



February 21, 2018

James R. Bartholomew
President
DeVry University
3005 Highland Parkway
Downer's Grove, IL 60515-5799

UPS Tracking #
1Z A87 964 02 9559 1248

RE: Final Program Review Determination
OPE ID: 01072717
PRCN: 201440728804

Dear Mr. Bartholomew:

The U.S. Department of Education's (Department's) Kansas City School Participation Division issued a program review report on January 19, 2016 covering DeVry University's (DeVry) 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 2012-13, 2013-14, and 2014-15 award years. DeVry's final response was received on October 10, 2016. A copy of the program review report (and related attachments) and DeVry's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by DeVry 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, and (3) notify the institution of its right to appeal.

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
Kansas City School Participation Division
1010 Walnut Street, Suite 336, Kansas City, MO 64106-2147
StudentAid.gov

The total liabilities due from the institution from this program review are **\$6,495,151.64**. This final program review determination contains detailed information about the liability determination for all findings.

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. In addition, Appendices B through G may also contain PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the January 19, 2016 program review report. If DeVry 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 DeVry receives this FPRD. An original and four copies of the information DeVry submits must be attached to the request. The request for an appeal must be sent to:

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

DeVry'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.

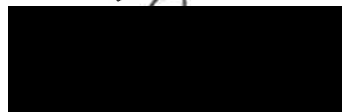
If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to DeVry's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed 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 notes.**

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 Mr. Roy Chaney at (816) 268-0426. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Ralph A. LoBosco
Division Director

Enclosure:

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

cc: Ms. Barbara Bickett, Sr. Director, Regulatory Affairs, DeVry University
Ms. Amy Lazor, Student Finance Program Officer, DeVry University
Director, Higher Learning Commission
Director, Illinois Board of Higher Education
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. 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).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for

DeVry University

OPE ID 01072717

PRCN 201440728804

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division – Kansas City

Final Program Review Determination

February 21, 2018

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A. Institutional Information

DeVry University
3300 North Campbell
Chicago, IL 60618-5994

Type: Proprietary

Highest Level of Offering: Master's or Doctor's Degree

Accrediting Agency: Higher Learning Commission

Student Enrollment (2013):

All DeVry campuses: 65,147

Percentage of Students Receiving Title IV (2013):

DeVry-Kansas City:	579	83.31%
All DeVry campuses:	51,619	79.23%

Title IV Participation for OPE ID 01072700 (G5, FISAP):

	2015-16 Award Year
Federal Pell Grant Program (Pell Grant)	\$93,810,474
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$4,019,421 (FCC)
Federal Work Study Program (FWS)	\$3,126,321 (FCC)
Federal Perkins Loan Program (Perkins)	\$18,044,986
Federal William D. Ford Direct Loan Program (Direct Loans)	\$409,954,343
Federal Iraq and Afghanistan Service Grants (IASG)	\$2,709

Default Rate FFEL/DL:	2013	10.6%
	2012	12.6%
	2011	18.5%

Default Rate Perkins:	2016	9.4%
	2015	11.5%
	2014	15.3%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at DeVry University (DeVry) from September 15 to September 19, 2014. The review was conducted by Mr. Roy Chaney and Ms. Kathy Feith.

The focus of the review was fiscal administration and student eligibility. The review consisted of an examination of DeVry'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 31 files was identified for review from the 2012-13, 2013-14, and 2014-15 (year to date) award years. The files were selected from the total population of students receiving Title IV, HEA program funds for each award year. In addition, 135 files were selected based on Return of Title IV Funds calculations, Title IV credit balance payments, and related issues. Appendix A lists the names and partial Social Security numbers of the students whose files were examined during the program review. A program review report was issued on January 19, 2016.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning DeVry'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 DeVry of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

DeVry has taken the corrective actions necessary to resolve Findings 4, 6, and 7 of the program review report (PRR). Therefore, these findings may be considered closed. The narrative of those findings can be found in Appendix H. The narrative portion of DeVry's response to the PRR is included as Appendix L. Findings requiring further action by DeVry are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of DeVry's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on 1/19/16 is attached as Appendix H.

Findings 1 & 2. Improper Return of Title IV Funds Calculations; Late Returns of Title IV Funds

Noncompliance:

When a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. 34 C.F.R. § 668.22(a). For a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, or a student who takes a leave of absence that does not meet the Department's requirements, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records. For purposes of Title IV Return requirements, an institution is required to take attendance if an outside entity requires the institution to take attendance, the institution has a policy of taking attendance, or an outside entity or the institution has a requirement that can only be met by taking attendance. 34 C.F.R. § 668.22(b)(3)(i). An institution must document a student's withdrawal date determined in accordance with Department requirements and maintain the documentation as of the date of the institution's determination that the student withdrew. 34 C.F.R. §§ 668.22(b)(1),(2).

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined

by the institution from its attendance records. *2014-15 Federal Student Aid Handbook*, Volume 5, Chapter 1 at p22.

If a student ceases attendance in a module-based program prior to the completion of a module, the institution must treat the student as a withdrawal unless the institution obtains written confirmation from the student that she/he will attend a module that begins later in the same payment period or period of enrollment. The written confirmation must be received before the time when the institution was required to return Title IV funds, offer any post-withdrawal disbursement of loan funds, or take any other action under the Return of Title IV Funds requirements. Without confirmation of future attendance, the institution must assume a student who has ceased attendance in the module is a withdrawal and begin the Return of Title IV Funds process. An institution, may not delay the Return of Title IV Funds process in case a student might return. *Dear Colleague Letter GEN 11-14 (July 20, 2011)*.

The amount of Title IV assistance a student has earned as of his/her withdrawal date, is equal to the percentage of the payment period or period of enrollment the student has completed.

34 C.F.R. § 668.22(e)(2). For a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), or for a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are substantially equal in length, the payment period is the academic term.

34 C.F.R. § 668.4(a). The institution must use whatever academic calendar an institution adopts for a program when calculating a Return and must apply it to all students enrolled in that program. The institution must also document the program's treatment in the institution's policies and procedures manual. *2015-16 Federal Student Aid Handbook*, Volume 3, Chapter 1 at p8.

If the total amount of Title IV funds the student earned is less than the amount of Title IV funds that were disbursed to the student, the difference between these amounts must be returned to the Title IV programs. 34 C.F.R. § 668.22(a)(4)(i). If the total amount of Title IV funds earned is greater than the total amount of Title IV assistance that was disbursed, the difference between these amounts must be treated as a post-withdrawal disbursement. 34 C.F.R. § 668.22(a).

Finding 1

As set forth in the report, the Department initially found that DeVry improperly performed Return of Title IV Funds calculations in 5 respects. Three of those issues have been resolved. The remaining two issues are outlined below:

A. Failure to Obtain Written Confirmation of Intent to Return:

On a systemic basis, DeVry incorrectly used a withdrawn student's enrollment in a future module as an affirmation of that student's intent to return to the institution. As outlined above, if a student ceases attendance in a module, the institution must receive written confirmation that the student intends to return for the next module or the student must be treated as a withdrawal and a Title IV Return calculated. Enrollment in a subsequent module is not sufficient.

In the sample files reviewed, DeVry's failure to obtain a written confirmation of a student's intent to return were found for Students 25 and 27.

B. Incorrect use of mid-point of payment period:

DeVry's payment periods are comprised of two 8 week modules. DeVry takes attendance through each of two modules in the payment period. As a result, for Title IV return purposes, DeVry is considered an institution that is required to take attendance.

On a systemic basis DeVry failed to properly identify and employ the last date of attendance for students who ceased attendance in the first module of a two-module payment period but went on to receive a grade in the first module. In explaining this practice to the program review team, DeVry officials stated that Dear Colleague Letter GEN-11-14 indicates that for students who withdraw between modules in a two-module term, the withdrawal date is the midpoint of the term. DeVry officials stated that the institution has chosen to interpret this guidance as meaning that any student who withdraws during the first module of a two-module payment period, but who receives an earned grade at the end of the term, is a student who withdrew between modules.

There is nothing in the DCL cited by the institution to support such a reading. The Title IV regulations make clear that if an institution is required to take attendance for Title IV purposes, the institution must use a student's LDA as the withdrawal date when calculating Returns. 34 C.F.R. § 668.22(b)(1).

In the files reviewed, the Department found that DeVry incorrectly used the mid-point of payment period for Returns for Students 3, 5, 16, and 29.

Finding 2:

In five of the calculations reviewed, DeVry failed to make the necessary Returns within the required time frame. Below are examples of this issue.

Student 3 - The financial aid file for this student shows that the student's last date of recorded attendance in the first module of a two-module payment period was 11/7/13. On 1/6/14—the day that the student reportedly dropped the second-module coursework without beginning attendance in the module—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 12/19/13, which represented the mid-point of the term. On 1/13/14 DeVry performed the required Return of Title IV Funds calculation, which identified no liability even though the student received a disbursement of \$2,474 in Direct Unsubsidized Loan funds for the payment period. Nevertheless, the Department's COD system reflects that DeVry returned the total amount of Title IV funds disbursed to the student in the payment period—\$2,474 in Direct Unsubsidized Loan funds—on 1/13/14.

In addition to other questions regarding this Return (see Finding 1), there is also no evidence in the financial aid file of a reaffirmation from the student that he intended to return and begin attendance in the second module. Consequently, the date of determination should have been no later than 14 days from the last date of attendance. The Direct Unsubsidized Loan funds in question were returned to the Department eight days late.

Student 5 – This file shows that the student's last date of recorded attendance in the first module of a two-module payment period was 6/5/13. On 7/17/13—the day that the student reportedly dropped the second-module coursework without beginning attendance—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 6/27/13, a date that represented the mid-point of the two-module payment period. On 8/7/13 DeVry perform the required Return of Title IV Funds calculation. The Return calculation identified a return of \$963.50 in Direct Unsubsidized Loan funds. The Department's COD system reflects that the total amount of Direct Unsubsidized Loan funds disbursed for the payment period—\$990—were returned to the Department on 8/8/13.

However, because there is no evidence that the student informed DeVry that he intended to return and begin attendance in the second module, the date of determination should have been no later than 14 days from the last date of attendance—6/5/13. Consequently, the Title IV funds were returned to the Department five days late.

The Program Review Report also discussed late Returns of Title IV Funds for students 25, 27, and 29.

Directives From Program Review Report:

During the on-site portion of the program review it was established that the Return of Title IV Funds calculations reviewed were performed using policies and procedures that are standard for all of DeVry's locations. Consequently, DeVry was tasked with identifying and reviewing the files of all Title IV recipients under DeVry's main OPE ID 01072700 for whom a Return calculation was performed or should have been performed during the 2012-13, 2013-14, 2014-15, and 2015-16 (year to date) award years.

For Returns that were paid late, not paid, improperly paid, improperly calculated, or not calculated, DeVry was directed to provide detailed information on the circumstances of the error and on liabilities, where applicable. The accuracy and completeness of the file review was required to be attested to by an Independent Public Accountant (IPA).

Second, DeVry was directed to review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed properly and in a timely manner in the future.

Final Determination

Finding 1:

A. Failure to obtain affirmation of intent to return:

DeVry respectfully disagreed with the Department's claim that, on a systematic basis, the institution incorrectly used a withdrawn student's enrollment in a future module as an affirmation of that student's intent to return to the institution. However, DeVry agreed that non-systemic errors occurred with students 25 and 27.

DeVry stated that prior to July 2012, the institution collected intent to continue enrollment forms, as demonstrated by excerpts from the institution's 2010 Academic Policy Manual, dated 7/15/10, that the institution provided with its PRR response. DeVry stated that the withdrawal policy was updated on 7/9/12 when the institution discontinued collecting intent to return forms. Instead, DeVry instituted a policy of withdrawing students upon notice of withdrawal

or upon the effective withdrawal date.

DeVry stated that it adopted this new policy because it had implemented a new student data system that could not support an efficient method for the collection and documentation of a student's intent to return. DeVry then implemented computer system modifications that automatically dropped a student's future coursework for a term if a student was withdrawn from the first module (i.e., the student would be presumed withdrawn). This feature was implemented in May 2013.

As reflected in its 7/9/12 policy change, DeVry agreed that for the ten-month period in which it was not collecting an intent to continue enrollment form from any students and future enrollment in a term was not automatically dropped, it was nevertheless required to withdraw students when they stopped attending the first module. DeVry stated that it addressed the issues for the students cited in the PRR finding and acknowledged late returns for two students who withdrew. DeVry also stated that it demonstrated that, per the Department's program review findings, withdrawals were processed for other students who also withdrew from the first module, but were enrolled for subsequent modules, evidencing the lack of systemic reliance on subsequent enrollment as an indication of a student's intention to return. DeVry believes that it also demonstrated that no such similar findings occurred after the 2012-13 award year.

In the cases of students 25 and 27, DeVry indicated that the students were initially enrolled in two eight-week modules within the 16-week semester. In each case, the student failed to meet the attendance policy requirements and was withdrawn from the first module and subsequently did not begin their enrollment in the second module. DeVry agreed that it incorrectly performed the Return calculation in each case, and provided supporting document with its PRR response to reflect the chain of events that led to the improper calculation for each student.

DeVry noted that two additional students—students 28 and 30—in the general sample selected by the program reviewers also withdrew from the first module, had enrollment scheduled for the second module, and were withdrawn appropriately in the first module. Based on this fact DeVry asserted that there was no systemic reliance on future enrollment as an indication of a student's intention to return. As a result, DeVry requested that Finding 1 as it related to this issue be rescinded. If the issue could not be rescinded, DeVry requested that the Department duly note that the failure to collect an intent to continue enrollment form was cited for two students out of a general sample of 36 students, and an overall sample of 166 students, was not systemic.

DeVry also pointed out that the results of the file review required by the PRR further confirm that there was no systemic reliance on future enrollment as an indication of an intent to return to school. Of the 119,994 students reviewed who withdrew during the period from 7/1/12 to 6/8/16, 2,105 students received late refunds as a result of DeVry not realizing that the student had withdrawn until the start of the following module. This is an error rate of 1.75 percent.

As noted above, DeVry does not dispute that for a period of time it failed to obtain a written confirmation of their intent to return from students who withdrew in the first module of a payment period. The fact that it only occurred for a period of time does not resolve the issue

for the students in question. These students are included in the Return of Title IV Funds file review results submitted by the institution.

B. Incorrect use of mid-point of the payment period:

DeVry respectfully disagreed that it incorrectly identified the withdrawal date for a student who completed the first module of a two-module payment period, on a systemic basis.

DeVry identifies three categories of students under this sub-finding:

- (1) Students who did not attend the last week(s) of a module and the institution determined the student earned a failing grade in the relevant course;
- (2) Students who did not attend the last week(s) of a module and the institution determined the student earned a grade in the relevant course; and
- (3) Students who attended the last week(s) of the module but did not start the next module.

With respect to category 1, DeVry agreed that students 5 and 29, did not complete the module at issue and should have been considered withdrawn prior to the end of the first module.

DeVry acknowledged that it owes a liability for these and other students in this category.

In its file review, DeVry found that it failed to properly withdraw 3,376 students between 7/1/12 and 6/8/16 that were deemed to have received an unearned "F" grade. This resulted in an error rate of only 2.8 percent. The identified students are included in the Return of Title IV Funds file review results that accompanied DeVry's PRR response. DeVry also stated that it over-refunded Title IV funds for students in this category, and as outlined below, the over-refunds should be offset from the refunds the institution failed to make.

With respect to those students in category 2 who did not attend the last week(s) of the module but received a passing grade, DeVry believes that it has long been the Department's position that if a student earns a passing grade in a course, then the institution is allowed to consider the student to have completed the course requirements. DeVry pointed out that as early as the 2002-03 award year the Department, in its Federal Student Aid Handbook, stated: "If a student earns a passing grade in one or more of his or her classes, for that class, an institution is permitted to make the presumption that the student completed the course requirements, and may consider the student to have completed the period." DeVry pointed out that this same guidance is found in Dear Colleague Letter GEN-04-03, issued initially in February 2004 and updated in November 2004.

DeVry stated that it believes that its faculty has the discretion to determine whether, based on the work performed, students have successfully completed the required work in their course. In such cases, stated DeVry, the completion date is necessarily the last day of the course. DeVry stated that it is important to remember that when a student is determined to have completed a course based on earning a passing grade, that student also earns credits toward his or her degree in the relevant course. DeVry believes that it would be incongruent to then argue that the student did not actually complete the module in which the course was held. If the student is scheduled to but does not continue on to the next module, the student is considered to have withdrawn, but the withdrawal date should be the last date of the module that the student is considered to have completed.

For students in category 2, DeVry's file review shows that between 7/1/12 and 6/8/16 5,533 students earned a grade, and the associated academic credits, but did not attend the last week or weeks of the module. The identified students are included in the Return of Title IV Funds file review results that accompanied DeVry's PRR response. However, DeVry asserts that no liability is owed for these students because they were in compliance with Title IV regulations and guidance.

With respect to students in DeVry's category 3, whose attendance records show that the students attended in the last weeks of the module and earned a passing grade, DeVry believes that it is indisputable that these students completed the module. If the student did not continue on to the next module, then the withdrawal date should be the last day of the module that the student completed. DeVry believes that this is similar to scenarios in which a student completes a semester and does not begin the next semester. DeVry believes that this same concept should apply to modules: When a student completes a course in a module, but does not start the next module, it is appropriate to use the last date of the prior module or term as the date of withdrawal because the student did not actually withdraw from the first module, but withdrew after the first module was completed, as evidenced by the grade the student received.

As noted above, DeVry agreed that it owes a liability for students who were not in attendance in the last weeks of the module and who earned a failing grade in the relevant courses. DeVry disagreed that students who earned a passing grade should be considered withdrawn merely because they did not attend the last week or weeks in the module. In these cases, DeVry believes that the student completed sufficient work in the course to receive a passing grade and, because the student earned a passing grade in one or more of his or her classes, the institution concluded the student completed the course and thus completed the module. The identified students are included in the file review results that accompanied DeVry's PRR response.

In summarizing its responses to all of the issues raised by the Department in Finding 1, DeVry stated that it does not believe that the four errors cited in this finding involving four students (sic) and less than \$2,000 (sic) in liabilities established a systemic issue, or warranted a file review, at least for any period after 2012-13. On this basis, DeVry requested that the Department eliminate the requirement for a file review or, at the very least, limit the review to the year in which the errors were identified, which was the 2012-13 award year. DeVry notes that the Department, in correspondence of 5/19/16, refused both requests.

As noted above, DeVry conducted the requested file reviews and submitted spreadsheets and supporting documentation containing the information requested by the Department. According to the spreadsheet compiled by DeVry, the total amount of liabilities resulting from DeVry's incorrectly calculated Returns is \$6,379,069. DeVry also noted that based on its file review the institution determined that it over paid returns in the amount of \$2,437,632. DeVry asserts that any liability for this finding should be arrived at by subtracting the overpayments of Returns from the amount currently owed. Based on the spreadsheets submitted by DeVry, a net liability figure for this finding would be \$3,941,437.

The Department disagrees with DeVry's position regarding the second category of students who did not attend the last weeks of the module, but who were still given a grade. The

guidance relied on by the institution as outlined above does not apply to an institution that is required to take attendance such as DeVry. Consequently, it has no bearing on the issue here.

The regulations make clear that for an institution that is required to take attendance, the withdrawal date is the last date of academic attendance as determined from the institution's attendance records. Whether or not a student is given a grade for the module has absolutely no bearing on the withdrawal date for an institution, such as DeVry, that is required to take attendance. Based on the clear language of the regulation, DeVry was required to calculate Title IV returns in the same manner for students that did not attend the last weeks of the class, regardless of whether the student was given a grade. DeVry failed to do that. As a result, DeVry is responsible to repay the underpaid portion of the improperly calculated Return of Title IV Funds in this second category.

DeVry's argument is similar for students in the third category who had some attendance in the last weeks of the module and received a grade but there was no attendance at the end of the module. As with the second category of students, the fact that the student received a grade for the first module in a payment period is not dispositive of the issue. For an institution required to take attendance, the withdrawal date to be used in the Return calculation is the last date of academic attendance. For an institution that is required to take attendance, a grade cannot substitute for attendance. DeVry is responsible to repay the underpaid portion of the improperly calculated Return of Title IV Funds in this third category.

Finding 2:

DeVry agreed with the Department that the institution failed to make timely Returns of Title IV Funds for students 5, 25, 27, and 29. DeVry believes that the issue with the late Returns for these four students was a manual processing error that was limited to the 2012-13 award year, and that the issue was corrected in spring 2013. DeVry stated that similar occurrences did not occur after spring 2013, even though the sample of students selected by the program review team was primarily from the later period.

Moreover, DeVry noted that it maintained a late refund letter of credit during the 2013 to 2015 time period and requested that the institution not be required to submit another late refund letter of credit associated with late refunds for the 2012-13 award year.

With regard to the Return calculation for the fifth student cited—student 3—DeVry disagreed with the Department's assertions. DeVry stated that, based on the institution's attendance policy for graduate students that was in place at the time of the student's withdrawal in November 2013, the institution took attendance for graduate students only for a limited period of time, and was not required to take attendance for the remainder of the module.

With respect to the overall liability, DeVry contends that the total liability figure should be arrived at by subtracting the overpayments that DeVry made in processing Returns of Title IV Funds from its underpayments. DeVry is reminded that the issues raised in these two PRR findings relate to specific refunds of Title IV funds made on behalf of specific students. The harm done to one student by requiring that student to fund more of his or her educational debt than the student rightfully should have accrued cannot be repaired by providing an excessive and unwarranted amount of Title IV student financial assistance to a different student through that same Return process. Consequently, DeVry's argument that the overpayments it made as

a result of improperly performed Return of Title IV Funds calculations in the pertinent award years should offset the underpayments resulting from that same predicament cannot be accepted.

As a result of the issues raised above, DeVry is liable for **\$6,377,781** in Title IV funds resulting from incorrectly calculated underpaid Returns of Title IV Funds. The total liability figure is drawn from the results of DeVry's file review of its Return of Title IV Funds processes for the 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 award years, through 6/8/16. The five Capstone students who were removed from this finding did not affect the results of DeVry's file reconstruction because they did not represent underpayments of Return funds (see *Appendix D*). The total liability includes: \$392,859 in Pell Grant funds, \$3,870 in FSEOG funds, \$1,695,306 in Direct Subsidized Loan funds, \$4,147,807 in Direct Unsubsidized Loan funds, \$48,613 in Direct PLUS Loan funds, and \$89,326 in Perkins Loan funds.

DeVry is also liable for the Cost of Funds associated with the improper Return of Title IV Funds calculations identified above. The federal government incurs a cost when it makes funds available to an institution because those funds are borrowed from the U.S. Treasury. Interest is charged to the Department on those funds as a simple interest calculation. The Cost of Funds is determined using the U.S. Treasury Current Value Funds Rate (CVFR) to calculate simple interest on the principal amount only. (The CVFR can be found at the U.S. Treasury website at the following link: <http://fms.treas.gov/cvfr/index.html>.)

Because of the large number of Returns of Title IV Funds involved in this finding, the Department calculated the interest liability using a standard that can be applied to groups of Returns, rather than individual Returns. In order to identify a standard date, the Returns in question were grouped into segments of six months each, based on the corrected date of the student's withdrawal, with the end of each segment corresponding to either June 30 or December 31. The institution's time period for making a withdrawal determination is 14 days, and the allowed time period for completing the Return process is a further 45 days. Consequently, the date used to calculate the Cost of Funds for each Return liability segment is the 60th day after the end of the segment, which corresponds to August 29 or March 1 (except for the 2016 leap year, where February 29 will be used rather than March 1).

Using the above process, the total Cost of Funds liability resulting from the improper Return of Title IV Funds calculations identified in this finding is **\$115,960.64**. The Cost of Funds liability includes \$3,497 in Pell Grant Cost of Funds, \$58 in FSEOG Cost of Funds, \$1,107.64 in Perkins Loan Cost of Funds, \$34,198 in Direct Subsidized Loan Cost of Funds, \$76,053 in Direct Unsubsidized Loan Cost of Funds, and \$1,047 in Direct PLUS Loan Cost of Funds. Cost of Funds liabilities are identified in detail in Appendix C.

Instructions for repayment of this liability appear in Section E of this FPRD letter.

Finding 3. Late Payment of Title IV Credit Balances

Noncompliance:

Federal regulations state that whenever an institution disburses Title IV program funds by crediting a student's account and the total amount of all Title IV 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—

- (1) 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
- (2) 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).

A Title IV credit balance occurs whenever an institution credits Title IV program funds to a student's account and the total amount of those Title IV funds exceeds the student's allowable charges. An institution may pay a credit balance to a student by issuing a check payable to and requiring the endorsement of the student or parent. An institution is considered to have issued the check on the date that it (1) mails the check to the student or parent, or (2) notifies the student that the check is available for immediate pickup and provides the specific location.

An institution that is paying a student his or her credit balance with a direct disbursement must pay the student within the 14-day time frame. An institution can, within that 14-day period, do a number of things, including sending a notice to the student that his or her money is available. An institution that does that is considered to have met the 14-day requirement to give the student his or her credit balance, as long as the institution's process complies with the rest of the regulation. That is, the institution must be able to give the student a check when the student comes to the office within the 14-day time frame.

If a student is told (within the 14-day period) to come to the business office to pick up his or her credit balance, the student must be able to leave the business office with the funds in some form (e.g., a check, cash, or an appropriate stored value card), and not be told that a check will be mailed to him or her.

An institution may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate Title IV program. An institution may pay a credit balance by initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent. Moreover, an institution may establish a policy requiring its students to provide information about an existing bank account or open an account at a bank of the student's choosing as long as this policy does not delay the disbursement of Title IV funds to students.

Consequently, if a student does not comply with the institution's policy, the institution must nevertheless disburse the funds to the student either by dispensing cash, for which the

institution obtains a signed receipt, or issuing a check. An institution must disburse the credit balance within the regulatory time frame. 2013-14 Federal Student Aid Handbook, Volume 4, Chapter 2.

The Department found that in eight of 50 2013-14 and 2014-15 Title IV credit balance transactions examined, DeVry failed to pay the Title IV credit balance within the regulatory time frame.

For example, the ledger card of student #43 indicates that on 11/2/13 a disbursement of \$5,072 in Direct Unsubsidized Loan funds was credited to the student's account, creating a Title IV credit balance of \$2,694. On 11/11/13 the full amount of the credit balance was issued to the student by check. The check was negotiated by the student on 12/6/13—10 days beyond the 14-day timeframe for delivering such funds.

Likewise, the ledger card of student #48 reflects that on 9/10/13 a disbursement of \$6,185 in Direct Unsubsidized Loan funds was credited to the student's account, creating a Title IV credit balance of \$1,986. On 9/16/13 the full amount of the credit balance was issued to the student by check. The check was negotiated by the student on 10/8/13—14 days beyond the 14-day timeframe for delivering such funds.

The Program Review Report as discussed the late payment of Title IV credit balances for students 49, 52, 56, 59, 64, and 75. In identifying late payments of Title IV credit balances, the Department employed the date that the check was negotiated by the student as the terminal date for the purpose of establishing the length of the Title IV credit balance payment process. The date of negotiation was used in the absence of any other type of documentation to establish when a hard copy check was delivered to a student.

The PRR also noted that DeVry issues its Title IV credit balance checks to students through a payroll services vendor, Automatic Data Processing Inc. (ADP) of Roseland, New Jersey. It was the belief of DeVry business office representatives that hard copy or imaged copies of actual checks, taken from institutional or bank records, were not available through ADP. Consequently, the date that a Title IV credit balance check was issued and the date it was negotiated by the student were determined using a secondary record consisting of imaged copies of ADP software screens. The level of integrity of the ADP software screens is unknown.

Directives From Program Review Report:

DeVry was directed to review and, as necessary, revise its procedures for monitoring Title IV credit balances to ensure that all such credit balances are paid in a timely manner in the future.

Final Determination:

DeVry respectfully disagreed with the finding that it failed to pay a Title IV credit balance within the regulatory time frame for students 43, 48, 49, 52, 56, 59, and 64 out of a total sample of 50 Title IV credit balances. DeVry agreed, however, that in the case of student #75 the disbursement of the Title IV credit balance was four days late.

As DeVry noted, federal regulations at 34 C.F.R. §668.164(e) and the Federal Student Aid Handbooks indicate that an institution must pay a resulting credit balance directly to the

student or parent within 14 days, and the institution is considered to have issued the check on the date it mails the check to the student or parent or the date it notifies the student of the availability of the check along with the pickup location.

DeVry notes that during interviews with its personnel, the program review team provided a list of 50 credit balance payments for 47 separate students that were not included in the original file sample in order to test the timelines of the Title IV credit balance process. DeVry stated that it initially provided system screen shots indicating the check number, the amount of the check, the issue date (check date), the pay date (check date), and the processed date (one day after the check was negotiated by the student).

DeVry believes that the PRR finding results from a misunderstanding of the institution's process for providing credit balances to students. DeVry went on to discuss the path of a Title IV credit balance from its inception on the student ledger through the institution's administrative computer systems and, finally, to the servicer, where the check is written and issued.

DeVry believes that one important point that may have misled the program review team is the fact that the "transaction date," as reflected in one of the institution's administrative computer systems, is the date the credit balance payment transaction posted to the student's ledger. The "effective date" that is reflected in another of the institution's administrative computer systems is the date the refund of the credit balance is posted to the student's account through standard automated processes. DeVry noted that the transaction date and effective date are usually the same, but if there is a delay in the communication between the two systems, the effective date may be a day later than the transaction date.

DeVry stated that another source of potential confusion resides in the interaction of the institution's computer systems with the systems of its third-party servicer. These interactions can sometimes cause a delay of from one to a few days in getting the Title IV credit balance mailed. However, DeVry does not believe that the small amounts of time lost to interactions between computer systems results in the late payment of Title IV credit balances.

DeVry went on to discuss in detail each of the eight late Title IV credit balance payments discussed in the PRR. As already stated, DeVry believes that in seven of the eight cases cited, the credit balances were issued to the student within the 14-day timeframe as shown by the date on the check, and were mailed to the student on that same day or the following day.

As an example of one of the checks discussed in the PRR, the student's ledger card for student #43 indicates that on 11/2/13 a disbursement of \$5,072 in Direct Unsubsidized Loan funds was credited to the student's account, creating a Title IV credit balance of \$2,694. On 11/11/13 the full amount of the credit balance was issued to the student by check. The check was negotiated by the student on 12/6/13—10 days beyond the 14-day timeframe for delivering such funds.

DeVry, in its PRR response, stated that the student ledger indicates that a credit balance occurred on 11/2/13. While the running balance identified a credit balance of \$2,500.87, the student was eligible for a credit balance payment of \$2,693.13 since the student did not authorize DeVry to apply Title IV funds towards books and supplies. The credit balance refund transaction and effective dates were 11/8/13. The feed date (the date the information

was provided to the computer system that reported the credit balance to the third-party servicer) was 11/9/13.

According to DeVry, the entire amount of the credit balance was issued to the student on 11/11/13, within 14 days of the creation of the credit balance. The check was mailed the following day under the third-party servicer's procedures, based on DeVry's claim that "there is no reason to believe that a third party would violate its own procedures to hold checks and not mail them when the payments to be made under those checks are the responsibility of an independent party (i.e., DeVry)." Thus, DeVry believes that the credit balance was timely paid. The check was negotiated by the student on 12/5/13.

DeVry's response to this finding hinges on its reliance on a third-party servicer's written procedures. As DeVry explains, the date that Title IV credit balance information is transferred from the institution to its servicer is viewed as "the check issue date," or the date that the check is "generated." DeVry then states that the Title IV credit balance check is mailed by its servicer "the day after the check was generated, according to (the servicer's) procedures."

DeVry then uses this inferred mailing date to determine whether its Title IV credit balances are being delivered within the required timeframe. It does this because it has no reason to question this process. As DeVry states, "There is no reason to believe that a third party would violate its own procedures (and) hold checks and not mail them."

DeVry, in this case, appears to be making the assumption that the date that appears on the face of the check itself, or the date that the check was "created" by its servicer, is the mailing date or directly related to the mailing date for the Department's purposes. On this point DeVry is reminded that there is nothing inherently compelling about the date that is recorded on the face of a check, or the date that is recorded in a database as the date a check is written.

DeVry also assumes that a Title IV credit balance check is mailed the day after it is received by the third party servicer in accordance with that servicer's standard procedures, and that this process constitutes proof of mailing. DeVry states that it has no reason to question its servicer's procedures, but it is also apparent that the institution has no method for confirming that the procedures are being adhered to. Ultimately it is DeVry's responsibility to ensure that it has processes in place for confirming when, exactly, a particular Title IV credit balance check is mailed to a student, if mailing hard copy checks continues to be DeVry's method of delivering Title IV credit balances.

The Department provides a number of ways in which DeVry can easily confirm the delivery date of a Title IV credit balance, including using an EFT transfer process or having a student sign for a credit balance check. If it is DeVry's decision to continue to use the process that it currently employs, then it needs to be aware that, for the Department's purposes, the date that a check is negotiated by a student is the only substantive date that can be used to measure the time frame in which the Title IV credit balance was paid.

In sum, DeVry must review and, as necessary, revise its processes and procedures for managing the payment of Title IV credit balances to ensure that they are being paid within the required 14-day timeframe. DeVry must have the completion of this review of its processes and procedures confirmed and discussed by its auditor during the institution's next regularly scheduled FSA audit.

Finding 5. Failure to Adequately Document Professional Judgment Decision

Noncompliance:

In general, nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances.

However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, unusually high child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998), the number of parents enrolled at least half time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act), or other changes in a family's income, a family's assets or a student's status.

Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students.

In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases (1) to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or (2) to offer a dependent student financial assistance under section 428H or a Direct Unsubsidized Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information. Higher Education Act of 1965, as amended, Sec. 479A(a).

A financial aid administrator may use professional judgment, on a case-by-case basis only, to alter the data used to calculate the expected family contribution (EFC). This alteration is valid only at the institution making the professional judgment determination. The institution must submit a professional judgment change electronically, via FAA Access to CPS Online or third-party software, and the institution may do it without a signature from the student or parent. In FAA Access, the institution must select the "EFC adjustment requested" indicator for the professional judgment field.

The reason for the adjustment must be documented in the student's file, and it must relate to the special circumstances that differentiate the student—not to conditions that exist for a whole

class of students. An institution may also use professional judgment to adjust the student's cost of attendance. The institution must resolve any inconsistent or conflicting information shown on the output document before making any adjustments. An aid administrator's decision regarding adjustments is final and cannot be appealed to the Department. 2014-15 FSA Application and Verification Guide, Chapter 5.

The Department found that in one of 31 2012-13, 2013-14, and 2014-15 general sample financial aid files reviewed, DeVry failed to properly document a professional judgement decision.

The financial aid file of student #15 reflects that in the 2013-14 award year the student submitted a signed request that a professional judgement be made based on the fact that in 2013 the student's work schedule at his place of employment was reduced by 40 percent from the 2012 tax year. The request was dated 10/23/13. In the request the student did not specify a dollar amount for the reduction in income, but provided income figures from an unknown source that appear to reflect that between 8/1/13 and 10/1/13 the student earned \$4,839.49 in gross pay.

Based on the student's request for a professional judgment decision, and his submission of a statement along with income figures for a three-month period that are derived from an unknown source, DeVry reduced the student's adjusted gross income from the \$49,199 reported on the student's 2012 taxes to \$29,034. However, there is no documentation in the student's financial aid file that establishes how the \$29,034 figure was arrived at.

Directives From Program Review Report:

DeVry was directed to review the professional judgment decision that was made for student #15 and obtain pertinent supporting documentation from the student to substantiate the reduction of the student's income from \$49,199 to \$29,034. If DeVry was unable to substantiate that the student's situation warranted a professional judgement decision, the institution was directed to recalculate the student's Title IV awards for the 2013-14 award year, and any subsequent award year in which the same situation was used as the basis for a professional judgement decision, using the information that was originally reported on the relevant ISIRs.

Also, DeVry was directed to review and, as necessary, revise its internal policies and procedures to ensure that the institution adequately documents professional judgment decisions in student files.

Final Determination:

DeVry respectfully disagreed with this issue. DeVry stated that federal law and regulations give financial aid administrators the authority to make adjustments on a case-by-case basis to the data elements on the Free Application for Federal Student Aid (FAFSA) in order to address current circumstances. Most recently, the Department issued Dear Colleague Letter GEN-16-03 which reminded financial aid administrators of their authority to make case-by-case adjustments of the data items used to calculate the expected family contribution (EFC). The Dear Colleague Letter encouraged financial aid administrators to use their professional

judgement when appropriate to make income adjustments if needed for the 2017-18 award year when financial aid eligibility will be based on a “prior-prior” tax year.

DeVry stated that student #15 completed the standard institutional form titled “2013-2014 Statement of Special Circumstances” where, under “Supporting Documentation,” he checked “Change in Income and/or Financial Support” and “Proof of Current Income/Wages.” DeVry points out that students seeking a modification to their FAFSA items based on special circumstances are always expected to provide supporting documentation, as evidenced from the institution’s written policies and procedures identified in “DeVry Education Group Guidance on Special Circumstances for Financial Aid Administrators 2015-2016,” a copy of which was provided with DeVry’s response.

DeVry states that in the case of student #15, the student explained that the company he was employed at was sold and, as a result, he lost his job. At the time of the professional judgement request the student was performing manual labor, which was problematic because he was limited in the amount of physical labor he could perform because of a medical condition. As supporting documentation of the change in income, he provided his IRS Tax Return Transcript showing his 2012 income and an income statement for the two-month period of 8/1/13 to 10/1/13, which is the income that he could document at the time.

In order to project the income the student would have for the 2013-14 academic year, DeVry estimated the student’s 12-month income based on the two months of income that the student reported on the income statement. DeVry notes that Dear Colleague Letter GEN-16-03 provides an example of how to project income when making an income adjustment, providing that if an individual lost his or her income in 2015, “the FAA may use the income for the 12-month period following the reduction in income (September 2015 through August 2016) instead of the calendar year 2015 income that was initially used in the EFC calculation.” DeVry believes that its calculation was consistent with this guidance.

DeVry goes on to state that, consistent with the Department’s guidance, the reason for the adjustment and the individual student’s circumstances were included in the file. DeVry stated that while it could have been more clearly labeled, the documentation provided by the student plainly provided his reason for the request and documentation of income for the two months around the date of his FAFSA filing. There was and is no reason to believe this information was inaccurate.

A copy of DeVry’s internal reference guide and procedures for performing professional judgment including changes in income was provided with the institution’s PRR response, as was a diagram of the institution’s professional judgement process. DeVry stated that it had slightly modified the process for performing professional judgments since the program review by allowing a discretionary third layer of review of professional judgement documentation.

Dear Colleague Letter GEN-16-03, which DeVry references in its response, states in pertinent part that “in exercising professional judgement, (financial aid administrators) must obtain and maintain documentation of the changed circumstances supporting the professional judgment decision.” It does not appear that DeVry, in this case, met the standard for collecting clear and compelling documentation to support its professional judgment decision for student #15, a fact

that DeVry seems to allude to in its response when it notes a “lack of clarity” in the collected documents.

According to the student’s written statement, the basis for the student’s request for a professional judgement decision to reduce his income is the loss of his employment, and the employment loss was due to a change of ownership at his workplace that resulted in his skills no longer being needed. As stated specifically in Dear Colleague Letter GEN-16-03 and as supported in the Department’s annual *Application and Verification Guide*, “An example of adequate documentation of a job loss could include a letter from the former employer, or a letter from the state unemployment office that makes reference to the job loss.” The loss of a job could also be corroborated by a third party, or even a newspaper clipping that identified the sale of the business where the student was employed.

However, DeVry obtained none of these things. DeVry obtained a signed and dated statement from the student that makes only vague reference to the loss of employment, and fails to identifying the former employer or when, exactly, the student lost his job. There is also no reference in the professional judgement documents or elsewhere in the financial aid file of any attempt on the part of DeVry to corroborate the student’s statements through outside means.

Likewise, the issue of what the student’s actual income was for the two-month period between 8/1/13 and 10/1/13 is not substantiated. The document that DeVry collected to address this issue appears to have been created solely for the purpose of the professional judgement decision, and the source of the information included in the statement is not identified. DeVry should have been able to easily verify who the student’s employer was and how much the student was being paid, or how he was otherwise making the income that is reported on the unsigned and undated income document, but DeVry did not. There is also no reference in the statement from the student, the approval from the DeVry’s financial aid director, or elsewhere in the financial aid file to indicate that the institution made any attempt to confirm this information through outside means.

Ultimately, the professional judgment decision for student #15 does not include adequate documentation to properly establish the facts relating to the student’s employment loss and the reduced income that he claims to have later experienced. It is important to emphasize that it is not entirely the responsibility of the student to provide the necessary supporting documentation. It is also the responsibility of the financial aid administrator to properly oversee the process of collecting substantive documentation to support a professional judgement decision. DeVry stated that it has no reason to believe that the information the student #15 did submit is inaccurate. While that may be true, it is not a justification for not completing the process of collecting appropriate documentation to support the student’s request for a professional judgement decision.

It is noted that although given the opportunity to do so, DeVry did not recalculate this student’s Title IV eligibility based on the higher income amount in the absence of adequate supporting documentation for the professional judgment decision.

Consequently, as a result of this finding, DeVry is liable for all of the Title IV funds that were disbursed to this student for the 2013-14 award year. The liability includes **\$1,309** in Pell

Grant funds, \$3,464 in Direct Subsidized Loan funds, and \$5,940 in Direct Unsubsidized Loan funds. The Pell Grant and Direct Loan liabilities are identified in detail in Appendix E.

DeVry is also liable for the Cost of Funds associated with the improper awarding and disbursing of Pell Grant funds identified in this finding. The federal government incurs a cost when it makes funds available to an institution because those funds are borrowed from the U.S. Treasury. Interest is charged to the Department on those funds as a simple interest calculation. The Cost of Funds is determined using the U.S. Treasury Current Value Funds Rate (CVFR) to calculate simple interest on the principal amount only. (The CVFR can be found at the U.S. Treasury website at the following link: <http://fms.treas.gov/cvfr/index.html>.)

The total Cost of Funds liability as a result of the improper awarding and disbursing of Pell Grant funds in the 2013-14 award year identified in this finding is \$24. Pell Grant Cost of Funds liabilities are identified in detail in Appendix F.

The total amount of Direct Loan liabilities (Subsidized and Unsubsidized) identified in this finding is \$9,404. The liability includes \$3,464 in Direct Subsidized Loan funds and \$5,940 in Direct Unsubsidized Loan funds from the 2013-14 award year. Direct Loan liabilities are identified in detail in Appendix E.

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loans from the Department or the lender, or asserting a liability for the entire loan amount, the Department has asserted a liability for the estimated actual loss (EAL) that the government may incur with respect to the ineligible loans. The estimated actual loss to the Department that has resulted or will result from the DeVry's improper disbursement of Direct Loan funds in the identified award years is based on the institution's most recent Cohort Default Rate of 10.6 percent (2013). As a result, the estimated actual loss that DeVry must pay to the Department for the improper disbursement of Direct Loan funds is \$77 [\$76.68 in Direct Loan Estimated Actual Loss *rounded*]. A copy of the results of the Department's estimated actual loss calculations is included as Appendix G.

Instructions for repayment of this liability appear in Section E of this FPRD letter.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows:

Established Unduplicated Liabilities

Liabilities	Pell (Closed AY)	FSEOG	FWS	ACG	SMART	TEACH	DL / FFEL	Perkins	EALF DL	EALF FFEL	
Findings 1 & 2	\$392,859	\$3,870	n/a	n/a	n/a	n/a	\$5,891,726	\$89,326	n/a	n/a	
Finding 5	\$1,309	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$77	n/a	
Subtotal	\$394,168	\$3,870					\$5,891,726	\$89,326	\$77		
Interest/SA	\$3,521	\$58	n/a	n/a	n/a	n/a	\$111,298	\$1107.64			
Excess Cash	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
ACA		n/a	n/a					n/a			
Subtotal	\$3,521	\$58					\$111,298	\$1107.64			
TOTAL	\$397,689	\$3,928					\$6,003,024	\$90,433.64	\$77		
Payable To:											Totals
Department	\$397,689	\$3,928	n/a	n/a	n/a	n/a	\$6,003,024	\$0	\$77	n/a	\$6,404,718
Students											\$0
Lenders											\$0
Inst Accounts								\$90,433.64			\$90,433.64

E. Payment Instructions

As a result of this FPRD, DeVry is liable for \$6,495,151.64 in Title IV funds. Included in this liability is \$90,433.64 in Perkins Loan funds that must be returned to the institution's Perkins Loan Revolving Fund.

Consequently, the liability due directly to the Department is **\$6,404,718**. The liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. DeVry must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If DeVry's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

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 applicable).

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form.

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. DeVry is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Debt and Payment Management Group at (202) 245-8080 and ask to speak to DeVry's account representative.

If full payment cannot be made within **45** days of the date of this letter, contact the Department's Debt and Payment Management Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Debt and Payment Management Group
550 12th Street, S.W., Room 6114

Washington, DC 20202-4461

If within 45 days of the date of this letter, DeVry has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due DeVry from the Federal Government. **DeVry may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, DeVry must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

1. William D. Ford Federal Direct Loan (Direct Loan) Liabilities:

Direct Loan Open Award Years

Findings 1, 2
Appendices B, C

DeVry must repay the following Direct Loan liabilities:

Direct Loan - Open Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$677	\$0	2016-17
Total Principal	Total Interest	
\$677	\$0	

The 2016-17 award year will remain open for adjustments until 7/31/18. Adjustments in the Common Origination and Disbursement (COD) system must be made by this date. The disbursement record for each student identified in Appendix B listed above must be adjusted in COD based on the recalculated amount identified in the appendix. A copy of the adjustment to each student's COD record, as well as proof that the funds were returned through G5, if applicable, must be sent to Mr. Chaney within 45 days of the date of this letter.

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 FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

Direct Loan Closed Award Years (Request Extended Processing)

Findings 1, 2
Appendices B, C

DeVry must repay the following Direct Loan liabilities:

Direct Loans - Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$3,664,648	\$96,468	2012-13
\$952,297	\$12,434	2013-14
\$470,302	\$2,396	2014-15
\$803,802	\$0	2015-16
Total Principal	Total Interest	
\$5,891,049	\$111,298	

The disbursement record for each student identified in the appendices listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the/these appendix/appendices. A copy of the adjustment to each student's COD record must be sent to Mr. Chaney **within 45 days of the date of this letter**.

Request Extended Processing

The DL program year closes 13 months after the award year ends (on the last business day in July of the following year). For example 2011-12 will close 7/31/13. COD adjustments are necessary for the closed award year(s) listed above. Before any student level adjustments can be processed, DeVry must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

Direct Loan Estimated Actual Loss

Finding 5
Appendix G

Direct Loans - Estimated Actual Loss	
Amount	Award Year
\$77	2013-14
Total	
\$77	

DeVry must pay the amount reflected above in Direct Loan estimated loss liabilities for the award year(s) reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in Section 1 above.

2. Title IV Grant Liabilities

Pell Grant Liabilities – Closed Award Year

Findings 1, 2, 5
Appendices B, C, E, F

DeVry must repay:

Pell Grant - Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$193,604	\$2,672	Pell Grant	2012-13
\$50,199	\$688	Pell Grant	2013-14
\$23,767	\$161	Pell Grant	2014-15
\$125,275	\$0	Pell Grant	2015-16
\$14	\$0	Pell Grant	2016-17
Total Principal	Total Interest		
\$392,859	\$3,521		

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

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 FEDWIRE, 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 Mr. Chaney **within 45 days of the date of this letter.**

3. Campus-Based Programs

FSEOG

Findings 1, 2

Appendices B through F

DeVry must repay \$3,870 in FSEOG funds and \$58 in FSEOG Cost of Funds to the Department. The funds to be repaid include:

FSEOG Liabilities		
Amount (Federal Share)	Amount (Interest)	Award Year
\$2,261	\$53	2012-13
\$408	5	2013-14
\$94	0	2014-15
\$1,107	0	2015-16
Total Principal	Total Interest	
\$3,870	\$58	

4. Institutional Accounts

Perkins Loan

Findings 1, 2

Appendices B, C

DeVry must deposit **\$90,433.64** in its Federal Perkins Loan Revolving Fund. That amount represent the principle and the cost of funds on the improperly made Perkins Loans identified in Findings 1 and 2 and Appendices B and C. DeVry must also submit a copy of the front and back of the cancelled check, or copies of an electronic transfer of funds, to verify that payment has been made to the Federal Perkins Loan account, within 45 days of the date of this letter.

Upon payment of the liability DeVry will acquire full title to, and ownership of, these loans from its Federal Perkins Loan Fund. The loans will then be the property of DeVry and the National Student Loan Data System (NSLDS) must be corrected to reflect the new Perkins Loan amount.

5. FISAP Corrections

Pell Grant, FSEOG, and Perkins Loan

Findings 1, 2, 5

Appendices B through F

DeVry must make corrections to its FISAP for award years 2014-15 (which includes the 12-13 FISCOP) to the present as follows:

- Log into eCB and make change(s) to the Working Copy, click on Submit and choose “Change Request”. Provide the justification for the changes in the comments box, including that the changes are a result of a program review and include the Program Review Control Number. The changes must be applied for Pell Grant, FSEOG, and Perkins Loan entries.
- Once the request is approved, submit the changes within 5 days.
- Changes to the FISAP may result in changes to subsequent FISAPS. Contact the eCB Call Center at (877) 801-7168 for assistance in making this determination.
- For FSEOG funds, if the recalculation of the school’s funding results in an unprocessed deobligation (negative balance) because the school has drawn down its full authorization, return those funds via G5 in accordance with the automated notification from eCB. If the school has not drawn down its full authorization, the authorization will be reduced.

DeVry must submit proof of the FISAP corrections and payment via G5 for any unprocessed deobligation (if applicable) to Mr. Chaney **within 45 days of the date of this letter**.

Appendix H:
Narrative of KCSPD Program Review Report of 1/19/16

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 DeVry to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Improper Return of Title IV Funds Calculations

Citation: Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent federal regulations. *34 C.F.R. §668.22(a)*

Federal regulations state that for a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, or a student who takes a leave of absence that does not meet the Department's requirements, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records. An institution must document a student's withdrawal date determined in accordance with Department requirements and maintain the documentation as of the date of the institution's determination that the student withdrew.

An institution is required to take attendance if—

- (1) An outside entity (such as the institution's accrediting agency or a state agency) has a requirement that the institution take attendance;
- (2) The institution itself has a requirement that its instructors take attendance; or
- (3) The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program, or a portion of that program. *34 C.F.R. §668.22(b)*

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records. *34 C.F.R. §668.22(b)(1); 2014-15 Federal Student Aid Handbook, Volume 5, Chapter 1*

Dear Colleague Letter (DCL) GEN-11-14, issued on 7/20/11, notes that federal regulations at 34 C.F.R. §668.22(a)(2)(ii)(A)(I) provide that an institution is not required to treat a student who ceases attendance in a module-based program as a withdrawal if the institution obtains written confirmation from the student at the time that would have been a withdrawal of the date that he or she will attend a module that begins later in the same payment period or period of enrollment. “‘*At the time that would have been a withdrawal*’ means close to the date that the student actually ceased attendance and before the time when the institution was required to return Title IV funds, offer any post-withdrawal disbursement of loan funds, or take any other action under the Return of Title IV Funds requirements. Without confirmation of future attendance, the institution must assume a student who has ceased attendance is a withdrawal and begin the Return of Title IV Funds process. (...) An institution is expected to begin the Return of Title IV Funds process immediately upon its determination that a student has withdrawn in order to perform required actions in a timely manner, and may not delay the Return of Title IV Funds process in case a student might return. Of course, because the notice must confirm attendance in a module that begins later in the same payment period or period of enrollment, the notice must always be obtained prior to the beginning of the module in which the student is confirming attendance.”

Dear Colleague Letter GEN-11-14 also states that an institution cannot wait to perform a Return of Title IV Funds calculation to see if a student who has withdrawn and has not provided written confirmation of future attendance will return later in the payment period or period of enrollment. “An institution is required to “undo” the Return of Title IV Funds calculation if a student who has withdrawn returns to the institution: (1) within the same payment period or period of enrollment for a term-based credit hour program offered in modules; or (2) within 180 calendar days for a clock-hour or non-term credit hour program [§668.22(a)(2)(iii)]. An institution is expected to begin the Return of Title IV Funds process immediately upon its determination that a student has withdrawn in order to perform required actions in a timely manner.”

Unless a student provides written confirmation of future attendance in the payment period or period of enrollment, a student who drops all the future classes that he or she was scheduled to attend between modules (when the student is not attending classes) is considered to have withdrawn, and a Return of Title IV Funds calculation is required. *2014-15 Federal Student Aid Handbook, Volume 5, Chapter 1*

Federal regulations state that for a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), or for a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are substantially equal in length, the payment period is the academic term. *34 C.F.R. §668.4(a)*

Whatever academic calendar an institution adopts for a program, the institution must apply it to all students enrolled in that program and document the programs treatment in the institution’s policies and procedures manual. *2015-16 Federal Student Aid Handbook, Volume 3, Chapter 1*

Noncompliance: In five respects, including three systemic issues, DeVry improperly performed Return of Title IV Funds calculations.

Failure to obtain affirmation of intent to return: On a systemic basis, DeVry has incorrectly used a withdrawn student's enrollment in a future module as an affirmation of that student's intent to return to the institution. As a result, for students who withdraw in the first module of a two-module payment period, DeVry has improperly suspended Return of Title IV Funds calculations until the beginning of the second module.

As reflected in the guidance provided in DCL GEN-11-14, when a student withdraws from the first module of a two-module payment period, the institution must obtain a reaffirmation of the student's intent to attend the second module at roughly the same time that the student withdraws. An institution is not allowed to use the student's original enrollment in the second module of a two-module period as an affirmation that the student intends to begin attendance in the second module and is therefore, for Title IV purposes, not a withdrawal.

For example, the financial aid file of student #25 reflects that the student unofficially withdrew from the first module of a two-module payment period, with the student's last date of recorded attendance as 7/31/12. DeVry waited until 9/17/12—the day that the student reportedly dropped the second-module coursework without beginning attendance in the module—to determine that the student had withdrawn and perform the required Return of Title IV Funds calculation.

However, because there is no evidence of a reaffirmation from the student that he intended to return and being attendance in the second module, the date of determination should have been no later than 14 days from the last date of attendance. In the case of student #25, DeVry made the determination that the student had withdrawn 34 days late.

Likewise, the financial aid file of student #27 reflects that the student unofficially withdrew from the first module of a two-module payment period, with the student's last date of recorded attendance as 10/31/12. DeVry waited until 1/18/13—the day that the student reportedly dropped the second-module coursework without beginning attendance in the module—to determine that the student had withdrawn, and the required Return of Title IV Funds calculation was performed on or about 1/18/13.

However, because there is no evidence of a reaffirmation from the student that he intended to return and being attendance in the second module, the date of determination should have been no later than 14 days from the last date of attendance. In the case of student #27, DeVry made the determination that the student had withdrawn 65 days late.

Incorrect use of mid-point of payment period: On a systemic basis DeVry failed to properly identify and employ the last date of attendance for students who ceased attendance in the first module of a two-module payment period but went on to receive a grade in the first module.

In explaining this practice to the program review team, DeVry officials noted that DCL GEN-11-14 indicates that for students who withdraw between modules in a two-module term, the withdrawal date is the midpoint of the term. DeVry officials stated that the institution has

chosen to interpret this guidance as meaning that any student who withdraws during the first module of a two-module payment period, but who receives an earned grade at the end of the term, is a student who withdrew between modules.

However, nothing in DCL GEN 11-14 conflicts with or supersedes the fundamental requirement that, at an institution that is required to take attendance, the withdrawal date is always the last date of recorded attendance. Elsewhere in DCL GEN-11-14 this requirement is reinforced explicitly: “For an institution that is required to take attendance, a student’s withdrawal date is always the last date of academic attendance as determined by the institution from its attendance records [§668.22 (b)(1)].”

Volume 5 of the 2014-15 Federal Student Aid Handbook also emphasizes that a “student who withdraws between terms” is a student who withdrew between the end of one term and the beginning of the other:

“Unless a student provides written confirmation of future attendance in the payment period or period of enrollment, a student who drops all the future classes that he or she was scheduled to attend between modules (when the student is not attending classes) is considered to have withdrawn, and a Return of Title IV Funds calculation is required.”

As an example of this systemic issue, the Return calculation included in the financial aid file of student #29 reflects that the student’s last date of recorded attendance in the first module of a two-module payment period was 4/9/13. The student went on to receive grades of “F” and “F” in the two courses taken in the first module, but never attended at any point beyond 4/9/13.

On 5/16/13—the day that the student reportedly dropped the second-module coursework without beginning attendance—DeVry determined that the student had withdrawn and, for the purposes of a Return of Title IV Funds calculation, identified the pertinent withdrawal date as 4/25/13, a date that represented the mid-point of the two-module term. However, the student’s withdrawal date should have been represented by the student’s last date of recorded attendance—4/9/13. Consequently, DeVry’s calculation of the number of days completed by the student in the payment period is 16 days longer than it should correctly be, resulting in the institution retaining more Title IV funds than a properly calculated Return would have allowed.

Likewise, the Return calculation included in the financial aid file of student #5 reflects that the student’s last date of recorded attendance in the first module of a two-module payment period was 6/5/13. The student went on to receive a grade of “F” in the one course taken in the first module, but never attended at any point beyond 6/5/13.

On 7/17/13—the day that the student reportedly dropped the second-module coursework without beginning attendance in that module—DeVry determined that the student had withdrawn and, for the purposes of a Return of Title IV Funds calculation, identified the pertinent withdrawal date as 6/27/13, a date that represented the mid-point of the two-module payment period. However, the student’s withdrawal date should have been represented by the student’s last date of recorded attendance—6/5/13. Consequently, DeVry’s calculation of the number of days completed by the student in the payment period is 22 days longer than it should

correctly be, resulting in the institution retaining more Title IV funds than a properly calculated Return would have allowed.

In the case of student #16, the Return calculation included in the financial aid file reflects that the student's last date of recorded attendance in the first module of a two-module payment period was 4/23/14. The student went on to receive an earned grades of "C" and "D" in the two courses taken in the first module, but never attended at any point beyond 4/23/14.

On 5/19/14—the day that the student reportedly dropped the second-module coursework without beginning attendance—DeVry determined that the student had withdrawn and, for the purposes of a Return of Title IV Funds calculation, identified the pertinent withdrawal date as 4/24/14, which represented the mid-point of the payment period. However, the student's withdrawal date should have been represented by the student's last date of recorded attendance. DeVry's calculation of the number of days completed by the student in the payment period is one day longer than it should correctly be, resulting in the institution retaining more Title IV funds than a properly calculated Return would have allowed.

As a further example, the financial aid file of student #3 reflects that the student's last date of recorded attendance in the first module of a two-module payment period was 11/7/13. The student went on to receive an earned grade of "B" for the one course taken in the first module, but never attended at any point beyond 11/7/13.

On 1/6/14—the day that the student reportedly dropped the second-module coursework without beginning attendance in the module—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 12/19/13, which represented the mid-point of the two module payment period. However, the student's withdrawal date should have been represented by the student's last date of recorded attendance—11/7/13. DeVry's calculation of the number of days completed by the student in the payment period is 32 days longer than it should correctly be, resulting in the institution retaining more Title IV funds than a properly calculated Return would have allowed.

In the case of student #3, it is noted that although the student was a graduate student at the time of the withdrawal, and although DeVry maintains a policy which states that the attendance of graduate students is not tracked beyond the first two weeks of a module, DeVry compiled complete attendance records for this student. According to information in DeVry's Banner administrative computer system, the institution referred to the attendance records when it performed the Return calculation, although in the end the institution used an improper withdrawal date.

Incorrect payment period lengths: In discussions with institutional financial aid staff during the on-site portion of the program review it was established that, on a systemic basis, DeVry employs payment periods that end on the Thursday of the last week of a term for the calculation of Returns of Title IV Funds. DeVry pursues this practice in the belief that all students are required to complete their final exams by the Thursday of the last week of the term and, therefore, the term properly ends on that day.

However, the program review team noted that several financial aid files reviewed—including the files of students #11, #19, #22, and #70—include a DeVry administrative document titled “Permission to Register for Capstone Course.” The document reflects that, as a standard requirement, students enrolled in prerequisite coursework leading up to a “Capstone” course—a culminating business-related work project for graduate-level students—are given until the Saturday of the last week of the term to complete the required final exams, rather than Thursday.

As stated on the “Permission to Register for Capstone Course” document:

“I understand that registration for and enrollment in the Capstone course for my degree program is dependent upon meeting the following conditions: For prerequisite course(s) in which I am currently enrolled, all course assignments must be submitted and the final exam must be taken by Saturday, Week 8 of the current session ...”

Consequently, DeVry’s belief that student assignments in all of its course offerings must be completed by the Thursday of the last week of the term, and its application of this belief to the calculation of all Returns of Title IV Funds, appears to be in error. In actual fact, for students enrolled in prerequisite coursework for the Capstone courses, the payment period is two days longer than the one that would be specified in Return calculations for those students. Consequently, any Return calculation performed for a payment period that included a student taking prerequisite coursework for a Capstone course is incorrect.

On a broader scope, it is also noted that DeVry’s 2014-15 student catalog states that a Return of Title IV Funds calculation is performed for the “enrollment period”—a phrase that DeVry uses interchangeably with “term.” As DeVry states in the catalog:

“According to federal regulations, a federal refund calculation must be performed if a student receiving financial aid withdraws completely from all classes after the start of the enrollment period. Length of enrollment is equal to the number of calendar days, including weekends and holidays, in the periods in which the student was registered. However, breaks of five days or more are excluded.”

Nowhere in the above passage, or elsewhere in the catalog, does DeVry state outright or suggest that the payment period used for Return of Title IV Funds calculations is three days shorter than the term advertised in the catalog, even though in practice DeVry subscribes to that belief. Although elsewhere in the catalog DeVry does note that “instruction ends at 11:59 pm (Mountain Standard Time) on Thursday of week eight,” there is no discussion of how or why this statement does or should relate to the use of a payment period in Return calculations that is three days shorter than the length of the academic term as it is defined in the student catalog.

The period of the academic term that appears in DeVry’s Banner administrative computer system—the system used to generate awards of Title IV funds—includes the entire last week of the term, and ends on the final Sunday—three days later than the terms reflected on Return calculations. The Direct Loan loan periods that DeVry has reported to the Department’s National Student Loan Data System (NSLDS) and the Common Origination and Disbursement

System (COD) also include, as a rule, an eighth week that ends on a Sunday, rather than a truncated eighth week that ends on a Thursday.

This variance in payment period dates is easily seen in student financial aid files. For example, the financial aid file of student #166 reflects that the student withdrew from DeVry on 4/24/14. On the Return calculation, the start date of the payment period in which the student withdrew is identified as 3/3/14, and the end date is identified as 6/26/14—the final Thursday in the payment period, or “term.”

However, in DeVry’s Banner computer system, the beginning date of the term is identified as 3/3/14, the same date used in the Return calculation, while the end date is identified as 6/29/14, three days later than the date used in the Return calculation. Further, the Department’s NSLDS and COD systems also indicate that, for Direct Loan purposes, DeVry identified the payment period as extending from 3/3/14 to 6/29/14. Likewise, the student catalog reflects that the term in question began on 3/3/14 and ended on 6/29/14.

It is clear, then, that DeVry uses a truncated payment period for Returns that is not only contrary to the requirements of its Capstone prerequisite courses, but also contrary to the information published in its catalogs for the benefit of students, contrary to the information it has reported to the Department’s NSLDS and COD systems, and contrary to the data employed in its own Banner computer system to, among other applications, generate awards of Title IV funds.

One result of the use of a shortened payment period for Return of Title IV Funds calculations is that the student will reach the point where he or she has earned 100 percent of the Title IV funds awarded and disbursed for the payment period at a faster pace than they would have otherwise.

Incorrect LDA: In one of 24 2012-13, 2013-14, and 2014-15 Return of Title IV Funds calculations reviewed, DeVry incorrectly identified an LDA for reasons that do not appear to relate to the systemic issues discussed above.

Student #27 The financial aid file reflects that the student unofficially withdrew from the November 2012 term on 10/31/12. However, in addition to the other Return issues identified in this student file, attendance records reflect that the student’s last date of attendance in the course designated COLL148/64417 was 11/19/12.

Earned Title IV funds returned: In four of 24 2012-13, 2013-14, and 2014-15 Return of Title IV Funds calculations reviewed, DeVry incorrectly returned to the Department Direct Loan funds that were earned by the student.

Student #5 The financial aid file reflects that the student’s last date of recorded attendance in the first module of a two-module payment period was 6/5/13. On 7/17/13—the day that the student reportedly dropped the second-module coursework without beginning attendance—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 6/27/13, a date that represented the mid-point of the two-module payment period.

On 8/7/13 DeVry performed the required Return of Title IV Funds calculation. The Return calculation identified a return of \$963.50 in Direct Unsubsidized Loan funds. The Department's COD system reflects that the total amount of Direct Unsubsidized Loan funds disbursed to the student for the payment period—\$990—were returned to the Department on 8/8/13. However, there is no documentation in the student's financial aid file indicating that the student authorized DeVry to return \$26.50 in Direct Loan funds that the student had rightfully earned.

Student #25 The financial aid file reflects that the student unofficially withdrew from the first module of a two-module payment period, with the student's last date of recorded attendance as 7/31/12. DeVry waited until 9/17/12—the day that the student reportedly dropped the second module coursework—to determine that the student had withdrawn and perform the required Return of Title IV Funds calculation. The Return calculation identified a return of \$1,485 in Direct Unsubsidized Loan funds and \$23 in Direct Subsidized Loan funds.

The Department's COD system reflects that DeVry returned \$698 in Direct Unsubsidized Loan funds on 10/18/12, and a further \$802 in Direct Unsubsidized Loan funds—an amount the exceeds the required return of Direct Unsubsidized Loan funds by \$15—on 10/19/12. The COD system also reflects that DeVry returned the full amount of Direct Subsidized Loans disbursed to the student for the payment period—\$1,182—on 10/18/12, even though a return of only \$22 in Direct Subsidized Loan funds was required by the Return calculation. There is no documentation in the student's financial aid file indicating that the student authorized DeVry to return to the Department Direct Loan funds that the student had rightfully earned.

Student #29 The financial aid file reflects that the student's last date of recorded attendance in the first module of a two-module payment period was 4/9/13. On 5/16/13—the day that the student reportedly dropped the second-module coursework without beginning attendance—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 4/25/13, a date that represented the mid-point of the term.

On or about 5/16/13 DeVry perform the required Return of Title IV Funds calculation. The Return calculation identified a return of \$1,917 in Direct Unsubsidized Loan funds. The Department's COD system reflects that \$1,000 in Direct Unsubsidized Loan funds were returned on 5/20/13, and a further \$937 in Direct Unsubsidized Loan funds—an amount in excess of the remainder of the return by \$20—was returned on 6/13/13. There is no documentation in the student's financial aid file indicating that the student authorized DeVry to return Direct Loan funds that the student had rightfully earned.

Student #3 The financial aid file reflects that the student's last date of recorded attendance in the first module of a two-module payment period was 11/7/13. On 1/6/14—the day that the student reportedly dropped the second-module coursework without beginning attendance in the module—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 12/19/13, which represented the mid-point of the term.

According to the documents in the student's financial aid file, on 1/13/14 DeVry performed the required Return of Title IV Funds calculation. The calculation identified the student's

withdrawal point as 50 percent but did not identify a return amount, even though the student received a disbursement of \$2,474 in Direct Unsubsidized Loan funds for the payment period. Nevertheless, the Department's COD system reflects that DeVry returned the total amount of Title IV funds disbursed to the student—\$2,474 in Direct Unsubsidized Loan funds—on 1/13/14.

There is no documentation in the student's financial aid file indicating that the student authorized DeVry to return Direct Loan funds that the student had rightfully earned, or that some other factor required that the full amount of the Direct Unsubsidized Loan funds disbursed to the student for the payment period be returned.

Required Action: During the on-site portion of the program review it was established that the Return of Title IV Funds calculations reviewed were performed using policies and procedures that are standard for all of DeVry's locations. Consequently, DeVry must provide comprehensive information for all Title IV recipients included under DeVry's main OPE ID 01072700 who officially or unofficially withdrew during the 2012-13, 2013-14, 2014-15, and 2015-16 (year to date) award years. DeVry must identify and review the files of all Title IV recipients for whom a Return calculation was performed or should have been performed in any of the four award years.

For Returns that are found to have been paid late, not paid, improperly paid, improperly calculated, or not calculated, DeVry must provide the following information:

- (1) A spreadsheet that contains, for each Title IV recipient who officially or unofficially withdrew, the following information:
 - (a) Student's last name, first name;
 - (b) Student's Social Security number;
 - (c) OPE ID of campus with additional location identifier (i.e. 01072700, 01072701, 01072702, etc.);
 - (d) Award year;
 - (e) Student's last date of attendance;
 - (f) Student's withdrawal date;
 - (g) The date that DeVry determined that the student withdrew;
 - (h) The date that the original Return was calculated;
 - (i) The amount of Title IV funds returned, if applicable (organized by Title IV program);
 - (j) The date(s) the Return(s) were made (organized by Title IV program);
 - (k) Amount of post-withdrawal disbursement (PWD), if applicable;
 - (l) Title IV program from which PWD was made;
 - (m) Date PWD was paid;
 - (n) Date of corrected Return of Title IV Funds calculation;
 - (o) Corrected amount of Return;
 - (p) Difference between original Return amount and corrected Return amount;
 - (q) Title IV program(s) to which corrected Return should be made, if applicable;
 - (r) Amount of corrected PWD that should be made, if applicable;

- (s) Title IV program from which corrected PWD should be made, if applicable. The spreadsheet should be organized first by award year, then by individual student. The spreadsheets should be compiled in an Excel spreadsheet program;
- (2) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew in the 2012-13, 2013-14, 2014-15, and 2015-16 (year to date) award years (DeVry must identify calculations that were first performed as a result of the PRR);
 - (3) A copy of the complete corrected Return of Title IV Funds calculation, if applicable;
 - (4) A copy of all pertinent student account cards for the Returns identified above. The account card should reflect the disbursements included in the Return calculation as well as the return of the Title IV funds, if applicable;
 - (5) Legible copies of all audit trail documentation (i.e. wire transfer records on bank statements, institutional drawdown and refund reports, screen prints of Common Origination and Disbursement [COD] screens with pertinent detail information) to support the return of the funds to the Title IV accounts. The documentation must clearly identify the amount of the Return for the individual in question. If a Return was repaid to the Title IV programs by check, then a legible copy of the cancelled check, front and back, must be submitted;
 - (6) A copy of DeVry's official withdrawal form (or other official withdrawal documentation) for each Title IV recipient who officially withdrew, with the official date of withdrawal notated.
 - (7) Copies of all pertinent attendance records supporting DeVry's determination of the student's last date of attendance.
 - (8) In cases where a post-withdrawal disbursement was calculated, copies of documentation establishing that the post-withdrawal disbursement was offered to the student or parent, and the student or parent's response to that offer. In cases where no such documentation is necessary, DeVry must provide documentation indicating that the student, or parent in the case of a PLUS loan, was notified that a post-withdrawal disbursement was made on their behalf, the amount of the disbursement, and the date that it occurred;
 - (9) For unearned Title IV aid that is required to be returned by a student, copies of all supporting documentation establishing that DeVry contacted the student and made appropriate repayment arrangements, as outlined in federal regulations.

The Return of Title IV Funds spreadsheets discussed above should be compiled in an Excel spreadsheet program and submitted in the following manner:

Award year	Student's last name, first name	SSN	OPE ID of location	Last date of attendance	Withdrawal date
2012/13	Doc, Jane	***	01072702	1/15/13	1/15/13
00 00	00 00	00 00	00 00	00 00	00 00
00 00	00 00	00 00	00 00	00 00	00 00

(continued)

Date of determination	Date Return calculation performed	Amount of Return, if applicable	Title IV program	Date Return was made	Amount of PWD, if applicable
6/24/13	6/25/13	\$2,000	DL Unsub	7/6/13	n/a
xx xx	xx xx	\$1,356	DL Sub	7/6/13	xx xx xx
xx xx	xx xx	\$312	Pell	7/4/13	xx xx xx

(continued)

PWD program	Date PWD paid	Date of corrected Return calculation	Corrected amount of Return	Difference between original calc amount and corrected amount	Title IV program
n/a	n/a	11/1/13	\$2,000	\$0	DL Unsub
xx xx	xx xx	xx xx	\$1,356	\$0	DL Sub
xx xx	xx xx	xx xx	\$517	\$199	Pell

(continued)

Amount of corrected PWD, if applicable	PWD program
n/a	n/a
xx xx xx	xx xx
xx xx xx	xx xx

The file review spreadsheet must also clearly indicate the particular Title IV program or programs that a particular Return was or should have been made to. The following abbreviations should be used in the spreadsheet to indicate the various programs: Pell, FSEOG, Perk, DL Sub, DL Unsub, and DL PLUS.

In responding to this finding, DeVry must engage an Independent Public Accountant (IPA) to test the completed file review. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Mr. Chaney within 30 days of the institution's receipt of this Program Review Report. Mr. Chaney will review the procedures, indicate if any changes are needed, and approve the procedures. The IPA must apply the Agreed Upon Procedures to test the file reviews completed by DeVry, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA must prepare the report in accordance with the American Institute of Certified Public Accountants (AICPA) Attestations Standards. The IPA's report must be submitted with DeVry's response to this PRR.

Second, DeVry must review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed properly and in a timely manner in the future. A detailed discussion of these revised policies and procedures must accompany DeVry's response to this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the FPRD letter. DeVry must not attempt to repay any funds owed to the Department until the FPRD is issued. DeVry is allowed, however, to make PWDs to students when such a disbursement falls within the normal six-month window for making PWDs.

Finding 2. Late Returns of Title IV Funds

Citation: Federal regulations state that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including FWS or the non-federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date.

If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV programs. If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. ³⁴ *C.F.R. §668.22(a)*

Federal regulations require an institution to calculate and return Title IV refunds no later than 45 days after the date of the institution's determination that the student withdrew. ³⁴ *C.F.R. §668.22(j)*

Federal regulations state that for a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, or a student who takes a leave of absence that does not meet the Department's requirements, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records. An institution must document a student's withdrawal date determined in accordance with Department requirements and

maintain the documentation as of the date of the institution's determination that the student withdrew.

An institution is required to take attendance if—

- (1) An outside entity (such as the institution's accrediting agency or a state agency) has a requirement that the institution take attendance;
- (2) The institution itself has a requirement that its instructors take attendance; or
- (3) The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program, or a portion of that program. *34 C.F.R. §668.22(b)*

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records. *34 C.F.R. §668.22(b)(1); 2014-15 Federal Student Aid Handbook, Volume 5, Chapter 1*

Noncompliance: In five of 24 2012-13, 2013-14, and 2014-15 Return of Title IV Funds calculations reviewed, DeVry failed to make the necessary Returns within the required time frame.

Student #3 The financial aid file reflects that the student's last date of recorded attendance in the first module of a two-module payment period was 11/7/13. On 1/6/14—the day that the student reportedly dropped the second-module coursework without beginning attendance in the module—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 12/19/13, which represented the mid-point of the term. On 1/13/14 DeVry performed the required Return of Title IV Funds calculation, which identified no liability even though the student received a disbursement of \$2,474 in Direct Unsubsidized Loan funds for the payment period. Nevertheless, the Department's COD system reflects that DeVry returned the total amount of Title IV funds disbursed to the student in the payment period—\$2,474 in Direct Unsubsidized Loan funds—on 1/13/14.

In addition to other questions regarding this Return (see Finding 1), there is also no evidence in the financial aid file of a reaffirmation from the student that he intended to return and begin attendance in the second module. Consequently, the date of determination should have been no later than 14 days from the last date of attendance. The Direct Unsubsidized Loan funds in question were returned to the Department eight days late.

Student #5 the Return calculation included in the financial aid file reflects that the student's last date of recorded attendance in the first module of a two-module payment period was 6/5/13. On 7/17/13—the day that the student reportedly dropped the second-module coursework without beginning attendance—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 6/27/13, a date that represented the mid-point of

the two-module payment period. On 8/7/13 DeVry perform the required Return of Title IV Funds calculation. The Return calculation identified a return of \$963.50 in Direct Unsubsidized Loan funds. The Department's COD system reflects that the total amount of Direct Unsubsidized Loan funds disbursed for the payment period—\$990—were returned to the Department on 8/8/13.

However, because there is no evidence of a reaffirmation from the student that he intended to return and begin attendance in the second module, the date of determination should have been no later than 14 days from the last date of attendance—6/5/13. Consequently, the Title IV funds were returned to the Department five days late.

Student #25 The financial aid file reflects that the student unofficially withdrew from the first module of a two-module payment period, with the student's last date of recorded attendance as 7/31/12. DeVry waited until 9/17/12—the day that the student reportedly dropped the second module coursework—to determine that the student had withdrawn and perform the required Return of Title IV Funds calculation. The Return calculation identified a return of \$1,485 in Direct Unsubsidized Loan funds and \$23 in Direct Subsidized Loan funds. The Department's COD system reflects that DeVry returned \$698 in Direct Unsubsidized Loan funds on 10/18/12, and a further \$802 in Direct Unsubsidized Loan funds—an amount the exceeds the required return by \$15—on 10/19/12. The COD system also reflects that DeVry returned the full amount of Direct Subsidized Loans disbursed for the payment period—\$1,182—on 10/18/12.

However, because there is no evidence of a reaffirmation from the student that he intended to return and begin attendance in the second module, the date of determination should have been no later than 14 days from the last date of attendance. Consequently, the Title IV funds were returned to the Department 19 days late.

Student #27 The financial aid file reflects that the student unofficially withdrew from the first module of a two-module payment period, with the student's last date of recorded attendance incorrectly reported as 10/31/12 (see Finding 1). DeVry waited until 1/18/13—the day that the student reportedly dropped the second-module course—to determine that the student had withdrawn, and the required Return of Title IV Funds calculation was performed on or about that same date. The Return calculation identified a return of \$674.57 in Pell Grant funds, and the Department's COD system reflects that the funds were returned on 2/15/13.

However, because there is no evidence of a reaffirmation from the student that he intended to return and begin attendance in the second module, the date of determination should have been no later than 14 days from the last date of attendance. Using the correct last date of attendance of 11/19/13, the Title IV funds were returned to the Department 29 days late.

Student #29 The financial aid file reflects that the student's last date of recorded attendance in the first module of a two-module payment period was 4/9/13. On 5/16/13—the day that the student reportedly dropped the second-module coursework without beginning attendance—DeVry determined that the student had withdrawn and identified the pertinent withdrawal date as 4/25/13, a date that represented the mid-point of the two module term. On or about 5/16/13

DeVry performed the required Return of Title IV Funds calculation. The Return calculation identified a return of \$1,917 in Direct Unsubsidized Loan funds. The Department's COD system reflects that \$1,000 in Direct Unsubsidized Loan funds were returned on 5/20/13, and a further \$937 in Direct Unsubsidized Loan funds—an amount in excess of the remainder of the return by \$20—was returned on 6/13/13.

However, because there is no evidence of a reaffirmation from the student that he intended to return and begin attendance in the second module, the date of determination should have been no later than 14 days from the last date of attendance. Consequently, the second installment of the Return was made six days late.

Required Action: A previous finding requires DeVry to review the Return of Title IV Funds calculations for all Title IV recipients who officially or unofficially withdrew during the 2012-13, 2013-14, 2014-15, and 2015-16 (year to date) award years, and provide comprehensive information for Returns that are found to have been paid late, not paid, improperly paid, improperly calculated, or not calculated. Consequently, no additional reconstructive action will be required as a result of this finding at this time.

Finding 3. Late Payment of Title IV Credit Balances

Citation: Federal regulations state that whenever an institution disburses Title IV program funds by crediting a student's account and the total amount of all Title IV 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—

- (1) 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
- (2) 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)*

A Title IV credit balance occurs whenever an institution credits Title IV program funds to a student's account and the total amount of those Title IV funds exceeds the student's allowable charges. An institution may pay a credit balance to a student by issuing a check payable to and requiring the endorsement of the student or parent. An institution is considered to have issued the check on the date that it (1) mails the check to the student or parent, or (2) notifies the student that the check is available for immediate pickup and provides the specific location.

An institution that is paying a student his or her credit balance with a direct disbursement must pay the student within the 14-day time frame. An institution can, within that 14-day period, do

a number of things, including sending a notice to the student that his or her money is available. An institution that does that is considered to have met the 14-day requirement to give the student his or her credit balance, as long as the institution's process complies with the rest of the regulation. That is, the institution must be able to give the student a check when the student comes to the office within the 14-day time frame.

If a student is told (within the 14-day period) to come to the business office to pick up his or her credit balance, the student must be able to leave the business office with the funds in some form (e.g., a check, cash, or an appropriate stored value card), and not be told that a check will be mailed to him or her.

An institution may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate Title IV program. An institution may pay a credit balance by initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent. Moreover, an institution may establish a policy requiring its students to provide information about an existing bank account or open an account at a bank of the student's choosing as long as this policy does not delay the disbursement of Title IV funds to students.

Consequently, if a student does not comply with the institution's policy, the institution must nevertheless disburse the funds to the student either by dispensing cash, for which the institution obtains a signed receipt, or issuing a check. An institution must disburse the credit balance within the regulatory time frame. *2013-14 Federal Student Aid Handbook, Volume 4, Chapter 2*

Noncompliance: In eight of 50 2013-14 and 2014-15 Title IV credit balance transactions examined, DeVry failed to pay the Title IV credit balance within the regulatory time frame.

Student #43 The student's ledger card indicates that on 11/2/13 a disbursement of \$5,072 in Direct Unsubsidized Loan funds was credited to the student's account, creating a Title IV credit balance of \$2,694. On 11/11/13 the full amount of the credit balance was issued to the student by check. The check was negotiated by the student on 12/6/13—10 days beyond the 14-day timeframe for delivering such funds.

Student #48 The student's ledger card reflects that on 9/10/13 a disbursement of \$6,185 in Direct Unsubsidized Loan funds was credited to the student's account, creating a Title IV credit balance of \$1,986. On 9/16/13 the full amount of the credit balance was issued to the student by check. The check was negotiated by the student on 10/8/13—14 days beyond the 14-day timeframe for delivering such funds.

Student #49 The student's ledger card indicates that on 5/10/14 a disbursement of \$1,361 in Direct Subsidized Loan funds and \$1,732 in Direct Unsubsidized Loan funds were credited to the student's account, creating a Title IV credit balance of \$1,855. On 5/15/14 the full amount of the credit balance was issued to the student by check. The check was negotiated by the student on 7/29/14—66 days beyond the 14-day timeframe for delivering such funds.

Student #52 The student's ledger card indicates that on 7/1/14 a disbursement of \$1,113 in Direct Subsidized Loan funds and \$1,484 in Direct Unsubsidized Loan funds were credited to the student's account, creating a Title IV credit balance of \$2,597. On 7/3/14 a charge of \$125.12 for books and supplies reduced the Title IV credit balance to \$2,471.88. On 7/7/14 a charge of \$1,927 for tuition and course materials reduced the Title IV credit balance to \$544.88. On 7/10/14 the full amount of the credit balance was issued to the student by check. The check was negotiated by the student on 7/24/14—10 days beyond the 14-day timeframe for delivering such funds.

Student #56 The student's ledger card indicates that on 9/7/13 disbursements of \$1,362 in Direct Subsidized Loan funds, \$1,732 in Direct Unsubsidized Loan funds, \$300 in Perkins Loan funds, \$300 in FSEOG funds, and \$1,411 in Pell Grant funds were credited to the student's account, creating a Title IV credit balance of \$2,649. On 9/12/13 the full amount of the credit balance was issued by check. The check was negotiated by the student on 11/21/13—61 days beyond the 14-day timeframe for delivering such funds.

Student #59 The student's ledger card reflects that on 5/14/14 a disbursement of \$542 in Pell Grant funds was credited to the student's account, creating a Title IV credit balance of \$542. On 5/19/14 the full amount of the credit balance was issued to the student by check. The check was negotiated by the student on 6/5/14—eight days beyond the 14-day timeframe for delivering such funds.

Student #64 The student's ledger card indicates that on 9/7/13, disbursements of \$6,061 in Direct Unsubsidized Loan funds and \$1,199 in Pell Grant funds were credited to the student's account, creating a Title IV credit balance of \$3,185. On 9/11/13 DeVry issued a check for \$3,145 of the Title IV credit balance. On 9/19/13 DeVry issued a check for the remaining \$40 of the credit balance. The latter check was negotiated by the student on 10/1/13—six days beyond the 14-day timeframe for delivering such funds.

Student #75 The student's ledger card indicates that on 1/13/14 a disbursement of \$2,285 in Direct Unsubsidized Loan funds was credited to the student's account, creating a Title IV credit balance of \$2,193. On 1/30/14 DeVry issued a check to the student for the full amount of the Title IV credit balance. The Title IV credit balance check was negotiated by the student by 2/11/14—15 days beyond the 14-day timeframe for delivering such funds.

In the instances cited above, the Department employed the date that the check was negotiated by the student as the terminal date for the purpose of establishing the length of the Title IV credit balance payment process. The date of negotiation was used in the absence of any other type of documentation to establish when a hard copy check was delivered to a student.

During interviews with DeVry business office representatives on 9/15/14, it was established that DeVry does not, as a policy, hold Title IV credit balances on student accounts. It was also established that DeVry issues its Title IV credit balance checks to students through a payroll services vendor, Automatic Data Processing Inc. (ADP) of Roseland, New Jersey. It was the belief of DeVry business office representatives that hard copy or imaged copies of actual checks, taken from institutional or bank records, were not available through ADP.

Consequently, the date that a Title IV credit balance check was issued and the date it was negotiated by the student were determined using a secondary record consisting of imaged copies of ADP software screens. The level of integrity of the ADP software screens is unknown.

Required Action: DeVry must review and, as necessary, revise its procedures for monitoring Title IV credit balances to ensure that all such credit balances are paid in a timely manner in the future. A copy of these reviewed policies and procedures must accompany DeVry's response to this report.

Finding 4. Incomplete Audit Trail

Citation: Federal regulations stipulate that an institution shall establish and maintain, on a current basis, financial records that reflect each Title IV program transaction, and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. *34 C.P.R. §668.24(b)*

By entering into a program participation agreement, an institution agrees that, among other factors, it will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary or from students under the Title IV, HEA programs, together with assurances that the institution will provide, upon request and in a timely manner, information relating to the administrative capability and financial responsibility of the institution to the Secretary, U.S. Department of Education. *34 C.F.R. §668.14(b)*

Federal regulations require that an institution exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Title IV, HEA program funds. *34 C.F.R. §668.163(e)*

To begin and to continue to participate in any Title IV, HEA program, an institution shall 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, among other factors, administers Title IV, HEA programs with adequate checks and balances in its system of internal controls. *34 C.F.R. §668.16(c)*

Noncompliance: In one respect, DeVry failed to maintain an adequate audit trail that is consistent with generally accepted accounting principles and DeVry's responsibility as a fiduciary of Title IV funds.

During interviews with DeVry's business office representatives on 9/15/14, it was established that the institution pursues a policy of reimbursing itself with Title IV funds for Title IV

expenditures already posted to student accounts. Three times a week, DeVry draws down Title IV funds based on the total amount of funds that have been disbursed to students and the total amount of funds that are available in G5. DeVry officials stated that, as a rule, the institution draws down 85 to 90 percent of the total amount that is available. In this manner, DeVry believes that it never draws down more Title IV funds than it has disbursed to students.

However, by drawing down funds on a fund basis rather than a student-specific basis, it is not possible to definitively tie a particular drawdown to a particular disbursement of funds to a student account. By drawing down on a fund basis rather than a student-specific basis DeVry also cannot establish that it is, in all cases, reimbursing itself for funds already obligated to particular student accounts.

For example, on 8/8/14 DeVry drew down \$1,763,206 in Pell Grant funds for the 2014-15 award year from the Department's G5 system. During the program review, DeVry was unable to provide a roster that reflected the students and the amounts of the individual disbursements that, taken together, made up the amount of the drawdown.

Required Action: DeVry must develop and implement Title IV drawdown procedures that will ensure that each drawdown can be tied to a group of particular disbursements, regardless of whether the institution is drawing the Title IV funds down in advance or drawing them down after the particular disbursements have been credited to student accounts. A copy of these procedures, as well as copies of pertinent supporting documents, must be included with DeVry's response to this report.

Finding 5. Failure to Adequately Document Professional Judgment Decision

Citation: In general, nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances.

However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, unusually high child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998), the number of parents enrolled at least half time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program

participation agreement under section 487, a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act), or other changes in a family's income, a family's assets or a student's status.

Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students.

In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases (1) to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or (2) to offer a dependent student financial assistance under section 428H or a Direct Unsubsidized Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information. *HEA Sec. 479A(a)*

A financial aid administrator may use professional judgment, on a case-by-case basis only, to alter the data used to calculate the EFC. This alteration is valid only at the institution making the professional judgment determination. The institution must submit a professional judgment change electronically, via FAA Access to CPS Online or third-party software, and the institution may do it without a signature from the student or parent. In FAA Access, the institution must select the "EFC adjustment requested" indicator for the professional judgment field.

The reason for the adjustment must be documented in the student's file, and it must relate to the special circumstances that differentiate the student—not to conditions that exist for a whole class of students. An institution may also use professional judgment to adjust the student's cost of attendance. The institution must resolve any inconsistent or conflicting information shown on the output document before making any adjustments. An aid administrator's decision regarding adjustments is final and cannot be appealed to the Department. *2014-15 FSA Application and Verification Guide, Chapter 5*

Noncompliance: In one of 31 2012-13, 2013-14, and 2014-15 general sample financial aid files reviewed, DeVry failed to properly document a professional judgement decision.

The financial aid file of student #15 reflects that in the 2013-14 award year the student submitted a signed request that a professional judgement be made based on the fact that in 2013 the student's work schedule at his place of employment was reduced by 40 percent from the 2012 tax year. The request was dated 10/23/13. In the request the student did not specify a dollar amount for the reduction in income, but provided income figures from an unknown source that appear to reflect that between 8/1/13 and 10/1/13 the student earned \$4,839.49 in gross pay.

Based on the student's request for a professional judgment decision, and his submission of a statement along with income figures for a three-month period that are derived from an unknown source, DeVry reduced the student's adjusted gross income from the \$49,199 reported on the student's 2012 taxes to \$29,034. However, there is no documentation in the student's financial aid file that establishes how the \$29,034 figure was arrived at.

Required Action: DeVry must review the professional judgment decision that was made for student #15 and obtain pertinent supporting documentation from the student to substantiate the reduction of the student's income from \$49,199 to \$29,034.

If DeVry cannot substantiate that the student's situation warranted a professional judgement decision, the institution must recalculate the student's Title IV awards for the 2013-14 award year, and any subsequent award year in which the same situation was used as the basis for a professional judgement decision, using the information that was originally reported on the relevant ISIRs.

If the student's award changes, DeVry must provide the following information:

- (1) Award year;
- (2) Student's EFC as a result of the professional judgment;
- (3) Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;
- (4) Corrected EFC;
- (5) Corrected Title IV aid disbursed, organized by Title IV program, then amount, then dates of disbursement;
- (6) Ineligible award amounts and refunds due the Title IV programs, organized by award year, then Title IV program, then amount;
- (7) Amount(s) of any Title IV funds returned as a result of Return of Title IV Funds calculations, organized first by award year, then by Title IV program, amount, and date of return.

Also, DeVry must review and, as necessary, revise its internal policies and procedures to ensure that the institution adequately documents professional judgment decisions in student files. A detailed discussion of these reviewed policies and procedures must accompany DeVry's response to this report.

Instructions for the repayment of any liabilities will be provided in the FPRD. The institution must not attempt to repay any funds owed to the Department until the FPRD is issued. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Finding 6. Inaccurate Common Origination and Disbursement System Reporting

Citation: Federal regulations state that to begin and to continue to participate in any Title IV, HEA program, an institution shall 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, among other factors, establishes and maintains records required under this part and the individual Title IV, HEA program regulations. 34 C.F.R. §668.16(d)(1)

An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with:

- (1) Funds received from the Secretary; or
- (2) Institutional funds used in advance of receiving Title IV, HEA program funds. 34 C.F.R. §668.164(a)

A school participating in the Direct Loan Program shall ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements of 34 C.F.R. §685.200. A school shall provide to the Secretary borrower information that includes but is not limited to:

- (1) The borrower's eligibility for a loan, as determined in accordance with 34 C.F.R. §685.200 and 34 C.F.R. §685.203;
- (2) The student's loan amount; and
- (3) The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds. 34 C.F.R. §685.301(a)

Federal regulations require institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit Pell Grant and/or Direct Loan disbursement records to the COD system no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement information. The disbursement date to be reported to COD is the date that the institution credits funds to a student's account or pays funds to a student or parent directly. 34 C.F.R. §690.83; *COD Technical Reference, 2012-13, Volume II*

In the Program Participation Agreement signed by DeVry, the institution agrees to fully comply with Direct Loan Program regulations, including the requirement that the institution implement a quality assurance process and document that it is correctly reporting the status of borrower loan records and enrollment status, disbursements, and adjustments to COD and NSLDS in a timely manner, and completing monthly reconciliations and program year closeouts. 34 C.F.R. 685.300(b)(9)

Noncompliance: In three instances within 31 2012-13, 2013-14, and 2014-15 general sample financial aid files reviewed, DeVry failed to accurately report disbursement dates of Title IV funds in the Department's COD system.

Student #15 The student's account card reflects that the student received disbursements of \$866 in Direct Subsidized Loan funds and \$1,485 in Direct Unsubsidized Loan funds on 1/13/14, and a further \$866 in Direct Subsidized Loan funds and \$1,485 in Direct Unsubsidized Loan funds on 3/8/14. However, the Department's COD system reflects that the disbursements occurred on 1/10/14 and 3/7/14, respectively.

Student #14 The student's account card reflects that DeVry returned \$1,485 in Direct Unsubsidized Loan funds on 1/23/14, while COD reflects that the return of the funds occurred on 1/24/14. The student's account card reflects that DeVry returned a further \$1 in Direct Unsubsidized Loan funds on 1/23/14, while COD reflects that the return of the funds occurred on 1/27/14.

Student #19 The student's account card reflects that DeVry disbursed \$1,436 in Direct Unsubsidized Loan funds on 1/2/14, while COD reflects that the disbursement occurred on 1/1/14.

Required Action: DeVry must review the records of the students identified above and correct the incorrect disbursement or return dates identified. Supporting documentation reflecting the corrections should accompany DeVry's response to this report.

Additionally, DeVry must review its COD reporting procedures to ensure that the institution accurately reports disbursement dates in a timely manner to COD for all Title IV recipients. A copy of DeVry's COD reporting procedures should also accompany its response. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

DeVry must also review and, as necessary, revise its Direct Loan quality assurance policies and procedures in relation to COD reporting processes. A discussion of the processes used by DeVry to meet quality assurance requirements, as well as a copy of the results of DeVry's most recent internal review of its Direct Loan quality assurance process, must accompany the institution's response to this report.

Finding 7. Incorrect NSLDS Reporting

Citation: Federal regulations state that to begin and to continue to participate in any Title IV, HEA program, an institution shall 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, among other factors, establishes and maintains records required under this part and the individual Title IV, HEA program regulations. *34 C.F.R. §668.16(d)(1)*

Federal regulations state that upon receipt of an enrollment report from the Secretary, an institution must update all information included in the report and return the report to the

Secretary (1) in the manner and format prescribed by the Secretary; and (2) within the timeframe specified by the Secretary.

Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, an institution must notify the Secretary within 30 days after the date that the institution discovers that (1) a loan under Title IV of the HEA was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or (2) a student who is enrolled at the institution and who received a loan under title IV of the Act has changed his or her permanent address. *34 C.F.R. §§682.610; 685.309*

The Secretary provides student status confirmation reports to a school at least semi-annually. At scheduled times during the year, not less than semiannually, NSLDS sends Roster files electronically to the institution (or its designated servicer) through its SAIG mailbox. The file includes all of the institution's students who are identified in NSLDS as Direct Loan borrowers (or the beneficiaries of a PLUS loan). The file is not necessarily connected to loans made at the institution—the institution must also report information for students who received some or all of their Title IV, HEA loans at other institutions but are currently attending the reporting institution.

The institution (or servicer) must certify the information and return the Roster file within 30 days of receiving it (this requirement was reduced to 15 days effective 2013-14 award year). The institution may also go to *www.nslsfp.ed.gov* and update information for students online. The institution is required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half time, graduated, or withdrawn must be reported within 30 days (15 days effective 2013-14 award year). However, if a Roster file is expected within 60 days (30 days effective 2013-14 award year), the institution may provide the data on that roster file. *2013-14 Federal Student Aid Handbook, Volume 2, Chapter 3*

Student enrollment information is extremely important, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. *2013-14 Federal Student Aid Handbook, Volume 2, Chapter 3*

In the Program Participation Agreement signed by DeVry, the institution agrees to fully comply with Direct Loan Program regulations, including the requirement that the institution implement a quality assurance process and document that it is correctly reporting the status of borrower loan records and enrollment status, disbursements, and adjustments to COD and NSLDS in a timely manner, and completing monthly reconciliations and program year closeouts. *34 C.F.R. 685.300(b)(9)*

Noncompliance: In two of 31 2012-13, 2013-14, and 2014-15 general sample financial aid files reviewed, DeVry failed to correctly report enrollment status or loan periods in the NSLDS system.

Student #1 The financial aid file reflects that DeVry reported the student's Perkins Loan loan period as 7/12/13 to 6/15/14. However, based on DeVry's academic calendar the correct loan period is 7/21/13 to 6/29/14.

Student #14 The financial aid file reflects that the student withdrew on 12/19/13—the student's last date of attendance. However, NSLD reflects that on 2/22/14 DeVry reported the student withdrawn as of 1/5/14.

Required Action: DeVry must review the NSLDS records of the students discussed above and make the necessary corrections. A copy of the corrected NSLDS screens should accompany DeVry's response to this report.

Also, DeVry must review and, as necessary, revise its policies and procedures in relation to NSLDS reporting. A copy of these reviewed reporting procedures, including the institution's schedule of projected reporting intervals, must accompany DeVry's response to this report.

DeVry must also review and, as necessary, revise its Direct Loan quality assurance policies and procedures in relation to NSLDS reporting processes. A discussion of the processes used by DeVry to meet quality assurance requirements, as well as a copy of the results of DeVry's most recent internal review of its Direct Loan quality assurance process, must accompany the institution's response to this report.