.

The institution must obtain from the bank, copies of the original statements and copies of the front and back of the canceled checks for the periods noted above and submit them to this office (or request pertinent fiscal records to fit the particular situation). Upon receipt of the aforementioned documentation, this office will provide further instructions, if necessary.

FIS 3060 AUDIT TRAIL INADEQUATE/CANNOT TRACE TO PROGRAMS (formerly AUDIT TRAIL INADEQUATE/CANNOT TRACE EXPENDITURES)

FINDING: AUDIT TRAIL INADEQUATE/CANNOT TRACE TO PROGRAMS

The institution did not maintain adequate records to support expenditures in the _____ program(s).

Failure to maintain adequate expenditure records could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

- 34 CFR 668.23, General Provisions, April 29, 1994
- 34 CFR 674.19, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
- 34 CFR 675.19, Federal Work-Study Program, December 1, 1987, amended August 10, 1988
- 34 CFR 676.19, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
- 34 CFR 682.610, Federal Family Education Loan Program, December 18, 1992
- 34 CFR 690.81, Federal Pell Grant Program, March 15, 1985

REQUIREMENT:

An institution is required to establish and maintain on a current basis financial records that reflect all program transactions. The institution must establish and maintain general ledger control accounts and related subsidiary accounts that identify each program transaction and separate those transactions from all other financial activity. These accounts must be reconciled on at least a monthly basis.

The institution must reconstruct the above mentioned records and reconcile them with the institution's Department of Education Payment Management System (EDPMS) reports and bank accounts for the reviewed award years. In addition, a copy of these records and the reconciliation must be submitted to the regional office.

The institution will be held liable for any unaccountable Title IV Funds. Instructions for repayment, if any, will be provided in the Final Program Review Determination letter.

FIS 3070 FEDERAL PELL GRANT EXPENDITURES DIFFER FROM PROGRAM AUTHORIZATION LEVEL

FINDING: FEDERAL PELL GRANT EXPENDITURES DIFFER FROM PROGRAM AUTHORIZATION LEVEL

The institution did not submit Federal Pell Grant Payment Vouchers by the required September 30 deadline.

(Alternative Finding)

The institution did not submit changes to Federal Pell Grant Payment Vouchers to cover the (Indicate Reporting Period).

Inaccurate reporting could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 690.83, Federal Pell Grant Program, November 6, 1991, amended June 25, 1992 and April 29, 1994
Dear Colleague Letter P-93-5, November 1993

REQUIREMENT:

Section 690.83(a) of the regulations provide that an institution must submit to the Secretary all student aid report (SAR) Payment Vouchers for a given award year by September 30 following the end of the award year. **Adjustments for payments to an institution's Federal Pell Grant account** may be reviewed by the Department, per Section 690.83(c), if the institution timely submitted a SAR Payment Voucher, but did not timely submit, in an acceptable form, a SAR Payment Voucher necessary to document the full amount of the award to which that a student is entitled. The institution may receive an increase or decrease in its authorization when:

1. Underpayment of previously reported awards are revealed during:

- (a) An audit or program review which demonstrates that the student was eligible to receive an amount greater than that reported on the SAR Payment Document timely submitted to, and accepted by the Secretary; and
- (b) The amount owed to the student is at least \$100.

2. Overawards of previously reported Federal Pell Grants are disclosed by the institution.

- (a) Institutions must report overpayments and other recoveries by listing each student with identification and payment. This list must include totals for "Previously Reported Payment Amount" (as reported to and accepted by the Federal Pell Grant Program, "Revised Payment Amount," and "Amount Recovered"). The list of overpayments and other recoveries must be submitted to the Federal Pell Grant Branch, DPOS, **no later than January 31, 199_**.

NOTE: The institution may report overawards at any time.

The Department makes allowances for its own administrative errors and will adjust the Federal Pell Grant Account if an institution can demonstrate that its failure to timely submit SARs and have them accepted was caused by a processing or administrative error made by the Department or one of its contractors.

Because it is necessary to review and make a determination for each of the requested adjustments, the institution must submit a complete description of all facts pertaining to the awards not credited, which includes identifying data and full payment history. In its response to this report, the institution must submit to this office the following information for each student:

Student Name
Social Security Number
Award Year
Date SAR Submitted
Last Requested Adjustments Prior to Closeout of Award Year
Original Disbursement Amount
Requested Disbursement Amount
Amount of Disbursement Increase
Reason for Late Disbursement

Since the institution did not submit Federal Pell Grant Payment Vouchers by the September 30, or did not submit the changes in the Federal Pell Grant Payment Vouchers during (indicate reporting period), we may propose an informal fine. Payment instructions, if any, will be provided in the Final Program Review Determination letter.

FIS 3080 BANK ACCOUNTS-FEDERAL FUNDS NOT IDENTIFIED

FINDING: BANK ACCOUNTS - FEDERAL FUNDS NOT IDENTIFIED

The bank accounts in which the institution deposits Title IV student financial assistance funds are not properly identified as accounts containing federal funds.

REFERENCE:

34 CFR 674.19(a), Federal Perkins Loan Program, December 1, 1987
34 CFR 675.19(a), Federal Work-Study Program, December 1, 1987
34 CFR 676.19(a), Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
34 CFR 690.81(b), Federal Pell Grant Program, March 15, 1985

REQUIREMENT:

A participating institution must notify any bank in which it deposits federal funds of all accounts in that bank in which those funds are deposited. Proper notice of campus-based federal funds on deposit must be given either by using "Federal" in the account title or notifying the bank in writing that the account contains federal funds. Proper notice that Federal Pell Grant funds are on deposit in an account is given by including the word "Federal" in the name of the account.

The institution's response to this report must include evidence of its compliance with this requirement.

FIS 3090 BANK CHARGES MADE TO FEDERAL ACCOUNT

FINDING: BANK CHARGES MADE TO FEDERAL ACCOUNT

Federal funds on deposit were used by the depository to pay bank service charges incurred by the school. During the two award years reviewed, there was a total of \$_____ in bank charges.

The institution's hypothecation of federal funds could affect the funds available for eligible, needy students and cause a financial burden for the Department of Education.

REFERENCE:

- 34 CFR 668.14(b)(1), General Provisions, April 29, 1994
- 34 CFR 668.16, General Provisions, December 1, 1987
- 34 CFR 674.18, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
- 34 CFR 675.18, Federal Work-Study Program, December 1, 1987, amended July 21, 1992
- 34 CFR 676.18, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987, amended July 21, 1992
- 34 CFR 690.81(c), Federal Pell Grant Program, March 15, 1985

REQUIREMENT:

Funds received under the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Income Contingent Loan, and Federal Perkins Loan Programs, except for those funds received for administrative expenses, are held in trust for the intended student beneficiaries and the Secretary. The institution, as a trustee of federal funds, may not use or hypothecate Title IV, HEA funds for any other purpose.

The institution must reimburse \$_____ to the appropriate federal account at the school, and provide proof of deposit with its response to this report.

A recurrence of this finding in a subsequent audit or program review may result in a proposed informal fine.

FIS 3100 EDPMS EXPENDITURES UNTIMELY/INCORRECTLY REPORTED

FINDING: EDPMS EXPENDITURES UNTIMELY/INCORRECTLY REPORTED

The institution did not correctly report its Title IV expenditures on the Department of Education Payment Management System (EDPMS-272) Report for the _____ award year.

Failure to correctly report Title IV expenditures could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

- 34 CFR 674.19(d), Federal Perkins Loan Program, December 1, 1987
- 34 CFR 675.19(b), Federal Work-Study Program, December 1, 1987, amended August 10, 1988
- 34 CFR 676.19(b), Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
- 34 CFR 690.82, Federal Pell Grant Program, March 15, 1985, amended December 1, 1987
- 34 CFR 690.83(b), Federal Pell Grant Program, November 6, 1991
- The Blue Book, Section 6.2, Section 6.5.1, Section 6.6.1, and Section 6.7.1, May 1991

REQUIREMENT:

Institutions are required to complete all expenditure reports using accurate and timely information.

The institution must reconcile its expenditures for the ___ award year and submit corrected figures on the next quarterly EDPMS-272 Report. A copy of this report, which includes the corrected expenditures, must be sent to our office in response to this finding.

Also, the institution must develop policies and procedures to reconcile its expenditures on at least a monthly basis. These policies and procedures must also be submitted with the institution's response.

FIS 3101 EDPMS CASH ON HAND NOT DOCUMENTED

(This code not in the Guide)

FINDING: EDPMS CASH ON HAND NOT DOCUMENTED

The institution was unable to provide documentation that supported the amount reported as "Cash on Hand" on the Department of Education Payment Management System (EDPMS) 272 quarterly reports.

Inadequate or inaccurate documentation could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education (ED).

REFERENCE:

- 34 CFR 668.23, General Provisions, April 29, 1994
- 34 CFR 674.19, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
- 34 CFR 675.19, Federal Work-Study Program, December 1, 1987, amended August 10, 1988
- 34 CFR 676.19, Federal Supplemental Opportunity Grant Program, December 1, 1987
- 34 CFR 690.83, Federal Pell Grant Program, November 6, 1991, amended June 25, 1992 and April 29, 1994

REQUIREMENT:

The institution must provide an explanation of how the "Cash on Hand" amount is derived for completing federal reports. Please provide the documentation that supports this amount for the EDPMS 272 report for the quarter ending-

_____.

Note that documentation must be maintained to support the amounts entered on reports submitted to ED. The institution will be held liable for any Title IV funds for which it cannot account. Instructions for repayment of any liability will be issued in the Final Program Review Determination letter.

FIS 3110 EXCESS CASH BALANCES MAINTAINED

FINDING: EXCESS CASH BALANCES MAINTAINED

(Institution Name) drew down federal funds in excess of its immediate needs in the _____ award year(s). The institution's maintenance of excess cash causes a loss to the government in interest expense and could affect the funds available for eligible, needy students at other institutions.

REFERENCE:

- 34 CFR 690.74, Federal Pell Grant Program, March 15, 1985
- Recipient's Guide for the Department of Education Payment Management System (EDPMS), October 1993
- The Blue Book, May 6, 1991
- U.S. Department of Treasury Financial Manual, Volume 1, Chapters 4-2500, 6-2000, and 6-8000

REQUIREMENT:

The Department of Education (ED) requires institutions to limit requests for advances to amounts necessary for immediate disbursement of student awards under the Title IV programs. This will avoid unnecessary financing costs to the Treasury and protect the government from misuse of funds.

"Excess cash" is defined as that amount which exceeds three days need for institutions using the Automated Clearing House/Electronic Fund Transfer (ACH/EFT) System or a one day need if using the FED WIRE System. Failure to

adhere to these limitations may result in your institution being placed on the reimbursement system of funding in addition to other possible administrative proceedings.

The institution must immediately analyze its federal cash position and take action to reduce (or return to ED) any excess cash balances before requesting additional funds. The institution must also review its procedures to better forecast cash needs and request federal funds to minimize its cash balances.

In its response, the institution must submit proof to this office of the action it has taken to reduce its current excess cash position.

(Institution Name) must also pay interest on the amounts of federal money it requested in excess of the institution's immediate cash needs. In the absence of any additional explanatory information from the institution, we have estimated the cost to ED for the excess cash maintained is \$_____. This figure was calculated using an interest rate for the period of time excess funds were on deposit. The institution will be liable for payment of these funds to the Department.

Payment instructions will be provided in the Final Program Review Determination letter.

FIS 3120 EXPENDITURES REPORTED ON FISAP REPORT INACCURATE

FINDING: EXPENDITURES REPORTED ON FISAP REPORT INACCURATE

The institution reported incorrect **(Federal Perkins, FSEOG, and/or FWS)** expenditures on its Fiscal Operations Report and Application to Participate (FISAP) for the ____ award year.

Failure to maintain adequate expenditure records could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 674.19(d)(3), Federal Perkins Loan Program, December 1, 1987

34 CFR 675.19(b)(3), Federal Work-Study Program, December 1, 1987 34 CFR 676.19(b)(5), Federal Supplemental Opportunity Grant Program, December 1, 1987

REQUIREMENT:

To receive funds from the U.S. Department of Education campus-based programs, an institution must submit a FISAP for each award year and the information reported must be accurate and verifiable.

The institution must reconcile the _____ award year (Federal Perkins Loan, Federal SEOG, and/or Federal Work Study) expenditures. The results of the reconciliation must be provided with the response to this report. If necessary, further instructions will be provided based on our review of the reconciliation.

Also, the institution must develop procedures to reconcile its expenditures on at least a monthly basis. These procedures must also be submitted with the institution's response.

FIS 3130 EXPENDITURE REPORTS LATE

FINDING: EXPENDITURE REPORTS LATE

The institution has not submitted its Department of Education Payment Management System Federal Cash Transaction Report (EDPMS 272) due_____.

Failure to timely submit Title IV reports could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.23, General Provisions, April 29, 1994

Recipient's Guide for the Department of Education Payment Management System (EDPMS), pages 22-24, October 1993

REQUIREMENT:

As a recipient of a grant award authorization or contract from the Department of Education, the institution is required to report its cash disbursements (expenditures) using the EDPMS 272 report. Most recipients are required to report on a quarterly basis; however, some are required to report monthly.

If the institution falls into the category of submitting quarterly reports, it must complete the EDPMS 272 mailed to the business office and return it to the Program Financing Branch of the Department of Education by the date specified in the transmittal letter.

If the institution reports its expenditures on a monthly basis, it will use the Monthly Electronic Expenditure Reporting System (MEERS) to send the EDPMS 272 report electronically to EDPMS. The timeframe for submitting the EDPMS 272 electronically is found on page 24 of the above-referenced EDPMS Recipient's Guide.

The institution must establish procedures to assure that all EDPMS 272 reports are prepared and submitted in a timely manner. A copy of these procedures must be sent with the response to this report. Finally, the institution must complete the EDPMS 272 Report and submit it to Financial Management Services.

FIS 3131 INSTITUTION DID NOT RECEIVE FINAL EXPENDITURE REPORT FROM DEPARTMENT

(This code not in the Guide – Generic Paragraph Not Developed)

FIS 3140 FAILURE TO COORDINATE AID-FEDERAL/NON-FEDERAL (formerly FAILURE TO COORDINATE ALL STUDENT FINANCIAL AID)

FINDING: FAILURE TO COORDINATE AID-FEDERAL/NON-FEDERAL

The institution failed to coordinate all student financial assistance funds received by student #'s _____. Consequently, these students were awarded Title IV financial assistance in excess of need.

An institution's failure to coordinate all student financial assistance may cause ineligible Title IV funds to be disbursed, which deprives other eligible, needy students of those funds and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 668.7, General Provisions, December 1, 1987, amended March 16, 1994

34 CFR 668.14(a)(b)(c), General Provisions, December 1, 1987

34 CFR 668.16(b), General Provisions, April 29, 1994

REQUIREMENT:

An institution is required to appoint a coordinating official for all federal and non-federal financial aid programs. The institution's administration must be coordinated in such a way that all information it receives concerning a student's financial aid eligibility, from any school office, is communicated to the financial aid administrator. To properly package and most effectively use the various types of student assistance, a financial aid administrator must be aware of all sources of aid at the school and be able to coordinate with all financial aid programs a school offers to ensure that a student's aid does not exceed his or her need.

The institution must review the files of all students enrolled during the ____ award year(s) to determine if, as a result of the failure to coordinate aid: (1) any non-matriculated or otherwise ineligible students received Title IV aid; and (2) any students received aid in excess of need or annual award limits. The school must report any deficiencies found as a result of the review in the following format:

1. Student's Name and Social Security Number
2. Aid Disbursed to Ineligible Students By Program (for FFEL, report amount certified) and Award Year
3. Aid Received in Excess of Need/Annual Limits (by Program)

The institution must also develop a system which ensures that all aid processed is coordinated between the offices involved. A written description of this system must be submitted with the response to this report. Instructions for repayment of any determined liability will be provided in the Final Program Review Determination letter.

FIS 3150 FIDELITY BOND UNAVAILABLE

(This code not in the Guide – Generic Paragraph Not Developed)

FIS 3160 INTEREST EARNED ON FEDERAL FUNDS NOT RETURNED TO ED

FINDING: INTEREST EARNED ON FEDERAL FUNDS NOT RETURNED TO ED

The institution failed to report interest earned on federal funds held in an interest-bearing account. According to institutional records, funds in this account have accrued interest for the period ____ through ____.

Failure to report interest earned on federal funds causes a loss to the government in interest expense and results in the institution receiving funds for which it is not entitled.

REFERENCE:

34 CFR 668.16, General Provisions, December 1, 1987

34 CFR 675.17, Federal Work-Study Program, December 1, 1987

34 CFR 676.17, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987

34 CFR 690.81(c), Federal Pell Grant Program, March 15, 1985

REQUIREMENT:

If the institution receives federal funds through the advance payment method, and retains those funds in interest-bearing accounts, it must return the interest earned to the Department at least quarterly, unless federal statute provides otherwise.

Institutions are required to hold Title IV monies received in trust for the intended student beneficiaries and may not use or hypothecate these funds for any other purpose. Therefore, interest earned on Title IV program monies must be returned to the Department.

To resolve this finding, the institution must reimburse the Department ____ for the interest earned during the award year(s) plus any additional interest earned up to 30 days, or, the end of the month after the date of the final

summary letter to the institution. Instructions for repayment of the determined amount will be provided in the Final Program Review Determination letter.

In the future, interest earned on federal funds must be reported on EDPMS 272 Quarterly Reports, on the line so designated. Attached to each report, the school must submit a check, made payable to the U.S. Department of Education, for the interest earned in that quarter. The check should be labeled with the institution's EIN number and the notation that it represents return of interest earned.

FIS 3170 IMPROPER TRANSFER OF FEDERAL FUNDS

FINDING: IMPROPER TRANSFER OF FEDERAL FUNDS

The institution transfers Title IV funds from its federal account to its operating account without properly identifying the student recipients of the funds which were transferred.

The practice of transferring Title IV, HEA funds is an essential part of the fiduciary responsibility of the institution. Failure to properly transfer federal funds constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

- 34 CFR 668.14(b)(1), General Provisions, April 29, 1994
- 34 CFR 668.16, General Provisions, December 1, 1987
- 34 CFR 674.19(b)(5), Federal Perkins Loan Program, December 1, 1987
- 34 CFR 690.81, Federal Pell Grant Program, March 15, 1985
- 34 CFR 682.604(d)(1), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

Program regulations require institutions to disburse funds to students by check or by crediting the student's account. The institution as a trustee of federal funds may not use or hypothecate federal funds for any purpose other than the intended student beneficiary. Since the institution transfers federal funds to its operating account prior to the regulatory defined "disbursement" to the student, a hypothecation has occurred.

Therefore, the institution must develop procedures to ensure that the crediting of student accounts and the transfer of federal funds to institutional funds is accomplished in the proper sequence. A copy of these procedures must be submitted with your response to this program review report.

A recurrence of this finding in a future audit or program review may result in administrative action.

FIS 3171 IMPROPER STUDENT ACCOUNT CREDIT BALANCES (formerly IMPROPER/UNAUTHORIZED RETENTION OF STUDENT CREDIT BALANCES)

FINDING: IMPROPER STUDENT ACCOUNT CREDIT BALANCES

The institution improperly retained Title IV funds in excess of student #'s charges after the student(s) had graduated from school.

For example, student #__ received a \$___ Federal _____ disbursement on (date). The disbursement resulted in a \$___ credit balance on the student's account. The student graduated on (date), however, the student's account ledger still showed a \$___ credit balance as of the date of the program review. Additional examples follow:

<u>Student #</u>	<u>Amount/Date of Credit Balance</u>	<u>Federal Program</u>	<u>Graduation Date</u>
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Withholding student credit balances results in the institution receiving funding to which it is not entitled and causes needy students to be deprived of Title IV funds.

REFERENCE:

- 34 CFR 668.12(b), General Provisions, December 1, 1987
- 34 CFR 668.14 and 668.16, General Provisions, April 29, 1994
- 34 CFR 674.17, Federal Perkins Loan Program, December 1, 1987
- 34 CFR 676.17, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
- 34 CFR 682.604, Federal Family Education Loan Program, December 18, 1992, amended May 17, 1994 and June 28, 1994
- 34 CFR 690.78, Federal Pell Grant Program, March 15, 1985, amended October 14, 1987 and November 6, 1991

REQUIREMENT:

Title IV funds received by the institution must be used for educational costs incurred by the student. If the student's direct charges at the school are paid, excess funds must be promptly delivered to the student for indirect costs. An institution may secure the student's written permission to retain funds for budgeting purposes. However, there should be no funds held after a student has graduated/withdrawn from school.

Funds are held in trust for the intended student beneficiaries and the Secretary. Funds may not be used or hypothecated (i.e., serve as collateral) for any other purpose.

The institution must return any excess funds to the student(s) noted in this finding, and provide this office with documentation of the disbursements to the student(s).

The institution must also review the accounts of all students who enrolled at the institution in the ____ award year(s) to identify any excess funds resulting from Title IV disbursements that were held on students' accounts after they had graduated or withdrawn from school. The institution must immediately disburse the excess funds to the students. For students who are no longer enrolled, the institution must document its efforts to locate these individuals and disburse the credit balances. Certified mail receipts will be considered adequate documentation. Copies of these receipts must be forwarded to this office. Funds which cannot be returned to students must be repaid to the Department. This office will provide instructions for the disposition of funds if a student(s) does not negotiate the disbursement check.

Also, in response to this finding, the institution must provide a report which identifies all late disbursements of excess funds to students in the following format:

1. Student's Name
2. Social Security Number
3. Amount of Disbursement and Title IV program which Caused the Excess Funds
4. Amount of Credit Balance caused by the Disbursement
5. Graduation Date
6. Date Disbursement Sent to Student, if any
7. Date Check Negotiated by Student, if any

The institution must provide a cumulative total of all funds which cannot be disbursed to students by program and award year. Due to the serious nature of this finding, an informal fine may be proposed. Payment instructions for any fine and repayment instructions for funds which cannot be disbursed, if any, will be provided in the Final Program Review Determination letter.

The institution must also institute procedures to ensure that credits on students' accounts are identified and refunded in a timely manner. A description of the procedures developed must be submitted with the institution's response to this finding. If a recurrence of this finding appears in a future audit or program review report, the institution may be subject to administrative action.

FIS 3172 EARLY PAYMENT/CREDIT OF TITLE IV FUNDS EXCEEDED

(This code not in the Guide – Generic Paragraph Not Developed)

FIS 3180 FAILURE TO MEET FACTORS OF FINANCIAL RESPONSIBILITY

(This code not in the Guide – Generic Paragraph Not Developed)

FEDERAL PELL GRANT DEFICIENCY CODES

PELL 4000 ACCOUNT CREDITED WITHOUT STUDENT'S PERMISSION

FINDING: **FEDERAL PELL GRANT ACCOUNT CREDITED WITHOUT STUDENT'S PERMISSION**

The institution does not have a procedure for obtaining the required permission from the student to apply Federal Pell Grant funds toward other charges.

REFERENCE:

34 CFR 690.78(a), Federal Pell Grant Program, October 14, 1987

REQUIREMENT:

The amount of Federal Pell Grant funds which an institution may disburse by crediting a student's account is limited to the amount required for the payment of tuition and fees and, if the student contracted with the institution, for room and board. The student may, at his or her option, give written permission to have the institution credit his or her account for goods and services provided by the institution.

The institution must develop a procedure to comply with this regulation. A description of this newly-developed procedure must be provided in response to this report.

PELL 4010 IMPROPER DISBURSEMENT-STUDENT SUBMITTED SAR/ESAR WITH INCORRECT INFORMATION

(This code not in the Guide – Generic Paragraph Not Developed)

PELL 4020 PELL-IMPROPER DISBURSEMENT-PAYMENT AFTER STUDENT WITHDRAWAL

(This code not in the Guide – Generic Paragraph Not Developed)

PELL 4030 IMPROPER DISBURSEMENT-FEDERAL PELL NOT MADE IN MULTI/EQUAL PAYMENTS

FINDING: **IMPROPER DISBURSEMENT - FEDERAL PELL NOT MADE IN MULTI/EQUAL PAYMENTS**

The institution disbursed the entire Federal Pell Grant award at the beginning of the _____ award year for student #'s _____.

An institution that fails to make multiple disbursements of Federal Pell Grant funds creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 690.63, Federal Pell Grant Program, March 15, 1985, amended November 6, 1991

REQUIREMENT:

Federal regulations require an institution to make multiple disbursements within a term, if that term is longer than half the academic year. If the program does not have academic terms, the length of the payment period must be determined before calculating the payment. However, the student may not be paid a Federal Pell Grant for a subsequent payment period until the student has completed all the clock or credit hours in the first payment period.

The institution must provide documentation that the above-referenced students have completed the payment periods for which they have been paid. If unable to provide this documentation, the institution will be liable for all Federal Pell disbursements made for uncompleted payment periods.

(DEPENDING ON THE SEVERITY OF PROBLEM -- REQUIRE FILE REVIEW)

PELL 4040 IMPROPER DISBURSEMENT-FEDERAL PELL GRANT DISBURSED PRIOR TO MIDPOINT

FINDING: IMPROPER DISBURSEMENT--FEDERAL PELL GRANT DISBURSED PRIOR TO MIDPOINT

The institution disbursed second Federal Pell Grant disbursements to students who did not reach the midpoint of the program/academic year. Examples are:

<u>Student #</u>	<u>Improper Subsequent Disbursement</u>	<u># Credit/Clock Hours Disbursement Date</u>
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Improper disbursements could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 690.3(a)(2) and 690.75, Federal Pell Grant Program, March 15,1985, amended November 6, 1991

REQUIREMENT:

For a student whose educational program is at a non-term institution and its academic year is defined as _____ (# credit/# clock) hours:

- (1) The first payment period is the period of time in which the student completes the first half of his or her academic year in _____ (credit/clock) hours.
- (2) The second payment period is the period of time in which the student completes the second half of the academic year in _____ (credit/clock) hours.

In a non-term program, if a student's progress is measured in _____ (credit/clock) hours, a student may not be paid for a subsequent payment period until the student finishes the hours of the payment period for which the student has already been paid.

If a student is paid prior to completing the required hours, but later goes on to complete the hours, no liability exists; however, a fine may be proposed for the institution's non-compliance with regulations. If a student receives the second or subsequent payment early and leaves the institution prior to attaining the required hours, the institution is liable for that ineligible disbursement.

The institution must review all Federal Pell Grant awards for students who left the institution prior to the completion of their program in the _____ award year(s), to identify any payments made to a student for a payment period that the student did not reach. Those payments will be considered an institutional liability.

The institution must submit a written report of this review which lists the following information for all students who withdrew:

1. Student Name
2. Social Security Number
3. Credit/Clock Hours Completed at the Time of Withdrawal
4. Federal Pell Grant Disbursements
5. Federal Pell Grant Amounts not Earned (amounts paid for payment periods the student did not attend).
6. Total of Federal Pell Grant Amounts not Earned (e) above

Instruction for repayment of any liabilities will be provided in the Final Program Review Determination letter.

Further, the institution must develop and submit with its response written internal procedures to ensure that second or subsequent Federal Pell Grant disbursements are not made prior to the midpoint in terms of _____ (credit/clock) hours.

PELL 4050 IMPROPER DISBURSEMENT-STUDENT SUBMITTED FEDERAL PELL GRANT SAR AFTER JUNE 30 DEADLINE DATE

FINDING: **IMPROPER DISBURSEMENT -- STUDENT SUBMITTED FEDERAL PELL GRANT SAR AFTER JUNE 30 DEADLINE DATE**

Student # ____ submitted his/her Student Aid Report (SAR) or federal output document and signed certification document after June 30 of the _____ award year(s). Federal Pell Grant funds were disbursed to this student.

An institution that disburses Federal Pell Grant funds to an ineligible student results in the institution receiving funding to which it is not entitled and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 690.61(b), Federal Pell Grant Program, November 28, 1986, amended November 6, 1991

REQUIREMENT:

A student must submit the relevant parts of the SAR or valid output document and signed statement to the institution by the end of the award year or by the last day the student is enrolled and eligible for payment, whichever comes first. The end of the award year is June 30, but if June 30 falls on a weekend or holiday, the deadline is the next working day after June 30.

The above deadline date is extended for students undergoing verification. The verification extension allows the institution to accept a student's verified SAR or federal output document and signed statement 60 days after the student's last date of enrollment. However, the extension may not go beyond August 30 following the end of the award year and the institution must have already received the SAR or federal output document with an eligible Expected Family Contribution(EFC) while the student was enrolled and eligible for payment.

The institution will be held liable for all Federal Pell Grant funds disbursed to the above-referenced students who did not submit the required documents within the required timeframe. Repayment instructions will be forthcoming in the Final Program Review Determination letter. **(Delete this sentence if the following file review paragraph is used).**

(USE IF FILE REVIEW NECESSARY)

In addition, the institution is required to review the files of all students for which a Federal Pell Grant was paid from _____ to _____, **(insert award years or period of time to be reviewed)** to determine those students who did not timely submit a valid output document for payment.

The institution must provide the following information in spreadsheet format:

1. Student's Name and Social Security Number
2. Date valid SAR or output document received
3. Award Year
4. Amount of Federal Pell Grant disbursed

All funds improperly disbursed to any student will become an institutional liability. Repayment instructions will be forthcoming in the Final Program Review Determination letter.

PELL 4060 IMPROPER FEDERAL PELL AWARDS TO TRANSFER STUDENTS

FINDING: IMPROPER FEDERAL PELL AWARDS TO TRANSFER STUDENTS

ABC institution incorrectly calculated and disbursed Federal Pell Grant funds to the following transfer students:

Student #__'s scheduled award was _____. Although the previously attended institution had disbursed \$_____ in Federal Pell Grant funds, ABC institution disbursed \$_____ in Federal Pell Grant funds, thus causing an overaward of \$_____.

The improper disbursement of Federal Pell Grant funds to transfer students constitutes an inability by the institution to properly administer that program and causes increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.19, General Provisions, December 1, 1987, amended August 30, 1988 and June 8, 1993

34 CFR 690.65, Federal Pell Grant Program, March 15, 1985, amended November 28, 1986

REQUIREMENT:

If a student who receives a Federal Pell Grant at one institution subsequently enrolls at a second institution within the same award year, the student must submit a SAR/ESAR to the second institution to receive payment at the second institution. The institution must follow the procedure regarding transfer students set forth in 34 CFR 668.19.

The second institution may pay a Federal Pell Grant for only that portion of the award year in which a student is enrolled at that institution. The grant amount must be adjusted if necessary to ensure that the grant does not exceed the student's scheduled Federal Pell Grant for that award year.

The institution must review and submit information for the ___ award year(s) for each transfer student who received a Federal Pell Grant at the institution. This report must include:

1. Student Name
2. Social Security Number
3. Award Year
4. Federal Pell Grant Disbursed
5. Federal Pell Grant Disbursed at Other Institution
6. Scheduled Award
7. Overaward

In its response, the institution must assure this office that, in the future, Federal Pell Grants will be disbursed according to regulations.

The institution will be liable for that portion of the disbursement which caused an overaward. Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

PELL 4070 IMPROPER FEDERAL PELL GRANT BUDGET/COST OF ATTENDANCE (formerly IMPROPER STUDENT BUDGET/COST OF ATTENDANCE)

FINDING: **FEDERAL PELL GRANT - IMPROPER STUDENT BUDGET/COST OF ATTENDANCE**

The institution did not properly figure the (**insert appropriate award year**) Federal Pell Grant cost of attendance (COA) for student #'s _____. The school (Describe specific situation; i.e. did not prorate tuition and fees, used an amount which exceeds the maximum allowance for living expenses) when determining student budgets.

An institution's failure to properly calculate student budgets creates a financial burden for the U.S. Department of Education.

REFERENCE:

Higher Education Amendments of 1992, Public Law 102-325, Section 471, Part F, July 23, 1992

REQUIREMENT:

The cost of attendance is an estimate of the student's educational expenses for the year. The Federal Pell Grant COA is restricted to four components:

1. Tuition and fees. For full-time students, a school may use either the actual or the average amount charged for tuition and fees for a full academic year. If students are paid based on their enrollment status, the average tuition for full-time students must be used to figure the COA for part-time students. If tuition and fees are charged to the student for the entire program (as opposed to per term), and the program is longer or shorter than an academic year, the charges must be prorated, using the formula in the 1992/93 (**or 1993/94**) Federal Student Financial Aid Handbook (SFA), Chapter 4, to establish the student's cost for one full academic year.
2. A limited allowance for living expenses (room and board, books, supplies, transportation, and miscellaneous expenses). For the 1992/93 award year, the allowance may not exceed \$1,800 (**Effective 7/01/93 - allowance of not less than \$1,500**) for a student who has no dependents and who lives at home with his or her parents while going to school. For all other students, including those living on campus, the allowance for living expenses may not exceed \$2,400 (**Effective 7/01/93 - allowance of not less than \$2,500**).
3. A limited allowance for child care expenses. The law includes an allowance, not to exceed a total of \$1,000, for child care expenses for **all** of the student's dependent children. The allowance can be included if the child care is necessary to enable the student to go to school. A "child" is defined as a boy or girl who is too young to take care of him or herself without supervision (generally, 12 years or younger). (**Effective 7/01/93 - an allowance based on the estimated actual expenses incurred for dependent care based on the number and age of such dependents, not to exceed the reasonable cost in the community for the kind of care provided**)
4. Disability-related expenses. An allowance should also be included for the costs of special services and equipment for a disabled student to attend school. The financial aid administrator should base the allowance on the costs of that student. There is no fixed limit to the allowance for educational expenses related to a disability. However, costs for services or equipment provided free of charge by other assisting agencies may not be included as a component of the student budget.
5. Study abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.
6. For student placed in a work experience under a cooperative education program, an allowance for reasonable costs associated with such employment.

The institution must review all student files for the _____ award year(s) for whom improper COA's were used to award Federal Pell Grants. The institution must submit a report of its review in the following format:

1. Student's Name
2. Social Security Number
3. Award Year
4. Original Federal Pell Grant COA and Award
5. Recalculated Federal Pell Grant COA and Award
6. Federal Pell Grant Overpayment or Underpayment

Instructions for repayments, if any, will be provided in the Final Program Review Determination letter.

Further, the institution must assure this office that each student's Federal Pell Grant COA will be correctly calculated and properly used to determine Title IV eligibility.

PELL 4080 PELL-INELIGIBLE PELL DISBURSEMENT (formerly IMPROPER FEDERAL PELL DISBURSEMENTS)

FINDING: INELIGIBLE PELL DISBURSEMENT

(This is a broad finding; it must be tailored to fit specific situations at each institution.)

Student # ____ certified that he/she received a baccalaureate degree at a foreign institution. _____ (school) did not request that the student's foreign baccalaureate degree be evaluated to determine the equivalency of the foreign degree. The institution awarded and disbursed a Federal Pell Grant to Student # ____.

Student # ____ certified that he/she is a college graduate of (institution received degree from and degree received) on the (school's) financial aid application form. The institution nevertheless disbursed a Federal Pell grant to Student # ____.

By disbursing ineligible funds to students, the institution may deprive other eligible students of need-based funds a create a financial burden for the U.S. Department of Education.

or

An institution that fails to establish a student's eligibility for Title IV, HEA funds deprives other needy students of funds and crates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 690.2(c), Pell Grant Program, General Definitions
34 CFR 690.6, Pell Grant Program, Duration of Student Eligibility

REQUIREMENT:

A student is eligible to receive a Federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study.

The institution must procure a determination of the equivalency of a student's baccalaureate degree. If the determination reveals that the student's degree is equivalent to the baccalaureate degree in the United States, the institution will be liable for Federal Pell Grant funds disbursed to the student.

The institution must list ineligible Federal Pell Grant disbursements made to student(s). Instructions for the repayment of ineligible Federal Pell Grant funds will be provided in the final program review determination letter (FPRDL).

PELL 4090 PELL-IMPROPER DISBURSEMENT/WITHOUT VALID SAR/ESAR

(Generic Paragraph Not Developed)

PELL 4100 INCORRECT FEDERAL PELL GRANT AWARDS ACROSS ACADEMIC YEARS

FINDING: INCORRECT FEDERAL PELL GRANT AWARDS ACROSS ACADEMIC YEARS

The institution incorrectly determined the Federal Pell Grant award for student(s) #_ whose payment period crossed two award years. The first payment period consisted of _ months, of which _ months fell in the ___ award year and the last half month crossed into the ___ award year. However, the institution paid the student's Federal Pell Grant award from award year funds.

REFERENCE:

34 CFR 690.64, Federal Pell Grant Program, March 15, 1985, amended November 6, 1991

REQUIREMENT:

If a student enrolls in a payment period which is scheduled to occur in two award years the entire payment period must be considered to occur within one award year. An institution must determine, for each Federal Pell Grant recipient, the award year in which the payment period will be placed. The institution must place a payment period with more than six months scheduled to occur within one award year in that award year.

An institution may not make a payment which will result in the student receiving more than his or her Scheduled Federal Pell Grant for an award year.

If an eligible program uses academic terms and offers a series of mini-sessions which occurs in two award years, the combined sessions must be treated as one term. A student may not receive more than one term's award for completing any combination of these mini-sessions.

Because the institution has a valid ___ (past) award year Student Aid Report (SAR) on file for the student(s), it may make the payment from that award year and reverse the charges to the ___ (current award year) Federal Pell Grant account.

The proper adjustments must be made to the Payment Documents and in the institution's accounting records. Copies of those payment documents and documentation showing the adjustment in accounting records must be provided with the response to this report.

PELL 4110 INCORRECT FEDERAL PELL GRANT CALCULATION/CLOCK HOUR OR INSTITUTION WITHOUT FIXED TERMS

FINDING: INCORRECT FEDERAL PELL GRANT CALCULATION/CLOCK HOUR OR INSTITUTION WITHOUT FIXED TERMS

The institution failed to properly calculate student #'s _____ Federal Pell Grant for the _____ award year(s). Specifically, the institution _____. The student received \$_____ in Federal Pell Grant funds instead of the correct amount of \$_____.

Failure to properly calculate Federal Pell Grant awards for its students results in the institution receiving funds to which it is not entitled and causes increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 690.63(c), Federal Pell Grant Program, March 15, 1985, amended November 6, 1991

REQUIREMENT:

An institution without fixed terms must first find the length of the payment periods before a student's Federal Pell Grant can be calculated. Once the payment period has been determined, the institution must multiply the student's Scheduled Award by the hours in the payment period, divided by the hours in the academic year. A student can receive only one Scheduled Award in an award year.

In a program without academic terms, the payment period does not end until the student has completed all of the work paid for in the first payment period. Each subsequent payment period begins only when the previous one ends. A student may not be paid a Federal Pell Grant for that subsequent payment period until the student has completed all of the clock or credit hours in the first payment period.

In addition to the above students, the institution must recalculate Federal Pell Grant awards for all students for the _____ award year(s) to determine the extent of any further overawards which occurred due to the institution's improper calculations. The institution must provide this office with a report of its review in the following format:

1. Student's Name and Social Security Number
2. Award Year
3. Federal Pell Grant Disbursed
4. Recalculated Federal Pell Grant
5. Overaward

Repayment instructions for any determined liability will be provided in the Final Program Review Determination letter.

PELL 4120 PELL-INSTITUTION SUBMITTED SARS AFTER DECEMBER 31 DEADLINE DATE

(Generic Paragraph Not Developed)

PELL 4130 PELL-OVERPAYMENT/UNDERPAYMENT

(Generic Paragraph Not Developed)

PELL 4131 PAYMENT VOUCHERS-FAILURE TO MAKE ADJUSTMENTS (formerly FAILURE TO MAKE ADJUSTMENTS TO PAYMENT VOUCHERS)

FINDING: PAYMENT VOUCHERS -FAILURE TO MAKE ADJUSTMENTS

(If expenditures exceed program authorization level use FIS 3070)

The institution failed to make adjustments to payment vouchers for student #(s)___ whose Federal Pell Grant amounts changed during the award year.

Inaccurate reporting could result in the institution receiving funding to which it is not entitled and cause increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 690.83, Federal Pell Grant Program, March 15, 1985, amended November 6, 1991 and June 25, 1992

Dear Colleague Letter P-93-5, November 1993

REQUIREMENT:

The institution must resolve this finding by following the guidance in the references cited above. Upon receipt, the institution must submit a copy of the (award year) Statement of Account showing the revised award amount.

The institution must also report its actual (award year) total disbursement amount in its next EDPMS 272 report. This amount must agree with the total awards submitted by the institution as of the September 30, 199_ deadline, minus the post-deadline award adjustments.

In response to this report, the institution must submit a copy of the EDPMS 272 report that reflects the total disbursement amount for the _____ award year that was originally reported as of the September 30, 199_ deadline and a copy of the EDPMS 272 report for the next reporting period reflecting the total of all of the adjustments made after the close of the _____ award year. Please provide clarification for any post-deadline award adjustments.

The institution is reminded that it must submit Payment Vouchers, for those students whose awards have changed, by the end of the reporting period immediately following the period in which the change occurs. Institutions that do not submit required reports or do not submit them timely, or institutions that submit incomplete/inaccurate reports may be subject to administrative action. This office may propose an informal fine for the institution's non-compliance. Payment instructions, if any, will be provided in the Final Program Review Determination letter.

PELL 4140 PART-TIME FEDERAL PELL GRANT AWARD INCORRECTLY PRORATED

FINDING: PART-TIME FEDERAL PELL GRANT AWARD INCORRECTLY PRORATED

The institution failed to properly prorate the Federal Pell Grant award for student # __ who was attending the institution on a half-time basis for the period of enrollment _____. The institution incorrectly disbursed the full-time scheduled award.

The institution's failure to properly prorate a student's part-time Federal Pell Grant award results in the institution receiving funding to which it is not entitled and causes increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 690.63, Federal Pell Grant Program, March 5, 1985, amended November 6, 1991
1992/93 and 1993/94 Federal Student Financial Aid Handbook, Chapter 4, Section 2

REQUIREMENT:

If an institution uses credit hours and academic terms to measure a student's progress, then the student's enrollment status (full-time, three-quarter time, half-time or, effective on or after July 1, 1993, less than half-time) is used to calculate the amount of the student's Federal Pell Grant payment. A school may use its own standard for enrollment status, provided the standard meets the minimum requirements defined in regulations.

If enrolled full-time, the student's award is the Scheduled Award that is found on the full-time Payment Schedule. If the student is enrolled part-time, the award is taken from the three-quarter time, half-time or, effective July 1, 1993, less than half-time Disbursement Schedules, as appropriate.

A part-time student will have remaining eligibility and can be paid if the student attends any additional terms in the award year. The student may be paid up to the amount of the Scheduled Award.

If a student's enrollment status changes from one term to the next, the institution must recalculate the Federal Pell Grant using the new enrollment status. If the student's enrollment status changes within a term, the institution may have to recalculate the student's award under certain circumstances (1992/93 SFA Handbook, Section 5).

The institution must repay the Department for the amount of the Federal Pell Grant for which the student was not eligible. Repayment instructions for the ineligible overpayment of \$_____ will be provided in the Final Program Review Determination letter. Also, in its response, the institution must assure this office that, in the future, it will correctly prorate Federal Pell Grants.

PELL 4141 FEDERAL PELL GRANTS AWARDED TO LESS THAN HALF-TIME STUDENTS

(This code not in the Guide – Generic Paragraph Not Developed)

PELL 4150 PAYMENT SCHEDULE INCORRECT/USED INCORRECTLY

(This code not in the Guide – Generic Paragraph Not Developed)

PELL 4160 SAI INCORRECTLY CALCULATED

(This code not in the Guide – Generic Paragraph Not Developed)

PELL 4170 SARS MAILED TO INSTITUTION

(This code not in the Guide – Generic Paragraph Not Developed)

PELL 4180 SAR/ESAR NOT SIGNED

FINDING: STUDENT AID REPORT(SAR)/ELECTRONIC STUDENT AID REPORT(ESAR) NOT SIGNED

The institution disbursed Federal Pell Grant funds to student #'s _____ for the _____ award year(s) without receiving a signed SAR/ESAR prior to the students last day of attendance.

Failure to obtain a valid SAR/ESAR prior to disbursement of Federal Pell Grant funds constitutes an inability by the institution to properly administer the Federal Pell Grant Program.

REFERENCE:

34 CFR 690.2(c), Federal Pell Grant Program, November 6, 1991
34 CFR 690.77, Federal Pell Grant Program, October 14, 1987, amended November 6, 1991

REQUIREMENT:

In order to pay a student a Federal Pell Grant award, an institution must receive a valid SAR/ESAR while the student is still enrolled and eligible for payment, except as noted in 690.77 of the current Title IV, HEA regulations.

Additionally, if the SAR is submitted for corrections the student and spouse (if student is married), or student and at least one parent (if student is dependent) must sign the correction statement on Part 2 of the SAR. If the CPS output document (ESAR, paper roster, or tape/cartridge) is processed with corrections, the student and spouse or student and at least one parent must sign a statement that the data is accurate.

For any of the above-referenced students still enrolled, the institution may obtain the student's or the student's spouse and/or parent's signatures on the SAR/ESAR and forward copies with the response to this report. The institution will be held liable for those cases where the student is no longer enrolled, or where the institution cannot obtain the appropriate signatures.

(USE IF FILE REVIEW NECESSARY)

The institution is required to review all files for which a Federal Pell Grant was paid from _____ to _____ **(insert award years or period of time to be reviewed)** to determine the extent which Federal Pell Grant funds were disbursed without signed SARs/ESARs.

For any student still enrolled, the institution may obtain the student's or the student's spouse and/or parent's signatures on the SAR/ESAR and forward copies with the response to this report. For those cases where the student is no longer enrolled, or where the institution cannot obtain the appropriate signatures, the institution must provide the following information in spreadsheet format:

1. Student's Name and Social Security Number
2. Amount of Federal Pell Grant Disbursed
3. Award Year

Repayment instructions will be forthcoming in the Final Program Review Determination letter, if necessary.

PELL 4190 STUDENT COPY OF SAR NOT GIVEN TO STUDENT

(This code not in the Guide – Generic Paragraph Not Developed)

FEDERAL FAMILY EDUCATIONAL LOAN DEFICIENCY CODES

FEEL 5000 GSL-COMMISSIONED SALESPERSON PROMOTING PROGRAM/ PROVIDING APPLICATIONS (formerly COMISSION/BONUS/INCENTIVE PAID FOR SECURING ADMISSIONS)
(Generic Paragraph Not Developed)

FFEL 5010 FFEL COST OF ATTENDANCE ADJUSTMENTS NOT DOCUMENTED
(This code not in the Guide)

FINDING: FFEL COST OF ATTENDANCE ADJUSTMENTS NOT DOCUMENTED

The Federal Family Education Loan (FFEL) cost of attendance (COA) developed for students in the group sampled does not conform with the standardized budget categories developed by the institution. There was no documentation to justify the adjustments to COAs for student #'s _____.

Failure to document adjustments to a student's COA could cause a student to receive loan proceeds to which he/she is not entitled, creates a financial burden for the U.S. Department of Education, and constitutes an inability by the institution to properly administer the FFEL Program.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 471, July 23, 1992
34 CFR 682.200(b), 682.603(b), and 682.610(b), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

An institution may use professional judgement to adjust COA for the FFEL Program, on an individual basis, to allow for special circumstances. Such adjustments must be documented in each student's file.

The institution must recalculate the financial need for the above-listed students using the correct COA identified by institutional policy. The recalculations must be submitted with the institution's response to this report. The institution will be held liable for any overpayment of Title IV funds.

(For file reconstruction)

The institution must review all student files for the _____ award year(s). Any COAs which were changed without the required documentation must be revised and corresponding awards adjusted. A report detailing the results of the institution's review must be submitted to this office in the following format:

1. Student's Name
2. Social Security Number
3. Cost of Attendance
4. Family Contribution Used
5. Financial Need
6. Correct Family Contribution (per need analysis)
7. Correct Financial Need
8. Amount of Aid Disbursed By Program
9. Amount of Aid Incorrectly Disbursed, by program and award year

Instructions for repayment of any liability will be forwarded in the Final Program Review Determination letter.

FFEL 5020 FFEL COST OF ATTENDANCE NOT DOCUMENTED

(This code not in the Guide)

FINDING: FFEL COST OF ATTENDANCE NOT DOCUMENTED

The data used to construct individual Federal Family Education Loan (FFEL) student cost of attendance (COA) budgets was not maintained in student #'s _____ file.

Failure to maintain documentation of individual FFEL student COA budgets constitutes an inability by the institution to properly administer the FFEL Program.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 471, July 23, 1992
34 CFR 682.200(b), 682.603(b), and 682.610(b), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

An institution is required to maintain data used to construct an individual student budget or its itemized standard budget used in calculating the student's estimated COA for a loan period. The COA is an estimate of the student's educational expenses for the award year. The COA for the FFEL Program is comprised of tuition and fees; a minimum standard allowance for room and board; books, supplies, transportation and miscellaneous personal expenses; dependant care; and handicap-related expenses.

With its response to this report, the institution must provide documentation of the individual COA calculation(s) for the above-reference student(s). The institution will be held liable for any overpayment of Title IV funds. Instructions for repayment of any liability will be forwarded in the Final Program Review Determination letter.

FFEL 5021 FFEL COST OF ATTENDANCE INCORRECT ON APPLICATION

(This code not in the Guide)

FINDING: COST OF ATTENDANCE INCORRECT OF FFEL APPLICATION

The institution was using costs associated with a (i.e. nine or eleven) month loan period for loans certified for a (i.e. three or five) month period of time for student #'s _____.

Failure to correctly certify a student's COA on the Federal Family Education Loan Program (FFEL) application could cause a student to receive loan proceeds to which he/she is not entitled; creates a financial burden for the U.S. Department of Education; and constitutes an inability by the institution to properly administer the FFEL Program.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 471, July 23, 1992
34 CFR 682.200(b), 682.603(b), and 682.610(b), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

When packaging financial aid for students enrolled for periods that are more or less than nine months, the student's COA must be based on the correct number of months in the period of enrollment for the loan period.

The institution must recalculate the loan eligibility for the above-referenced students using the correct COA for the loan period. The recalculations must be submitted with the institution's response to this report. If the institution certified a loan for a larger amount than that for which the student was eligible, the institution will be liable for the difference between the loan amount certified and the loan amount to which the student was entitled. Instructions for the repayment of any liability will be forwarded in the Final Program Review Determination Letter.

FFEL 5022 FFEL COST OF ATTENDANCE-INCORRECT TUITION & FEE COMPONENT

(This code not in the Guide)

FINDING: FFEL COST OF ATTENDANCE - INCORRECT TUITION AND FEE COMPONENT

The institution prorated the tuition and fee costs between two academic years when determining Federal Family Education Loan (FFEL) eligibility for each academic year for the following students:

<u>Student #</u>	<u>Loan Period/ Academic Year</u>	<u>COA - Tuition/Fee Component</u>
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Failure to use the correct tuition and fee components in determining students' cost of attendance (COA) for an academic year could cause students to receive loan proceeds to which he/she is not entitled; creates a financial burden for the U.S. Department of Education; and constitutes an inability by the institution to properly administer the FFEL Program.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 471, July 23, 1992
34 CFR 682.200(b), 682.603(b), and 682.610(b), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

The institution's estimate of a student's COA for the loan period should include costs incurred by the student for the period of enrollment for which the loan is sought. If the institution charges the full tuition and fees at the beginning of the course and considers them due for payment immediately, all tuition and fees must be included in the first loan period. There would be no tuition and fee component in the COA for the second FFEL.

The institution must recalculate the above-listed student's eligibility for the second loan using the correct COA. The recalculations must be submitted with the institution's response to this report. Any overawards are an institutional liability. Instructions for repayment of any liability will be included in the Final Program Review Determination letter.

FFEL 5030 FFEL DEFAULT RATE EXCEEDS 20 PERCENT (formerly FFEL DEFAULT RATE OVER 20 PERCENT)

FINDING: FFEL PROGRAM DEFAULT RATE EXCEEDS 20 PERCENT

The institution's default rate for the Federal Family Education Loan (FFEL) Program is _____ percent. The Secretary considers a FFEL default rate in excess of 20 percent to be an indication of impaired administrative capability.

The high default rate indicates the institution's failure to properly administer the FFEL program. FFEL's that go into default status create increased expense for the U.S Department of Education.

REFERENCE:

34 CFR 668.15(a)(1), General Provisions, June 5, 1989, amended June 8, 1993
34 CFR 668.16(m) and 668.17, General Provisions, April 29, 1994

REQUIREMENT:

To begin and to continue to participate in any Title IV, HEA program, an institution must demonstrate to the Secretary that the institution is capable of adequately administering that program. The Secretary considers an institution to have that administrative capability if the institution has a cohort default rate on loans made under the Federal Stafford Loan (subsidized and unsubsidized) and Federal Supplemental Loans for Students (SLS) Programs of less than 25 percent for each of the three most recent fiscal years for which the Secretary has determined the institution's rate.

If the Federal Stafford Loan/Federal SLS cohort default rate for an institution exceeds 20 percent for any fiscal year, the Secretary notifies the institution of that rate and may, after consultation as the Secretary deems appropriate with cognizant guarantee agencies, take one or more of the actions as described in regulations.

The institution must immediately submit to this office a copy of its default management plan which was submitted to the Secretary, and a description of any additional steps it has taken to lower its FFEL default rate to an acceptable level.

FFEL 5040 FFEL DEFAULT MANAGEMENT PLAN NOT FULLY IMPLEMENTED/ IMPAIRED ADMINISTRATIVE CAPABILITY (formerly FFEL DEFAULT REDUCTION PLAN NOT IMPLEMENTED)

FINDING: **FFEL DEFAULT MANAGEMENT PLAN NOT FULLY IMPLEMENTED/ IMPAIRED ADMINISTRATIVE CAPABILITY**

The Department of Education notified the institution that, based on its _____ (insert year) Federal Family Education Loan (FFEL) cohort default rate of _____ percent, the school was required to implement an approved Default Management Plan (or **Appendix D, if applicable**).

The institution failed to implement all provisions of its default management plan (or **Appendix D, if applicable**). Specifically, the institution did not adhere to the plan in the following ways: (Specify the sections of the plan in which the school did not did not implement or did not fully implement.)

1. **i.e., The institution's default management plan states that, "its job placement program will be expanded." However, there is no job placement program in effect at the school.**
- 2.

Failure to implement all aspects of its default management plan constitutes an inability by the institution to properly administer the Title IV programs.

REFERENCE:

34 CFR 668.16(m) and 668.17, General Provisions, April 29, 1994
34 CFR 668 Appendix D, General Provisions, June 5, 1989, amended April 29, 1994

REQUIREMENT:

To begin and to continue to participate in any Title IV, HEA program, an institution must demonstrate to the Secretary that it is capable of adequately administering that program. The Secretary considers an institution to have that administrative capability if the institution has a cohort default rate, on loans made under the Federal Stafford Loan and Federal Supplemental Loan for Students (SLS) programs to students for attendance at that institution, of less than 25 percent for each of the three most recent fiscal years for which the Secretary has determined the institution's rate.

If the Federal Stafford Loan and Federal SLS cohort default rate for an institution exceeds 20 percent for any fiscal year, the Secretary notifies the institution of that rate and may, after consultation as the Secretary deems appropriate with cognizant guaranty agencies take one or more of the actions as specified in 34 CFR 668.17.

(Use this paragraph if the institution's default rate is greater than 20% but less than or equal to 40%)

If the Federal Stafford Loan and Federal SLS cohort default rate for an institution is greater than 20 percent but less than or equal to 40 percent, the institution must submit a default management plan that implements the measures described in Appendix D. An institution that wishes to submit a default management plan that deviates from the measures described in Appendix D must submit a justification for the deviation that includes a rationale explaining why the measures from which the plan deviates are not appropriate for the institution's specific situation. The institution must implement the default management plan upon notification from the Secretary that the plan has been approved.

(Use this paragraph if the institution's default rate is greater than 40%)

If the Federal Stafford Loan and Federal SLS cohort default rate for an institution exceeds 40 percent for any fiscal year, the institution must implement all of the default management reduction measures described in Appendix D no later than 60 days after the institution receives the Secretary's notification of the institution's cohort default rate. An institution is not required to submit any written plans to the Secretary or a guaranty agency unless the Secretary or guaranty agency specifically request the institution to do so.

An institution's participation in the FFEL programs ends if the Secretary determines that the institution's cohort default rate, for each of the three most recent fiscal years for which the Secretary has determined the institution's rate, is equal to or greater than the threshold rates for limitation, suspension, or termination as defined in regulations.

The institution must submit with its response detailed procedures which will ensure that its default management plan will be strictly adhered to. Due to the serious nature of this finding, this office will propose that the institution pay an informal fine. Payment instructions for the fine will be provided in the Final Program Review Determination letter.

If this finding recurs in a subsequent audit or program review report, the institution may be subject to administrative action including; limitation, suspension, or termination.

FFEL 5050 FFEL DEFERMENT IMPROPERLY CERTIFIED

FINDING: FFEL DEFERMENT IMPROPERLY CERTIFIED

The institution improperly certified a Federal Family Education Loan (FFEL) deferment form for student #__ advising the lender that the student was attending the institution full time (or specific deferment situation) for the period of enrollment _____. However, during this period the student was enrolled less than half time.

The institution's improper certification of FFEL deferments causes a loss to the government in interest and special allowance expense.

REFERENCE:

34 CFR 682.210 (b), Federal Family Education Loan Program, December 18,1992, amended May 17, 1994

REQUIREMENT:

The institution must review the deferment for the student and inform the lender that the student was enrolled less than half time (or ineligible deferment situation) during the period _____. The student must also be advised that his/her improper deferment may be determined to be invalid.

In its response, the institution must provide this office a copy of its procedures for certifying student loan deferments. These procedures must include provisions which ensure that student borrower status is correctly determined and reported. In addition, the institution must repay the Department \$____ for interest and special allowance paid during the ineligible deferment. Repayment instructions will be provided in the Final Program Review Determination letter.

FFEL 5060 FFEL DELAYED DELIVERY REQUIREMENT NOT MET

FINDING: FFEL DELAYED DELIVERY REQUIREMENT NOT MET

The institution failed to delay the delivery of Federal Family Education Loan (FFEL) Program proceeds for the following students who were first year, first time borrowers:

<u>Student #</u>	<u>First Day of Program</u>	<u>Delivery Date</u>	<u>Amount Delivered</u>
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Failure to delay the delivery of FFEL Program proceeds may increase the possibility of student loan defaults and create an increased expense for the U.S Department of Education.

REFERENCE:

34 CFR 682.604(c)(5), Federal Family Education Loan Program, December 18, 1992
Dear Colleague Letter, GEN-89-58, December 1989

REQUIREMENT:

An institution may not release the first installment of a FFEL for endorsement to a student who is enrolled in the first year of an undergraduate program of study and who has not previously received a FFEL, until 30 days after the first day of the student's program of study.

The institution must develop and submit with its response, procedures which will ensure that the delivery of loan proceeds is delayed 30 days for all first year, first time borrowers.

A recurrence of this finding in a future audit or program review may result in an informal fine.

(Use if file review is necessary)

All of the above-referenced students matriculated past the required 30 days. However, due to the high incidence of this finding, the institution must perform a file review of all first-year, first-time undergraduate students and provide the following information:

1. Student Name
2. Social Security Number
3. First Day of Program
4. Delivery Date of Federal Stafford and/or Federal SLS
5. Amount Delivered
6. Student's Last Date of Attendance

For any student who dropped prior to completing the first 30 days of the program, the institution must immediately repay the holder of the note(s) the improperly delivered Federal Stafford and/or Federal SLS loans. Legible copies (front and back of canceled checks) must be provided with the response to this report. In addition, an informal fine may be proposed for each violation.

The institution must also develop and submit with its response, procedures which will ensure that the delivery of loan proceeds is delayed 30 days for all first year, first time borrowers.

FFEL 5070 FAILURE TO CONSIDER ALL FINANCIAL AID WHEN CERTIFYING FFEL APPLICATION

(This code not in the Guide)

FINDING: FAILURE TO CONSIDER ALL FINANCIAL AID WHEN CERTIFYING FFEL APPLICATION

A review of Federal Family Education Loan (FFEL) applications disclosed that all financial aid for the loan period was not included in the loan certification for student #'s _____.

REFERENCE:

34 CFR 682.200(b), Federal Family Education Loan Program, December 18, 1992, amended June 28, 1994
34 CFR 682.603(b)(3), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

When certifying a FFEL application, the institution must provide the student's estimated financial assistance for the loan period from Federal, state, institutional or other scholarship, grant, financial need-based employment, or loan programs.

The institution must recalculate the loan certification for the above-mentioned student(s) and include all financial assistance which the student will receive for the loan period.

FFEL 5080 FEEL EXPECTED FAMILY CONTRIBUTION-ADJUSTMENTS NOT MADE

(This code not in the Guide)

FINDING: FFEL EXPECTED FAMILY CONTRIBUTION ADJUSTMENTS NOT DOCUMENTED

Adjustments were made to student #'s ____ Federal Family Education Loan (FFEL) expected family contribution(s) (EFC) without adequate file documentation.

Failure to document adjustments to a student's EFC could cause a student to receive loan proceeds to which he/she is not entitled and constitutes an inability by the institution to properly administer the FFEL Program.

REFERENCE:

34 CFR 682.200(b), 682.301(c), and 682.610(b), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

An institution may use professional judgement to adjust the student's EFC to account for unusual circumstances affecting the student or the student's family. However, such adjustments must be documented in the student's file. The documentation should include the basis and rationale for the revision. If the student's award package is adjusted, a revised award notification should be sent to the student.

The institution must provide any documentation, not available during the on-site review, to support the EFC adjustments for the above-listed students. If no documentation is available, the institution must recalculate the financial need for these students using the EFCs produced in need analysis. The recalculations must be submitted with the institution's response to this report. The institution will be held liable for any overpayment of Title IV funds.

(Use if file review is necessary)

The institution must review all student files for the ____award year(s). Any EFCs which were changed without the required documentation must be revised and corresponding awards adjusted. A report detailing the results of the institution's review must be submitted to this office in the following format:

Student's Name
Social Security Number
Cost of Attendance
Original EFC
Adjusted EFC
Amount of Aid Disbursed By Program and Award Year
Amount of Aid Incorrectly Disbursed

Instructions for repayment of any liability will be forwarded in the Final Program Review Determination letter.

The institution must return any incorrectly disbursed FFEL funds to the lender. A copy of the recalculation(s) must be submitted to this office. Instructions for repayment of any liability will be given in the Final Program Review Determination letter.

FFEL 5090 FFEL CHECK CASHED WITHOUT STUDENT SIGNATURE

FINDING: FFEL CHECK CASHED WITHOUT STUDENT SIGNATURE

The institution credited Federal Stafford (Subsidized and/or Unsubsidized) and/or Federal Supplemental Loans for Students (SLS) check(s) to student #'s _____ accounts without obtaining his/her endorsement.

An institution's failure to adhere to regulations which govern the processing of FFEL proceeds causes increased expense for the U.S. Department of Education (ED).

REFERENCE:

34 CFR 682.604(c), Federal Family Education Loan Program, December 18, 1992, amended May 17, 1994 and June 28, 1994

REQUIREMENT:

Regulations specify that when loan proceeds are disbursed by check, the school must, within 45 days of receipt, (1) endorse the check on its own behalf, (2) obtain the student borrower's endorsement on the check, and (3) after the student has registered, deliver the check to the borrower or credit the student's account and deliver the remaining loan proceeds to the student .

If the loan proceeds are disbursed by electronic funds transfer to an account of the school on behalf of a borrower, the school must, not more than 30 days prior to the first day of classes of the period of enrollment for which the loan is intended, obtain the student's or parent borrower's written authorization for release of the initial and any subsequent disbursement of each FFEL program loan to be made. After the student has registered either deliver the proceeds to the student borrower not later than 45 days after the school's receipt of the funds; or credit the student's account, notify the student or parent borrower in writing that it has so credited that account, and deliver to the student or parent borrower the remaining loan proceeds not later than 45 days after the school's receipt of the funds.

Due to the systemic nature of this finding, the institution must perform a file review of the _____ award year(s) to determine the extent of the improper processing of FFEL proceeds. Please submit the result of the file review in the following format:

1. Student Name
2. Social Security Number
3. Loan Period
4. Type and Amount of Loan
5. Disbursement Date(s)

The institution must refund the loan amount to the lender for the above mentioned students, along with those students identified in the file review, for checks that were cashed without the required signature. Proof of this transaction (legible copy of canceled checks, front and back) must be submitted to this office.

Further, the institution will be liable for any interest and special allowance paid by ED on these improperly disbursed loans. The method of calculation for determining the interest and special allowance owed to ED, as well as the amount, will be provided in the Final Program Review Determination letter. A recurrence of this finding in a future audit or program review may result in administrative action.

FFEL 5100 FFEL CHECKS DELIVERED BEFORE ENROLLMENT (formerly FFEL CHECKS DISBURSED BEFORE ENROLLMENT)

FINDING: FFEL CHECKS DELIVERED BEFORE ENROLLMENT

Information in the files of student #'s _____ documented that Federal Family Education Loan (FFEL) funds had been delivered to them prior to their enrollment at the institution.

Failure to verify the enrollment status of students prior to delivery of loan proceeds constitutes an inability by the institution to properly administer the FFEL program, deprives other needy students of these funds, and causes a loss to the government in interest and special allowance expense.

REFERENCE:

34 CFR 668.7(a)(1)(ii), General Provisions, December 1, 1987, amended March 16, 1994
34 CFR 682.201 and 682.604, Federal Family Education Loan Program, December 18, 1992, amended May 17, 1994 and June 28, 1994

REQUIREMENT:

Regulations governing the FFEL Program prohibit the delivery of loan proceeds prior to the student's registration for classes in the enrollment period covered by the loan.

Beginning with the _____ award year, the institution must verify that each FFEL borrower was enrolled (at least half-time) before funds were delivered. For those borrowers not enrolled at the time of delivery, the institution must list each borrower's name, social security number, amount and date of FFEL funds delivered. Any funds delivered before the student was enrolled will become an institutional liability. The institution will also be responsible for repaying the interest and special allowance on the loans paid by the U.S. Department of Education.

Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

FFEL 5110 FFEL CHECK DELIVERY NOT DOCUMENTED (formerly FFEL CHECK DISBURSED – NOT DOCUMENTED)

FINDING: FFEL CHECK DELIVERY NOT DOCUMENTED

The institution did not keep all information required by regulations regarding Federal Family Education Loan (FFEL) check delivery to student(s)
_____.

Failure to document FFEL check delivery to students constitutes an inability by the institution to properly administer the FFEL Program.

REFERENCE:

34 CFR 682.610(b)(9), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

For each FFEL check delivery to students, the institution must retain a record of the following:

1. The date the school received each loan disbursement and the amount of that disbursement.
2. The date the school endorsed each loan check, and
3. The date or dates of transmittal of loan proceeds by the school to the student.

For loans delivered by electronic funds transfer, a copy of the student's written authorization to transfer the initial and subsequent disbursements of each FFEL must be retained.

The institution must develop a procedure to ensure the above-mentioned information is obtained on future FFEL check deliveries to students and submit a copy of that procedure with the response to this report.

FFEL 5120 FFEL CERTIFIED WITHOUT FEDERAL PELL GRANT ELIGIBILITY DETERMINATION

(This code not in the Guide)

FINDING: FFEL CERTIFIED WITHOUT FEDERAL PELL GRANT ELIGIBILITY DETERMINATION

The institution certified Federal Stafford Loan and/or Supplemental Loans for Students (SLS) applications before determining whether student(s) #_____ were eligible for Federal Pell Grant funds.

Failure by the institution to determine a student's Federal Pell Grant eligibility prior to certifying loan applications, could cause a student to receive loan proceeds to which he/she is not entitled and creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 682.201(a), Federal Family Education Loan Program, December 18, 1992, amended May 17, 1994 and June 28, 1994

34 CFR 682.603(a)(b), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

Before certifying a Federal Stafford Loan application, the institution must determine whether undergraduate applicants are eligible for a Federal Pell Grant. Undergraduate SLS borrowers who have not received a first bachelor's degree must also have his or her Federal Pell Grant and Federal Stafford eligibility determined before the SLS application may be certified.

The institution must calculate the eligibility for a Federal Pell Grant and determine if the above-referenced student(s) were eligible for the Federal Stafford and/or SLS received. With the response to this report, the institution must provide a copy of this calculation along with the data used to determine the Federal Pell Grant eligibility. Any funds incorrectly certified and delivered to the student(s) will become an institutional liability. Repayment instructions will be given in the Final Program Review Determination letter.

FFEL 5121 FAILURE TO DOCUMENT DEPENDENT STUDENT'S ELIGIBILITY-SLS/ UNSUBSIDIZED STAFFORD

(This code not in the Guide – Generic Paragraph Not Developed)

FFEL 5130 FFEL ENTRANCE COUNSELING NOT DOCUMENTED/PERFORMED

(formerly FFEL INITIAL COUNSELING NOT DOCUMENTED/PERFORMED)

FINDING: FFEL ENTRANCE COUNSELING NOT DOCUMENTED/PERFORMED

The institution did not perform the required Federal Supplemental Loans for Students (SLS) and Federal Stafford (subsidized/unsubsidized) Loan entrance counseling for student #'s _____.

The institution's failure to provide entrance loan counseling increases the possibility of the student defaulting on his or her loan. Federal Family Education Loans (FFEL) that go into default status create increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 682.604(f), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

An in-person or video taped initial loan counseling session is required for each borrower at the school prior to the release of a Federal SLS and/or Federal Stafford (subsidized and unsubsidized) Loan. An individual with expertise in the Title IV programs must be reasonably available shortly after the counseling session to answer borrowers' questions. Schools must document, in each student's file, that this entrance counseling has been conducted.

With its response to this program review report, the institution must describe how it will ensure that in the future, all required entrance loan counseling will be performed.

A recurrence of this finding in a future program review or audit may result in an informal fine being imposed on the institution.

FFEL 5131 FFEL EXIT COUNSELING NOT DOCUMENTED/PERFORMED

FINDING: FFEL EXIT COUNSELING NOT DOCUMENTED/PERFORMED

The institution did not perform the required Federal Family Education Loan (FFEL) exit counseling for student #'s _____.

The institution's failure to provide exit loan counseling increases the possibility of a student defaulting on his or her loan. FFEL's that go into default status create increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.43(c), General Provisions, December 1, 1986, amended April 29, 1994

34 CFR 682.604(g), Federal Family Education Program, December 18, 1992, amended June 28, 1994

REQUIREMENT:

The institution must conduct an in-person exit interview with each Federal Stafford Loan and SLS borrower shortly before the student ceases enrollment on at least a half-time basis in order to emphasize the obligation and consequences of default. General information such as repayment options, consolidation, and debt management strategies must also be provided to the borrower. If the borrower withdraws/graduates without the institution's prior

knowledge and did not attend an exit interview, the institution must mail written counseling materials to the borrower within 30 days after learning the borrower has withdrawn/graduated.

The institution must perform the required exit loan counseling for the above-mentioned students and submit proof with its response to this report. Certified mail receipts will be considered adequate documentation. In addition, the institution must provide its assurances that exit loan counseling will be performed in a timely manner for all FFEL borrowers.

A recurrence of this finding in a future program review or audit may result in an informal fine.

FFEL 5140 IMPROPER CERTIFICATION OF FFEL

FINDING: IMPROPER CERTIFICATION OF FFEL

The institution improperly certified a Federal Family Education Loan (FFEL) for student #'s _____. Specifically, the institution failed to **(i.e., consider all financial aid or use correct cost of attendance on loan application)**.

Failure to properly certify loan applications constitutes an inability by the institution to administer the FFEL Program.

REFERENCE:

34 CFR 682.200(b), Federal Family Education Loan Program, December 18, 1992, amended April 29, 1994, May 17, 1994 and June 28, 1994
34 CFR 682.603, Federal Family Education Loan Program, December 18, 1992, amended June 28, 1994

REQUIREMENT:

An institution must certify that the information it provides in connection with a loan application about the borrower is complete and accurate. This information includes the student's estimated financial assistance (EFA) for the loan period from federal, state, institutional, or other scholarship, grant, need-based employment, or loan programs. An estimate of the cost of attendance (COA) is also required when certifying the loan application. The COA is an estimate of the student's educational expenses for the period of enrollment.

(Use if incorrect EFA)

The institution must recalculate the loan applications for the above-mentioned student(s) and include all financial assistance which the student(s) received for the loan period to determine if the applications were correctly certified.

OR

(Use if incorrect COA)

The institution must recalculate the loan applications for the above-mentioned students using the correct COA standards to determine if the applications were correctly certified.

With its response to this report, the institution must submit copies of the recalculations. Any incorrectly certified loan applications resulting in the student(s) receiving FFEL funds to which he/she is not entitled become an institutional liability. Instructions for repayment of any liability will be given in the Final Program Review Determination letter.

FFEL 5141 IMPROPER AWARD - FFEL NOT PRORATED (formerly FFEL IMPROPER - NOT PRORATED)

FINDING: FFEL AWARD IMPROPER - NOT PRORATED

The institution did not prorate Federal Family Education Loan (FFEL) amounts for the following students who were in programs shorter than an academic year in length. Specifically, the (program name) Program was ___ weeks in length.

<u>Student #</u>	<u>Loan Amount</u>	<u>Program Length</u>
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Failure by the institution to prorate FFELs for programs that are less than an academic year in length results in the students receiving funding for which they are not entitled and causes increased expense to the U.S. Department of Education (ED) in additional interest and special allowance.

REFERENCE:

Higher Education Amendments of 1992, Public Law 102-325, July 23, 1992
34 CFR 668.12(b), General Provisions, December 1, 1987
34 CFR 668.14(b)(8), General Provisions, April 29, 1994
34 CFR 682.204, Federal Family Education Loan Program, December 18, 1992, amended June 28, 1994

REQUIREMENT:

A student who has not yet successfully completed the first year of a program of study of undergraduate education, as determined by the institution, may borrow up to the following amounts in Federal Stafford loans:

- (a) \$2,625 for a program of study that is at least an academic year in length;
- (b) \$1,750 for a program of study that is at least two-thirds of an academic year but less than an academic year in length;
- (c) \$875 for a program of study that is at least one-third of an academic year but less than two-thirds of an academic year in length.

This change in annual loan limits was effective for loans that were certified on or after October 1, 1992, and incorporated the 30-week component of the academic year definition.

The (name of program) program is (i.e. 10) weeks in length. (Ten) weeks is (fraction, i.e. 1/3) of 30 weeks. Therefore, the maximum Federal Stafford loan amount for students in the _____ program would be \$____ **(b or c amount above)**.

In response to this finding, the institution must perform a file review of all students who were enrolled in the _____ award year(s), who received FFEL funds with applications certified on or after October 1, 1992 for more than \$____. A report detailing the results of the institution's review must be submitted in the following format:

1. Student's Name
2. Social Security Number
3. Program of Study
4. Date FFEL application certified
5. Amount of FFEL certified
6. Maximum FFEL for program length
7. Amount of FFEL overaward

The institution must summarize the total FFEL overawards by program and award year. The institution will be liable for the difference between the loan amount for which the students were eligible and the loan amounts certified. If the institution has made these refunds to the holders of the loan, it must provide this office with legible copies (front and back) if canceled checks. The institution will also be responsible for reimbursing ED for excess interest and special allowance payments made on the incorrectly certified loans. Upon receipt of the institution's response, ED will calculate interest and special allowance.

The institution must also provide written assurance that all future FFEL applications will be certified with the correct loan proration.

Due to the serious nature of this finding, an informal fine may be proposed. Instructions for the payment of any fine and repayment of any liability will be forwarded in the Final Program Review Determination letter.

(NOTE TO REVIEWERS -- See FFEL 5220 for additional maximum loan limits and effective dates)

FFEL 5150 IMPROPER FFEL DISBURSEMENT – PAYMENT AFTER STUDENT WITHDRAWAL

(This code not in the Guide)

FINDING: **IMPROPER FFEL DISBURSEMENT - PAYMENT AFTER STUDENT WITHDRAWAL**

The institution disbursed a Federal Family Education Loan (FFEL) to the following student(s) after his/her last date of attendance.

Student #	Last Day of Attendance	Amount Credited	Date Credited
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An institution that fails to establish a student's eligibility for the disbursement of FFEL proceeds creates a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 682.604, Federal Family Education Loan Program, December 18, 1992, amended May 17, 1994 and June 28, 1994

REQUIREMENT:

If the lender disburses the loan proceeds after the end of the period of enrollment for which the loan was made, the proceeds must be returned to the lender within 30 days, unless the proceeds are the first disbursement of the loan, and come with a notice from the lender stating that the late first disbursement has been approved by the guaranty agency. Similarly, if the lender disburses the loan proceeds before the end of the enrollment period, but after the student has left school or dropped below half-time status, the school must return the loan proceeds to the lender within 30 days.

Under FFEL program regulations, unless the guaranty agency prohibits it, a lender may disburse loan proceeds after the student is no longer enrolled on at least a half-time basis under the following limited circumstances:

1. The loan proceeds will be used for costs of attendance incurred while the student was enrolled at least half time; and
2. The student, in cases of a first disbursement made to a first-year undergraduate Federal Stafford or Federal Supplemental Loans for Students (SLS) borrower, completed the first 30 days of the loan period for which the loan was made, or in the case of a second or subsequent disbursement, the student successfully completed the period of enrollment for which the loan was made; and
3. The disbursement is made within the earlier of 60 days after the date the student drops below half-time status, or 60 days after the period of enrollment for which the loan was made.

When returning a late disbursement to the lender, the school must include with it a note explaining the circumstances of its return and, if applicable, information concerning the student's enrollment status or withdrawal. The note should also include the cost of attendance for the period in which the student was enrolled. The student should be informed that the lender, if allowed by the guaranty agency, may again disburse funds to cover costs incurred while the student was eligible.

A late first disbursement cannot be made to a first-year undergraduate Federal SLS borrower who has withdrawn from school or dropped out prior to completing the 30-day enrollment period required before disbursement. Except under the circumstances previously described, a second or subsequent late disbursement of a Federal Stafford or SLS loan to a borrower who has withdrawn from school is also prohibited. Instead, the disbursement must be used to reduce the student's outstanding loan balance. The lender must return to the student's account the insurance premium and origination fee attributable to the withheld disbursement. This prohibition applies to all second or subsequent disbursements made for periods of enrollment beginning on or after January 1, 1990. However, if the borrower has left school after successfully completing the program, or after completing the period of enrollment for which the loan was intended, a late disbursement of loan proceeds can be made.

The institution must review all student accounts for Federal Stafford (subsidized and unsubsidized) and SLS recipients who have withdrawn during the _____ award year(s). A list of those students who received disbursements after their last date of attendance, including the amount and dates of those disbursements must be submitted to this office with your response to this report. All ineligible disbursements must be returned to the appropriate lender. Instructions for repayment of any ineligible disbursements and payment of any unnecessary interest and/or special allowance paid by the U.S. Department of Education for the ineligible disbursements will be provided in the Final Program Review Determination letter.

FFEL 5151 GSL-IMPROPER DISBURSEMENT-FAILURE TO RECERTIFY ELIGIBILITY (formerly IMPROPER DISBURSEMENT-FAILURE TO RECERTIFY ELIGIBILITY FOR FFEL AFTER LAPS IN ENROLLMENT)
(Generic Paragraph Not Developed)

FFEL 5160 INSTITUTION DID NOT COMPLY WITH PRE-CLAIMS ASSISTANCE REQUEST

FINDING: **INSTITUTION DID NOT COMPLY WITH PRE-CLAIMS ASSISTANCE REQUEST**

The institution used the Pre-Claims Assistance Request received from the guaranty agency for purposes other than to remind student(s) # _____ of their obligation to repay their Federal Family Education Loan(s) (FFEL).

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 428(c)(2)(H), July 23, 1992

REQUIREMENT:

The institution is prohibited from using the Pre-Claims Assistance Request for any purpose other than to remind a borrower of his/her obligation to repay a FFEL. The institution must submit procedures to ensure that the future use of Pre-Claims Assistance Requests are properly utilized.

(Use this sentence if finding is an isolated incidence.)

If this is a finding in a future audit or program review, an informal fine may be proposed.

(Use this sentence if finding is severe in nature.)

Due to the severity of this finding, an informal fine may be proposed. Payment instructions, if any, will be included in the Final Program Review Determination letter.

FFEL 5170 LATE FFEL REFUNDS MADE TO LENDERS

FINDING: LATE FFEL REFUNDS MADE TO LENDERS

The review of student files revealed that student #'s _____ withdrew from the institution with refunds due to the lender(s). The institution failed to make these refunds within the required time period, as specified by regulation.

The improper retention of Federal Family Education Loan (FFEL) proceeds results in the institution receiving funds to which it is not entitled and causes increased expense to the U.S. Department of Education.

REFERENCE:

34 CFR 668.22(d), General Provisions, December 1, 1987

34 CFR 668.22(i), General Provisions, April 29, 1994

34 CFR 682.605(a)(b) and 682.607, Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

An institution must pay a refund that is due to a lender within 60 days after the date of the student's withdrawal. The institution must provide simultaneous written notice to the borrower if it pays a refund to a lender on behalf of that student.

The institution is required to perform a file review of student files for the _____ award years and provide a report of the results to this office in the following format:

1. Student Name
2. Social Security Number
3. Withdrawal Date
4. Date Check Processed by Lender
5. Refund Calculation
6. Refund Amount
7. Refund Amount Not Paid

The institution must immediately pay the late refunds due to the appropriate lender(s). Legible copies of canceled checks, front and back, must be provided to this office as proof that these refunds were made.

The institution will be liable for interest and special allowance paid to lenders by the Department of Education for the late refund amounts. The method of calculation for determining the interest and special allowance owed to the Department, as well as the amount, will be provided in the Final Program Review Determination letter. A recurrence of this finding in a future audit or program review may result in administrative action.

FFEL 5180 LEAVE OF ABSENCE - EXCESSIVE LENGTH

FINDING: LEAVE OF ABSENCE--EXCESSIVE LENGTH

The institution improperly granted student #__ a leave of absence (LOA) in excess of the maximum time period permitted by regulations. Specifically, an LOA was granted to student #__ for the period ____ through ____; a total of ____ (days or months) long. (If applicable) The institution failed to obtain a written recommendation from a physician for an LOA which continued for more than 60 days.

Failure to grant LOA's in accordance with regulations constitutes an inability by the institution to properly administer the Federal Family Education Loan Program.

REFERENCE:

34 CFR 682.605(c), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

An LOA may not exceed sixty days. However, if a student has a medically determinable condition, with a written recommendation from his or her physician, an LOA may be extended for six months. Similarly, if a school is not a correspondence school and the school's next period of enrollment after the start of the LOA would begin more than 60 days after the first day of the LOA, a leave may extend for up to six months.

The institution must develop and submit with its response, procedures which will ensure that LOA's are granted in accordance with maximum time periods permitted by regulations.

The institution will be liable for all Title IV funds disbursed to the student after the maximum time period (**60 days or 6 months**) had expired. Repayment instructions will be provided in the Final Program Review Determination letter.

FFEL 5181 LEAVE OF ABSENCE - EXCEEDS ONE IN 12 MONTH PERIOD (formerly LEAVE OF ABSENCE – EXCEEDS ONE PER YEAR)

FINDING: LEAVE OF ABSENCE--EXCEEDS ONE IN 12-MONTH PERIOD

The institution improperly granted student # ____ more than one leave of absence (LOA) in a 12-month time period. Specifically, an LOA was granted for the period ____ through ____ and again for the period ____ through ____.

(If several instances, specify students and LOA lengths as follows):

<u>Student #</u>	<u>First LOA</u>	<u>Second LOA</u>
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Failure to grant LOA's in accordance with regulations may result in the institution receiving funding to which it is not entitled and cause increased expense for the Department of Education.

REFERENCE:

34 CFR 682.605(c), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

In any 12-month period, an institution may grant no more than a single LOA to a student, provided that the LOA is granted in accordance with regulations.

The institution must develop and submit with its response procedures which will ensure that, in any 12-month period, no more than one LOA will be granted to a student.

The institution will be liable for all Title IV funds disbursed to the student(s) after the first day of the student's second LOA. Instructions for repayment will be provided in the Final Program Review Determination letter.

FFEL 5190 LEAVE OF ABSENCE - REQUEST NOT DOCUMENTED

FINDING: LEAVE OF ABSENCE--REQUEST NOT DOCUMENTED

The institution failed to maintain written leave of absence (LOA) requests in the files of student #'s _____.

Failure to obtain written LOA requests from students constitutes and inability by the institution to properly administer the Federal Family Education Loan (FFEL) Program.

REFERENCE:

34 CFR 682.605(c), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

Prior to granting an LOA, the institution must obtain a signed written LOA request from the student and retain this documentation in his/her file.

The institution must develop and submit to this office written procedures to ensure that the appropriate LOA request documentation is retained in the student files. A recurrence of this finding in a future audit or program review may result in an informal fine being proposed.

FFEL 5191 LEAVE OF ABSENCE - STUDENT CHARGED ADDITIONAL FEES

FINDING: LEAVE OF ABSENCE--STUDENT CHARGED ADDITIONAL FEES

The institution charged student # ___ additional fees for a leave of absence (LOA) which had extended the student's period of enrollment. Specifically,

(Specify the dates of the student's LOA and the dates and amounts of the additional charges for the LOA. If possible, indicate whether Title IV funds were used to pay for the additional charges.)

(If this is an institutional policy then specify students, LOA's, and fees as follows):

<u>Student #</u>	<u>LOA</u>	<u>Extra Fees</u>
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An institution that charges a fee for granting an LOA which extends a student's enrollment period results in that institution receiving funds for which it is not entitled and deprives students of those funds.

REFERENCE:

34 CFR 682.605(c), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

Regulations state that a student who is granted an LOA may not incur, as a result of an LOA, any additional charges by the school. The institution must review student files for the period _____ through _____ to determine if any students were improperly charged as a result of an LOA. The institution must immediately return to these students any amount(s) of money in which they were incorrectly charged and submit proof (front and back of canceled check) of its corrective action with its response to this report.

A recurrence of this finding in a future audit or program review may result in an informal fine being proposed.

FFEL 5200 LEAVE OF ABSENCE POLICY NOT WRITTEN

(This code not in the Guide)

FINDING: LEAVE OF ABSENCE POLICY NOT WRITTEN

There were no written procedures in the financial aid office regarding the leave of absence (LOA) policy for its students.

REFERENCE:

34 CFR 682.605(c), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

The institution must develop written procedures to ensure LOAs are granted on a consistent basis and in accordance with the Federal Family Education Loan regulations.

The policy must include the following criteria:

- 1 Written request from a student prior to granting the LOA.
2. Provisions that the LOA involves no additional charges by the school to the student.
- 3 The LOA does not exceed 60 days. However, the LOA may continue for up to six months if either the school is not a correspondence school and the next period of enrollment begins more than 60 days after the first day of the LOA, or the LOA is based upon a medical condition and a physician provides a written recommendation for a LOA to extend beyond 60 days.
4. Only one leave of absence may be granted to a student in any 12-month period.

A copy of the procedures must be sent to this office in response to this review. The institution must assure that future LOAs are granted in accordance with regulations.

FFEL 5210 LENDER NOT NOTIFIED OF STATUS CHANGE IN 60 DAYS

FINDING: LENDER NOT NOTIFIED OF STATUS CHANGE IN 60 DAYS

The appropriate Federal Family Education Loan (FFEL) lender(s) and/or Guarantee Agency(s) was/were not notified in a timely manner by the institution, that the student(s) listed below had ceased to be enrolled on at least a half-time basis.

<u>Student #</u>	<u>Date of Status Change</u>	<u>Date of notification to Lender/G.A. (if any)</u>
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The institution's failure to notify the lender of student status changes in a timely manner causes a loss to the government in interest and/or special allowance expense.

REFERENCE:

34 CFR 668.22(i), General Provisions, April 29, 1994
34 CFR 682.605(a)(b) and 682.610(c), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

If a student received a FFEL, an institution must calculate the refund due to a student and return to the lender any portion of the refund allocated to the loan programs within 60 calendar days of the earliest of these dates:

- * The date that the student notifies the school of his or her withdrawal or the date of withdrawal specified by the student, whichever is later.
- * The date on which the school makes its determination that the student has withdrawn.
- * The expiration of the semester, trimester, or quarter in which the student withdrew, as determined by the school.
- * The expiration of the enrollment period for which the loan was made.

The withdrawal date only affects the return of refunds to the lender. Repayments must be returned within 30 calendar days of the date the student makes the repayment.

The institution must promptly notify the lender when the school discovers that a FFEL recipient has ceased to be enrolled on at least a half-time basis and it does not expect to submit its next student status confirmation report (SSCR) to the appropriate agency within the next 60 days.

The institution must review the files of student loan recipients for the _____ award year(s) to determine if lenders were properly notified of changes in students' enrollment status. Changes include withdrawal from the institution, failure to return from a leave of absence (**not effective on or after 7/01/94**), and failure to remain enrolled on at least a half-time basis.

Notification of changes not previously reported must immediately be sent to those lenders. A sample of the notification form used must be sent to this office. Also, the following information must be provided to this office for every student for whom the institution has not made a timely notification to the lender:

1. Student's Name
2. Social Security Number
3. Date of and type of Enrollment Change
4. Name of Lender
5. Date Notification Sent to Lender

The institution will be liable for any interest and/or special allowance unnecessarily paid by the Department of Education due to late notification to the lender of student status changes. The method of calculation for determining the interest and/or special allowance owed to the Department, as well as the amount, will be provided in the Final Program Review Determination letter.

Further, the institution must establish procedures to ensure that lender notifications will be made in a timely manner and submit a copy of the procedures to this office.

A recurrence of this finding in a future audit or program review may result in administrative action.

FFEL 5220 MAXIMUM ANNUAL OR CUMULATIVE FFEL AWARD EXCEEDED
(formerly FFEL/AWARD EXCEEDS MAXIMUM ANNUAL OR CUMULATIVE LIMIT)

FINDING: FFEL AWARD EXCEEDS MAXIMUM ANNUAL OR CUMULATIVE LIMIT

The institution certified Federal Family Education Loan (FFEL) applications for student(s) # _____ which exceeded the maximum annual limits allowed.

Certifying a FFEL application in excess of a student's maximum annual/cumulative limit increases the possibility of the borrower defaulting on his or her loan. FFELs that go into default create increased expense for the U.S. Department of Education.

REFERENCE:

Higher Education Amendments of 1992, Public Law 102-325, July 23, 1992
34 CFR 668.12(b), General Provisions, December 1, 1987
34 CFR 668.14(b)(8), General Provisions, April 29, 1994
34 CFR 682.204, Federal Family Education Loan Program, December 18, 1992, amended June 28, 1994
Dear Colleague Letter, GEN-92-21, October 1992

REQUIREMENT:

An institution is required to determine a student's eligibility based on its definition of an academic year and to certify the FFEL application accordingly.

(Listed are annual Federal Stafford Loan limits during their applicable timeframes. Select appropriate annual limit(s) which apply to students cited in file sample).

Effective for loans certified on or after 10/01/92, and based on the borrower's academic standing in the program of study currently enrolled, an undergraduate student who has not yet successfully completed the first year of study may borrow up to:

- (a) \$2,625 for a program of study that is at least an academic year in length;
- (b) \$1,750 for a program of study that is at least two-thirds of an academic year, but less than a full year in length;
- (c) \$875 for a program of study that is at least one-third but less than two-thirds of an academic year in length;
- (d) Zero for a program of study that is less than one-third of an academic year.

Second-year undergraduates and students in programs normally completed in two academic years or less (regardless of how long it takes to complete the program), may borrow up to \$2,625.

Undergraduate students who have achieved third-year status may borrow up to \$4,000.

Effective for loans for which the first disbursement is made on or after 7/01/93, a student who has successfully completed the first undergraduate year of study, but who has not yet successfully completed the remainder of the program, may borrow up to:

- (a) \$3,500 for a program of study of at least an academic year in length;
- (b) \$2,325 for a program of study of at least two-thirds but less than a full academic year in length;
- (c) \$1,175 for a program of study of at least one-third but less than two-thirds of an academic year in length; and
- (d) Zero for a program of study that is less than one-third of an academic year.

A student who has successfully completed the first and second undergraduate years of study, but has not successfully completed the remainder of the program, may borrow up to:

- (a) \$5,500 for a program of study of at least an academic year in length;
- (b) \$3,675 for a program of study of at least two-thirds but less than a full academic year in length;
- (c) \$1,825 for a program of study of at least one-third but less than two-thirds of an academic year in length; and
- (d) Zero for a program of study that is less than one-third in length.

Effective for periods of enrollment beginning on or after 10/01/93, graduate or professional students are eligible to borrow up to \$7,500 per academic year for periods of enrollment beginning before October 1, 1993; for periods of enrollment beginning on or after October 1, 1993, these students may borrow \$8,500 per academic year.

For borrowers with loans for which the first disbursement was made on or after July 1, 1993, the maximum outstanding debt allowed for undergraduate study increased from \$17,250 to \$23,000. The maximum outstanding debt for graduate or professional students, which includes any outstanding Federal Stafford Loans borrowed for undergraduate study, is \$54,750 for loans first disbursed before July 1, 1993. For loans disbursed on or after that date, the maximum outstanding debt increased to \$65,500.

(Listed are annual Federal SLS Loan limits for any academic year or period of seven consecutive months, whichever is longer and their applicable timeframes. Select appropriate annual limit(s) which apply to students cited in file sample).

Effective for loans for which the first disbursement is made on or after 7/01/93, a student who has not yet successfully completed the first and second undergraduate year of a program may borrow up to:

- (a) \$4,000 for a program of study that is at least an academic year in length;
- (b) \$2,500 for a program of study that is at least two-thirds of an academic year, but less than a full year in length;
- (c) \$1,500 for a program of study that is less than two-thirds but at least one-third of an academic year in length; and
- (d) Zero for a program of study that is less than one-third of an academic year.

A student who has successfully completed the first and second undergraduate years of study, but who has not yet completed the remainder of the program, may borrow up to:

- (a) \$5,000 for a program of study that is at least an academic year in length;
- (b) \$3,325 for a program of study that is at least two-thirds of an academic year, but less than a full year in length;
- (c) \$1,675 for a program of study that is at least one-third of an academic year, but less than two-thirds of a year in length; and
- (d) Zero for a program of study that is less than one-third of an academic year.

A graduate or professional student may borrow up to \$10,000 per academic year.

The aggregate loan limit for undergraduate SLS borrowers is \$23,000 (excluding capitalized interest); a graduate or professional student may borrow up to a maximum of \$73,000, excluding capitalized interest. The aggregate maximum for graduate and professional students includes any amount received at the undergraduate level.

For each student listed in this finding, the institution is required to determine and document the amount of ineligible FFEL proceeds received. With the response, the institution must submit the following information in spreadsheet format:

- 1.Student Name
- 2.Social Security Number
- 3.Loan Period
- 4.Ineligible Amount

Repayment instructions, if any, will be provided in the Final Program Review Determination letter.

FFEL 5221 PROCEEDS OF FFEL NOT DELIVERED WITHIN 45 DAYS

FINDING: PROCEEDS OF FFEL NOT DELIVERED WITHIN 45 DAYS

The institution failed to deliver Federal Family Education Loan (FFEL) proceeds to student #'s _____ within 45 days after receiving the loan checks from the lenders.

Failure to deliver loan proceeds to student borrowers in a timely manner constitutes an inability by the institution to properly administer the FFEL program.

REFERENCE:

34 CFR 668.19(a)(4)(i), General Provisions, December 1, 1987
34 CFR 668.60(b)(3), General Provisions, December 2, 1991
34 CFR 682.604(c), Federal Family Education Loan Program, December 18, 1992, amended May 17, 1994 and June 28, 1994

REQUIREMENT:

The institution may not hold FFEL loan proceeds before delivery to the student, parent, or to the student's account for more than 45 days after receiving them. (If all required financial aid transcripts have not been received by then or verification has not been completed, the institution must immediately return the loan proceeds to the lender).

In its response to this finding, the institution must submit procedures which will enable the prompt delivery of FFEL proceeds to students. In addition, please provide assurances that these procedures will be adhered to in the future.

If this finding recurs as a result of a future program review or audit, the institution may be subject to an informal fine.

FFEL 5230 MISSING/UNSIGNED FFEL APPLICATION (formerly MISSING FFEL APPLICATION)

FINDING: **MISSING FFEL APPLICATION**

The institution was unable to provide a copy of student # __'s (Federal Stafford/SLS/PLUS) application(s) for the loan period _____ to _____.

Failure to maintain student loan applications constitutes an inability by the institution to properly administer the Federal Family Education Loan (FFEL) Program.

REFERENCE:

34 CFR 682.610(b)(d)(1), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

Institutions are required to retain a copy of each borrower's certified FFEL application(s) for five years following the student's last day of attendance at the school.

The institution must contact the lender or guarantee agency and obtain a copy of the missing application(s). The school must forward a copy of the loan application with its response to this report.

The institution must also provide this office with its assurances that it will adhere to the records maintenance requirements of the above regulations.

FFEL 5240 FFEL RECORDS NOT MAINTAINED/DOCUMENTATION MISSING
(This code no longer used – Generic Paragraph Not Developed)

FFEL 5260 STUDENT CONFIRMATION REPORT FILED LATE/NOT FILED/NOT RETAINED/INACCURATE (formerly STUDENT CONFIRMATION REPORT FILED LATE/NOT FILED)

FINDING: STUDENT CONFIRMATION REPORT FILED LATE/NOT FILED

(For SCR filed late)

The institution returned a student confirmation report (SCR) to (i.e. Guarantee Agency) on (date), however, it should have been returned by (date).

(For SCR not filed)

The institution could not provide the reviewer with a student confirmation report (SCR) for the _____ award year.

Failure to submit on a timely basis/maintain a SCR constitutes an inability by the institution to properly administer the Federal Family Education Loan Program. The institution's failure to return SCR's within the required time period, as specified by regulation, may cause a loss to the government in interest and/or special allowance expense.

REFERENCE:

34 CFR 682.610(c)(d), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

Institutions are required to return a completed SCR to the Guarantee Agency within 30 days of its receipt and, unless an institution expects to submit its next SCR within the next 60 days, it must notify the lender of any change in the enrollment status of a student. The institution is required to keep completed copies of these reports for five years after their completion.

The maintenance and processing of the SCR is an essential step of the loan process because it directly affects contact with the maker of the loan. The institution must establish and implement procedures to process the SCR on a timely basis and maintain proof of its compliance in its records. A copy of the written procedures must be forwarded to this office.

FFEL 5270 SINGLE DELIVERY OF FFEL PROCEEDS; IMPROPER DISBURSEMENT SCHEDULE (formerly SINGLE DISBURSEMENT OF FFEL PROCEEDS)

FINDING: SINGLE DELIVERY OF FFEL PROCEEDS/IMPROPER DISBURSEMENT SCHEDULE

The lender disbursed a Federal Family Education Loan (FFEL) check(s) in one disbursement due to the institution's failure to properly complete the disbursement schedule on the loan application. This resulted in the single delivery of loan proceeds by the institution to student # ____.

An institution's failure to comply with rules that govern the delivery of FFEL loan proceeds may cause increased expense for a needy student and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 682.207(b)(1)(i)(B) and 682.603(b)(5), Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

Multiple disbursement is required for all Federal Stafford (subsidized and unsubsidized) and SLS loan proceeds guaranteed on or after January 1, 1990, and made for periods of enrollment beginning on or after that date, regardless of the amount of the loan or the length of the loan period. No installment may exceed more than one half of the loan proceeds.

The second disbursement may not be made until at least one half of the loan period (the period of enrollment for which the loan is intended) has elapsed. However, a second or subsequent disbursement can be made before one half of the loan period has elapsed in order for the disbursement to be made at the beginning of the second semester, quarter, or similar division of the school's academic period. In this case the disbursement can be made up to 30 days before the academic period begins. Only if the first disbursement would take place on or after the time scheduled for the second disbursement can the proceeds be delivered by the lender in a single disbursement.

The institution must provide the lender with a disbursement schedule for the loan proceeds. On or after March 1, 1990, a lender may not disburse loan proceeds without a disbursement schedule from the school. The disbursement schedule must comply with multiple disbursement requirements.

The institution must review its records for the period _____ to _____ to identify the dates that the second disbursements would have been made if the loans had been properly delivered. Any ineligible second disbursement in which the school received on behalf of the student borrower, becomes an institutional liability.

For each student for whom a loan was improperly delivered, the following information must be provided:

1. Student Name
2. Social Security Number
3. Award Year
4. Amount of FFEL Certified
5. Scheduled Date of Second Disbursement
6. Date Student Last Attended Institution (if applicable)
7. Amount of Refund to FFEL Program (attach canceled checks, front and back, and institutional refund work sheet)

Instructions for repayment of any liability and payment of any interest and special allowance paid by the U.S. Department of Education on early or ineligible disbursements, will be provided in the Final Program Review Determination letter.

Also, in its response to this report the institution must ensure this office that it will comply with rules that govern the delivery of Federal loan proceeds. If this finding recurs in a future audit or program review, the institution may be subject to an informal fine.

**FFEL 5271 FFEL DISBURSEMENTS ATTRIBUTED TO UNATTENDED/
INCORRECT PAYMENT PERIODS**

**FINDING: FFEL DISBURSEMENTS ATTRIBUTED TO UNATTENDED/INCORRECT
PAYMENT PERIODS**

The following students were disbursed Federal Family Education Loan (FFEL) proceeds which were attributable to subsequent payment periods not attended by the students.

<u>Student</u> <u>#</u>	<u>Last Day of</u> <u>Attendance</u>	<u>FFEL Amount</u> <u>Disbursed</u>
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The institution's failure to attribute loan disbursements to the correct payment periods increases a student's loan obligation and the possibility of the student defaulting on his or her loan. FFELs that go into default status can create increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 682.207(c), Federal Family Education Loan Program, December 18, 1992
1993/94 Federal Student Financial Aid Handbook, Chapters 3 and 10
Dear Colleague Letter, GEN 88-32, September 1988

REQUIREMENT:

Multiple disbursements are required for all FFEL proceeds, regardless of the amount of the loan or the length of the loan period. No installment amount may exceed more than one half of the loan proceeds. The second disbursement may not be made until at least one half of the loan period (the period of enrollment for which the loan is intended) has elapsed, except as necessary to coincide with the beginning of a second term (semester, trimester, quarter, etc.).

If a student withdraws before the beginning of a payment period included in the loan period, any portion of the loan proceeds that are considered awarded for that unattended payment period that have already been received and applied to the student's account must be returned to the lender.

The institution must repay to the current holder(s) of the loan(s) \$_____ for student #(s) _____. The institution must submit proof (copies of the canceled checks, front and back) that the repayments were made.

Also, the institution must notify the student of the repayment amount, date repaid and name of the lender to which the repayment was made. A copy of the letter to the student must be included in the institution's response to this finding.

FFEL 5280 STUDENTS NOT NOTIFIED OF REFUND TO LENDER

FINDING: STUDENTS NOT NOTIFIED OF REFUND TO LENDER

The institution did not notify student #'s _____ when a Federal Family Education Loan (FFEL) refund was made on his/her behalf.

REFERENCE:

34 CFR 682.607, Federal Family Education Loan Program, December 18, 1992

REQUIREMENT:

By applying for a loan under the FFEL program, a borrower authorizes the school to pay directly to the lender that portion of a refund from the school that is allocable to the loan. A school must pay that portion of the student's refund that is allocable to a FFEL to the original lender; or a subsequent holder, if the loan has been transferred and the school knows the new holder's identity. The institution must provide simultaneous written notice to the borrower if the school pays a refund to a lender on behalf of that student.

The institution must develop and submit with its response, procedures which will ensure the institution's compliance with regulations. The school must provide its assurances that its actions will be governed by those procedures. The institution must review the files of all students who withdrew during the _____ award year(s), for whom refunds were made to a lender, to determine if the students were notified. For those students who were not notified, the institution must immediately do so and place a copy of the notification in each student's file, as well as submitting a copy of each notification with its response to this report.

FEDERAL DIRECT LOAN DEFICIENCY CODES

5510 UNTIMELY RECONCILIATION OF DIRECT LOAN RECORDS

(This code not in the Guide – Generic Paragraph Not Developed)

5520 IMPROPER DISBURSEMENT OF FDLP FUNDS PRIOR TO MIDPOINT

(This code not in the Guide – Generic Paragraph Not Developed)

5545 INSTITUTIONAL SPECIFIC DSLP POLICIES AND PROCEDURES NOT DEVELOPED/FAILURE TO IMPLEMENT QUALITY ASSURANCE SYSTEM

(This code not in the Guide – Generic Paragraph Not Developed)

5581 UNAUTHORIZED RETENTION OF FDSL CREDIT BALANCES

(This code not in the Guide – Generic Paragraph Not Developed)

5610 EXCESS CASH BALANCES MAINTAINED/DIRECT LOAN PROGRAM

(This code not in the Guide – Generic Paragraph Not Developed)

5621 DIRECT LOAN ELIGIBILITY NOT DOCUMENTED/FAILURE TO MAINTAIN DOCUMENTATION

(This code not in the Guide – Generic Paragraph Not Developed)

5630 ENTRANCE COUNSELING NOT DOCUMENTED/PERFORMED

(This code not in the Guide – Generic Paragraph Not Developed)

5631 EXIT COUNSELING NOT DOCUMENTED/PERFORMED

(This code not in the Guide – Generic Paragraph Not Developed)

5650 INELIGIBLE DISBURSEMENT/FAILURE TO PERFORM CREDIT CHECKS - DIRECT PLUS LOAN

(This code not in the Guide – Generic Paragraph Not Developed)

5651 LOAN FUNDS DISBURSED BEFORE PROMISSORY NOTE SIGNED

(This code not in the Guide – Generic Paragraph Not Developed)

5652 INCORRECT SCHOOL CODE ON DSL PROMISSORY NOTES

(This code not in the Guide – Generic Paragraph Not Developed)

5653 FAILURE TO REPORT/RECONCILE/ADJUST DIRECT LOAN DISBURSEMENTS/ADJUSTMENTS/CANCELLATIONS

(This code not in the Guide – Generic Paragraph Not Developed)

5660 INCONSISTENT INFO - LOAN ORIG. RECORD AND STUDENT LOAN FILE

(This code not in the Guide – Generic Paragraph Not Developed)

5670 UNMADE/UNTIMELY REFUNDS TO DIRECT LOAN PROGRAM ACCOUNT

(This code not in the Guide – Generic Paragraph Not Developed)

5710 STUDENT STATUS - INACCURATE/UNTIMELY REPORTING

(This code not in the Guide – Generic Paragraph Not Developed)

5740 INADEQUATE COMPUTER SYSTEM CONTROLS

(This code not in the Guide – Generic Paragraph Not Developed)

5780 INCORRECT NOTICE TO STUDENT OF REFUND TO LENDER

(This code not in the Guide – Generic Paragraph Not Developed)

FEDERAL PERKINS LOAN DEFICIENCY CODES

PERK 8000 ADJUSTMENTS TO FEDERAL PERKINS LOAN SCHEDULE OF ADVANCES NOT CERTIFIED

FINDING: **ADJUSTMENTS TO FEDERAL PERKINS LOAN SCHEDULE OF ADVANCES NOT CERTIFIED**

The disbursement amount(s) in the Schedule of Advances section of the Federal Perkins Loan promissory note for student #'s _____ were changed without the borrower and an institutional official initialing the change.

Failure to document all adjustments to a Federal Perkins Loan promissory note constitutes an inability by the institution to properly administer the Federal Perkins Loan Program.

REFERENCE:

34 CFR 674.16 and 674.19(d)(e)(1), Federal Perkins Loan Program, December 1, 1987

REQUIREMENT:

The institution may advance the loan proceeds to the borrower directly by check or by crediting his or her account with the institution. The institution must notify the student of the amount he or she can expect to receive, and how and when that amount will be paid. In either case, the borrower must sign for each advance of funds on the promissory note.

The institution must establish and maintain program records that identify each student's account and status which shows the eligibility of each student aided under the program. The institution must also keep intact and accessible records pertaining to the application for and receipt and expenditure of federal funds, including all accounting records and original and supporting documents necessary to document how the funds are spent.

The institution must review its student's Federal Perkins Loan promissory notes for the _____ award year(s) to determine the extent of the missing certifications on the amended/changed Schedule of Advances. The institution must attempt to secure the missing student endorsements. Please provide each student's name, social security number, and copy of his/her complete Federal Perkins Loan promissory note to this office with the institution's response to this report.

Further instructions will be provided in the Final Program Review Determination letter. This office may propose an informal fine for the institution's non-compliance with regulations.

PERK 8010 ANNUAL PERKINS LOAN SAFEGUARD ACTIVITY REPORT NOT SUBMITTED

FINDING: **ANNUAL FEDERAL PERKINS LOAN SAFEGUARD ACTIVITY REPORT NOT SUBMITTED**

The institution failed to submit the required Federal Perkins Loan Safeguard Activity Report for the ____ award year which was due _____.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 463(e), July 23, 1992
34 CFR 674.44, Federal Perkins Loan Program, November 30, 1987
"Dear Colleague" Letter, CB-93-14, August 1993, and CB-94-7, June 1994

REQUIREMENT:

As a result of the Higher Education Amendments of 1992, institutions are no longer required to use the IRS/ED Skiptracing Service for carrying out the due diligence provisions of the Federal Perkins Loan Program. However, the Department of Education strongly encourages institutions to continue to use this service because it is one of the most powerful tools available to institutions for locating defaulted borrowers.

In order to maintain eligibility to participate in the IRS/ED Skiptracing Service, each participating institution must submit the annual Safeguard Activity Report in accordance with IRS Publication 1075. Failure to submit the Report will result in the loss of eligibility to participate in this service. The Report must include information about your internal inspection, disposal of data, any changes to your previous Report, and must be recorded on the institution's letterhead.

The institution must submit a copy of the completed insert award year which pertains Annual Safeguard Activity Report to:

U.S. Department of Education
GSL/Perkins IRS Skiptracing Service
P.O. Box 4132
Greenville, Texas 75403-4132

A copy of this report must be provided to this office in response to this program review report.

PERK 8020 FEDERAL PERKINS LOAN BORROWERS NOT PROVIDED COPIES OF NOTES

FINDING: FEDERAL PERKINS LOAN BORROWERS NOT PROVIDED COPIES OF NOTES

Student(s) # _____ had either graduated or withdrawn from school and they had not been given a copy of their Federal Perkins Loan promissory note(s).

Failure to provide a Federal Perkins Loan borrower with a copy of his or her promissory note increases the possibility of that student defaulting on his or her loan. Federal Perkins Loans that go into default create increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 674.42(a)(3)(ii)(4)(ii), Federal Perkins Loan Program, November 30, 1987

REQUIREMENT:

At (or before) the exit interview, the institution must give the student a copy of the Federal Perkins Loan promissory note. If the borrower leaves without notice, the institution must mail a copy of the note to the borrower.

The institution must submit documentation that the above-mentioned borrowers have been given a copy of their promissory notes.

PERK 8030 FEDERAL PERKINS LOAN CANCELLATION FOR INELIGIBLE STUDENT

FINDING: FEDERAL PERKINS LOAN CANCELLATION FOR INELIGIBLE STUDENT

The institution canceled a portion of student #___'s Federal Perkins Loan although the student did not meet any of the necessary criteria which would make him/her eligible for a cancellation.

An institution's improper cancellation of a student's Federal Perkins Loan results in the institution receiving funding to which it is not entitled and creates increased expense for the U.S. Department of Education.

REFERENCE:

Higher Education Amendments of 1992, 7/23/92

34 CFR 674.52 and 674.57, Federal Perkins Loan Program, 12/01/87, amended 7/21/92

34 CFR 674.53 - 674.56 and 674.58 - 674.60, Federal Perkins Loan Program, 12/01/87

The 1993/94 Federal Student Financial Aid Handbook, Chapter 6, Section 5

REQUIREMENT:

A borrower may have all or part of his or her loan (including interest) canceled for engaging in public service such as teaching, service in a Head Start program, service in the Peace Corps or ACTION, or service in the military. Cancellation is also granted in case of the borrower's death, total and permanent disability or, in some cases, bankruptcy.

The Higher Education Amendments of 1992 provided the following cancellations for a Federal Perkins of Direct Loan made on or after July 23, 1992; up to 100 percent of the loan may be canceled for service as:

1. A full-time special education teacher, including teachers of infants, toddlers, children, or youth with disabilities, in a public or other nonprofit elementary or secondary school system, or as a full-time qualified professional provider of early intervention services in a public or other nonprofit program under public supervision;
2. A full-time teacher of mathematics, science, foreign languages, bilingual education, or any other field of expertise that is determined by the state education agency to have a shortage of qualified teachers;
3. A full-time nurse or medical technician; or
4. A full-time employee of a public or private nonprofit child or family service agency who is providing or supervising the provision of services to high-risk children and their families from low-income communities.

The cancellation rate per year of service is:

- * 15 percent of the original principal loan amount - plus the interest that has accrued during the year - for each of the first and second years,
- * 20 percent of the original principal loan amount - plus the interest that has accrued during the year - for each of the third and fourth years, and
- * 30 percent of the original principal loan amount - plus the interest that has accrued during the year - for the fifth year.

In addition to these cancellations, effective July 23, a borrower of a Federal Perkins Loan or Direct Loan made on or after July 23, 1992, is also eligible for all of the cancellations that are available to borrowers of loans made between July 1, 1987, and July 23, 1992 (1993/94 Federal SFA Handbook, Chapter 6, Section 5), with one exception - the cancellation for teaching disabled children has been replaced by the new cancellation for a full-time special-education teacher.

The Secretary pays an institution each award year the principal and interest canceled from its Federal Perkins Loan fund. The institution must repay the Department of Education the amount equal to the ineligible cancellation. Repayment instructions will be provided in the Final Program Review Determination letter.

In its response to this report, the institution must ensure this office that it will comply with regulations when granting Federal Perkins Loan cancellations.

PERK 8040 CANCELLATION IMPROPER OR NOT DOCUMENTED

(This code not in the Guide – Generic Paragraph Not Developed)

PERK 8050 COLLECTION AGENCY FEES NOT DOCUMENTED

(This code not in the Guide – Generic Paragraph Not Developed)

PERK 8060 COLLECTION AGENCY NOT BONDED

(This code not in the Guide – Generic Paragraph Not Developed)

PERK 8070 COLLECTIONS NOT DEPOSITED IN FUND

(Generic Paragraph Not Developed)

PERK 8080 FEDERAL PERKINS LOAN DEFAULT RATE EXCEEDS 15 PERCENT/IMPAIRED ADMINISTRATIVE CAPABILITY (formerly FEDERAL PERKINS LOAN EXCESSIVE DEFAULT RATE)

FINDING: FEDERAL PERKINS LOAN DEFAULT RATE EXCEEDS 15 PERCENT/IMPAIRED ADMINISTRATIVE CAPABILITY

The institution's default rate for the Federal Perkins Loan Program is _____ percent. The Secretary considers a Federal Perkins Loan default rate in excess of 15 percent to be an indication of impaired administrative capability.

The high default rate indicates the institution's failure to properly administer the Federal Perkins Loan program. Federal Perkins Loans that go into default status create increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 668.16(m), General Provisions, April 29, 1994

REQUIREMENT:

To begin and to continue to participate in any Title IV, HEA program, an institution must demonstrate to the Secretary that the institution is capable of adequately administering that program. The Secretary considers an institution to have that administrative capability if the institution has a cohort default rate on loans made under the Federal Perkins Loan Program to students for attendance at that institution that does not exceed 15 percent.

In its response, the institution must submit to this office a plan which describes the steps it will take to lower its Federal Perkins Loan default rate to an acceptable level.

PERK 8090 FEDERAL PERKINS LOAN EXIT COUNSELING NOT CONDUCTED/UNTIMELY (formerly FEDERAL PERKINS LOAN EXIT COUNSELING NOT CONDUCTED)

FINDING: FEDERAL PERKINS LOAN EXIT COUNSELING NOT CONDUCTED/UNTIMELY

There was no documentation to verify that student #'s____, who had ceased to be enrolled, received the required Federal Perkins Loan exit counseling.

Failure to conduct exit counseling for students who have either graduated or withdrawn results in students who are less aware, or unaware, of their responsibility as loan recipients, including the requirement that the loan must be repaid. Borrowers who do not understand their loan obligations are more likely to default on their loans; thus a failure to perform exit counseling contributes to a high Federal Perkins Loan default rate. Loans that go into default status result in losses to the institution's Federal Perkins loan fund.

REFERENCE:

34 CFR 668.43(c)(6), General Provisions, December 1, 1986, amended April 29, 1994
34 CFR 674.42, Federal Perkins Loan Program, November 30, 1987, amended July 21, 1992

REQUIREMENT:

Institutions are required to conduct exit interviews with all Federal Perkins Loan borrowers prior to their leaving the institution. If the borrower leaves the institution without notice, the institution must mail a copy of the Federal Perkins Loan exit interview, a copy of the Federal Perkins Loan promissory note and two copies of the Repayment Schedule to the borrower and request that the borrower promptly sign and return one of the Schedules to the institution.

If the exit interview documentation is mailed, it is recommended that the information be sent by certified mail, return receipt requested, so that the institution's attempt to comply with program regulations is documented. The institution must submit the required documentation, verifying compliance with the regulations for the above mentioned borrower(s). If documentation is not available, the institution must follow the procedure for borrowers who leave the institution without notification and provide proof to this office.

PERK 8100 EXCESS PERKINS LOAN EXCESS CASH BALANCE MAINTAINED (formerly EXCESS FEDERAL PERKINS LOAN CASH BALANCE)

FINDING: EXCESS FEDERAL PERKINS LOAN EXCESS CASH BALANCE MAINTAINED

The institution has not made any loans from its Federal Perkins Loan Fund in several years and currently has no plan to make loans. The Fund has a cash balance of \$_____ in excess of current need.

The institution's maintenance of excess cash causes a loss to the government in interest expense and could affect the funds available for eligible, needy students at other institutions.

REFERENCE:

34 CFR 674.17, Federal Perkins Loan Program, December 1, 1987
Dear Colleague Letter, CB-94-8, May 1994

REQUIREMENT:

Section 466(c) of the Higher Education Act of 1965, as amended, provides for the return of excess cash to the U.S. Department of Education (ED) when an institution's Federal Perkins Loan Program Fund is determined, either by the Secretary or by the institution, to contain an amount that exceeds the amount required for expenditure in the foreseeable future.

If it is determined that there is an excess cash balance in the Fund, the institution must:

- return the Federal share of any excess to the Department by June 30 of the current award year;
- disburse the cash on hand in lieu of requesting Federal capital for the period and release an appropriate amount of its allocation for the coming award year; or
- provide a letter to ED documenting that no portion of the projected Federal Perkins Loan cash-on-hand will be surplus by the end of the next award year.

The institution is required to analyze its present cash position in the Fund using the instructions provided in the May 1994 Dear Colleague Letter to determine whether it needs to reduce future requests for Federal Capital Contribution or return the excess cash.

In response to this finding, the institution must advise this office of the corrective action taken. If the institution returns excess cash by means of a check to the address in the Dear Colleague Letter, it must include its serial number, EIN number and the phrase "Return of Federal Perkins Loan Excess Cash" on the check. A copy of the check must be forwarded with the response.

PERK 8110 LOAN FUNDS NOT DEPOSITED IN AN INTEREST-BEARING ACCOUNT (formerly FEDERAL PERKINS LOAN-FUNDS NOT DEPOSITED INTO INTEREST BEARIN ACCOUNT)

FINDING: **FEDERAL PERKINS LOAN FUNDS NOT DEPOSITED IN AN INTEREST-BEARING ACCOUNT**

The institution does not deposit its Federal Perkins Loan funds (i.e. FCC, collections) in an interest-bearing account.

Failure to deposit Federal Perkins Loan funds in an interest-bearing account constitutes an inability by the institution to properly administer the Federal Perkins Loan program; deprives needy students of these funds, and causes a loss to the government in interest earned.

REFERENCE:

34 CFR 674.19(b), Federal Perkins Loan Program, December 1, 1987

34 CFR 674.45(f), Federal Perkins Loan Program, November 30, 1987

REQUIREMENT:

The institution must ensure that all the cash (i.e. FCC, collections) in its Federal Perkins Loan Fund is deposited in interest-bearing accounts that are insured by an agency of the Federal Government; or secured by collateral of reasonably equivalent value; or invested in low-risk income producing securities, such as obligations issued or guaranteed by the United States.

The institution must exercise the level of care required of a fiduciary with regard to these deposits and investments and report earned interest as other income on the Fiscal Operations Report.

Further, the institution must calculate the interest which would have been earned if the institution complied with regulations on the Federal Perkins Loan funds for the _____ award year(s). This amount must be deposited to the Federal Perkins Loan Fund. A copy of the interest calculation (including the source of the interest rate(s) used) and proof of deposit (copy of canceled check, front and back) must be submitted to this office in response to this report.

If this finding recurs in a future audit or program review, the institution may be subject to administrative action.

PERK 8120 FEDERAL PERKINS LOAN FUND CHARGED FOR UNALLOWABLE COLLECTION COSTS

FINDING: **FEDERAL PERKINS LOAN FUND CHARGED FOR UNALLOWABLE COLLECTION COSTS**

The institution was charging the Federal Perkins Loan Fund for _____, which is not allowed per the regulations.

An institution that improperly charges the Federal Perkins Loan Fund may deprive needy students of those funds and create a financial burden for the U.S. Department of Education.

REFERENCE:

34 CFR 674.47, Federal Perkins Loan Program, November 30, 1987, amended July 21, 1992 and December 21, 1992

REQUIREMENT:

Only the following collection costs that are waived or not paid by the borrower may be charged to the Federal Perkins Loan Fund:

1. Collection costs waived if the borrower makes a lump-sum payment of the entire amount outstanding,
2. Cost of a successful address search,
3. Cost of reporting defaulted loans to credit bureaus,
4. Collection costs not exceeding 30 percent (for first collection efforts) and 40 percent (for second collection efforts) of the total principal, interest, and late charges collected,
5. Collection costs resulting from litigation, including attorney's fees, and
6. Costs of a firm performing both collection and litigation services.

An institution must support costs charged to the Fund with appropriate documentation, including telephone bills and receipts for collection firms. If the institution is unable to provide adequate documentation to support the above charges, it must reimburse the Fund for those charges.

With its response to this report, the institution must provide either the necessary documentation to support the charges or documentation that the Fund has been reimbursed.

PERK 8130 FEDERAL PERKINS LOAN-IMPROPER DEFERMENTS

FINDING: FEDERAL PERKINS LOAN - IMPROPER DEFERMENTS

The institution granted a Federal Perkins Loan deferment for student #___ although the borrow did not meet any of the criteria which would entitle him/her for a deferment.

An institution's failure to grant Federal Perkins Loan deferments in accordance with regulations creates increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 674.34, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992 and January 12, 1994

REQUIREMENT:

A borrower is entitled to have the repayment of a loan deferred under certain circumstances. A deferment is a period of time during which the borrower is not required to repay the loan principal. Interest will not accrue during a deferment, except during a hardship deferment (however, hardship deferments are no longer available for loans made on or after July 1, 1993).

For loans made on or after July 1, 1993, a borrower may defer loan repayment for periods during which the borrower:

1. Is enrolled as at least a half-time student;
2. Is pursuing a course of study in an approved graduate fellowship program;

3. Is pursuing a course of study in an approved rehabilitation training program for disabled individuals;
4. Is engaged in graduate or post-graduate fellowship-supported study
5. Is unable to find full-time employment, but may not be granted in excess of three years;
6. May be suffering an economic hardship, but may not be granted in excess of three years. A borrower is considered to have an economic hardship if he or she is working full-time and is earning not more than the minimum wage or an amount equal to 10 percent of the poverty line for a family of two. (Please note that until ED issues final Federal Perkins Loan Program regulations, a school may not grant deferments based on economic hardship. Instead the school could rely on other provisions, such as the extension of the repayment period;
7. Is engaged in certain types of public service described under the cancellation provisions.

For loans made before July 1, 1993, a borrower may defer loan repayment for periods during which the borrower is:

1. Enrolled as at least a half-time student;
2. A member of the U.S. Army, Navy, Air Force, Marines, or coast Guard;
3. A member of the National Guard or the Reserves serving a period of full-time active duty in the Armed Forces;
4. An officer in the Commissioned corps of the U.S. Public Health Service,
5. On full-time active duty as a member of the National Oceanic and Atmospheric Administration Corps;
6. A Peace Corps volunteer,
7. A volunteer under Title 1 - Part A of the Domestic Service Act of 1973 (ACTION programs);
8. A full-time volunteer in for a tax-exempt organization that the Department of Education has determined is comparable to Peace Corps or ACTION service
9. Temporarily totally disabled or unable to work because he or she must care for a spouse or other dependent who is so disabled;

A borrower of a Federal Perkins Loan made before July 1, 1993 may also defer repayment and interest will not accrue during a period of up to one year if the borrower is a mother of a preschool age child, provided the mother is going to work at a salary that is no more than \$1.00 in excess of the minimum hourly wage. A borrower may defer repayment for up to six months if the borrower is pregnant, or if he or she is taking care of a newborn or newly adopted child. In addition, an eligible internship will allow the borrower a deferment for up to two years.

In its response to this report, the institution must ensure this office that it will grant Federal Perkins Loan deferments to only those borrowers who meet the eligible criteria. A recurrence of this finding in a future audit or program review may result in administrative action.

**PERK 8140 FEDERAL PERKINS LOAN-INADEQUATE BILLING/
COLLECTION PROCEDURES/DUE DILIGENCE** (formerly FEDERAL PERKINS
LOAN-BILLING/COLLECTION PROCEDURES INADEQUATE)

**FINDING: FEDERAL PERKINS LOAN - INADEQUATE BILLING/COLLECTION
PROCEDURES/DUE DILIGENCE**

The present Federal Perkins Loan billing/collection procedures do not meet all the requirements of the Federal Perkins regulations. The following required procedures were inadequate or omitted:

1. (i.e., For billing: failure to send billing notices when due, incorrect late charges, etc.)
2. (i.e., For collections: failure to engage a collection firm to collect past-due accounts, etc.)

Failure to adhere to required billing/collection procedures could result in losses to the institution's Federal Perkins loan fund (90% of which is funded by the U.S. Department of Education).

REFERENCE:

34 CFR 674.43 and 674.45, Federal Perkins Loan Program, November 30, 1987, amended July 21, 1992

REQUIREMENT:

Billing refers to that series of actions the institution routinely performs to notify borrowers of payments due, remind them of overdue payments, and demand payment of overdue amounts.

Collection procedures are the more intensive efforts an institution must make when borrowers have not responded satisfactorily to billing procedures and are considered in default.

The institution must develop and implement procedures to comply with the above-cited regulations. A copy of the procedures must be included in the response to this report.

**PERK 8150 FEDERAL PERKINS LOAN-INCORRECT REPAYMENT
SCHEDULE**

FINDING: FEDERAL PERKINS LOAN - INCORRECT REPAYMENT SCHEDULE

The Federal Perkins Loan Repayment Schedules for student(s) #_____ contained an incorrect (**interest rate, first payment due date, etc.**).

Failure to provide a correct repayment schedule to a borrower may increase the possibility of the student defaulting on his or her loan. Federal Perkins Loans that go into default create increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 674.33, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992 and
December 21, 1992

REQUIREMENT:

At the time a borrower leaves school, the institution must conduct an exit interview during which a repayment schedule is provided to the borrower. As a minimum, the repayment schedule should contain the number of repayments of principal or the number of equal repayments, the rate of interest, the date the first repayment is due, and the frequency of repayments.

The institution must correct the repayment schedules for the above students and forward copies with its response to this report.

PERK 8160 FEDERAL PERKINS LOAN INSTITUTIONAL DATA NOT RECONCILED WITH BILLING/COLLECTION AGENCY

FINDING: FEDERAL PERKINS LOAN INSTITUTIONAL DATA NOT RECONCILED WITH BILLING/COLLECTION AGENCY

A discrepancy was noted between the actual Federal Perkins Loan note signed and the billing agency's report for student # _____. Specifically, the institution's records indicate that the (student's outstanding balance was \$ _____ on (date) while the billing agency's data shows \$ _____ as the balance).

Failure to reconcile Federal Perkins Loan individual accounts could result in the institution receiving funding to which it is not entitled and cause increased expense for the student.

REFERENCE:

34 CFR 674.19(d)(e), Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
34 CFR 674.48, Federal Perkins Loan Program, November 30, 1987

REQUIREMENT:

The institution may use a contractor for billing or collection, but the institution is still responsible for complying with Federal Perkins Loan regulations regarding those activities. The institution must establish, maintain and reconcile general ledger control accounts and related subsidiary accounts that identify each program transaction and separate those transactions from all other institutional financial activity. The institution must also establish and maintain fiscal records that identify each borrower's account balance and are reconciled at least monthly.

The institution must contact its billing agency to resolve the discrepancy associated with student # ____'s loan balance and submit proof to this office of its resolution. Also, the institution must provide its assurances that each borrower's account balance will be reconciled on at least a monthly basis.

PERK 8170 INTEREST INCORRECTLY CALCULATED
(This code not in the Guide – Generic Paragraph Not Developed)

PERK 8180 FEDERAL PERKINS PRE-LOAN COUNSELING AND DISCLOSURE REQUIREMENTS NOT MET

FINDING: FEDERAL PERKINS PRE-LOAN COUNSELING AND DISCLOSURE REQUIREMENTS NOT MET

Federal Perkins pre-loan counseling and disclosure requirements were not met for the following students:

Student # **(List for each student the pre-loan counseling/disclosure deficiencies)**

Failure to meet pre-loan counseling and disclosure requirements results in students being less aware, or unaware, of their responsibilities as loan recipients, including the requirement that the loan must be repaid. Borrowers who do not understand their loan obligations are more likely to default on their loans; thus a failure to perform pre-loan counseling contributes to a high Federal Perkins Loan default rate. Federal Perkins Loan defaults result in losses to the institution's Federal Perkins Loan fund

REFERENCE:

34 CFR 674.16, Federal Perkins Loan Program, December 1, 1987

REQUIREMENT:

Before an institution makes its first disbursement to a student, the student must sign the promissory note and the institution must provide the student with the following information:

- The name of the institution and the address where communications and payments should be sent.
- The principal amount of the loan and the stated interest rate on the loan.
- The yearly and cumulative maximum amounts that may be borrowed.
- An explanation of when repayment of the loan will begin and when the borrower will be obligated to pay interest that accrues on the loan.
- The minimum and maximum repayment terms which the institution may impose and the minimum monthly repayment required.
- A statement of the total cumulative balance owed by the student to that institution and an estimate of the monthly payment needed to repay that balance.
- Special options the borrower may have for loan consolidation or other refinancing of the loan.
- The borrower's right to prepay all or part of the loan, at any time without penalty, and a summary of the circumstances in which the repayment of the loan or interest that accrues on the loan may be deferred or canceled including a brief notice of the Department of Defense program statement that the default may be reported to a credit bureau or credit reporting agency.
- The effect of accepting the loan on the eligibility of the borrower for other forms of student assistance.
- The amount of any charges collected by the institution at or prior to the disbursement of the loan and any deduction of such charges from the proceeds of the loan or paid separately by the borrower.
- Any cost that may be assessed on the borrower in the collection of the loan including late charges and collection and litigation costs.

The institution must provide the above information to the borrower in writing as part of the written application material, as part of the promissory note, or on a separate written form. The institution must also document, in the student's file, that the student received the information.

(Insert name of institution) must review the files of all Federal Perkins Loan recipients in the award years reviewed to confirm that pre-loan counseling and disclosure requirements were met. The institution must send, by certified mail (return receipt requested), the information required by the above-referenced regulations to all students who did not receive it initially and to the students identified in this finding. A list of each student to whom these materials were provided, as a result of this review, must be submitted to the regional office as part of the review response. The list must include the student's name, social security number, award year, and the date the materials were mailed. A sample of the materials mailed to the students and copies of the mail certifications must also be included as part of the institution's response to this program review report.

PERK 8190 FEDERAL PERKINS LOAN INSTITUTIONAL MATCHING FUNDS NOT DEPOSITED/UNTIMELY (formerly FEDERAL PERKINS LOAN MATCHING FUNDS NOT MET/UNTIMELY)

FINDING: FEDERAL PERKINS LOAN INSTITUTIONAL MATCHING FUNDS NOT DEPOSITED/UNTIMELY

The one-ninth Institutional Capital Contribution (ICC) matching share was not deposited into the Federal Perkins Loan Fund at the same time the institution deposited its Federal Capital Contribution (FCC). As a result, the institution's match was less than required by law for the _____ award years.

For the 1993/94 award year the ICC is three-sevenths of the FCC, or 15% of the combined FCC and ICC. For succeeding award years, the ICC will be one-third of the FCC, or 25% of the combined FCC and ICC. Schools participating in an Expanded Lending Option (ELO) will be required to match the FCC dollar-for-dollar. (The Higher Education Amendments of 1992, Public Law 102-325, Section 463(a)(2)(B), July 23, 1992)].

Failure to deposit the institutional matching share into the Federal Perkins Loan Fund causes increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 674.19(c), Federal Perkins Loan Program, December 1, 1987
34 CFR 674.8(a), Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992

REQUIREMENT:

Institutions are required to deposit its ICC into the Federal Perkins Loan Fund prior to or at the same time it deposits any FCC.

(If match was not made)

The institution must immediately deposit the correct ICC in the Federal Perkins Fund and forward proof of this deposit with its response to the report.

(If match was made late)

The institution must develop and submit with its response, procedures which will ensure that, in the future, the institutional match is made in a timely manner.

This office may propose an informal fine for the institution's non-compliance. If necessary, instructions for payment of this informal fine will be provided in the Final Program Review Determination letter.

PERK 8200 FEDERAL PERKINS LOAN NOTES NOT SAFELY MAINTAINED
(formerly FEDERAL PERKINS LOAN NOTES NOT ADEQUATELY SAFEGUARDED)

FINDING: FEDERAL PERKINS LOAN NOTES NOT SAFELY MAINTAINED

The Federal Perkins Loan promissory notes were missing/unsigned for student(s) # _____.

Failure to obtain valid Federal Perkins Loan promissory notes constitutes an inability by the institution to properly administer this Title IV, HEA program.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 464(c)(1)(E), July 23, 1992
34 CFR 674.31 and Appendix A-D, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
34 CFR 674.16(a)(1) and (d), Federal Perkins Loan Program, December 1, 1987

REQUIREMENT:

Before an institution disburses any Federal Perkins Loan proceeds to a borrower, the student (including minors in all states after July 23, 1992) must sign the promissory note, complete the prior loan section of the note and sign the schedule of advances at the time each disbursement is received. The promissory note is the legally binding document that is evidence of a borrower's indebtedness to a school.

In response to this finding, the institution must obtain the missing promissory note(s)/student signatures for the above-referenced student(s). If the institution cannot locate the note(s) and the student(s) is/are still in school, a new note must be prepared for the borrower's signature. If the borrower is in repayment, collection must be continued to avoid jeopardizing the collection process.

The institution will be held liable for any loss if a loan should become uncollectible due to the absence of a valid note. If the note(s) have been located for the above students or new notes have been obtained, please provide copies with the response to this report.

**PERK 8210 FEDERAL PERKINS LOAN PROMISSORY NOTE MISSING/
UNSIGNED/INACCURATE** (formerly FEDERAL PERKINS LOAN NOTES
UNSIGNED,MISSING,IMPROPER)

**FINDING: FEDERAL PERKINS LOAN PROMISSORY NOTE -- MISSING/UNSIGNED/
INACCURATE**

The Federal Perkins Loan promissory notes were missing/unsigned/inaccurate for student(s) # _____.

Failure to obtain valid Federal Perkins Loan promissory notes constitutes an inability by the institution to properly administer this Title IV, HEA program.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 464(c)(1)(E), July 23, 1992
34 CFR 674.31 and Appendix A-D, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992
34 CFR 674.16(a)(1) and (d), Federal Perkins Loan Program, December 1, 1987

REQUIREMENT:

Before an institution disburses any Federal Perkins Loan proceeds to a borrower, the student (including minors in all states after July 23, 1992) must sign the promissory note, complete the prior loan section of the note and sign the schedule of advances at the time each disbursement is received. The promissory note is the legally binding document that is evidence of a borrower's indebtedness to a school.

In response to this finding, the institution must obtain the missing promissory note(s)/student signatures for the above-referenced student(s). If the institution cannot locate the note(s) and the student(s) is/are still in school, a new note must be prepared for the borrower's signature. If the borrower is in repayment, collection must be continued to avoid jeopardizing the collection process.

The institution will be held liable for any loss if a loan should become uncollectible due to the absence of a valid note. If the note(s) have been located for the above students or new notes have been obtained, please provide copies with the response to this report.

PERK 8211 FEDERAL PERKINS LOAN EXCEEDS MAXIMUM

FINDING: FEDERAL PERKINS LOAN EXCEEDS MAXIMUM

The institution awarded and disbursed Federal Perkins Loans to student(s) # _____ which exceeded the maximum limits allowed.

An institution who awards and disburses Federal Perkins Loans to students which exceed the maximum limits causes borrowers to receive loans to which they are not entitled, deprives other needy students of these funds, and constitutes an inability by the institution to properly administer the Federal Perkins Loan program.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 464(a), July 23, 1992
The Department of Education Appropriations Act of 1993, Public Law 102-394, October 6, 1992
Dear Colleague Letter, GEN-92-21, pages 50-51, October 1992
1993/94 Federal Student Financial Aid Handbook, Chapter 6, Section 2, pages 13-15

REQUIREMENT:

An institution is required to determine a student's eligibility for a Federal Perkins Loan prior to awarding or disbursing the loan.

Effective July 23, 1992, the maximum annual amount an eligible student may borrow is:

- (a) \$3,000 per year for an undergraduate student, or
- (b) \$5,000 per year for a graduate or professional student.

The maximum cumulative amount an eligible student may borrow is:

- (a) \$15,000 for an undergraduate student, or
- (b) \$30,000 for a graduate or professional student, including loans borrowed as an undergraduate student.

For each student listed in this finding, the institution must determine and document the amount of ineligible Federal Perkins Loans received by the student in excess of the annual/cumulative limits. With its response, the institution must submit proof that the ineligible amounts have been returned to the Federal Perkins Loan fund (copies, front and back, of canceled checks).

The institution must also adjust its Fiscal Operations Report and ledgers to reflect these adjustments.

NOTES TO REVIEWERS:

- 1. Effective July 1, 1993, an institution with a default rate of 7.5 percent or less could participate in an Expanded Lending Option (ELO), provided they had signed an ELO participation agreement with ED. They could make loans to students at higher annual and cumulative loan limits than non-participating schools. These loan limits are listed in the 1993/94 SFA Handbook.**
- 2. For the 1992/93 award year only, an institution could make a loan to an eligible student without regard to the new maximum annual limits if the loan did not violate the aggregate limits in effect prior to the enactment of the Higher Education Amendments of 1992 (see 674.12, Federal Perkins Loan Program, December 1, 1987). If the loan did result in a violation of the previous aggregate limits, the institution had to follow the new maximum annual and cumulative limits, effective July 23, 1992, in making a loan.**

PERK 8220 FEDERAL PERKINS LOAN REPAYMENT SCHEDULE NOT IN FILE/NOT SIGNED

FINDING: FEDERAL PERKINS LOAN REPAYMENT SCHEDULE NOT IN FILE/NOT SIGNED

The Federal Perkins Loan Repayment Schedule could not be located or was not signed for student(s) # _____.

Failure to provide a repayment schedule to a borrower increases the possibility of the student defaulting on his or her loan. Federal Perkins Loans that go into default create increased expense for the U.S. Department of Education.

REFERENCE:

34 CFR 674.33, Federal Perkins Loan Program, December 1, 1987, amended July 21, 1992 and December 21, 1992

34 CFR 674.42(a), Federal Perkins Loan Program, November 30, 1987, amended July 21, 1992

REQUIREMENT:

At (or before) the exit interview, the institution must give the student a copy of the Federal Perkins Loan promissory note and repayment schedule, and obtain a signed copy of the repayment schedule for the student's file. If the borrower leaves without notice, the institution must mail a copy of the note and two copies of the repayment schedule to the borrower, requesting the borrower to sign and return one schedule to the institution.

If the exit interview documentation is mailed, it is recommended that the information be sent by registered mail, return receipt requested, so that the institution's attempt to comply with program regulations is documented.

The institution must submit documentation verifying compliance with the regulations for the above mentioned student(s). If documentation is not available, the institution must follow the procedures for borrowers who leave without notification and submit proof of its action to this office.

PERK 8230 FEDERAL PERKINS LOAN-SAME AGENCY BILLS AND COLLECTS

FINDING: FEDERAL PERKINS LOAN - SAME AGENCY BILLS AND COLLECTS

The institution's Federal Perkins Loan collection firm is owned/controlled by the same agency providing billing services for the institution.

An institutions's failure to utilize separately owned/controlled billing and collection agencies constitutes and inability to properly administer the Federal Perkins Loan Program.

REFERENCE:

34 CFR 674.48(e), Federal Perkins Loan Program, November 30, 1987

REQUIREMENT:

An institution using a billing service may not use a collection firm that owns or controls the billing service, or is owned or controlled by the billing service. In addition, the institution may not use a collection firm if both the collection firm and billing service are owned or controlled by the same corporation, partnership, association, or individual.

With its response, the institution must provide documentation that it has obtained either a billing service or collection firm that is separately owned/controlled.

A recurrence of this finding in a future audit or program review may result in an informal fine.

PERK 8240 FEDERAL PERKINS LOAN SCHEDULE OF ADVANCES NOT SIGNED

FINDING: FEDERAL PERKINS LOAN SCHEDULE OF ADVANCES NOT SIGNED

The file(s) of student(s) # _____ contained unsigned advances on Federal Perkins Loan promissory notes.

Failure to obtain the required student signature on a Federal Perkins Loan promissory note constitutes an inability by the institution to properly manage the Title IV program.

REFERENCE:

34 CFR 674.16, Federal Perkins Loan Program, December 1, 1987

REQUIREMENT:

The promissory note is the legally binding document that is evidence of a borrower's indebtedness to a school. A borrower must sign for each advance at the time of each disbursement of funds.

If the institution does not have a valid note or other written evidence that would be upheld in a court of law, the institution has no recourse against a borrower who defaults. In such cases, the school would have to repay its Federal Perkins Loan Fund any amounts loaned as well as any administrative cost allowance claimed on those amounts.

In addition, because unsigned promissory note advances are invalid, they may not be submitted for assignment unless canceled checks or payment vouchers bearing the borrowers' signatures are available.

For the above-referenced students, the institution must submit, with its response, canceled checks or payment vouchers bearing the borrowers' signatures to support the advances of Federal Perkins Loan funds. If this cannot be supplied, please forward documentation that the Perkins Loan Fund and the administrative cost allowance has been repaid.

In addition, the institution must develop and submit with its response procedures which will ensure that, in the future, Federal Perkins Loan promissory notes will be properly executed.

PERK 8250 FEDERAL PERKINS LOAN SELECTION POLICY INADEQUATE

FINDING: FEDERAL PERKINS LOAN SELECTION POLICY INADEQUATE

The institution's Federal Perkins Loan selection policy was not in compliance with regulations. Specifically, the institution _____.

(Specify if the institution did not have written procedures; the written procedures were not adequate; or the procedures were not followed.)

By using improper Federal Perkins Loan selection procedures, the institution may be depriving other eligible needy students of Title IV aid.

REFERENCE:

34 CFR 674.10, Federal Perkins Loan Program, December 1, 1987

REQUIREMENT:

An institution must make loans reasonably available, to the extent of available funds, for all eligible students, but must give priority to students with exceptional financial need. The institution must define exceptional financial need and must develop procedures for implementing that priority. The selection procedures must be in writing, uniformly applied and maintained in the institutions's files.

In response to this finding, the institution must revise its Federal Perkins Loan selection policy in accordance with the regulation cited above. A copy of this written policy must be submitted to this office.

FEDERAL SEOG DEFICIENCY CODES

SEOG 9000 FSEOG EXCEPTIONAL NEED NOT MET

FINDING: FSEOG EXCEPTIONAL NEED NOT MET

The institution did not follow regulatory requirements for awarding Federal Supplemental Educational Opportunity Grants (FSEOG) first to Federal Pell Grant recipients with exceptional need {lowest expected family contributions (EFC)} and then to non-Federal Pell Grant recipients in order of lowest EFC's. Instead, the institution awarded FSEOG funds for applicants who _____.

The following students were not properly awarded FSEOG funds based on their financial need (EFC):

<u>Student #</u>	<u>EFC</u>	<u>FSEOG Awarded (Y/N)</u>
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Failure by the institution to properly award FSEOG funds to students with exceptional need, constitutes an inability by the institution to properly administer the FSEOG program.

REFERENCE:

34 CFR 676.10, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
34 668.14(b)(1), General Provisions, April 29, 1994
Dear Colleague Letter CB-91-8, May 1991

REQUIREMENT:

In selecting FSEOG recipients, an institution must first select students with exceptional financial need, which is defined as those students with the lowest EFC's who will also receive Federal Pell Grants in that award year.

If the institution has FSEOG funds remaining after funds are awarded to students who are Federal Pell eligible, the institution must next award FSEOG funds to those students with the lowest EFC's who will not receive Federal Pell Grants in that award year.

Although an institution is allowed to establish categories of students as a means of administering its packaging policies, an institution would not be in compliance with the Higher Education Act of 1965, as amended, if it were to award FSEOG funds on a first-come, first-serve basis or arbitrarily set a maximum EFC benchmark (or cut-off) from below which it selected FSEOG recipients. Such a practice might exclude otherwise eligible students from the selection process. Furthermore, the institution may not use professional judgment to circumvent its FSEOG selection policy.

In response to this finding, the institution must revise its FSEOG award selection policy in accordance with the regulatory requirements specified above to ensure that students with exceptional need, as defined by his/her EFC, consistently receive FSEOG funds. A copy of these revised policies and procedures must be submitted to this office.

If a recurrence of this finding appears in a future audit or program review, an informal fine may be proposed and the institution will be liable for all FSEOG funds disbursed to students who do not meet the regulatory selection group criteria for that award year.

**SEOG 9005 FSEOG FUND NOT MADE REASONABLY AVAILABLE/
SELECTION POLICY INADEQUATE** (formerly FSEOG FUND NOT MADE
REASONABLY AVAILABLE)

FINDING: **FSEOG FUNDS NOT MADE REASONABLY AVAILABLE/
SELECTION POLICY INADEQUATE**

The institution did not make Federal Supplemental Educational Opportunity Grant (FSEOG) funds reasonably available to its students throughout the entire award year. Instead, the institution awarded FSEOG funds only to students who _____ **(insert the institution's selection criteria --ie. on a first-come basis).**

Failure to make FSEOG funds reasonably available to eligible students throughout the award year deprives these eligible students of limited need-based aid and constitutes an inability by the institution to properly administer the FSEOG program.

REFERENCE:

34 CFR 668.14(b)(1), General Provisions, April 29, 1994
34 CFR 676.8 and 676.10, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987
Dear Colleague Letter CB-91-8, May 1991

REQUIREMENT:

An institution must develop written selection procedures to ensure that FSEOG recipients are selected on the basis of lowest expected family contributions (EFC) and Federal Pell Grant priority requirements over the entire award year in accordance with the references cited above. For an institution which enrolls students on a monthly or weekly basis, FSEOG funds can be reserved throughout that award year and selection practices may be applied in a manner which would assure that a reasonable consistency over the entire award year results.

Although institutions are allowed to establish categories of students as a means of administering its packaging policies, categorization may not be used to exclude certain students or groups of students from consideration. If an institution knows that its funds are so limited as to effectively exclude from consideration year after year categories that come later in the sequence, the institution may not be in compliance with the "reasonably available" provision. This principle would not apply, however, to a category consisting of students whose applications are received after a specific deadline. There is no requirement to reserve funds for late applicants, although the institution is not precluded from doing so. However, an institution would not be in compliance with the statute and regulations if it were it to award FSEOG's on a first-come, first-serve basis.

In response to this finding, the institution must develop a FSEOG awarding policy which ensures that FSEOG funds are made reasonably available to students (who are not late applicants) who start their programs throughout the entire award year. The method by which the institution determines how much funds to reserve must be explained and submitted along with the institution's revised FSEOG awarding policy. If this finding is found in a future audit or program review, an informal fine may be proposed.

SEOG 9010 FSEOG MATCHING REQUIREMENT NOT MET/UNTIMELY
(formerly FSEOG MATCHING FUNDS NOT PROVIDED/LATE)

FINDING: FSEOG MATCHING REQUIREMENT NOT MET/UNTIMELY

(If match was not made)

The institution did not provide the required institutional match to the Federal Supplemental Educational Opportunity Grant (FSEOG) program for the ____ award year(s). No documentation of the institutional match by ledger entries and/or corresponding payments from institutional sources was provided to the reviewer.

(If match was made late)

On _____, the institution deposited the _____ percent Federal share of \$ _____. However, the institution disbursed \$ _____ in FSEOG awards prior to making its ____ percent match.

Failure to deposit the institutional matching share into the FSEOG account causes increased expense for the U.S. Department of Education and could affect the funds available for eligible, needy students.

REFERENCE:

The Higher Education Amendments of 1992, Public Law 102-325, Section 413C(a)(2), July 23, 1992
34 CFR 676.21, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987

REQUIREMENT:

All institutions participating in the FSEOG Program are required to match FSEOG funds with its own resources prior to or at the same time that federal funds are disbursed. For the 1991-92 and 1992-93 award years, the federal share may not exceed 85 percent of the amount of FSEOG awards; for the 1993-94 and subsequent award years, the Federal share may not exceed 75 percent. Therefore, the institutional share is 15 percent for the 1991-92 and 1992-93 award years, and 25 percent for the 1993-94 and subsequent award years.

The institutional match may include the following:

- (1) Institutional grants and scholarships
- (2) Tuition or fee waivers
- (3) State scholarships
- (4) Foundation or other charitable organization funds.

This match may be accomplished on an individual recipient basis, an aggregate basis, or a fund-specific basis.

(If match was not made)

In the absence of any additional documentation, the institution will be liable for the institutional match that was not made in the 199_/_ award year(s).

(If match was made late)

The institution must develop and submit with its response, procedures which will ensure that, in the future, the institutional match is made in a timely manner.

This office may propose an informal fine for the institution's non-compliance. If necessary, instructions for payment of this informal fine and repayment of any liability will be provided in the Final Program Review Determination letter.

SEOG 9020 FSEOG MINIMUM OR MAXIMUM AWARD REQUIREMENT NOT MET

FINDING: FSEOG MINIMUM OR MAXIMUM AWARD REQUIREMENT NOT MET

The institution awarded student(s) # _____ Federal Supplemental Educational Opportunity Grant (FSEOG) funds in the amount of \$ _____, which is below (or above) the minimum (or maximum) award amount for an academic year.

Failure to disburse FSEOG funds in accordance with regulations constitutes an inability by the institution to administer that program.

REFERENCE:

The Higher Amendments of 1992, Public Law 102-325, Section 413B(a)(3), July 23, 1992
34 CFR 676.20, Federal Supplemental Educational Opportunity Grant Program, December 1, 1987

REQUIREMENT:

An institution may award an FSEOG in an amount it determines a student needs to continue his or her studies for an academic year. However, a Federal SEOG may not be awarded for a full academic year in an amount that is less than \$100 or more than \$4,000. For a student enrolled for less than a full academic year, the minimum allowable Federal SEOG award may be proportionately reduced.

(For study abroad cases, if applicable)

Effective July 23, 1992, the maximum FSEOG award may exceed \$4,000 by as much as \$400 for reasonable costs of study abroad.

In response to this finding, the institution must develop procedures to ensure that students receive FSEOG awards that are within the minimum and maximum allowable amounts. A copy of these procedures must be submitted to this office.

(For students in finding who had overawards or overpayments)

The institution is liable for all funds disbursed that exceed the maximum allowable award amount and overaward tolerances. Instructions for repayment of any liability will be issued in the Final Program Review Determination letter.

SEOG 9030 REQUIREMENT FOR FIFTH YEAR NOT MET

(This code not in the Guide – Generic Paragraph Not Developed)

SEOG 9040 UNEQUAL/UNMADE FSEOG DISBURSEMENTS (formerly UNEQUAL FEDERAL SEOG DISBURSEMENTS)

FINDING: UNEQUAL FSEOG DISBURSEMENTS

The institution did not make equal disbursements of Federal Supplemental Educational Opportunity Grant (FSEOG) awards for student(s) # _____.

Failure to make equal disbursements of FSEOG funds constitutes an inability by the institution to properly administer the FSEOG Program.

REFERENCE:

34 CFR 676.16, Supplemental Educational Opportunity Grant Program, December 1, 1987, amended July 21, 1992

REQUIREMENT:

An institution must pay a student a portion of the total FSEOG awarded for a full academic year in each payment period. The institution must determine the amounts paid in each payment period by dividing the total FSEOG award for an academic year by the number of payment periods the institution expects the student to attend in that year.

However, there are two exceptions: First, if a student incurs uneven costs or resources during an academic year and needs additional funds in a particular payment period, the institution may pay FSEOG funds to the student for those uneven costs. However, the reason for the uneven payment must be documented in the student's file. Secondly, only one payment is necessary if the total amount the institution awards a student for an academic year is less than \$501.

In response to this finding, the institution must provide its assurances in writing that it will disburse FSEOG funds in accordance with regulations.

SEOG 9050 FSEOG DISBURSED WITHOUT FEDERAL PELL GRANT ELIGIBILITY (formerly FEDERAL SEOG DISBURSEMENT WITHOUT PELL ELIGIBILITY)

FINDING: FSEOG DISBURSED WITHOUT FEDERAL PELL GRANT ELIGIBILITY

The institution awarded Federal Supplemental Educational Opportunity Grant (FSEOG) funds to student #'s _____ who were not eligible for a Federal Pell Grant and/or who were Federal Pell eligible but had high expected family contributions (EFCs). However, there were other Federal Pell eligible students who met the criterion of the institution's first selection group category, but did not receive an FSEOG award.

Failure to properly award FSEOG funds deprives other eligible needy students of those funds and constitutes an inability by the institution to properly administer the FSEOG Program.

REFERENCE:

34 CFR 676.10, Supplemental Educational Opportunity Grant Program, December 1, 1987
Dear Colleague Letter, CB-91-8, May 1991

REQUIREMENT:

In selecting among eligible students for FSEOG awards in each award year, an institution must select those students with the lowest EFCs who will also receive Federal Pell Grants in that award year.

If the institution has FSEOG funds remaining after awarding FSEOG funds to all the Federal Pell Grant recipients at the institution, the institution must award the remaining FSEOG funds to those eligible students with the lowest EFCs who are not Federal Pell eligible.

If an institution's allocation of FSEOG funds is directly or indirectly based on the financial need demonstrated by students attending the institution as less than full-time students, the institution must award a reasonable proportion of its allocation to those students.

The institution must revise its FSEOG awarding procedures and submit a copy with its response to this report.

If this finding recurs in a subsequent audit or program review, an informal fine will be proposed and the institution may be liable for all FSEOG funds disbursed to students not meeting the selection group criterion in that award year.