June 30, 2014

D. Daniel Inman
President
Daymar College
1410 Industrial Drive
Chillicothe, OH 45601-1038

Certified Mail Return Receipt Requested
Domestic Return Receipt
7012 1640 0000 0215 7941

RE: **Final Program Review Determination**
OPE ID: 02056800
PRCN: 201220527788

Dear President Inman:

The U.S. Department of Education's (Department's) Chicago/Denver School Participation Team issued a program review report on April 5, 2013 covering Daymar College's (Daymar) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2010-2011 and 2011-2012 award years. A copy of the program review report (and related attachments) and Daymar's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Daymar upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the April 8, 2013 program review report. If Daymar wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Daymar receives this FPRD. An original and four copies of the information Daymar submits must be attached to the request. The request for an appeal must be sent to:

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

Daymar's appeal request must:

(1) indicate the findings, issues and facts being disputed;
(2) state the institution's position, together with pertinent facts and reasons supporting its position;
(3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Daymar's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Jason Charlton at (312) 730-1695. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6) [redacted]

Douglas Parrott
Division Director

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

cc: Endora Todd, Financial Aid Administrator
Ohio State Board of Career Colleges and Schools
Accrediting Council for Independent Colleges and Schools

Prepared for

Daymar College

Federal Student Aid
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OPE ID 020568 00
PRCN 2012 205 27788

Prepared by
U.S. Department of Education
Federal Student Aid
Chicago / Denver School Participation Division

Final Program Review Determination
June 30, 2014

500 W. Madison St., Suite 1576, Chicago, IL 60661
StudentAid.gov.

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A. Institutional Information

Daymar College
1410 Industrial Drive
Chillicothe, Ohio 45601-1038

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 739 (01/2012)

% of Students Receiving Title IV, HEA funds: 95.5% (01/2012)

Title IV Participation (from Postsecondary Education Participants System (PEPS)):

		2012/2013
William D. Ford Federal Direct Loan (Direct Loan)		$4,706,805
Subsidized Stafford	$2,108,656	
Unsubsidized Stafford	$2,573,003	
PLUS	$ 25,146	
Federal Pell Grant		$ 2,209,926
Federal Supplemental Educational Opportunity Grant (FSEOG)		$ 99,733
Federal Work Study (FWS)		$ 65,197
	Total:	$ 7,081,661

Default Rate FFEL/DL:	2011	11.1%
	2009	14.7%
	2008	8.6%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Daymar College (Daymar) from February 6, 2012 to February 10, 2012. The review was conducted by William Johnson and Jason Charlton.

The focus of the review was to determine Daymar's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of Daymar's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on April 5, 2013.

Disclaimer:

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

C. Findings and Final Determinations

<u>Resolved Findings</u>

Finding(s): Finding 1 - 4 and 6

Daymar has taken the corrective actions necessary to resolve findings 1 – 4 and 6 of the program review report. Therefore, these findings may be considered closed. Appendix D contains Daymar's written response to the resolved findings. Findings requiring further action by Daymar are discussed below.

<u>Findings with Final Determinations</u>

The program review report finding(s) requiring further action are summarized below. At the conclusion of each finding is a summary of Daymar's response to the finding, and the

Department's final determination for that finding. A copy of the program review report issued on April 5, 2013 is attached as Appendix C.

Finding 5. Inconsistent Student Record

Citation: The standards of administrative capability of a participating institution provide that the institution develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for assistance under the Title IV HEA programs. *[34 C.F.R. § 668.16(f)]* Institutions are responsible for maintaining complete, consistent, and unambiguous records that establish and/or document each recipient's eligibility for the Federal Student Aid (FSA) that the institution awards and disburses.

For instance, a student must report parental income and asset information in the Free Application for Federal Student Aid (FAFSA) unless the student qualifies as an independent student under one or more categories found at Section 480(d) of the HEA, as amended. The questions in Step Three of the FASFA are consistent with the statutorily prescribed categories so that the applicant can determine whether or not parental income and asset information must be provided in the FASFA. For a student who omits parental income and asset information (i.e. applies as an independent student) on the basis meeting one or more of the independent student categories, the institution must ensure that all other information in the student's file supports and is consistent with the student's assertion.

An institution's failure to identify and resolve a conflicting or ambiguous response to the questions in Step Three of the FASFA may result in the determination of the student's Expected Family Contribution (EFC) without the requisite consideration of the parent's financial factors. The institution is prohibited from accepting an application with conflicting information because unless and until the conflict is resolved, the correct application information is not known.

Noncompliance: Student #8 applied for admission to the Medical Assisting program on December 15, 2010. Her institutional file includes a Career Planning Session form that indicates an assessment was conducted on that same date. The student's responses on that form indicate that that she was not employed and was supported by a parent.

Question: *"How long have you been employed?"*
Response: *"Never worked".*
Question: *"Will you continue to look for employment while going through school?"*
Response: *"Prob. Not."*
Question: *"How are you presently supporting yourself?"*
Response: *"Dad"*
Question: *"Because attendance is so important, tell me about your plans for:"*
Response: *"Dad will watch child + give ride to school"*

The cited student's institutional file also includes a Student Budget form for reporting monthly expenses. The student reported monthly expenses under only three of the sixteen categories of expenses on that form; Phone/Utilities ($75), Gas & Auto Maintenance ($25), and Miscellaneous ($50). No monthly expense was reported for the other expense types such as Household, Rent, and Groceries.

The cited student completed the 2010/2011 FASFA on January 5, 2011. She applied as an independent student on the basis of having children who will receive more than half of their support from the student during the award year and did not report parental income and assets. The student's assertion that she was providing most of the support of her child should have been examined since she had reported that she was unemployed, supported by a parent, and had minimal monthly expenses. Since the institution did not identify and resolve the discrepancy in the cited student's application information, that application is incomplete and therefore, invalid.

Required Action Summary: A student becoming of legal age or living self-sufficient from parents does not affect the student's dependency status under the FSA programs. Nor does becoming a parent, of itself, affect dependency status. However, students who have legal dependents are independent and legal dependents include those who will receive more than half their support from the student.

Daymar must provide its assurance that it has developed and applies such a system to the information that it receives with respect to all students' applications for FSA program assistance.

The institution is prohibited from disbursing FSA program funds on the basis of an invalid application. Instructions for repayment of the improper expenditures will be provided in the final program review determination letter.

Daymar's Response: Daymar concurs with the finding and has instituted a new process in which all interview documentation from all relevant departments is scanned in to the CampusVue student management system. This process ensures that all relevant information pertaining to student eligibility is reviewed to confirm a student's Expected Family Contribution (EFC) information and dependency status.

Daymar states they now have a centralized file review team that works in conjunction with the campus to gather the necessary documents and provide a review of the submitted file before any title IV aid is originated and disbursed. All relevant documentation is reviewed and all conflicting information is resolved before aid is disbursed to the student's account. Additionally, when reviewing a student's Institutional Student Information Record (ISIR), the financial aid administrator is required to review dependency status, and if necessary, seek written clarification from the student when dependency status, and if necessary, seek written clarification from the student when resources could not reasonably support a dependent and is the only data element making them independent.

This process was created when Daymar decided to move away from their third-party servicer, Global Financial Aid Service and bring their processing of financial aid in house.

Final Determination: Because the inconsistent information for Student #8 was not resolved, Daymar is liable for the Title IV aid disbursed to the student for the 2010-2011 award year. Therefore, Daymar is liable for $3,700.00 in Federal Pell Grant funds and $76.74 for the cost of these funds. A copy of the results of the above-described calculation is included as Appendix B.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows. The payment instructions in Section E have been adjusted to reflect the unduplicated liabilities.

Liabilities	2010-2011 Pell	
Finding 5	3,700.00	
Subtotal	$3,700.00	
Interest/SA	76.74	
Excess Cash	-	
ACA		
Subtotal	$76.74	
TOTAL	$3,776.74	
Payable To:		**Totals:**
Department	$3,776.74	**$3,776.74**

E. Payment Instructions

1. Liabilities Owed to the Department

Daymar owes to the Department $3,776.74 Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: $3,776.74
DUNS: 825279008
TIN: 261643300
Program Review Control Number: 2012 205 27788

Pell – Closed Award Year

Finding: 5
Appendix: B
Daymar must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
$3,700.00	$76.74	Pell Grant	2010-2011
Total Principal	Total Interest		
$3,700.00	$76.74		

The disbursement record for each student identified in the appendix to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to Jason Charlton **within 45 days of the date of this letter**.

F. Appendices

Appendix A, Student Sample, contains personally identifiable information and will be emailed to Daymar as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendices B, C and D are attached to this report.

Daymar College
OPE ID 020568 00
PRCN 2012 205 27788

Appendix B

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: **Daymar College**

No.	Description/Name	Ineligible Disbrsmnt	Program	Disbursement Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
8	(b)(6); (b)(7(C)	$1,850.00	Pell Grant	1/26/2011	4/5/2013	800	1.00%	$ 1,850.00	$ 40.55	$ -
		$1,850.00	Pell Grant	4/22/2011	4/5/2013	714	1.00%	$ 1,850.00	$ 36.19	$ -
[redacted]										

Total Ineligible	$3,700.00	Totals	$ 76.74	$ -
		ACA Liability		

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS	
Federal SEOG	
Federal Perkins	
Total C-B Spent	$ -
ACA Percentage	

	Total	Federal Share
Pell	$ 3,700.00	$ 3,700.00
ACG	$ -	$ -
SMART	$ -	$ -
TEACH	$ -	$ -
FWS	$ -	$ -
FSEOG	$ -	$ -
Perkins	$ -	$ -
FWS-50% Match	$ -	$ -
FWS-No Match	$ -	$ -
FSEOG-No Match	$ -	$ -
Perkins-No Match	$ -	$ -
Total Campus-Based	$ -	$ -

Interest Breakdown

	To ED	To Inst Accounts
Pell Grants	$ 76.74	$ -
ACG	$ -	$ -
SMART	$ -	$ -
TEACH	$ -	$ -
FWS	$ -	$ -
FSEOG	$ -	$ -
Perkins	$ -	$ -
FWS-50% Match	$ -	$ -
FWS-No Match	$ -	$ -
FSEOG-No Match	$ -	$ -
Perkins-No Match	$ -	$ -

ACA Breakdown

FWS	
FSEOG	
Perkins	
FWS-50% Match	
FWS-No Match	
FSEOG-No Match	
Perkins-No Match	

Daymar College
OPE ID 020568 00
PRCN 2012 205 27788

Appendix C: Daymar College Program Review Report
Issued: April 5, 2013

Prepared for
Daymar College

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

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OPE ID 020568 00
PRCN 2012 205 27788

Prepared by
U.S. Department of Education
Federal Student Aid
Chicago / Denver School Participation Division

Program Review Report

April 5, 2013

500 West Madison Street, Suite 1576
Chicago, Illinois 60661
StudentAid.gov

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A. Institutional Information

Daymar College
1410 Industrial Drive
Chillicothe, Ohio 45601-1038

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 739 (01/2012)

% of Students Receiving Title IV: 95.5% (01/2012)

Title IV Participation (from National Student Loan Data System (NSLDS)):

		2010/2011
William D. Ford Federal Direct Loan (Direct Loan)		$11,501,342
Subsidized Stafford	$4,879,359	
Unsubsidized Stafford	$6,391,627	
PLUS	$ 230,356	
Federal Pell Grant		$ 6,175,093
Federal Supplemental Educational Opportunity Grant (FSEOG)		$ 59,467
Federal Work Study (FWS)		$ 56,440
	Total:	$17,792,342

Default Rate FFEL/DL:	2010	%
	2009	7.4%
	2008	7.1%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Daymar College from February 6, 2012 to February 10, 2012. The review was conducted by William Johnson and Jason Charlton.

The focus of the review was to determine Daymar College's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Daymar College's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010/2011 and 2011/2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

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

Finding 1. Cash Management

Citation: Except for the disbursement of Federal Work Study Program funds, an institution must disburse Title IV HEA program funds on a payment period basis. An institution must disburse Title IV HEA program funds at least once each payment period. *[34 C.F.R. § 668.164(b)]*

Noncompliance: The reviewers found that the institution did not disburse virtually all scheduled awards attributable to the fall, 2011 term within that term. Virtually all fall term funds were drawn and disbursed in January, 2012. As a result, some funds were disbursed after enrollments had ended and some loans were disbursed after loan periods had expired. No ineligible payments were identified.

Required Action: Apparently, the institution's failure to comply with cash management rules resulted from a strategic decision to push a considerable amount of Title IV revenue from the institution's fiscal year 2011 to fiscal year 2012 so that the institution's Title IV revenues would not exceed 90% of the institution's total revenues for fiscal year 2011.

A participating institution acts in the nature of a fiduciary in the administration of the Title IV, HEA programs. To participate in any Title IV, HEA program, the institution must at all times act with the competency and integrity necessary to qualify as a fiduciary. In the capacity of a fiduciary a participating is subject to the highest standard of care and diligence in administering the programs and in accounting to the Secretary for the funds received under those programs. The failure of a participating institution to administer a Title IV, HEA program, or to account for the funds it receives under that program in accordance with the highest standard of care and diligence required of a fiduciary constitutes grounds for an emergency action against the institution, a fine on the institution, or the limitation, suspension, or termination of the institution's participation in that program.

Daymar College's willful disregard of the cash management rules in order to comply with other program requirements (90/10) is inconsistent with the standard of conduct of a participating institution. Daymar College must provide its assurance that it will comply with the 90/10 requirement in future years without resorting to strategic tactics that violate other program requirements.

Finding 2. Credit Balance Administration

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment

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

If an institution obtains written authorization from a student or parent, as applicable, the institution may hold on behalf of the student or parent any Title IV, HEA program, funds that would otherwise be paid directly to the student or parent under the citation cited above. In obtaining the student's or parent's authorization to hold funds the institution may not require or coerce the student or parent to provide that authorization, must allow the student or parent to cancel or modify that authorization at any time, and must clearly explain how it will hold the funds. If a student or parent modifies an authorization, the modification takes effect on the date the institution receives the modification notice. If a student or parent cancels an authorization to hold Title IV, HEA program funds, the institution must pay those funds directly to the student or parent as soon as possible but no later than 14 days after the institution receives that notice. Notwithstanding any authorization obtained by the institution to hold funds, the institution must pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded.
[34 C.F.R. § 668.165(b)]

Noncompliance: The reviews found that the institution improperly retains Title IV credit balances, thereby withholding from the students funds that are intended to assist them with the indirect costs of attending the institution. There did not appear to be a mechanism to identify credit balances and liquidate them when they occur. It appeared that students had to request their funds or the funds would remain on their accounts throughout their enrollments.

The reviewers observed a completed form in all students' files entitled ALLOCATION OF TITLE IV CREDIT BALANCE. At the top of the form are spaces for the student's printed name and Social Security number and the following statement: SIGNING THIS FORM IS OPTIONAL AND IS NOT REQUIRED FOR ADMISSION TO OR ENROLLMENT IN DAYMAR COLLEGE. The introductory paragraph 1) cites the statutory authority for Title IV funds, 2) states the purpose of the funds, 3) states that federal law requires "funds in excess of these charges must be paid directly to the student or to the parent-borrower in the case of a PLUS loan, unless the College is authorized to hold those funds on the student account for educationally related activities", and 4) states when a Title IV credit balance occurs.

The body of the form begins with the heading STUDENT AUTHORIZATION. Therein the student is directed to initial one of two options on how the institution is to handle a credit balance that exists on the student's account while the student is active. Both options authorize the institution to retain a credit balance throughout the entire year. Then, "if any balance remains on my account following the settlement of both current loan period or award year charges and allowable prior year charges, I authorize the College to" (option 1) return the funds to the "appropriate lender to reduce my loan debt" or (option 2) pay the remaining "funds to me".

The form also instructs the student to initial one of two other options on how the institution is to handle a credit balance that exists on the student's account if he or she withdraws. Option 1 is authorization to return the credit balance to the "appropriate lender" or "grant program" and/or to the institution for prior year charges. Option 2 is authorization to pay the credit balance to the student.

At the bottom of the form are spaces for the signatures of the student and institutional official following this statement: I UNDERSTAND THAT AT ANY TIME I MAY CHANGE ANY ONE OR ALL OF THESE DECISIONS REGARDING ANY TITLE IV CREDIT BALANCE WHICH MAY EXIST ON MY STUDENT ACCOUNT BY COMPLETING A NEW ALLOCATION OF TITLE IV CREDIT BALANCE FORM, THEREBY RESCINDING MY PREVIOUS AUTHORIZATION.

The reviewers observed a similar form in the files of dependent students whose parents were borrowing under the PLUS program entitled ALLOCATION OF TITLE IV CREDIT BALANCE – PLUS LOAN. That form contains similar options as the student form but modified for the completion by the parent.

The ALLOCATION OF TITLE IV CREDIT BALANCE form and ALLOCATION OF TITLE IV CREDIT BALANCE – PLUS LOAN form (hereinafter referred to collectively as allocation form) are inadequate to serve as an authorization to hold a Title IV credit balance. As an authorization to hold funds, the allocation form is incomplete and ambiguous.

In order to serve as an authorization to hold a Title IV credit balance on the student's institutional account, an authorization form must provide the student with sufficient information to enable an informed decision. That is, the form should provide a complete and unambiguous explanation of what is a Title IV credit balance and the form must provide a description of all of the options available to the student with respect to a Title IV credit balance. The allocation form is inadequate in both respects.

The allocation form is inadequate to serve as an authorization to hold a Title IV credit balance because it fails to provide the student with the all options related to a Title IV credit balance. Conspicuously absent is the option to access a Title IV credit balance when it occurs. Notwithstanding the signature optional statement, the allocation form assumes that students authorize the institution to hold their funds throughout their enrollments. The allocation form simply indicates the preferred method for liquidating a potential Title IV credit balance that may exist at the end of the year or when a student withdraws.

The allocation form also fails to provide a means of cancelling or revising one's decisions other than to complete a new form which would, presumably, supersede the original allocation form. However, as noted, the form fails to provide the option to access a student's funds when they become available.

The introductory paragraph described above states the purpose of Title IV funds is "to pay tuition, fees and any other educationally related activities". This is an incomplete statement since the funds are also authorized for other purposes such as transportation and subsistence. It obscures the fact that the funds that exceed the direct costs of attending the institution (i.e. the Title IV credit balance) are intended for those subsistence expenses, or the indirect costs of attending the institution. The introductory paragraph could be interpreted to mean the funds cannot be used for that purpose or that an authorization is required for the funds to be accessible for that purpose.

The sequence of disclosures in the introductory paragraph obfuscates the relationship between the institution's requirement to pay a Title IV credit balance to a student, the authorization to retain a student's Title IV credit balance, what is a Title IV credit balance, and when does a Title IV credit balance occur. It is not clear that the excess is the credit balance and the institution is required to pay it to the student as soon as possible after it occurs. Notwithstanding the signature optional statement, it is not clear that an authorization is not required of the student in order to receive his or her entire award of Title IV program funds. Furthermore, it is not clear, or may be misunderstood, that that a credit balance exists because the student is eligible for the funds, that they belong to the student and that they are immediately available to the student.

In addition to the flawed authorization form, the institution did not timely liquidate Title IV credit balances and did not dispose of them in the manner prescribed by their owners. For instance, student #16 (Appendix) had a Title IV credit balance in the amount of $376 on December 20, 2010, the final day of her first loan period and a Title IV credit balance in the amount of $3,650 on September 12, 2011, the final day of her second loan period. On both occasions the Title IV credit balance was not properly liquidated. Rather, the institution retained those funds and applied them to the institutional charges of the subsequent term. In addition, the cited student completed her degree on December 19, 2011 and on her completion date she had a credit balance in the amount of $3,650 on her institutional account. The most recent allocation form in the student's file directed the institution to pay the Title IV credit balance to the parent borrower. Apparently, the institution disregarded the allocation form. The institution applied $2,150 of the Title IV credit balance to a previous year PLUS loan and claimed the balance for itself. That is, the institution refunded an institutional grant of a previous year with $1,500 of the student's Title IV credit balance.

Required Action: The institution must bring its credit balance administration into compliance the cited regulatory authorities. When Title IV credit balances occur, the main stream, default condition should be to liquidate them and deliver them to their owners so that they have timely access to their funds for immediate assistance with their indirect costs. A system must be implemented to identify Title IV credit balances as they occur and to expedite the delivery of those funds to the students.

If a student requests that the institution retain his or her funds, the institution may honor that request contingent upon obtaining, at the time of request, the required authorization. The authorization form must provide the student with sufficient information to enable an informed decision by including a complete and unambiguous explanation of what is a Title IV credit balance and the student's right to unencumbered access to the funds. Further, the form must provide a description of all of the options available to the student with respect to the Title IV credit balance.

In response to this finding the institution must submit a description of the changes that have been implemented to assure compliance concerning Title IV credit balances and, from its procedures manual, a complete copy the current policies and procedures in this area of administration.

Finding 3. Satisfactory Academic Progress Not Monitored

Citation: A participating institution must establish, publish and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program. *[34 C.F.R. § 668.16(e)]* A student is eligible to receive Title IV, HEA program assistance if, among other factors, the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress. *[34 C.F.R. § 668.32(f)]*

Noncompliance: According to the institution's satisfactory academic progress policy, degree seeking students are placed on academic warning if their completion rates are less than 65% and their attempted credits are in the range of 49 to 72 credit hours.

Student #22 (Appendix) had completed 32 of the 52 credits (61.5%) that she had attempted as of September 12, 2011. The following term the student completed four of the eight credits (50%) that she attempted. For two consecutive terms the students completion rate was below the 65% satisfactory academic progress standard. As a result, the student was not making satisfactory academic progress and therefore, was not eligible for continued assistance under the Title IV, HEA programs as of December 19, 2011.

The institution should have intervened on or about September because her completion rate was 61.5%. The student should have been counseled and placed on academic progress warning for the subsequent term. By letter dated December 21, 2011, the institution placed Student #22 (Appendix) on warning. However, as noted previously, the student was not making satisfactory academic progress and should have received notice of that condition.

Because the institution failed to timely recognize that the student was subject to academic warning, the institution failed to recognize that she was not eligible for the funds the institution disbursed to her after she was later put on warning.

Student #12 (Appendix) took two courses during his initial term in the Business Management Associate Degree. That term he received four credits and a grade of "D" in General Math and four credits and a grade of "B" in Strategies for Success.

For his second term (September 27, 2010 to December 20, 2010) the student registered as a full-time student with three courses, twelve credits. He attended a class session of Accounting I on September 28, 2010, a class session of Microcomputer Applications I on October 1, 2010 and a class session of Human Resources Management October 4, 2010. He is shown as absent until December 3, 2010 where he is recorded as in attendance the fourth class session he attended during that term. He failed all three courses.

After his second term the student had completed only eight of the twenty credits he had attempted (40%). Because this completion rate is does not demonstrate sufficient progress for timely completion, the institution should have interceded with counseling and probation.

The following term (January 10, 2011 to March 28, 2011) the student registered for the same courses. During this attempt the student exhibited poor attendance again, and failed all three courses a second time.

The institution should have interceded again since the student's demonstrated academic performance continued to be insufficient to ensure complete timely. A student whose continued poor performance demonstrates that the student will not complete his or her academic program within 150% of the published length of the academic program cannot be considered to be making satisfactory academic progress. The student is, therefore, not eligible for continued assistance under the Title IV, HEA programs. No academic counseling was evident.

Although the institution's attendance records show that the student had attended a total of only seven complete class sessions during two terms as a full-time student, the student was allowed to continue. The following term (April 4, 2011 to June 20, 2011) the student registered for two of the same courses that were failed twice. By letter dated April 16, 2011 the student was placed on probation. The student withdrew before the end of the term.

Because the institution failed to timely recognize that the student should have been placed on probation after the second term, the institution failed to recognize that he was not eligible for the funds the institution disbursed to him for the term he was later put on probation. Furthermore, the student's attendance suggests that the student was not enrolled for the purpose of earning an educational credential offered by the institution.

Required Action: In response to this finding Daymar College must report the date, amount, and Title IV program of each disbursement made to each cited student after becoming ineligible for unsatisfactory academic progress. (#22: end of fall, 2011; #12: end of winter, 2011) Disbursements that the students received after they became ineligible for unsatisfactory academic progress represent financial loss to the Title IV programs for which the institution is liable.

Instructions for repayment of the improper disbursements will be provided in the final program review determination letter.

Finding 4. Verification

Citation: An institution must require each student to verify specific information in the student's application (Free Application for Federal Student Aid or FASFA) if that student's application is selected for verification on the basis of edits specified by the Secretary. *[34 C.F.R. § 668.54(a)]* The student must provide to the institution specific documentation that will verify or update the information used in determining the applicant's expected family contribution. *[34 C.F.R. § 668.56(a)]* That information includes income and benefits that were received for the base year. A signed copy of the federal income tax return is acceptable documentation to verify adjusted gross income and can be used to verify some sources of untaxed income and benefits. *[34 C.F.R. §§ 668.56 and 668.57]*

Noncompliance: Student #22 (Appendix) was selected for verification for the 2011/2012 award year. The Form 1040A she filed for 2010 reflects a "Making Work Pay" credit of $400. The student did not report $400 of income in her 2011/2012 FASFA since the Institutional Student Information Record (ISIR) does not reflect this 2010 untaxed income. The institution should have identified this omission during the verification process and had the application corrected.

Required Action: The institution must recalculate the cited student's Expected Family Contribution (EFC) with the untaxed income that was omitted from the application and reevaluate the student's eligibility for each of the awards Title IV program awards the institution disbursed from the 2011/2012 award year. In response to this finding the institution must report the recalculated EFC and the results of the reevaluation of the student's award eligibility.

The institution will be liable for any downward changes to the cited student's award eligibility. Repayment instructions for any liability will be provided in the final program review determination letter.

Finding 5. Inconsistent Student Record

Citation: The standards of administrative capability of a participating institution provide that the institution develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for assistance under the Title IV HEA programs. *[34 C.F.R. § 668.16(f)]* Institutions are responsible for maintaining complete, consistent, and unambiguous records that establish and/or document each recipient's eligibility for the Federal Student Aid (FSA) that the institution awards and disburses.

For instance, a student must report parental income and asset information in the Free Application for Federal Student Aid (FAFSA) unless the student qualifies as an independent student under one or more categories found at Section 480(d) of the HEA, as amended. The questions in Step Three of the FASFA are consistent with the statutorily prescribed categories so that the applicant can determine whether or not parental income and asset information must be provided in the FASFA. For a student who omits parental income and asset information (i.e. applies as an independent student) on the basis meeting one or more of the independent student categories, the institution must ensure that all other information in the student's file supports and is consistent with the student's assertion.

An institution's failure to identify and resolve a conflicting or ambiguous response to the questions in Step Three of the FASFA may result in the determination of the student's Expected Family Contribution (EFC) without the requisite consideration of the parent's financial factors. The institution is prohibited from accepting an application with conflicting information because unless and until the conflict is resolved, the correct application information is not known.

Noncompliance: Student #8 (Appendix) applied for admission to the Medical Assisting program on December 15, 2010. Her institutional file includes a Career Planning Session form that indicates an assessment was conducted on that same date. The student's responses on that form indicate that that she was not employed and was supported by a parent.

Question: "How long have you been employed?"
Response: "Never worked".
Question: "Will you continue to look for employment while going through school?"
Response: "Prob. Not."
Question: "How are you presently supporting yourself?"
Response: "Dad"
Question: "Because attendance is so important, tell me about your plans for:"
Response: "Dad will watch child + give ride to school"

The cited student's institutional file also includes a Student Budget form for reporting monthly expenses. The student reported monthly expenses under only three of the sixteen categories of expenses on that form; Phone/Utilities ($75), Gas & Auto Maintenance ($25), and Miscellaneous ($50). No monthly expense was reported for the other expense types such as Household, Rent, and Groceries.

The cited student completed the 2010/2011 FASFA on January 5, 2011. She applied as an independent student on the basis of having children who will receive more than half of their support from the student during the award year and did not report parental income and assets. The student's assertion that she was providing most of the support of her child should have been examined since she had reported that she was unemployed, supported by a parent, and had minimal monthly expenses. Since the institution did not identify and resolve the discrepancy in the cited student's application information, that application is incomplete and therefore, invalid.

Required Action: The determination of financial need that is included in a student's application for FSA program assistance involves an examination of the financial resources that are available to the student's family as the family is the first source of the student's support. Determining whether or not a student is independent of his or her parents for the examination of financial resources is a critical step in the process. A student becoming of legal age or living self-sufficient from parents does not affect the student's dependency status under the FSA programs.

Nor does becoming a parent, of itself, affect dependency status. However, students who have legal dependents are independent and legal dependents include those who will receive more than half their support from the student.

As previously noted, the standards of administrative capability of a participating institution provide that the institution develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for assistance under the Title IV HEA programs. In response to this finding Daymar College must provide its assurance that it has developed and applies such a system to the information that it receives with respect to all students' applications for FSA program assistance.

The institution is prohibited from disbursing FSA program funds on the basis of an invalid application. Instructions for repayment of the improper expenditures will be provided in the final program review determination letter.

Finding 6. Student Enrollment Status

Citation: The initial steps in determining a student's Federal Pell Grant for an academic term is calculated by determining the student's enrollment status for the term and based upon that enrollment status, determining his or her annual award from the Payment

Schedule for full-time students or the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students. *[34 C.F.R. § 690.63(b)]*

Noncompliance: The reviewers found that the institution calculated disbursements under the presumption that the students were registered for a full-time course load. At a later date, when students were found to be registered for fewer credits than a full-time status, the full-time disbursement was adjusted for the student's actual enrollment status.

For instance, student #5 (Appendix) registered as a ¾ time student in the fall, 2010 term but received a full-time disbursement on September 9, 2010. The award was adjusted on October 21, 2010 to the correct amount for a ¾ time enrollment status. The student continued as a ¾ time student the following term but again received a full-time disbursement on January 11, 2011. That disbursement was adjusted on February 2, 2011 to the correct amount for a ¾ time enrollment status.

Student #14 (Appendix), a ½ time student, also received a full-time disbursement on January 11, 2011. That disbursement was adjusted on March 28, 2011 to the correct amount for a ½ time enrollment status.

Required Action: The institution is prohibited from disbursing a student's Federal Pell Grant award for a term without knowing the student's enrollment status and considering the actual enrollment status in the calculation of the student's award. The practice of calculating disbursements on an expected or assumed enrollment status, notwithstanding a subsequent adjustment, must not continue. The practice is not consistent with the institution's fiduciary standard of conduct.

In response to this finding the institution must provide its assurance that it has discontinued the observed practice and explain how it will determine each applicant's enrollment status when calculating the Federal Pell Grant disbursement for each academic term.

D. Appendices

The Appendix (Student Sample) contains personally identifiable information and will be emailed to Daymar College as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.