

Index Sheet

Ope Id No: 00188000

School Name: MOUNT MERCY COLLEGE

Subfolder: Program Review/FPRD

Doc Type: FPRD with Attachments

Rec Date:

Org Date: 12/17/2012

School Year: 2012

ACN:

PRCN: 201030727226

Box ID: 1473

Unique ID: SC1000000819025



Accounting Document – Prior Year Monetary Recovery (AD-PYMR)

Institution: Mount Mercy College

City, State: Cedar Rapids, IA

PRCN: 030727226

TIN: 420681046

DUNS: 073499584

Reviewer: Angela Beam

Region: KC

Date: 12/17/2012

Section A - Use if no adjustments are being made in COD

Programs	Type	Amount	Funding Code	Object Class
Federal Pell Grant 2006-2007	Principal	\$125	3220RNOYR	69017
	Interest	\$ 20	1435RNOYR	64020
Federal Pell Grant 2007-2008	Principal	\$2,122	3220RNOYR	69017
	Interest	\$ 312	1435RNOYR	64020
Direct Loan and Direct Loan EAL	Principal		4253XNOYR	53020 or 53010
	Interest	\$49,449	4253XNOYR	53040

Section B: Use if the Institution is instructed to make adjustments in COD

Add rows if necessary			Amount			G5 Program Award # *
Pell, ACG, SMART, TEACH	Federal Pell 2008-2009	Principal	\$4,851	3875FNOYR	69020	P063P080136
		Imputed Interest	\$ 282	1435RNOYR	64020	
	Federal Pell 2009-2010	Principal	\$4,858	3875FNOYR	69020	P063P090136
		Imputed Interest	\$ 51	1435RNOYR	64020	
	Federal Pell 2010-2011	Principal	\$15,332	3875FNOYR	69020	P063P100136
		Imputed Interest	\$ 0	1435RNOYR	64020	
Direct Loan (do not use for estimated loss)	2008-2009 Award Year	Principal	\$3,887	3875FNOYR	69020	P268K090136
		Imputed Interest	\$ 592	4253XNOYR	53040	
	2009-2010 Award Year	Principal	\$10,767	3875FNOYR	69020	P268K100136
		Imputed Interest	\$ 579	4253XNOYR	53040	
	2010-2011 Award Year	Principal	\$9,550	3875FNOYR	69020	P268K110136
		Imputed Interest	\$ 104	4253XNOYR	53040	

(b)(7)(E)



December 17, 2012

Christopher Blake, Ph.D.
President
Mount Mercy University
1330 Elmhurst Drive N.E.
Cedar Rapids, IA 52402-4797

Shipment via United Parcel Service
Tracking No. 1ZA5467Y0194554407

RE: **Final Program Review Determination**
OPE ID: 001880
PRCN: 201030727226

Dear Dr. Blake:

The U.S. Department of Education's (Department's) School Participation Division – Kansas City issued a program review report on September 13, 2010 covering Mount Mercy University's (MMC's) 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 2008-2009 and 2009-2010 award years. The Department issued an Addendum to the program review report on June 08, 2011. MMC's response to the program review report was received on November 12, 2010. MMC's response to the program review report addendum was received on November 10, 2011. A copy of the program review report, the program review report addendum (and related attachments) and MMC's responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by MMC upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) notify MMC of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application.

Federal Student Aid

AN OFFICE of the U.S. DEPARTMENT of EDUCATION
School Participation Division – Kansas City
Kansas City School Participation Division

8930 Ward Parkway, Suite 2028, Kansas City, MO 64114-3392
www.FederalStudentAid.ed.gov

If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

The total liabilities due from the institution from this program review are \$102,881.

This FPRD 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 thru I also contain PII.

Finding 12:

Final determinations have been made concerning Finding 12 identified during the program review and are detailed in the attached FPRD. The purpose of this letter is to advise the University of: (1) the Department's final determinations; (2) final actions needed to resolve the program review; and (3) a possible adverse administrative action.

Due to the serious nature of the violation identified during the program review, this finding is being referred to the Department's AAASG for consideration of a possible adverse administrative action pursuant to 34 C.F.R. § 668, Subpart G. Such action may include a fine, and/or the limitation, suspension or termination of the Title IV eligibility of the University. If AAASG initiates an action, MMC will be notified under separate cover of that action. AAASG's notification will also include information regarding MMC's appeal rights and procedures on how to contest the action.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the September 12, 2010 program review report and the June 8, 2011 program review report addendum. If MMC wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date MMC receives this FPRD. An original and four copies of the information MMC submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education

Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

MMC'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 MMC's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Angela Beam at (816) 268-0534. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Ralph Lobosco
Division Director

Enclosure:
Protection of Personally Identifiable Information

cc: Ms. Bethany Rinderknecht, Financial Aid Administrator
Mr. Jason Glass, IA Department of Education
Ms. Sylvia Manning, North Central Association of Colleges and Schools

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
Mount Mercy College

Federal Student Aid | PROUD SPONSOR of
AN OFFICE of the U.S. DEPARTMENT of EDUCATION | the AMERICAN WIND™

OPE ID 00188000
PRCN 201030727226

Prepared by:
U.S. Department of Education
Federal Student Aid
School Participation Division – Kansas City

Final Program Review Determination

December 17, 2012

8930 Ward Parkway, Suite 2028, Kansas City, MO 64114
www.FederalStudentAid.ed.gov

Table of Contents

	Page
A. Institutional Information.....	3
B. Scope of Review.....	4
C. Findings and Final Determinations.....	5
Resolved Findings.....	5
Resolved Findings with Comments.....	5
Finding 2. Failure to Perform Return of Title IV Funds Calculations.....	5
Finding 11. Unreported Change to Institutional Information.....	7
Finding 12. Incomplete Campus Security Report	9
Finding 17. Early Disbursement of Title IV Funds	12
Finding 20. Failure to Meet FWS Community Service Requirements.....	14
Finding 23. Lack of Administrative Capability – Failure to Appropriately Administer Title IV, HEA Funds for Non-Term Programs.....	16
Findings with Final Determinations.....	20
Finding 1. Late Returns of Title IV Funds	21
Finding 5. Improper Holding of Title IV Credit Balances.....	25
Finding 16. Enrollment Status Not Verified Before Disbursement	29
Finding 24. Improper/Ineligible Disbursements – Title IV, HEA Funds Disbursed Prior to Successful Completion of Credit Hours Attempted in Prior Payment Period for Students Enrolled in a Non-Term Program	30
Finding 26. Unmade/Inaccurate Return of Title IV Fund Calculation for Students Enrolled in Non-Term Programs	33
D. Summary of Liabilities.....	36
E. Payment Instructions.....	38
F. Appendices	
Appendix A Student Sample	43
Appendix B Finding 1 Student Level Liabilities	46
Appendix C Finding 1 Student Level Liabilities Subject to Estimated Actual Loss	47
Appendix D Finding 16 Student Level Liabilities	48
Appendix E Finding 24 Student Level Liabilities	49
Appendix F Finding 26 Student Level Liabilities	54
Appendix G Student Level Adjustments for Direct Loans	55
Appendix H Estimated Actual Loss Formula Calculations	57

Appendix I	Estimated Actual Loss Formula Description	58
Appendix J	Cost of Funds Calculations	60
Appendix K	Program Review Report	61
Appendix L	MMC's Response to the Program Review Report	62
Appendix M	Program Review Report Addendum	63
Appendix N	MMC's Response to the Program Review Report	64
Appendix O	FEDWIRE	65

A. Institutional Information

Mount Mercy College
1330 Elmhurst Drive N.E.
Cedar Rapids, IA 52402-4797

Type: Private, non-profit

Highest Level of Offering: Master's Degree

Accrediting Agency: North Central Association of Colleges and Schools (NCASC)

Current Student Enrollment: 1,671 (Spring 2010)

Percentage of Students Receiving Title IV, HEA funds: 74.50% (2009-2010 award year)

Title IV, HEA Participation (G5):

	2008-2009 award year
Federal Pell Grant Program	\$1,114,127
Federal Direct Loan Program	\$9,658,441
Federal Perkins Loan Program	\$489,933
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$180,215
Federal Work Study (FWS) Program	\$357,040

Default Rate - Direct Loans: 2010: 3.2%
2009: 1.8%
2008: 1.0%

Default Rate - Perkins: 2011: 5.5%
2010: 7.5%
2009: 11.5%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Mount Mercy College (MMC) from May 10, 2010 to May 14, 2010. The review was conducted by Mr. Roy Chaney, Mr. John Nading, and Ms. Angela Beam.

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

A sample of 30 files was identified for review from the 2008-2009 and 2009-2010 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 32 files of students who withdrew from the institution were selected and reviewed. 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 September 13, 2010, and an addendum to that report was issued on June 8, 2011.

Disclaimer:

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

C. Findings and Final Determinations

Resolved Findings

Findings 3, 4, 6-10, 13-15, 18, 19, 21, 22, 25, and 27

MMC has taken the corrective actions necessary to resolve findings 3, 4, 6-10, 12-15, 18, 19, 21, 22, 25, and 27 of the program review report. Therefore, these findings may be considered closed. MMC's response to the Program Review Report and Program Review Report Addendum resolving these issues can be found in Appendix L and Appendix N. Findings requiring further action by MMC are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution, and may be considered closed. These findings are included solely for discussing resolution of the finding. MMC's response to the Program Review Report and Program Review Report Addendum resolving these issues can be found in Appendix L and Appendix N. Findings requiring further action by MMC are discussed below.

Finding 2. Failure to Perform Return of Title IV Funds Calculations

Citation Summary: Federal regulations state that when a recipient of Title IV, HEA 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, HEA grant or loan assistance (not including Federal Work Study 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, HEA grant or loan assistance, or both, that the student earned is less than the amount of Title IV, HEA 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, HEA programs. If the total amount of Title IV, HEA grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV, HEA 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).

For the purposes of the Return of Title IV Funds calculation, in each payment period or period of enrollment a pro rata schedule is used, up through the 60 percent point, to determine the amount of Title IV, HEA funds the student has earned at the time of

withdrawal. After the 60 percent point in the payment period or period of enrollment, a student has earned 100 percent of the Title IV, HEA funds he or she was scheduled to receive during the period. For a student who withdraws after the 60 percent point-in-time, there are no unearned funds. However, a school must still complete a Return of Title IV Funds calculation in order to determine whether the student is eligible for a post-withdrawal disbursement. 2008-2009 Federal Student Aid Handbook, Volume 5, Chapter 2.

Noncompliance Summary: *For one of 20 2008-2009 and 2009-2010 Title IV, HEA recipients who withdrew from MMC, the institution failed to perform a Return of Title IV Funds calculation.*

Student #42 *The financial aid file and academic transcript indicate that the student attended the institution's winter 2010 term and withdrew on 02/07/2010—a point after the listed "add/drop" period. Although the student received \$1,789 in Direct Subsidized Loan funds on 01/25/2010, MMC failed to perform a Return of Title IV Funds calculation for this student.*

It is noted that the full amount of the \$1,789 in Direct Subsidized Loan funds was returned to the Department on 04/27/2010, according to MMC's account card for this student. However, the Department's COD system reflects that as of 07/14/2010, the full amount of the \$1,789 disbursement of Direct Subsidized Loan funds, as well as a further \$568 in Direct Subsidized Loan funds, are still reported as having been disbursed to the student on 2/1/10.

Required Action Summary: *A previous finding required MMC to review the records of all Title IV, HEA recipients who officially or unofficially withdrew during the 2008-2009, 2009-2010, and 2010-2011 award years and identify any late, unmade, improperly calculated, or uncalculated Returns of Title IV Funds. Consequently, no additional reconstructive action was required as a result of this finding.*

However, MMC was required to review the student file of student #42 and attempt to determine what exactly occurred and how to properly resolve the issue. A discussion of MMC's review and resolution of this finding was required to accompany the institution's response.

MMC's Response: *MMC disagreed with the Department's determination that a Return of Title IV Funds calculation was required for student #42. In researching the student's records, MMC determined that the student's loan was originally processed with a Fall disbursement of \$1,798 and a Spring disbursement of \$1,797. When MMC learned in April the student was not attending Spring courses, MMC updated the Spring disbursement of \$1,797 to reflect a Fall disbursement. MMC acknowledged in its response that the student withdrew after the student completed her winter term course and*

concluded that a withdraw calculation was not necessary since the withdrawal occurred at the end of the semester.

Final Determination: The Department reviewed the records submitted for student #42 and determined the student was enrolled in a non-term program and also determined that MMC inappropriately adjusted the student's loan records to reflect a Fall only loan period when the student failed to attend classes during the Spring portion of the original Fall/Spring loan period that had been originated by MMC.

As a result of this determination, the Department issued an addendum to the Program Review Report to MMC on June 8, 2011 that cited five additional areas of non-compliance.

Resolution of the issues related to student #42 and the additional areas of noncompliance related to Finding 2, are addressed in the Department's final determination in Findings 23, 24, 25, 26, and 27. As a result, the Department considers Finding 2 to be closed.

Finding 11. Unreported Change to Institutional Information

Citation Summary: Federal regulations stated that an eligible institution must report to the Secretary, in a manner prescribed by the Secretary, certain changes to information relating to the institution within 10 days of the change. An institution's failure to inform the Secretary of a change described in paragraph (a) of this section within the time period stated in that paragraph may result in adverse action against the institution. 34 C.F.R. § 668.600.21.

All schools are required to report to the Department adding an additional accredited and licensed location where they will be offering 50 percent or more of an eligible program if the school wants to disburse Title IV, HEA funds to students enrolled at that location. Schools must not disburse Title IV, HEA program funds to students at a new location before the school has reported that location and submitted any required supporting documents to the Department. Once it has reported a new licensed and accredited location, unless it is a school that is required to apply for approval for a new location, a school may disburse Title IV, HEA program funds to students enrolled at that location. If a school meets one or more of the following criteria, it must apply for and wait for approval before disbursing Title IV, HEA funds at an additional location where it will be offering 50% or more of an eligible program:

- (1) The school is provisionally certified;*
- (2) The school is on the cash monitoring or reimbursement system of payment;*
- (3) The school has acquired the assets of another school that provided educational programs at that location during the preceding year, and the other school participated in the Title IV, HEA programs during that year;*

- (4) *The school would be subject to a loss of eligibility under the cohort default rate regulations if it adds that location; or*
- (5) *The school was previously notified by the Department that it must apply for approval of an additional location. 2009-2010 Federal Student Aid Handbook, Volume 2, Chapter 5.*

Noncompliance Summary: *In one instance, MMC failed to notify the Department of changes to institutional information within the time period required for such notifications.*

Since September 2009, MMC offered two degree programs in Management at Hawkeye Community College (HCC), Waterloo, IA. Students who enrolled in either of the Management programs are considered to be MMC students, and the students can complete 100 percent of the program at the HCC location. However, MMC has failed to report the additional location to the Department, as required by Federal regulations.

Required Action Summary: *MMC was required to submit the new additional location at HC to the Department. The changes were required to be submitted using the Department's electronic application located on the Application for Approval to Participate in the Federal Student Financial Aid Programs website at www.eligcert.ed.gov. An acknowledgement that the change had been submitted was to accompany MMC's response.. Copies of the pertinent state and accrediting agency approvals for the new additional location were also required to accompany MMC's response.*

Additionally, MMC was required to review the files of all MMC students who received Title IV, HEA funds while enrolled in and attending either of the MMC degree programs offered at the HCC additional location in the 2009-2010 or 2010-2011 award years.

MMC was also required to provide assurances that in the future it would notify the Department in a timely manner of all changes to eligibility-related information, as described in Federal regulations and the annual Federal Student Aid Handbook.

MMC's Response: *MMC agreed with the finding. MMC submitted the required updates to the institution's Program Participation Agreement on 08/29/2010. MMC provided copies of the accrediting agency's approval to offer programs at the HCC, Waterloo, IA location. MMC provided student enrollment and disbursement information as requested.*

Final Determination: *The Department acknowledges receipt and approval of the addition of the HCC, Waterloo, IA location to MMC's Program Participation Agreement. In reviewing the documentation submitted by MMC, the Department acknowledges that the appropriate approvals were in place with the accrediting and state licensing agencies.*

Although the Department considers this Finding closed, the Department reminds MMC that such updates must be reported timely in the future.

Finding 12. Incomplete Campus Security Report

Citation Summary: *By October 1 of each year, the institution must publish and distribute its annual campus security report. It must be distributed to all enrolled students and current employees directly by publications and mailings that include: (1) a statement of the report's availability; (2) a list and brief description of the information contained in the report; (3) the exact electronic address (URL) of the Internet or Intranet Web site at which the report is posted, and (4) a statement saying the school will provide a paper copy upon request. If an institution chooses to fulfill the distribution requirement by posting the crime report on an Internet or Intranet Web site, an individual notice of such posting must be distributed to each student and current employee. Upon request, an institution must provide its annual campus security report to a prospective student or prospective employee.*

In general, Federal regulations require that an annual security report (ASR) contain:

- (1) Crime statistics, as defined in Federal regulations;*
- (2) A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus;*
- (3) A statement of current policies concerning security of and access to campus facilities, including campus residences, and security considerations used in the maintenance of campus facilities.*
- (4) A statement of current policies concerning campus law enforcement that addresses the enforcement authority of security personnel, encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies, and describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.*
- (5) A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.*
- (6) A description of programs designed to inform students and employees about the prevention of crimes.*
- (7) A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities.*

- (8) *A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws.*
- (9) *A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws.*
- (10) *A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HEA. For the purpose of meeting this requirement, an institution may cross-reference the materials the institution uses to comply with section 120(a) through (d) of the HEA.*
- (11) *A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.*

When compiling the campus security report an institution must, among other requirements, report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of specific types of crimes that are reported to local police agencies or to a campus security authority. An institution must record a crime statistic in its annual security report for the calendar year in which the crime was reported to a campus security authority. The institution must also, among other factors, provide a geographic breakdown of the crime statistics according to the following categories: (1) On campus; (2) in or on a non-campus building or property; (3) on public property. Further, the required statistics may not include the identification of the victim or the person accused of committing the crime. 34 C.F.R. § 668.46.

Noncompliance Summary: *MMC's policies and procedures for the creation and distribution of its annual campus security report did not meet Federal regulations.*

MMC did not have adequate procedures for distributing ASRs to current students/employees, and prospective employees. Reviewers noted that the 2009 ASR distribution was limited to new students, who received the ASR in MMC's student orientation materials.

MMC's 2009 ASR did not include the following element:

- (1) *Procedure for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:*
 - (a) *The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and*
 - (b) *Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense.*

Required Action Summary: *MMC must publish and disseminate either a 2010 campus security report, or an amendment to that report, that includes the above-mentioned information. A copy of this campus security report, as well as institutional assurances*

that it has been disseminated to all students and employees and made available to all prospective students and employees was required to be included with MMC's response.

MMC's Response: MMC explained that on 09/29/2010 a copy of the distributive email was sent to all staff, students and faculty providing detailed information on accessing the annual campus security report. In addition, MMC stated that it had implemented a policy of sending an automated reply to all inquiries concerning applicant information at Mount Mercy University detailing information on accessing the annual campus security report.

"The verbiage in (a) and (b) supra, has been added to the Campus Security Report. The statements are consistent with current policy and expound on procedures currently in place. A copy of the report is available on the Mount Mercy website:"

<http://www.mtmercy.edu/campuslife/safety/annualsecurityreport.html> is appended.

A copy of the email sent out to faculty, staff, and students, a copy of the automated response to applicants and a copy of our annual security report was included as Attachment 22.

Final Determination: The Department has determined that MMC did not properly distribute its 2009 ASR. As a result, current students/employees and prospective employees were denied critical information necessary to make their own safety decisions. Further, MMC's 2009 ASR did not have required policy statements that the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense.

Under the Clery Act and the Department's regulations, institutions participating in the Title IV, HEA programs must distribute an ASR to all enrolled students and current employees, through appropriate publications and mailings. The distribution must occur by October 1 of each year. The ASR may be distributed through direct mailing to each individual through the U.S. Postal Service, campus mail, or electronic mail; a publication or publications provided directly to each individual; or posting on an Internet website or an Intranet website. 34 C.F.R. § 668.41(e). If an institution chooses to distribute its ASR to enrolled students by posting the disclosure on an Internet website or an Intranet website, the institution must, by October 1 of each year, distribute to all current employees a notice that includes a statement of the report's availability, the exact electronic address at which the report is posted, a brief description of the report's contents, and a statement that the institution will provide a paper copy of the report upon request. 34 C.F.R. § 668.41(c)(2) and (e)(2).

If an institution chooses to distribute its ASR to current employees by posting the disclosure on an Internet website or an Intranet website, the institution must, by October 1 of each year, distribute to all current employees a notice that includes a statement of the

report's availability, the exact electronic address at which the report is posted, a brief description of the report's contents, and a statement that the institution will provide a paper copy of the report upon request. 34 C.F.R. § 668.41(e)(3).

The institution must also provide a notice to prospective students and employees that include a statement of the report's availability, a description of its contents and an opportunity to request a copy. If the institution chooses to provide its ASR to prospective students and prospective employees by posting the disclosure on an Internet website, the notice must include the exact electronic address at which the report is posted, a brief description of the report, and a statement that the institution will provide a paper copy of the report upon request. 34 C.F.R. § 668.41(e)(4).

In reviewing the documentation submitted by MMC, the Department acknowledges the institution provided documentation reflecting the revised ASR was distributed to current students and employees and a process was developed to send an automated response to all inquiries via email. MMC also updated its ASR to include procedures for campus disciplinary action in cases of an alleged sex offense.

If fully implemented and sustained, Mount Mercy's corrective actions should result in improved compliance with the Clery Act going forward. Therefore, the Department accepts the institution's corrective actions.. Our acceptance is based on the documents submitted for our review as well as Mount Mercy's representations that it understands its regulatory obligations under the Clery Act and that it will take all necessary corrective actions to ensure that this violation does not recur. All such corrective actions MUST be completed and incorporated into all future Annual Security Reports to be distributed by Mount Mercy College as detailed in its November 2010 response to the Department's September 13, 2010 program review report.

Although the corrective actions are accepted, Mount Mercy is reminded that corrective actions, whether already implemented or planned for the future, do not diminish the seriousness of the campus crime violations identified during the program review. The Department reminds MMC of its obligation to review MMC's policies and procedures for preparing and disseminating campus security disclosures to current, prospective, and new students as well as employees in compliance with current federal regulations on an annual basis.

Finding 17. Early Disbursement of Title IV Funds

Citation Summary: Federal regulations stipulate that 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 Department;***
- (2) Funds received from a lender under the FFEL Programs; or***

(3) Institutional funds used in advance of receiving Title IV, HEA program funds.

An institution must disburse Title IV, HEA program funds on a payment period basis. 34 C.F.R. §§ 668.164(a) & (b).

If a student is enrolled in a credit hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, HEA program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. 34 C.F.R. § 668.164(f)(1).

Noncompliance Summary: *In one case, MMC disbursed Title IV, HEA funds earlier than Federal regulations allow.*

Student #10 *According to institutional catalogues, MMC's summer 2009 semester started on 05/28/2009. Consequently, the earliest date that Title IV, HEA funds could have been disbursed for summer 2009 semester was 05/18/2009. However, according to the Department's COD system \$2,750 in Direct Subsidized Loan funds and \$1,580 in Direct Unsubsidized Loan funds for the summer 2009 semester were disbursed to this student on 04/21/2009. A further \$2,750 in Direct Subsidized Loan funds and \$1,580 in Direct Unsubsidized Loan funds for the summer 2009 semester were disbursed on 05/1/2009. The student's account card was not credited with the full amount of the disbursements until 07/07/2009.*

Required Action Summary: *MMC was required to review the financial aid file and account card of student #10 and determine the reason why the student received early disbursements of Direct Subsidized and Unsubsidized Loan funds. A discussion of MMC's determination was required to be included in the institution's response to this report.*

MMC was also required to devise and implement procedures that would ensure that Title IV, HEA funds are not disbursed to students earlier than Federal regulations allow. A copy of these procedures was required to accompany MMC's response to the Program Review Report.

MMC's Response: *MMC determined the institution made a clerical error when entering the student's loan period in the institution's financial aid system resulting in an incorrect date of disbursement submitted to the Department's COD system. MMC, however, indicates the funds were not disbursed to the student until 07/07/2009 when the funds were credited to the student's account card.*

MMC developed new procedures to prevent future clerical errors by restricting access to parameters within the institution's software used to establish disbursement dates.

Final Determination: The Department reviewed MMC's response and agrees MMC did not disburse Title IV, HEA funds to student #10's student account card until 07/07/2009. As cited in Findings 7 and 8 of the Program Review Report; however, MMC did not maintain an adequate audit trail or perform monthly reconciliation of its Title IV, HEA program expenditures prior to the program review. Because MMC cannot provide the Department a roster that reflects the date and amount of the Title IV, HEA funds drawn down for each student, the Department cannot agree with any degree of certainty that MMC did not draw down the funds disbursed for student #10 within the allowable time frames.

Nonetheless, the Department has accepted MMC's response to Findings 7 and 8 and acknowledges that MMC appears to have put the systems in place to prevent occurrences of early disbursements in the future. Although the Department is closing this Finding based on the corrective action taken in Findings 7 and 8, the Department reminds MMC of its responsibility to accurately report origination and disbursement information to COD and to substantiate disbursement records within 30 days of disbursement.

Finding 20. Failure to Meet FWS Community Service Requirements

Citation Summary: Federal regulations state that an institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one—

- (1) Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
- (2) Family literacy project that employs one or more FWS students in family literacy activities.

The Secretary may waive the FWS community service requirements if the Secretary determines that an institution has demonstrated that enforcing the requirements would cause a hardship for students at the institution.

To the extent practicable, in providing reading tutors for children, an institution must—

- (1) give priority to the employment of students to tutor in reading in schools that are participating in a reading reform project that is designed to train teachers how to teach reading on the basis of scientifically-based research on reading, and is funded under the Elementary and Secondary Education Act of 1965; and
- (2) Ensure that any student who is employed in a school participating in a reading reform project receives training from the employing school in the instructional practices used by the school.

In meeting the seven percent community service expenditure requirement, students may be employed to perform civic education and participation activities in projects that—

- (1) Teach civics in schools;
- (2) Raise awareness of government functions or resources; or
- (3) Increase civic participation.

To the extent practicable, in providing civic education and participation activities, an institution must—

- (1) Give priority to the employment of students in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and*
- (2) Ensure that the students receive appropriate training to carry out the educational services required. 34 C.F.R. § 675.18(g).*

Noncompliance Summary: *Although MMC reported in its annual Fiscal Operations Report and Application to Participate (FISAP) submission that it had met the Department's FWS community service requirements in the 2008-2009 award year, a review of the institution's FWS community service positions indicates that the institution did not.*

On the 2008-2009 Fiscal Operation Report (FISCOP) portion of the FISAP, MMC reported that it had expended 10.4 percent of its total FWS obligations on community service positions. However, during the program review it was noted the community service positions reported on the FISAP included a significant number of "general library" positions that did not meet the Department's definition of community service employment. With the "general library" positions removed, MMC determined that it had not met the community service requirement for the 2008-2009 award year.

MMC's financial aid officer, during an interview on 05/10/2010, also indicated that the institution did not meet the FWS community service requirement in either the 2007-2008 or the 2009-2010 award year, for the same reason. There was no indication that MMC has been granted a waiver of the FWS community service requirement by the Department in any of the award years under discussion.

Required Action Summary: *MMC was required to review and, as necessary, revise its calculations of FWS community service employment for the 2007-2008, 2008-2009, and 2009-2010 award years to ensure that its determination of the FWS community service percentage was correctly reported. For each award year, MMC was required to provide the following information:*

- (1) Total amount of FWS expenditures for the award year, including Federal and institutional share;*
- (2) Total amount of FWS community service expenditures for the award year, including Federal and institutional share;*
- (3) Total number of FWS community service positions for the award year, including names and Social Security numbers of each FWS recipient, a copy of the FWS job description for each community service position, and the period of each student's employment in the position;*
- (4) Total number of FWS community service positions in each award year that involved working as a reading tutor for preschool or elementary students; and*

- (5) *Total number of FWS community service positions in each award year that involved working in a family literacy program, including the name of each student who held such a position.*

In cases where the amounts provided in MMC's response differ from numbers provided in its annual FISAP submission, the institution was required to provide an explanation for the discrepancy.

MMC was also required to strengthen its job development procedures so that it would meet the seven percent FWS community service requirement in future award years. A copy of the strengthened procedures was required to accompany MMC's response to the program review report.

MMC's Response: MMC agreed with the Department's determination that the institution was not in compliance with the requirement that the institution must use seven percent of total FWS wages towards community service positions. MMC alleged that its Director of Financial Aid had discovered the issue and initiated corrective action prior to the on-site program review.

MMC indicated additional community service positions had been created with six outside non-profit schools or agencies and that the institution anticipates expenditures that will exceed the seven percent requirement. MMC indicated its plans are to increase the annual percentage of funds spent on community service to be within 12 to 15 percent of total FWS funds allocated annually.

MMC updated its annual 2009-2010, 2010-2011, and 2011-2012 FISAPs to accurately reflect the dollars expended on community service positions during the 2007-2008, 2008-2009, and 2009-2010 award years.

Final Determination: The Department reviewed MMC's response as well as the submissions made to the institution's 2009-2010, 2010-2011, and 2011-2012 FISAPs to correct data which was incorrectly submitted for the 2007-2008, 2008-2009, and 2009-2010 award years. Although the Department is closing this Finding based on the corrective action taken, the Department reminds MMC of its responsibility to ensure FWS funds are expended based upon applicable regulations.

Finding 23. Lack of Administrative Capability – Failure to Appropriately Administer Title IV, HEA Funds for Non-Term Programs

Citation Summary: *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 administrative capability if the institution administers the Title IV, HEA programs in*

accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA. 34 C.F.R. § 668.16(a).

Payment periods for an eligible program that measures progress in credit hours that do not have academic terms (programs that do not meet the definition of standard or nonstandard terms) are defined as:

- *For a student enrolled in an eligible program that is one academic year or less in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the program and half of the number of weeks of instructional time in the program. The second payment period is the period of time in which the student successfully completes the program or the remainder of the program.*
- *For a student enrolled in an eligible program that is more than one academic year in length, the first academic year and any subsequent full academic year is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year. The second payment period is the period of time in which the student successfully completes the academic year.*
- *For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half of the number of weeks of instructional time remaining in the program; and the second payment period is the period of time in which the student successfully completes the remainder of the program.*
- *For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program. 34 C.F.R. § 668.4(c).*

34 C.F.R. §668.4 (f) states, "If a student withdraws from a program during a payment period and then reenters the same program within 180 days, the student remains in that same payment period when he or she returns and, subject to conditions established by the Secretary, is eligible to receive any Title IV, HEA program funds for which he or she was eligible prior to withdrawal, including funds that were returned by the institution or student under the provisions of §668.22.

An institution calculates new payment periods for the remainder of a student's program for a student who withdraws from a program and reenters that program after 180 days. 34 C.F.R. § 668.4 (g).

A student successfully completes credit hours if the institution considers the student to have passed the coursework associated with those hours. 34 C.F.R. § 668.4 (h).

Guidance from the 2009-2010 Federal Student Aid Handbook (FSA) states, "For FSA purposes, an institution will use either "term-based" payment periods (the payment period is the term), or payment periods based on the completion of credit or clock hours and weeks of instructional time. The payment period an institution must use depends on the kind of academic calendar the school uses and the FSA programs for which the school is disbursing funds.

A program that measures progress in credit hours must use a non-term academic calendar if it has:

- courses that do not begin and end within a set period of time;*
- courses that overlap terms;*
- self-paced and independent study courses that overlap terms; or*
- sequential courses that do not begin and end within a term.*

Eligible programs that measure progress in credit hours and do not have academic terms must use payment periods that are based on the time it takes for the student to successfully complete the credit or clock hours and weeks of instructional time in the payment period. For these programs, each subsequent payment period cannot begin until the student successfully completes the credit or clock hours and weeks of instruction in the previous payment period. Successful completion means that the student has earned a passing grade or otherwise received credit for the credits or clock hours in the payment period." 2009-2010 Federal Student Aid Handbook, Volume 3.

For loan purposes, non-term programs, as well as programs that mix nonstandard term and standard terms that do not have a scheduled academic year, must be certified using a Borrower Based Academic Year (BBAY) methodology. A BBAY3 loan period:

- 1) Floats with a student's enrollment;*
- 2) Begins when a student's enrollment is at least a half-time basis;*
- 3) Must meet at least the minimum requirements for hours/weeks of the program's FSA academic year;*
- 4) May not exceed the annual loan limit (the total of all loans received within a BBAY3);*

A student becomes eligible for a new annual loan limit only after successfully completing the clock or credit hours AND weeks of instructional time in the BBAY3. A student

cannot receive subsequent disbursements of loan funds until the student successfully completes one-half of the hours and the weeks of the student's academic year.

A student who successfully completes the hours to progress to the institution's next academic grade level may not become eligible for the higher grade level annual loan limits until after successful completion of the student's BBAY3.

After original certification of a loan, a student may receive additional loans within a BBAY3 only if the:

- student did not receive the maximum annual loan amount and has remaining eligibility, or;*
- student changes from a dependent to an independent student status.*

2009-2010 Federal Student Aid Handbook, Volume 3.

If a loan period is more than one payment period, the school must disburse loan proceeds at least once in each payment period. The school must disburse loan proceeds in substantially equal installments, and no installment may exceed one-half of the loan. 34 C.F.R. § 685.301(b)(5).

Noncompliance Summary: *MMC offers accelerated degree completion programs (Advance) tailored to meet the needs of non-traditional students. Accelerated courses are offered in five, eight, or ten week block periods in which students attend class one night per week for three or four hours. MMC offers accelerated programs in Accounting, Applied Management, Business, Finance, Human Resource Management, Management Information Systems, Marketing, and R.N. to B.S.N. Completion. MMC will accept up to 75 credit hours of transfer work towards a baccalaureate degree for students transferring to MMC from other institutions.*

To be accepted into the Advance program, students must be 23 years of age; must have a minimum of three years full-time relevant work experience and must have a minimum cumulative grade point average of 2.5 or higher on a 4.0 scale. Exceptions to this policy may be made by the MMC Admission Committee or based upon established articulation agreements. Students are not allowed to pursue a major or minor in MMC's traditional programs at the same time the student is pursuing a major or minor in one of the accelerated programs.

As discussed in detail in Findings 24, 25, and 26, MMC did not award and disburse Title IV, HEA funds based on rules established for the administration of Title IV, HEA funds for students enrolled in a non-term program. Disbursement of Title IV, HEA funds prior to a student successfully completing the credit hours and weeks of instruction in the previous payment period has resulted in the improper disbursement of Title IV, HEA funds.

Student # 42's enrollment and Title IV, HEA disbursement history was discussed in detail in the Program Review Report and served as an example to illustrate the deficiencies in MMC's administration of Title IV, HEA funds for non-term programs.

Failure to disburse Title IV, HEA funds based on statutes and regulations established for non-term programs resulted in the incorrect certification of Direct Loan periods and the disbursement of Title IV, HEA funds prior to the successful completion of one-half of the credit hours and instructional weeks in subsequent payment periods. As a result, student #42 was not eligible for \$4,165 in Direct Subsidized Loan funds; and \$1,030 in Direct Unsubsidized Loan funds received for the student's second academic year at MMC that began on 01/04/2010.

Required Action Summary: *MMC was required to develop written policies and procedures for awarding and disbursing Title IV, HEA financial assistance for a non-term program that addresses each issue identified above and addressed in subsequent findings in the Program Review Report Addendum. Upon acceptance of the procedures, MMC was required to apply the policies and procedures to the required file reviews in Findings 24 and 26. In addition, MMC was required to provide assurance that in the future it will appropriately award and disburse Title IV, HEA financial assistance to students enrolled in the Advance or other similar programs based on applicable regulatory guidelines established for such programs.*

MMC's Response: MMC reviewed the rules for administering Title IV, HEA funds for non-term programs and agreed that the institution was not properly awarding and disbursing Title IV, HEA funds to students enrolled in the accelerated programs. MMC submitted the required policies and procedures required for reconstruction. MMC also restructured the accelerated program to conform to the institution's standard academic year programs going forward.

Final Determination: The Department reviewed MMC's response and accepted the policies and procedures MMC submitted to perform the file reconstructions required in Findings 24 and 26. Although the Department considers this Finding closed, the Department reminds MMC of its responsibility to ensure it is awarding and disbursing Title IV, HEA funds according to applicable regulations specific to the program structures offered at MMC.

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 MMC's response to the finding, and the Department's final determination for that finding. A copy of the Program Review Report issued on 09/13/2010 is attached as Appendix K. A copy of the Program Review Report Addendum issued on 06/08/2011 is attached as Appendix M. MMC's response to the Program Review Report and Program Review Report Addendum resolving these issues

can be found in Appendix L and Appendix N. Findings requiring further action by MMC are discussed below.

Finding 1. Late Returns of Title IV Funds

Citation Summary: Federal regulations state that when a recipient of Title IV, HEA 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, HEA grant or loan assistance (not including Federal Work Study 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, HEA grant or loan assistance, or both, that the student earned is less than the amount of Title IV, HEA 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, HEA programs. If the total amount of Title IV, HEA grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV, HEA 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).

Beginning July 1, 2006, 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).

Noncompliance Summary: In two of 20 2008-2009 and 2009-2010 Return of Title IV Funds calculations reviewed, MMC failed to make the necessary Returns within the required time frames.

Student #47 The financial aid file indicates that the student withdrew on 10/21/2009, and MMC's date of determination that the student withdrew was also 10/21/2009. MMC performed a Return of Title IV Funds calculation on 11/05/2009 that identified a Return of \$995 in Direct Unsubsidized Loan funds and \$622 in Direct Subsidized Loan funds. The student's account card and institutional financial records indicate that the return of \$619 in Direct Subsidized Loan funds was made on 11/16/2009. However, institutional records reflect that the return of \$991 in Direct Unsubsidized Loan funds was not made until 04/27/2010, while the Department's Common Origination and Disbursement (COD) system indicates that the return was not made until 04/28/2010—144 days late. As of 05/13/2010—the last day of the program review—the remaining \$3 of Direct Subsidized Loan funds and \$4 in Direct Unsubsidized Loan funds had not been returned.

Student #39 The financial aid file indicates that MMC determined that the student withdrew on 10/14/2008. MMC performed a Return of Title IV Funds calculation on 01/08/2009—41 days late—that identified a return of \$1,185 in Direct Unsubsidized Loan funds. The student's account card indicates that the Return was made on 01/26/2009. However, the Department's COD system indicates that the original disbursement of \$1,383 reported on the Return of Title IV Funds calculation and the student's account card was not, in fact, reported to COD at the time of the alleged disbursement. Rather, the institution appears to have offset a Post-Withdrawal Disbursement (PWD) drawdown of the Direct Unsubsidized Loan funds on 01/12/2009 by the amount of the Return due.

Required Action Summary: In response to this finding, MMC was required to provide comprehensive information for all Title IV, HEA recipients who officially or unofficially withdrew during the 2008-2009, 2009-2010, and 2010-2011 award years. The institution was required to identify, review, and report on the files of all Title IV, HEA recipients for whom a Return calculation was performed or should have been performed in any of the three award years. For Returns that were found to be improperly calculated and Returns that should have been calculated but were not, MMC was required to perform a correct calculation or recalculation.

Additionally, MMC was required to review and revise its internal policies and procedures to ensure that Returns of Title IV Funds were performed in a timely manner in the future. A copy of these procedures were required to accompany MMC's response to this report.

MMC's Response: In regards to student #47, MMC agreed with the Department's determination that MMC did not refund the correct amount of funds within the proper timeframe. MMC indicated that the reason the funds were returned incorrectly was due to the Business Office rounding loan amounts when performing returns and posting adjustments to student accounts. MMC provided documentation that reflects the student's loans were not originated in the Department's COD system until 11/19/2009 due to software issues at MMC.

In regard to student #39, MMC agreed with the Department's determination that loan funds were not disbursed through COD until 01/29/2009. In reviewing the student's records, MMC determined that the student's original disbursement records submitted to COD on 11/03/2008 were rejected in MMC's software and were not sent to COD. MMC did not catch the rejected error until January 2009 when balancing Direct Loan accounts. MMC disputes the Department's determination that the Return of Title IV Funds calculation was performed 41 days late. MMC indicated that the student was an unofficial withdrawal and referenced guidance from the 2008-2009 Federal Student Aid Handbook that allows institutions that are not required to take attendance to use the last date of attendance at an academically related activity or the midpoint of the period as a student's withdrawal date. MMC indicates student #39 completed the semester but failed

all of his or her courses. MMC performed a Return of Title IV Funds calculation using the midpoint of the Fall 2008 semester as the withdrawal date.

MMC provided results of its file review, and provided assurances that it has strengthened its policies and procedures to ensure Return of Title IV Funds calculations are performed correctly and timely in the future.

Final Determination: In reviewing MMC's response to the Program Review Report issued on 09/13/2010 and the required file review documentation, the Department determined MMC was inappropriately administering Title IV, HEA funds to students enrolled in a non-term program, and determined that MMC was using incorrect payment period start and end dates when performing Return of Title IV Funds calculations for students enrolled in standard academic year programs.

In subsequent communications with MMC, it was also determined that:

- MMC incorrectly included Direct Subsidized and Unsubsidized Loan funds as Title IV, HEA funds disbursed or that could have been disbursed when processing Return calculations for Direct Loans the institution had certified, but that had been rejected by the COD system or in some cases had not been exported to the COD system (due to software issues at MMC). In the Direct Loan program, loan certification information is part of the loan origination record sent electronically to COD. The loan is not certified until the institution receives an acknowledgment of acceptance from COD.
- MMC incorrectly included Direct Subsidized and Unsubsidized Loan funds as aid that could have been disbursed when processing Return calculations for students who had not signed a Direct Loan Master Promissory Note. In order for a loan to be included as aid that could have been disbursed, the student's promissory note must be signed before the school performs the Return calculation.
- MMC transposed the amount of Direct Unsubsidized and Subsidized Loan funds disbursed when inputting the dollar amounts on the Return of Title IV Funds calculation for some students.
- There were discrepancies between the amounts of Title IV, HEA funds that MMC returned in COD versus the amount of funds required to be returned based on the Return of Title IV Funds calculation and/or reflected on the student's account card.
 - The net amount of loan funds required to be returned on the Return of Title IV Funds calculation was incorrectly input as the gross amount in COD, resulting in an incorrect amount of Title IV, HEA funds returned to the Department.
 - In several instances, the amount of Title IV, HEA funds reflected on the student's account card as returned did not reflect the amount of Title IV, HEA funds returned in COD.

As a result, MMC was required to recalculate the Return of Title IV Funds calculations previously calculated for all students included in MMC's response to the Program Review Report and resubmit the institution's response to Finding 1, as well as respond to the Program Review Report Addendum issued on 06/08/2011.

The Department reviewed each student file submitted as part of the revised file review for students enrolled in standard academic year programs. The Department recalculated the Return calculations in which the Department discovered MMC had performed an incorrect calculation. The Department did not establish liabilities for those students in which MMC did not return the correct amount of Title IV, HEA funds to the appropriate Title IV, HEA program if the net amount of Title IV, HEA funds MMC returned to all Title IV, HEA funds was greater than or equal to the amount of funds that should have been returned. The Department also did not establish liabilities for those students in which the result of the revised Return of Title IV Funds calculation resulted in an additional return of Title IV, HEA funds that was less than \$5.

In regard to student #39, the Department reviewed the documentation MMC submitted for the student and determined that the student was enrolled in a non-term program. Resolution of the issues related to student #39 as well as the additional areas of noncompliance related to students enrolled in non-term programs are addressed in the Department's final determination for Findings 23, 24, 25, 26, and 27.

MMC is liable for the incorrect Return of Title IV Funds calculations identified in the reconstruction of the 2008-2009, 2009-2010, and 2010-2011 award years. The total liability includes \$673 in Direct Subsidized Loan funds and \$2,839 in Direct Unsubsidized Loan funds. Student specific liabilities are outlined in Appendix B.

MMC is also responsible for the cost of funds associated with the incorrect Returns. The cost of funds liability due to the Department as a result of the holding of Direct Loan funds is \$15 (\$15.35 rounded). The interest charges were computed using the cost of funds for Direct Loans published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination.

As part of the computation of Direct Loan cost of funds, MMC is also liable for returning the interest on the Subsidized and Unsubsidized Federal Direct Loan funds to the students identified in Appendix B. The total interest repayment liability is \$167 (\$167.23, rounded). A copy of the results of the cost of funds calculation is included as Appendix J-1.

MMC must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

In regard to student #47, the Department reviewed the documentation MMC submitted for the student and determined that the student's Direct Subsidized and Unsubsidized Loan funds were not accepted for origination by the Department's COD system until

11/19/2009. The student withdrew from MMC on 10/21/2009. Therefore, at the time of withdrawal, the student was not eligible to receive the \$995 in Direct Unsubsidized Loan funds or the \$1,628 in Direct Subsidized Loan funds that had not been accepted for origination by the Department. MMC repaid \$995 in Direct Subsidized Loan funds on 04/28/2010. MMC is liable for the remaining \$1,628 in outstanding Direct Subsidized Loan funds that was disbursed to the student (included in the student specific liabilities outlined in Appendix C) discussed below.

The Department established a separate liability for Finding 1 for instances in which MMC disbursed Direct Loan funds that were not accepted for origination by the Department's COD system prior to the student withdrawing. Student specific liabilities are outlined in Appendix C. In lieu of requiring MMC to assume the risk of default by purchasing the ineligible Direct Loan funds, the Department identified a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amounts. The total amount of ineligible Direct Loan funds (subsidized and unsubsidized) disbursed to students in Finding 1 is \$9,887. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on MMC's most recent cohort default rate of 3.2% (2010). As a result, the estimated actual loss that MMC must pay to the Department for the ineligible loans is \$503 (\$503.37 in Direct Loan interest and special allowance rounded). A copy of the results of the estimated actual loss calculation is included as Appendix H-1.

Finding 5: Improper Holding of Title IV Credit Balances

Citation Summary: Federal regulations state that whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

- (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).*

Federal regulations state that an institution is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS). In obtaining the student's or parent's authorization, an institution (1) may not require or coerce the student or parent to provide that authorization; (2) must allow the student or parent to cancel or modify that authorization at any time; and (3) must clearly explain how it will carry out that activity.

A school may include two or more of the items that require authorization in one statement. However, each component and term in the authorization must be conspicuous to the reader, and a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

If a student or parent cancels an authorization to hold Title IV, HEA funds, the institution must pay those funds directly to the student or parent as soon as possible but no later than 14 days after the institution receives that notice. 34 C.F.R. § 668.165(b).

A school is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS). If the school has the authorization to hold the credit balance, it must identify the amount of funds that it holds for the student or parent in a subsidiary ledger account designated for that purpose. The school also must maintain, at all times, cash in its bank account at least equal to the amount that it holds for students. The school is permitted to retain any interest earned on the student's credit balance funds. Because Title IV, HEA funds are awarded to students to pay current year charges, notwithstanding any authorization from the student or parent, the school must pay (1) any remaining balance on Title IV, HEA loan funds by the end of the loan period, and (2) any other remaining Title IV, HEA program funds by the end of the last payment period. 2009-2010 Federal Student Aid Handbook, Volume 4, Chapter 1.

Notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary, lender, or guaranty agency, any Title IV, HEA program funds, except FWS program funds, that it attempts to disburse directly to a student or parent but the student or parent does not receive or negotiate those funds. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursement.

If an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check. If a check is returned to the institution, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. In cases where the institution does not make another attempt, the funds must be returned before the end of this 45 day period. In cases where the institution makes further attempts, the institution must cease any additional disbursement attempts and return the funds no later than 240 days after the date it issued the check. 34 C.F.R. § 668.164(h).

Federal regulations state that an institution is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS). In obtaining the student's or parent's authorization, an institution (1) may not require or coerce the student or parent to provide that authorization; (2) must allow the student or

parent to cancel or modify that authorization at any time; and (3) must clearly explain how it will carry out that activity. 34 C.F.R. § 668.165(b).

Noncompliance Summary: *In three respects, MMC has improperly held Title IV, HEA credit balances on behalf of students.*

First, MMC does not maintain Title IV, HEA credit balances in a subsidiary ledger of its general ledger, nor does the institution have procedures in place to verify that it maintains, at all times, cash in its bank account at least equal to the amount of the Title IV, HEA credit balances that it holds for students.

Second, although MMC maintains an un-negotiated check fund, it has no procedures in place for identifying which un-negotiated checks represent Title IV, HEA credit balances, or for returning the un-negotiated Title IV, HEA credit balance checks to the Department.

Third, MMC has held Title IV, HEA credit balances on behalf of students without first obtaining the necessary authorization from the student.

For example, the account card of student #1 indicates that for the Spring 2009 term the student received \$2,737 in Direct Subsidized Loans funds and \$3,483 in Direct Unsubsidized Loans funds. Because the amount of Title IV, HEA funds applied to the account exceeded the amount of allowable current charges, a Title IV, HEA credit balance of \$3,850 was created on 01/26/2009—the date of the Direct Unsubsidized Loan disbursements. The Title IV, HEA credit balance was not paid until 02/17/2009—eight days late. The student's financial aid file did not include an authorization to hold Title IV, HEA credit balances.

Likewise, the account card of student #2 indicates that for the Spring 2009 term the student received \$2,737 in Direct Subsidized Loans funds, \$3,483 in Direct Unsubsidized Loans funds, and \$1,000 in Perkins Loan funds. Because the amount of Title IV, HEA funds applied to the account exceeded the amount of allowable current charges, a Title IV, HEA credit balance of \$2,950 was created on 01/28/2009—the date of a tuition adjustment entry for the Spring 2009 term. The Title IV, HEA credit balance was reduced to \$1,120 on 02/04/2010—the date of a tuition adjustment entry for the Winter 2009 term. The reduced Title IV, HEA credit balance was not paid until 02/16/2009—five days late. The student's financial aid file did not include an authorization to hold Title IV, HEA credit balances.

Required Action Summary: *With respect to the issue of maintaining Title IV, HEA credit balances in a subsidiary ledger of the institution's general ledger and having procedures in place to verify that the institution maintains cash in its bank account to cover all Title IV, HEA credit balances, MMC must develop and implement appropriate policies and procedures to ensure that it meets these two accounting requirements in the future. A*

discussion of these policies and procedures must accompany MMC's response to this report.

With respect to the issue of having no procedures for identifying which un-negotiated checks in its un-negotiated check fund represent Title IV, HEA credit balances, MMC was required to develop and implement procedures designed to ensure that the institution will be able to effectively track and, as necessary, repay un-negotiated Title IV, HEA credit balance checks to the Department within the required time frames.

MMC was also required to review the student account cards for all students currently identified as having a credit balance and for whom (1) MMC had been unable to deliver the funds, and (2) the original credit balance check had ceased to be negotiable. For each credit balance that MMC determined to be a Title IV, HEA credit balance in accordance with Federal regulations, MMC was required to provide specific information to identify the student(s) for whom the credit balance belonged.

With respect to MMC's failure to maintain signed Title IV, HEA credit balance holding authorizations in student files, the institution was required to devise and implement procedures to ensure that, in the future, an appropriate written authorization is obtained from students or parents prior to holding Title IV, HEA credit balances. A discussion of those procedures was to accompany MMC's response.

MMC's Response: MMC developed reports to identify students who have a Title IV, HEA credit balance on their account and to identify checks that have not been negotiated. MMC updated policies and procedures to ensure credit balance authorizations are on file, credit balance refunds have been initiated, and that Title IV, HEA funds have been returned to the appropriate program in the instance of an un-negotiated check within required timeframes.

In response to the file review conducted, MMC identified one student who has two outstanding, un-negotiated checks and provided the information requested by the Department.

In regard to student #1, MMC disagreed with the Department's determination that a Title IV, HEA credit balance was paid eight days late.

In regard to student #2, MMC agreed with the Department's determination that a Title IV, HEA credit balance was paid five days late and that there was no signed authorization to hold the credit balance.

Final Determination: The Department reviewed the policies and procedures submitted by MMC and acknowledge that MMC has developed systems to identify students who have credit balances posted on student accounts and that MMC now has the ability to validate that sufficient funds are available in bank accounts to cover student credit

balances held on behalf of students. In regard to student #1 and student #2 cited in the Program Review Report, the Department has determined that no further action is required.

For the one student identified in the required file review as having unnegotiated checks, MMC mailed a check on 11/05/2012 in the amount of the student's Title IV, HEA credit balance (\$2,971) to the student's Direct Loan servicer to apply towards the student's outstanding Direct Loan balance. To close this Finding, MMC must submit a copy of the back of the negotiated check.

Finding 16. Enrollment Status Not Verified Before Disbursement

Citation Summary: *Before disbursing Title IV, HEA program funds to students, an institution must confirm that a student remains eligible to receive them. If the disbursement occurs on or after the first day of classes, the institution must determine that the student has begun attendance. An institution must have a method by which to determine that a student began attendance in the educational coursework for which he or she is paid Title IV, HEA funds.*

A student is eligible to receive a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a combination of these loans if the student is enrolled, or accepted for enrollment, on at least a half-time basis in a school that participates in the Direct Loan Program. 34 C.F.R. § 685.200.

Noncompliance Summary: *In one instance, MMC did not properly verify a student's enrollment status.*

Student #27 *During the Spring 2010 semester, the student's enrollment status was less than half-time. However, the student received second disbursements of \$2,750 Direct Subsidized Loan funds, and \$1,000 in Direct Unsubsidized Loan funds.*

Required Action Summary: *MMC was required to provide an explanation for the above ineligible disbursements, including documentation showing evidence that the funds have been returned to the Direct Loan Program. MMC was also required to devise and implement policies and procedures to ensure that students are enrolled at the institution on at least half-time basis before disbursing Direct Loan funds.*

MMC's Response: *MMC disagreed with the Department's determination that the student was ineligible for the second disbursements of his Direct Subsidized and Unsubsidized Loan funds. MMC disagreed on the basis that all the funds were disbursed during the Fall 2009 semester and the student had financial need to support eligibility for the funds.*

Final Determination: *The Department reviewed the records submitted for student #27 and acknowledges 100% of the loan funds were disbursed for the Fall 2009 semester.*

The loans, however, were processed with a loan period of 08/24/2009 – 06/01/2010. 34 CFR § 685.301(b)(2)(i) requires an institution to disburse loan proceeds on a payment period basis. If a loan period is more than one payment period, the school must disburse loan proceeds at least once in each payment period. The school must disburse loan proceeds in substantially equal installments, and no installment may exceed one-half of the loan. 34 C.F.R. § 685.301(b)(5). Therefore, the student was only eligible to receive one-half of the loan funds originated for the Fall payment period, as the student did not establish eligibility for Direct Loan funds for the Spring 2010 semester.

MMC is liable for the ineligible loan disbursements made to student #27.

In lieu of requiring MMC to assume the risk of default by purchasing the ineligible Direct Loan funds, the Department has identified a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The total amount of Direct Loan funds (subsidized and unsubsidized) disbursed to student #27 is \$3,750. The estimated actual loss to the Department that has resulted or will result from these ineligible loans is based on MMC's most recent cohort default rate of 3.2% (2010). As a result, the estimated actual loss that MMC must pay to the Department for the ineligible loans is \$436 (\$435.85 in Direct Loan interest and special allowance rounded). A copy of the results of the estimated actual loss calculation is included as Appendix H-2.

Finding 24. Improper/Ineligible Disbursements – Title IV, HEA Funds Disbursed Prior to Successful Completion of Credit Hours Attempted in Prior Payment Period for Students Enrolled in a Non-Term Program

Citation Summary: Payment period for an eligible program that measures progress in credit hours that do not have academic terms (payment periods that do not meet the definition of standard or nonstandard terms) are defined as:

- *For a student enrolled in an eligible program that is one academic year or less in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the program and half of the number of weeks of instructional time in the program. The second payment period is the period of time in which the student successfully completes the program or the remainder of the program.*
- *For a student enrolled in an eligible program that is more than one academic year in length, the first academic year and any subsequent full academic year is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year. The second payment*

period is the period of time in which the student successfully completes the academic year.

- *For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half of the number of weeks of instructional time remaining in the program; and the second payment period is the period of time in which the student successfully completes the remainder of the program.*
- *For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program. 34 C.F.R. § 668.4(c).*

Noncompliance Summary: *The minimum academic year definition for a full-time student enrolled in a credit hour program is 24 semester or trimester credit hours and 30 weeks of instructional time. A school that offers both term based and non-term based academic programs may define an academic year differently for each program. A student who takes courses that overlap terms or sequential courses that do not begin and end within a term, such as the Advance program, is enrolled in a non-term program. To complete the minimum definition of an academic year, an Advance student would have to successfully complete 24 credit hours within 30 instructional weeks. MMC failed to ensure students successfully completed at least 12 credit hours and 15 instructional weeks each payment period prior to making subsequent disbursements of Title IV, HEA funds.*

Students # 39, 41, 42, 45, and 64-70 were cited in the Program Review Report Addendum as students enrolled in Advance program courses and for whom MMC awarded and disbursed Title IV, HEA funds based on a scheduled academic year calendar, as opposed to successful completion of hours and weeks attempted in the prior payment period as required for students enrolled in a non-term program structure.

Required Action Summary: *MMC was required to review the enrollment history for each Title IV, HEA recipient and identify each student enrolled in the Advance program or in Advance courses from the 2008-2009 award year to present. MMC was required to prepare a spreadsheet listing all of the students included in this file review and recalculate each student's financial assistance based on successful completion of payment periods. In cases where liabilities were identified as a result of the file review, MMC was required to list the liability amount by Title IV, HEA program and provide copies of specific supporting documentation.*

MMC's Response: *MMC agreed that the Advance (Accelerated) students cited in Finding 24 were not awarded based on non-term Title IV, HEA program rules. MMC*

provided the spreadsheet and supporting documentation requested in the Program Review Report Addendum.

Final Determination: MMC's reconstruction of the Advance (Accelerated) program identified approximately 420 students who received Title IV, HEA funding. The Department reviewed each student's enrollment and disbursement history and identified liabilities for those students who received improper Title IV, HEA disbursements. Students # 39, 41, 42, 45, and 64-70, who were cited in the Program Review Report, were included in the file reconstruction.

The Department did not identify liabilities for those students who took an occasional modular course (less than 50% in a standard term) and/or who were not enrolled in the Advance (Accelerated) program. No additional liabilities will be identified and no further action is required for those students who MMC or the Department identified as not having received all the Title IV, HEA funds for which the student was eligible during the 2008-2009, 2009-2010, and 2010-2011 award years, as these award years are closed.

MMC is liable for the incorrect and/or ineligible Title IV, HEA disbursements made to students enrolled in the institution's non-term program structures during the 2008-2009, 2009-2010, and 2010-2011 award years. The total liability for Finding 24 includes \$25,542 in Federal Pell Grant funds, \$253,190 in Direct Subsidized Loan funds, and \$422,155 in Direct Unsubsidized Loan funds. Student specific liabilities are outlined in Appendix E.

With respect to the Federal Pell Grant liability, MMC is liable for the full amount of the ineligible/inappropriate funds disbursed. MMC is also liable for the cost of funds associated with the improper disbursement of Federal Pell Grant funds. The total cost of funds liability relating to the improper disbursement of Federal Pell Grant funds is \$661 (\$660.85). A copy of the results of the cost of funds calculation is included as Appendix J-2.

In lieu of requiring MMC to assume the risk of default by purchasing the ineligible Federal Direct Loan funds, the Department has identified a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The total amount of Direct Loan funds (subsidized and unsubsidized) disbursed to ineligible students is \$675,345. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on MMC's most recent cohort default rate of 3.2% (2010). As a result, the estimated actual loss that MMC must pay to the Department for the ineligible loans is \$48,468 (\$48,467.87 in Direct Loan interest and special allowance rounded). A copy of the results of the estimated actual loss calculations (by award year) is included as Appendices H-3, H-4, and H-5.

Finding 26. Unmade/Inaccurate Return of Title IV Fund Calculation for Students Enrolled in Non-Term Programs

Citation Summary: Federal regulations state that when a recipient of Title IV, HEA 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, HEA grant or loan assistance that the student earned as of the student's withdrawal date. If the total amount of Title IV, HEA grant or loan assistance, or both, that the student earned is less than the amount of Title IV, HEA grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a Federal 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, HEA programs. If the total amount of Title IV, HEA grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV, HEA grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a Federal 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. An institution must calculate and return Title IV, HEA refunds no later than 45 days after the date of the institution's determination that the student withdrew. 34 CFR § 668.22.

Institutions that offer non-term programs must have a reasonable procedure for projecting the completion date of the period based on the student's progress prior to withdrawal from the program. For a student who successfully completed all modules attempted up to the time the student withdrew, the completion date (and the corresponding number of days in the Return calculation) is the number of days between the first module and the originally scheduled end date of the last module. The institution must take into consideration any credits that a student has attempted, but not successfully completed before withdrawing. Credits must be successfully completed before the student is considered to have completed the period. The school must add to the number of days between the start date of the first module and the scheduled end of the last module, the number of days the student spent in the courses/module(s) the student did not successfully complete. 2009-2010 Federal Student Aid Handbook, Volume 5.

A student who withdraws from a credit-hour non-term program and then re-enters within 180 days is considered to remain in the same payment period when he/she returns, and is eligible to receive Title IV, HEA funds for which he/she was eligible prior to withdrawal. 2009-2010 Federal Student Aid Handbook, Volume 3.

Noncompliance Summary: MMC does not have procedures in place to calculate a student's last day of attendance for students enrolled in the ADVANCE program and has not accurately performed required Return of Title IV Funds calculations for students who withdrew prior to completion of a payment period.

Detailed information of non-compliance was provided for students #42, 45, and 64 in the Program Review Report Addendum.

Required Action Summary: *In the case of students #42, 45, and 64, MMC was required to first calculate the appropriate Title IV, HEA awards based on the student's enrollment status by payment period and then perform a Return of Title IV Funds calculation for the student's correct payment period.*

MMC was also required to perform a Return of Title IV Funds calculation for each student identified in the file reconstruction required in Finding 24 who withdrew or ceased attending MMC prior to the completion of the payment period.

For Returns that were found to be improperly calculated and Returns that should have been calculated but were not, MMC was required to perform a correct calculation or recalculation.

MMC's Response: MMC agreed Return of Title IV Funds calculations were not properly calculated for students enrolled in non-term programs. MMC performed the required file reconstruction for those students identified in the file review for Finding 24 and submitted the required Return of Title IV Funds recalculations for those students the institution identified as withdrawn.

Final Determination: As discussed in the Final Determination for Finding 24, the Department reviewed the enrollment and disbursement history for each student MMC identified as enrolled in a non-term program. In addition to establishing liabilities for students who received improper Title IV, HEA disbursements, the Department identified those students who did not successfully complete at least 12 credit hours and 15 weeks of instruction prior to withdrawing (officially or unofficially) from MMC during his or her final payment period of enrollment and did not return to MMC within 180 days from the student's last date of attendance. The Department identified 26 students as having withdrawn from a non-term payment period. The Department reviewed the Return of Title IV Funds calculations submitted by MMC and determined that MMC had not properly identified student payment periods and/or removed ineligible disbursements of Title IV, HEA funds when performing the calculations. As a result, the Department performed the required Return of Title IV Funds calculation or recalculation for each student who left MMC prior to the successful completion of his or her final payment period of enrollment.

In regard to student #42, the appropriate loan period for the student's first non-term academic year Direct Loan should have been 01/05/2009 to 12/19/2009. The student successfully completed her second payment period on 12/19/2009. Therefore, had the loan been appropriately certified, no Return of Title IV Funds calculation should have been performed.

Students #45 and #64 are included in the liabilities identified below.

The Department did not establish liabilities for those students who MMC did not return the correct amount of Title IV, HEA funds to the appropriate Title IV, HEA program if the net amount of Title IV, HEA funds MMC returned to all Title IV, HEA funds was greater than or equal to the amount of funds that should have been returned.

MMC is liable for the incorrect Return of Title IV Funds calculations identified in the reconstruction of the 2008-2009, 2009-2010, and 2010-2011 award years. The total liability includes **\$1,746** in Federal Pell Grant funds, **\$3,313** in Direct Subsidized Loan funds, and **\$17,379** in Direct Unsubsidized Loan funds. Student specific liabilities are outlined in Appendix F.

MMC is also responsible for the cost of funds associated with the unmade/incorrect Returns. The cost of funds liability due to the Department as a result of the holding of Federal Pell Grant Funds is **\$4** (**\$4.49 rounded**). The cost of funds liability due to the Department as a result of the holding of Federal Direct Loan funds is **\$27** (**\$27.11, rounded**). The interest charges were computed using the cost of funds for Federal Pell Grants and Direct Loans published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination.

As part of the computation of Direct Loan cost of funds, MMC is also liable for returning the interest on the Subsidized and Unsubsidized Federal Direct Loan funds to the students identified in Appendix F. The total interest repayment liability is **\$1,108** (**\$1107.99, rounded**). A copy of the results of the cost of funds calculation is included as Appendices J-3 and J-4.

MMC must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

D. Summary of Liabilities

Established Liabilities	Pell (Closed Award Year)	DL / FFEL	EALF DL	
Finding 1	\$ 0	\$ 9,887	*Late/Unmade Return	Liability Listed Below
Finding 16	\$ 0	\$ 3,750		
Finding 24	\$25,542	\$675,345		
Finding 26	\$ 1,746	\$ 0	*Late/Unmade Return	Liability Listed Below
Subtotal	\$27,288	\$688,982	\$49,407	
*Late/Unmade Returns (Loans) NOT included in EAL: Finding 1	N/A	\$ 3,512		
*Late/Unmade Returns (Loans) NOT included in EAL: Finding 26	N/A	\$ 20,692		
Interest/Cost of Funds	\$ 665	\$ 1,317		
Subtotal 2	\$ 665	\$ 25,521		
				TOTAL
TOTAL	\$27,953	\$ 25,521	\$ 49,407	\$102,881
Payable To:				
Department	\$102,881			

Estimated Actual Loss (EAL):

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on MMC's most recent cohort default rate available (3.2%).

The total amount of Direct Loans that MMC improperly disbursed during the 2008-2009, 2009-2010, and 2010-2011 award years for Findings 1, 16, and 24 is \$688,982. The total estimated actual loss that MMC must pay to the Department for the ineligible loans is \$49,407. Copies of the results of those calculations are included in Appendices I-1 thru I-5.

E. Payment Instructions

1. Liabilities Owed to the Department

MMC owes to the Department **\$102,881**. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. MMC 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 MMC'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. **MMC** is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to MMC's account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable 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
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, MMC 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 MMC from the Federal Government. **MMC may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, MMC 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.

2. Liabilities Owed to FFEL Lenders and the Department in the case of Direct Loans

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

Direct Loan Closed Award Years (Request Extended Processing)

Findings: 1 and 26
 Appendices: G

MMC must repay the following Direct Loan liabilities:

DL Closed Award Year			
Program	Amount (Principal)	Amount (Interest)	Award Year
Direct Unsubsidized	\$7,574	\$104	2010-2011
Direct Subsidized	\$1,976	\$ 0	2010-2011
Direct Unsubsidized	\$8,964	\$544	2009-2010
Direct Subsidized	\$1,803	\$ 35	2009-2010
Direct Unsubsidized	\$3,680	\$572	2008-2009
Direct Subsidized	\$ 207	\$ 20	2008-2009
	Total Principal	Total Interest	
	\$24,204	\$1,275	

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

Request Extended Processing

COD adjustments are necessary for the closed award years listed above. Before any student level adjustments can be processed, MMC 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 its 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 years.

Direct Loan Estimated Actual Loss

Findings: 1, 16, and 24

Appendices: C, D, E, I-1, I-2, I-3, I-4, and I-5

DL Estimated Actual Loss	
Amount	Award Year
\$ 7,758	2008-2009
\$ 9,242	2009-2010
\$32,407	2010-2011
Total	
\$49,407	

MMC must pay the amount reflected above in Direct Loan estimated loss liabilities for the award years 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.

3. Liabilities Owed to the Department in the case of Title IV Grants

Federal Pell Grant – Closed Award Year

Findings: 24 and 26

Appendices: E, F, K-2 and K-4

MMC must repay:

Federal Pell Grant Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$ 4,851	\$282	Federal Pell Grant	2008-2009
\$ 4,858	\$ 51	Federal Pell Grant	2009-2010
\$15,332	\$ 0	Federal Pell Grant	2010-2011
Total Principal	Total Interest		
\$25,041	\$333		

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 amount of the liability identified in the 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 check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

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

Federal Pell Grant – Cancelled Award Year

Finding: 24

Appendices: E and K-2

MMC must repay:

Federal Pell Grant Cancelled Award Year			
Amount (Principal)	Amount (Interest)	Title IV, HEA Grant	Award Year
\$ 125	\$ 20	Federal Pell Grant	2006-2007
\$2,122	\$312	Federal Pell Grant	2007-2008
Total Principal	Total Interest		
\$2,247	\$332		

The liability above is for award years 5 years or older and student adjustments in the Common Origination and Disbursement (COD) system are no longer possible. Instead, the funds will be returned to the general program fund for the applicable Title IV, HEA program.

Appendix A:
Student Sample

2008-2009

Student's Name	Student's SSN (last four digits only)
1.	(b)(6); (b)(7)(C)
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	

2009-2010

16.	(b)(6); (b)(7)(C)
17.	
18.	
19.	
20.	
21.	
22.	
23.	
24.	
25.	
26.	
27.	
28.	
29.	
30.	

Return of Title IV Funds Student Sample

2008-2009

- 31. (b)(6); (b)(7)(C)
- 32.
- 33.
- 34.
- 35.
- 36.
- 37.
- 38.
- 39.

2009-2010

- 40. (b)(6); (b)(7)(C)
- 32.
- 41.
- 42.
- 43.
- 44.
- 45.
- 46.
- 47.
- 48.
- 49.

Withdrawal Student Sample

2008-2009

- 51. (b)(6); (b)(7)(C)
- 52.
- 53.
- 54.
- 55.
- 56.

2009-2010

- 57. (b)(6); (b)(7)(C)
- 58.
- 59.
- 60.
- 61.
- 62.

Additional Students Referenced

2009-2010

- 63. (b)(6); (b)(7)(C)

**Program Review Appendix Addendum
Advance Program Students Referenced**

- 64. (b)(6); (b)(7)(C)
- 41.
- 42.
- 65.
- 45.
- 39.
- 66.
- 67.
- 68.
- 69.
- 70.

Appendix B: Finding 1 Student Level Liabilities

Return of Title IV Funds Calculation Liabilities

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Unsubsidized Loan Liability
1-1	2010-2011	(b)(6); (b)(7)(C)			\$ 94
1-2	2009-2010	(b)(6); (b)(7)(C)			\$2,472
1-3	2010-2011	(b)(6); (b)(7)(C)			\$ 17
1-4	2008-2009	(b)(6); (b)(7)(C)			\$ 256
Total Direct Unsubsidized Loan Liability					\$2,839

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Subsidized Loan Liability
1-2	2009-2010	(b)(6); (b)(7)(C)			\$667
1-3	2010-2011	(b)(6); (b)(7)(C)			\$ 6
Total Direct Subsidized Loan Liability					\$673

Appendix C: Finding 1 Student Level Liabilities

Ineligible Loan Disbursements Subject to Estimated Actual Loss

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Unsubsidized Loan Liability
2-1	2009-2010	(b)(6); (b)(7)(C)			\$8,259
Total Unsubsidized Loan Liability					\$8,259

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Subsidized Loan Liability
47	2009-2010	(b)(6); (b)(7)(C)			\$1,628
Total Subsidized Loan Liability					\$1,628

Appendix D: Finding 16 Student Level Liabilities

Ineligible Loan Disbursements Subject to Estimated Actual Loss

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Unsubsidized Loan Liability
27	2009-2010	(b)(6); (b)(7)(C)			\$1,000
Finding 16 Ineligible Unsubsidized Loan Liability					\$1,000

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Subsidized Loan Liability
27	2009-2010	(b)(6); (b)(7)(C)			\$2,750
Finding 16 Ineligible Subsidized Loan Liability					\$2,750

Appendix E: Finding 24 Student Level Liabilities

Federal Pell Grant Liabilities

Student No.	Award Year	Last Name	First Name	Student's SSN	Federal Pell Grant Liability
24-1	2010-2011	(b)(6); (b)(7)(C)			\$ 694
24-2	2010-2011				\$ 693
24-3	2008-2009				\$ 644
24-4	2008-2009				\$ 98
24-5	2010-2011				\$ 816
24-6	2010-2011				\$ 900
24-7	2009-2010				\$ 1,106
24-8	2009-2010				\$ 2,078
24-9	2010-2011				\$ 1,982
24-10	2008-2009				\$ 1,165
24-11	2010-2011				\$ 784
24-12	2009-2010				\$ 120
24-13	2008-2009				\$ 29
24-14	2009-2010				\$ 193
24-15	2006-2007				\$ 125
24-16	2007-2008				\$ 2,122
24-17	2010-2011				\$ 2,775
24-18	2010-2011				\$ 316
24-19	2009-2010				\$ 53
24-20	2010-2011				\$ 248
24-21	2008-2009				\$ 427
24-22	2008-2009				\$ 1,071
24-23	2008-2009				\$ 470
24-24	2009-2010				\$ 53
24-25	2009-2010				\$ 51
24-26	2010-2011				\$ 426
24-27	2010-2011				\$ 200
24-28	2008-2009				\$ 613
24-29	2008-2009				\$ 334
24-30	2009-2010				\$ 54
24-31	2009-2010				\$ 669
24-32	2009-2010				\$ 46
24-33	2010-2011				\$ 619
24-34	2010-2011				\$ 1,107
24-35	2010-2011				\$ 825
24-36	2010-2011				\$ 125
24-37	2010-2011				\$ 670
24-38	2010-2011				\$ 841
Total Federal Pell Grant Liability					\$25,542

Appendix E: Finding 24 Student Level Liabilities

Direct Loan Liabilities

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Subsidized Loan Liability	Direct Unsubsidized Loan Liability
24-1	2010-2011	(b)(6); (b)(7)(C)			\$ 1,625	\$ 2,292
24-2	2010-2011				\$ 0	\$ 7,203
24-39	2010-2011				\$ 1,214	\$ 0
24-40	2010-2011				\$ 3,500	\$ 1,280
24-41	2010-2011				\$ 0	\$ 500
24-42	2010-2011				\$ 3,750	\$ 6,500
24-43	2008-2009				\$ 2,032	\$ 3,643
24-44	2008-2009				\$ 5,755	\$ 1,512
24-45	2010-2011				\$ 3,465	\$ 2,410
24-46	2009-2010				\$ 2,750	\$ 0
24-3	2008-2009				\$ 2,493	\$ 1,736
24-47	2010-2011				\$ 5,500	\$ 7,000
24-48	2010-2011				\$ 1,100	\$ 3,923
24-49	2008-2009				\$ 1,650	\$ 1,100
24-50	2009-2010				\$ 2,750	\$ 1,842
24-51	2010-2011				\$ 0	\$ 917
24-52	2010-2011				\$ 4,722	\$ 1,248
24-53	2008-2009				\$ 0	\$ 310
24-54	2010-2011				\$ 0	\$ 220
24-55	2008-2009				\$ 0	\$ 1,875
24-56	2010-2011				\$ 0	\$ 3,955
24-57	2010-2011				\$ 0	\$ 996
24-58	2010-2011				\$ 0	\$ 4,750
24-9	2010-2011				\$ 3,465	\$ 4,410
24-59	2010-2011				\$ 0	\$ 2,854
24-60	2010-2011				\$ 1,100	\$ 1,400
24-61	2010-2011				\$ 5,257	\$ 13,468
24-62	2010-2011				\$ 1,000	\$ 4,970
24-10	2008-2009				\$ 0	\$ 3,239
24-63	2010-2011				\$ 2,966	\$ 0
24-64	2010-2011				\$ 3,900	\$ 8,600
24-65	2009-2010				\$ 942	\$ 279
24-66	2010-2011				\$ 8,250	\$ 12,250
24-67	2010-2011				\$ 4,050	\$ 0
24-68	2010-2011				\$ 4,100	\$ 0
24-69	2009-2010				\$ 0	\$ 2,128
24-70	2010-2011				\$ 0	\$ 2,845

24-71	2008-2009	(b)(6); (b)(7)(C)	\$ 0	\$ 961
24-11	2010-2011		\$ 0	\$ 345
24-72	2008-2009		\$ 2,750	\$ 1,020
24-73	2010-2011		\$ 2,101	\$ 6,000
24-13	2008-2009		\$ 1,100	\$ 1,072
24-74	2009-2010		\$ 0	\$ 280
24-75	2008-2009		\$ 0	\$ 750
24-76	2008-2009		\$ 2,750	\$ 0
24-14	2009-2010		\$ 0	\$ 3,750
24-78	2009-2010		\$ 894	\$ 1,190
24-79	2010-2011		\$ 6,625	\$ 3,433
24-80	2010-2011		\$ 3,754	\$ 4,121
24-81	2010-2011		\$ 2,750	\$ 3,500
24-82	2009-2010		\$ 0	\$ 8,650
24-83	2010-2011		\$ 2,750	\$ 774
24-84	2010-2011		\$ 2,750	\$ 774
24-85	2009-2010		\$ 406	\$ 1,765
24-86	2010-2011		\$ 968	\$ 4,359
24-87	2010-2011		\$ 377	\$ 1,297
24-88	2009-2010		\$ 1,375	\$ 1,750
24-17	2010-2011		\$ 1,500	\$ 500
24-89	2010-2011		\$ 0	\$ 1,041
24-90	2008-2009		\$ 1,840	\$ 2,484
24-91	2010-2011		\$ 5,500	\$ 7,000
24-18	2010-2011		\$ 1,000	\$ 4,857
24-92	2010-2011		\$ 0	\$ 280
24-93	2010-2011		\$ 1,992	\$ 1,450
24-94	2009-2010		\$ 1,950	\$ 6,961
24-95	2010-2011		\$ 0	\$ 10,333
24-96	2010-2011		\$ 2,750	\$ 3,500
24-97	2010-2011		\$ 2,750	\$ 4,750
24-98	2008-2009		\$ 0	\$ 2,673
24-99	2009-2010		\$ 2,287	\$ 4,198
24-21	2008-2009		\$ 1,650	\$ 591
24-100	2010-2011		\$ 1,425	\$ 11,118
24-101	2010-2011		\$ 2,750	\$ 2,000
24-102	2009-2010		\$ 3,033	\$ 9,842
24-103	2010-2011		\$ 250	\$ 500
24-22	2008-2009		\$ 6,081	\$ 1,561
24-104	2010-2011		\$ 1,279	\$ 0
24-105	2010-2011		\$ 0	\$ 1,863
24-106	2010-2011		\$ 0	\$ 14,425
24-107	2010-2011		\$ 250	\$ 0
24-108	2009-2010		\$ 1,125	\$ 0

24-109	2009-2010	(b)(6); (b)(7)(C)	\$ 1,362	\$ 0
24-24	2009-2010	(b)(6); (b)(7)(C)	\$ 3,500	\$ 1,000
24-110	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 1,883
24-111	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 8,535
24-112	2010-2011	(b)(6); (b)(7)(C)	\$ 1,375	\$ 1,105
24-113	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 7,500
24-114	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 1,750
24-115	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 2,500
24-116	2010-2011	(b)(6); (b)(7)(C)	\$ 875	\$ 0
24-117	2010-2011	(b)(6); (b)(7)(C)	\$ 2,159	\$ 4,091
24-118	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 521
24-119	2010-2011	(b)(6); (b)(7)(C)	\$ 4,500	\$ 6,000
24-120	2010-2011	(b)(6); (b)(7)(C)	\$ 2,264	\$ 5,313
24-27	2010-2011	(b)(6); (b)(7)(C)	\$ 2,750	\$ 3,500
24-121	2010-2011	(b)(6); (b)(7)(C)	\$ 5,500	\$ 7,000
24-122	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 1,694
24-123	2008-2009	(b)(6); (b)(7)(C)	\$ 4,583	\$ 3,894
24-124	2010-2011	(b)(6); (b)(7)(C)	\$ 1,535	\$ 0
24-125	2009-2010	(b)(6); (b)(7)(C)	\$ 0	\$ 2,650
24-126	2008-2009	(b)(6); (b)(7)(C)	\$ 0	\$ 3,125
24-127	2010-2011	(b)(6); (b)(7)(C)	\$ 2,238	\$ 4,012
24-128	2010-2011	(b)(6); (b)(7)(C)	\$ 2,750	\$ 1,963
24-129	2010-2011	(b)(6); (b)(7)(C)	\$ 188	\$ 0
24-130	2010-2011	(b)(6); (b)(7)(C)	\$ 479	\$ 0
24-131	2009-2010	(b)(6); (b)(7)(C)	\$ 4,875	\$ 761
24-132	2009-2010	(b)(6); (b)(7)(C)	\$ 2,723	\$ 2,527
24-133	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 10,559
24-134	2009-2010	(b)(6); (b)(7)(C)	\$ 0	\$ 191
24-135	2010-2011	(b)(6); (b)(7)(C)	\$ 810	\$ 0
24-136	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 36
24-137	2010-2011	(b)(6); (b)(7)(C)	\$ 1,834	\$ 3,917
24-138	2009-2010	(b)(6); (b)(7)(C)	\$ 1,068	\$ 5,183
24-139	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 6,250
24-140	2010-2011	(b)(6); (b)(7)(C)	\$ 1,750	\$ 2,500
24-141	2009-2010	(b)(6); (b)(7)(C)	\$ 0	\$ 3,250
24-142	2010-2011	(b)(6); (b)(7)(C)	\$ 1,334	\$ 1,834
24-143	2010-2011	(b)(6); (b)(7)(C)	\$ 2,750	\$ 2,950
24-144	2008-2009	(b)(6); (b)(7)(C)	\$ 2,750	\$ 3,522
24-145	2010-2011	(b)(6); (b)(7)(C)	\$ 4,015	\$ 3,110
24-146	2008-2009	(b)(6); (b)(7)(C)	\$ 2,750	\$ 2,863
24-147	2009-2010	(b)(6); (b)(7)(C)	\$ 7,535	\$ 8,590
24-148	2009-2010	(b)(6); (b)(7)(C)	\$ 0	\$ 3,922
24-149	2010-2011	(b)(6); (b)(7)(C)	\$ 4,668	\$ 0
24-150	2010-2011	(b)(6); (b)(7)(C)	\$ 0	\$ 2,625

24-34	2011-2012	(b)(6); (b)(7)(C)	\$ 2,750	\$ 3,000
24-151	2010-2011		\$ 2,750	\$ 3,500
24-152	2010-2011		\$ 4,500	\$ 1,815
24-153	2009-2010		\$ 0	\$ 1,500
24-154	2008-2009		\$ 0	\$ 625
24-155	2010-2011		\$ 0	\$ 7,375
24-156	2010-2011		\$ 5,905	\$ 1,322
24-157	2010-2011		\$ 2,750	\$ 2,972
24-158	2010-2011		\$ 2,141	\$ 0
24-159	2009-2010		\$ 0	\$ 10,237
24-160	2010-2011		\$ 0	\$ 5,182
24-161	2010-2011		\$ 0	\$ 300
24-37	2010-2011		\$ 5,500	\$ 2,328
24-38	2010-2011		\$ 3,876	\$ 0
Total Direct Loan Liability			\$ 253,190	\$ 422,155

Appendix F: Finding 26 Student Level Liabilities

Non-Term Return of Title IV Funds Calculation Liabilities

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Unsubsidized Loan Liability
26-1	2009-2010	(b)(6); (b)(7)(C)			\$ 1,986
26-2	2010-2011				\$ 1,797
26-3	2009-2010				\$ 1,019
26-4	2010-2011				\$ 1,214
26-5	2010-2011				\$ 3,134
26-6	2009-2010				\$ 3,487
26-7	2008-2009				\$ 1,321
26-8	2010-2011				\$ 173
26-9	2008-2009				\$ 2,103
26-9	2010-2011				\$ 1,145
Total Unsubsidized Loan Liability					\$17,379

Student No.	Award Year	Last Name	First Name	Student's SSN	Direct Subsidized Loan Liability
26-2	2010-2011	(b)(6); (b)(7)(C)			\$ 426
26-3	2009-2010				\$1,136
27-7	2008-2009				\$ 207
26-8	2010-2011				\$1,544
Total Subsidized Loan Liability					\$3,313

Student No.	Award Year	Last Name	First Name	Student's SSN	Federal Pell Grant Liability
26-3	2009-2010	(b)(6); (b)(7)(C)			\$ 427
26-10	2010-2011				\$ 266
26-11	2009-2010				\$ 8
26-12	2010-2011				\$1,045
Total Federal Pell Grant Liability					\$1,746

Appendix G: Student Level Adjustments for Direct Loans

No.	Last 4 SSN	Last	First	Program	Award Year	Loan Type	Required Loan Principal Adjustment	Total Interest Liability Due to Student	Cost Due to Ed
1-1	(b)(6); (b)(7)(C)			Direct Loan	2010-2011	Unsubsidized	\$94	\$0	\$0
1-2	(b)(6); (b)(7)(C)			Direct Loan	2009-2010	Unsubsidized	\$2,472	\$130	\$0
	(b)(6); (b)(7)(C)			Direct Loan	2009-2010	Subsidized	\$667	\$14	\$15
1-3	(b)(6); (b)(7)(C)			Direct Loan	2010-2011	Unsubsidized	\$17	\$0	\$0
	(b)(6); (b)(7)(C)			Direct Loan	2010-2011	Subsidized	\$6	\$0	\$0
1-4	(b)(6); (b)(7)(C)			Direct Loan	2008-2009	Unsubsidized	\$256	\$24	\$0
26-1	(b)(6); (b)(7)(C)			Direct Loan	2009-2010	Unsubsidized	\$1,986	\$121	\$0
26-2	(b)(6); (b)(7)(C)			Direct Loan	2010-2011	Unsubsidized	\$1,797	\$6	\$0
	(b)(6); (b)(7)(C)			Direct Loan	2010-2011	Subsidized	\$426	\$0	\$1
26-3	(b)(6); (b)(7)(C)			Direct Loan	2009-2010	Unsubsidized	\$1,019	\$56	\$0
	(b)(6); (b)(7)(C)			Direct Loan	2009-2010	Subsidized	\$1,136	\$21	\$21
26-4	(b)(6); (b)(7)(C)			Direct Loan	2010-2011	Unsubsidized	\$1,214	\$29	\$0
26-5	(b)(6); (b)(7)(C)			Direct Loan	2010-2011	Unsubsidized	\$3,134	\$25	\$0
26-5	(b)(6); (b)(7)(C)			Direct Loan	2009-2010	Unsubsidized	\$3,487	\$237	\$0
26-7	(b)(6); (b)(7)(C)			Direct Loan	2008-2009	Unsubsidized	\$1,321	\$191	\$0
	(b)(6); (b)(7)(C)			Direct Loan	2008-2009	Subsidized	\$207	\$20	\$5

26-8	(b)(6); (b)(7)(C)	Direct Loan	2010-2011	Unsubsidized	\$173	\$0	\$0
		Direct Loan	2010-2011	Subsidized	\$1,544	\$0	\$0
26-9	(b)(6); (b)(7)(C)	Direct Loan	2008-2009	Unsubsidized	\$2,103	\$357	\$0
		Direct Loan	2010-2011	Unsubsidized	\$1,145	\$44	\$0

OPE 001880, Mount Mercy College	
Number of Students:	9
Number of Loans:	20
Imputed Interest Due to Lender:	\$ 1,231
Direct Loan Cost of Funds:	\$ 42
Total Principal Adjustment:	\$24,204
Required Direct Loan Principal Adjustment:	\$ 24,204
Direct Loan Cost of Funds Due to Ed:	\$ 42
Imputed Interest Due to Student	\$ 876
Total Direct Loan Liability:	\$21,859

Appendix H: Estimated Actual Loss Formula Calculations

Appendix	Finding #	Award Year
H-1	1	2009-2010
H-2	16	2009-2010
H-3	24	2008-2009
H-4	24	2009-2010
H-5	24	2010-2011

Appendix H-1: Estimated Actual Loss Worksheet Finding 1 2009-2010

Name of Institution Mount Mercy College

1. Select Type	Four-Year
2. Select Award Year	2009-10
3. Enter Cohort Default Rate and/or Perkins Default Rate	3.2%

4. Enter Ineligible Principal	<i>Ineligible Principal</i>	<i>Estimated Defaults</i>
a. DL Subsidized	1,628.00	\$ 52.10
b. DL Unsubsidized	\$8,259.00	\$ 264.29
c. FFEL Subsidized		\$ -
d. FFEL Unsubsidized		\$ -
e. PLUS (DL, FFEL)		\$ -
f. Perkins		\$ -

Disb to Repayment	969
Repayment to Default	619
Repayment to PIF	1712

<i>Estimated Actual Loss Interest and Special Allowance Breakdown</i>	<i>Disb to Repayment</i>	
	DL Subsidized	\$ 186.98
	FFEL Sub	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to Default</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to PIF</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	<i>Perkins Interest</i>	\$ -

<i>Totals - Estimated Actual Loss By Program (Including Interest and Special Allowance)</i>		
	DL Subsidized	\$ 239.08
	DL Unsubsidized	\$ 264.29
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	PLUS (DL, FFEL)	\$ -
	Perkins	\$ -

Total Estimated Actual Loss Liability **\$ 503.37**

The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment,
- repayment to default, and
- repayment to paid-in-full.

The averages used are from historical information supplied to the Department from all guarantee agencies.

Appendix H-2: Estimated Actual Loss Worksheet - Finding 16 2009-2010

Name of Institution Mount Mercy College

1. Select Type	Four-Year
2. Select Award Year	2009-10
3. Enter Cohort Default Rate and/or Perkins Default Rate	3.2%

4. Enter Ineligible Principal	Ineligible Principal	Estimated Defaults
a. DL Subsidized	\$ 2,750.00	\$ 88.00
b. DL Unsubsidized	\$ 1,000.00	\$ 32.00
c. FFEL Subsidized		\$ -
d. FFEL Unsubsidized		\$ -
e. PLUS (DL, FFEL)		\$ -
f. Perkins		\$ -

Disb to Repayment	969
Repayment to Default	619
Repayment to PIF	1712

Estimated Actual Loss Interest and Special Allowance Breakdown	Disb to Repayment	
	DL Subsidized	\$ 315.85
	FFEL Sub	\$ -
	FFEL Unsub	\$ -
	Repayment to Default	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	Repayment to PIF	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	Perkins Interest	\$ -

Totals - Estimated Actual Loss By Program (Including Interest and Special Allowance)		
	DL Subsidized	\$ 403.85
	DL Unsubsidized	\$ 32.00
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	PLUS (DL, FFEL)	\$ -
	Perkins	\$ -

Total Estimated Actual Loss Liability **\$ 435.85**

The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment,
- repayment to default, and
- repayment to paid-in-full.

The averages used are from historical information supplied to the Department from all guarantee agencies.

Appendix H-3: Estimated Actual Loss Worksheet Finding 24 2008-2009

Name of Institution Mount Mercy

1. Select Type	Four-Year
2. Select Award Year	2008-09
3. Enter Cohort Default Rate and/or Perkins Default Rate	3.2%

4. Enter Ineligible Principal	Ineligible Principal	Estimated Defaults
a. DL Subsidized	\$ 38,184.00	\$ 1,221.89
b. DL Unsubsidized	\$ 38,556.00	\$ 1,233.79
c. FFEL Subsidized		\$ -
d. FFEL Unsubsidized		\$ -
e. PLUS (DL, FFEL)		\$ -
f. Perkins		\$ -

Disb to Repayment	969
Repayment to Default	619
Repayment to PIF	1712

Estimated Actual Loss Interest and Special Allowance Breakdown	Disb to Repayment	
	DL Subsidized	\$ 5,302.12
	FFEL Sub	\$ -
	FFEL Unsub	\$ -
	Repayment to Default	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	Repayment to PIF	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	Perkins Interest	\$ -

Totals - Estimated Actual Loss By Program (Including Interest and Special Allowance)		
	DL Subsidized	\$ 6,524.01
	DL Unsubsidized	\$ 1,233.79
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	PLUS (DL, FFEL)	\$ -
	Perkins	\$ -

Total Estimated Actual Loss Liability **\$ 7,757.80**

The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment.
- repayment to default, and
- repayment to paid-in-full.

The averages used are from historical information supplied to the Department from all guarantee agencies.

Appendix H-4: Estimated Actual Loss Worksheet Finding 24 2009-2010

Name of Institution	Mount Mercy	
1. <i>Select</i> Type	Four-Year	
2. <i>Select</i> Award Year	2009-10	
3. <i>Enter</i> Cohort Default Rate and/or Perkins Default Rate	3.2%	
4. <i>Enter</i> Ineligible Principal	<i>Ineligible Principal</i>	<i>Estimated Defaults</i>
a. DL Subsidized	\$ 38,575.00	\$ 1,234.40
b. DL Unsubsidized	\$ 82,446.00	\$ 2,638.27
c. FFEL Subsidized		\$ -
d. FFEL Unsubsidized		\$ -
e. PLUS (DL, FFEL)		\$ -
f. Perkins		\$ -
Disb to Repayment	969	
Repayment to Default	619	
Repayment to PIF	1712	

<i>Estimated Actual Loss Interest and Special Allowance Breakdown</i>	<i>Disb to Repayment</i>	
	DL Subsidized	\$ 4,430.51
	FFEL Sub	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to Default</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
	<i>Repayment to PIF</i>	
	FFEL Subsidized	\$ -
	FFEL Unsub	\$ -
<i>Perkins Interest</i>	\$ -	

<i>Totals - Estimated Actual Loss By Program (Including Interest and Special Allowance)</i>	DL Subsidized	\$ 5,664.91
	DL Unsubsidized	\$ 2,638.27
	FFEL Subsidized	\$ -
	FFEL Unsub.	\$ -
	PLUS (DL, FFEL)	\$ -
	Perkins	\$ -

Total Estimated Actual Loss Liability **\$ 8,303.18**

The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment,
- repayment to default, and
- repayment to paid-in-full.

The averages used are from historical information supplied to the Department from all guarantee agencies.

Appendix H-5: Estimated Actual Loss Worksheet Finding 24 2010-2011

Name of Institution Mount Mercy College

1. Select Type	Four-Year
2. Select Award Year	2010-11
3. Enter Cohort Default Rate and/or Perkins Default Rate	3.2%

4. Enter Ineligible Principal	Ineligible Principal	Estimated Defaults
a. DL Subsidized	\$ 176,431.00	\$ 5,645.79
b. DL Unsubsidized	\$ 301,153.00	\$ 9,636.90
c. FFEL Subsidized		\$ -
d. FFEL Unsubsidized		\$ -
e. PLUS (DL, FFEL)		\$ -
f. Perkins		\$ -

Disb to Repayment	969
Repayment to Default	619
Repayment to PIF	1712

Estimated Actual Loss Interest and Special Allowance Breakdown	Disb to Repayment	
DL Subsidized	\$	17,124.20
FFEL Sub	\$	-
FFEL Unsub	\$	-
Repayment to Default		
FFEL Subsidized	\$	-
FFEL Unsub	\$	-
Repayment to PIF		
FFEL Subsidized	\$	-
FFEL Unsub	\$	-
Perkins Interest	\$	-

Totals - Estimated Actual Loss By Program (Including Interest and Special Allowance)		
DL Subsidized	\$	22,769.99
DL Unsubsidized	\$	9,636.90
FFEL Subsidized	\$	-
FFEL Unsub	\$	-
PLUS (DL, FFEL)	\$	-
Perkins	\$	-

Total Estimated Actual Loss Liability **\$ 32,406.89**

The "Total Estimated Liability" shown on this worksheet is the Department's estimate of the "actual loss" to the Department that has or will result from the ineligible FFEL and Direct Loan program loans made by your institution. Estimated defaults are calculated using the most appropriate cohort default rate published by the Department.

The Department's loss for excess subsidies paid to lenders for ineligible loans is estimated by using the average number of days from:

- disbursement to entering repayment,
- repayment to default, and
- repayment to paid-in-full.

The averages used are from historical information supplied to the Department from all guarantee agencies.

Appendix I: Estimated Actual Loss Formula Description

The Estimated Actual Loss Formula (EALF) is used for only certain types of findings on ineligible FFEL and Direct Loan liabilities. The EALF estimates (1) the principal amount that has or will default; and (2) the interest and special allowance on the entire ineligible loan amount.

The EALF uses an institution's applicable cohort default rate (CDR) to estimate the amount of defaults from the ineligible principal amount. This is usually the institution's latest published CDR. Draft CDRs are not used unless there is no prior CDR.

Example: Ineligible Principal Loan Amount \$100,000
 Cohort Default Rate 10.0%
 Estimated Default Amount Due \$ 10,000

The EALF calculates interest and special allowance (SA), where applicable, on the entire amount of ineligible loan principal. The number of days used to calculate interest and special allowance is based on average historical data for various time periods for different types of schools.

Period	School Type	One-Year	Two-Year	Four-Year	Rate Types
Disbursement to Repayment		584	774	969	Interest & SA
Repayment to Default		418	498	619	SA
Repayment to Paid In Full		1659	1580	1712	SA

The EALF uses the actual interest rates in effect when the ineligible loans were disbursed and an annualized average of the quarterly special allowance rates in effect. The EALF divides the number of days in each time period so that changes in interest and special allowance rates are considered. The EALF also assumes that the ineligible loans were made in two disbursements after a 30-day delay.

Example for the Disbursement to Repayment Period for a Two-Year Institution (2004-05)

Variable Rate Ineligible Loans: \$40,000 subsidized and \$60,000 unsubsidized
 Interest Rates: 04-05 (2.77), 05-06 (4.70), 06-07 (6.54)
 SA Rates: 04-05 (1.45), 05-06 (1.55), 06-07 (0.53)

Subsidized Loan Amount (Interest and Special Allowance)

$$\begin{aligned}
 & \$40,000/2 \times (451 \times (.0422/365)) \\
 & + \$40,000/2 \times (730 \times (.0625/365)) \\
 & + \$40,000/2 \times (367 \times (.0707/365)) = \$4,964.61
 \end{aligned}$$

Unsubsidized Loan Amount (Special Allowance Only)

$$\begin{aligned} & \$60,000/2 \times (451 \times (.0145/365)) \\ & + \$60,000/2 \times (730 \times (.0155/365)) \\ & + \$60,000/2 \times (367 \times (.0053/365)) = \$1,627.36 \end{aligned}$$

NOTE: The number of days of 774 for this time period is doubled to 1548 (451+730+367) because the principal amount is divided by two.

Similar calculations are made for the other two periods. The total liability is the sum of the default amount with the interest and special allowance calculations for all three periods.

Final Program Review Determination
PRCN #:

Appendix J.

Cost of Funds Calculations

Appendix	Finding #	Description
J-1	1	Late or Unmade Return (Loans)
J-2	24	Ineligible Disbursements (Non-Loan) Cost of Funds and Administrative Cost Allowance
J-3	26	Late or Unmade Returns (Loan)
J-4	26	Late or Unmade Returns (Federal Pell Grant)

Appendix J-2: Finding 24 Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Mount Mercy College

No.	Description/Name	Ineligible Disbrsmnt	Program	Disburseme nt Date	Return Paid Date	No. of Days	CVFR or Interest	Federal Share	To ED	To Inst Accounts
24-1	(b)(6); (b)(7)(C)	\$694.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 694.00	\$ -	\$ -
24-2	(b)(6); (b)(7)(C)	\$693.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 693.00	\$ -	\$ -
24-3	(b)(6); (b)(7)(C)	\$644.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 644.00	\$ 37.48	\$ -
24-4	(b)(6); (b)(7)(C)	\$98.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 98.00	\$ 5.70	\$ -
24-5	(b)(6); (b)(7)(C)	\$816.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 816.00	\$ -	\$ -
24-6	(b)(6); (b)(7)(C)	\$900.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 900.00	\$ -	\$ -
24-7	(b)(6); (b)(7)(C)	\$1,106.00	Pell Grant	6/30/2010	6/8/2011	343	1.00%	\$ 1,106.00	\$ 10.39	\$ -
24-8	(b)(6); (b)(7)(C)	\$2,078.00	Pell Grant	6/30/2010	6/8/2011	343	1.00%	\$ 2,078.00	\$ 19.53	\$ -
24-9	(b)(6); (b)(7)(C)	\$1,982.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 1,982.00	\$ -	\$ -
24-10	(b)(6); (b)(7)(C)	\$1,165.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 1,165.00	\$ 67.79	\$ -
24-11	(b)(6); (b)(7)(C)	\$784.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 784.00	\$ -	\$ -
24-12	(b)(6); (b)(7)(C)	\$120.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 120.00	\$ 6.98	\$ -
24-13	(b)(6); (b)(7)(C)	\$29.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 29.00	\$ 1.69	\$ -
24-14	(b)(6); (b)(7)(C)	\$193.00	Pell Grant	6/30/2010	6/8/2011	343	1.00%	\$ 193.00	\$ 1.81	\$ -
24-15	(b)(6); (b)(7)(C)	\$125.00	Pell Grant	6/30/2007	6/8/2011	1439	4.00%	\$ 125.00	\$ 19.71	\$ -
24-16	(b)(6); (b)(7)(C)	\$2,122.00	Pell Grant	6/30/2008	6/8/2011	1073	5.00%	\$ 2,122.00	\$ 311.90	\$ -
24-17	(b)(6); (b)(7)(C)	\$2,775.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 2,775.00	\$ -	\$ -
24-18	(b)(6); (b)(7)(C)	\$316.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 316.00	\$ -	\$ -
24-19	(b)(6); (b)(7)(C)	\$53.00	Pell Grant	6/30/2010	6/8/2011	343	1.00%	\$ 53.00	\$ 0.50	\$ -
24-20	(b)(6); (b)(7)(C)	\$248.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 248.00	\$ -	\$ -
24-21	(b)(6); (b)(7)(C)	\$427.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 427.00	\$ 24.85	\$ -
24-22	(b)(6); (b)(7)(C)	\$1,071.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 1,071.00	\$ 62.32	\$ -
24-23	(b)(6); (b)(7)(C)	\$470.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 470.00	\$ 27.35	\$ -
24-24	(b)(6); (b)(7)(C)	\$53.00	Pell Grant	6/30/2010	6/8/2011	343	1.00%	\$ 53.00	\$ 0.50	\$ -
24-25	(b)(6); (b)(7)(C)	\$51.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 51.00	\$ -	\$ -
24-26	(b)(6); (b)(7)(C)	\$426.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 426.00	\$ -	\$ -
24-27	(b)(6); (b)(7)(C)	\$200.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 200.00	\$ -	\$ -
24-28	(b)(6); (b)(7)(C)	\$613.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 613.00	\$ 35.67	\$ -
24-29	(b)(6); (b)(7)(C)	\$334.00	Pell Grant	6/30/2009	6/8/2011	708	3.00%	\$ 334.00	\$ 19.44	\$ -
24-30	(b)(6); (b)(7)(C)	\$54.00	Pell Grant	6/30/2010	6/8/2011	343	1.00%	\$ 54.00	\$ 0.51	\$ -
24-31	(b)(6); (b)(7)(C)	\$669.00	Pell Grant	6/30/2010	6/8/2011	343	1.00%	\$ 669.00	\$ 6.29	\$ -
24-32	(b)(6); (b)(7)(C)	\$46.00	Pell Grant	6/30/2010	6/8/2011	343	1.00%	\$ 46.00	\$ 0.43	\$ -
24-33	(b)(6); (b)(7)(C)	\$619.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 619.00	\$ -	\$ -
24-34	(b)(6); (b)(7)(C)	\$1,107.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 1,107.00	\$ -	\$ -
24-35	(b)(6); (b)(7)(C)	\$825.00	Pell Grant	6/8/2011	6/8/2011	0	1.00%	\$ 825.00	\$ -	\$ -

Appendix J-3: Finding 26 Late or Unmade Returns (Loans) - Cost of Funds

Name of Institution: Mount Mercy College

Note: The withdrawal date is necessary to determine if an institution has 30 (default) or 45 days to return funds

No.	Description/Name	Return Amount	Program	W/D Date	Institution Det Date	Return Paid Date	Return Due Date	Days Late	Days ED	Days Stud	Interest	FFEL SpcAll	To ED	To Lender/Student
26-1	(b)(6); (b)(7)(C)	\$ 1,986.00	DL Unsub	6/1/2010	6/1/2010	06/08/11	7/16/2010	327	0	327	6.80%	0.00%	\$ -	\$ 120.99
26-2		\$ 1,797.00	DL Unsub	4/5/2011	4/5/2011	06/08/11	5/20/2011	19	0	19	6.80%	0.00%	\$ -	\$ 6.36
26-2		\$ 426.00	DL Sub	4/5/2011	4/5/2011	06/08/11	5/20/2011	19	19	0	4.50%	0.00%	\$ 1.00	\$ -
26-3		\$ 1,019.00	DL Unsub	7/1/2010	7/1/2010	06/08/11	8/15/2010	297	0	297	6.80%	0.00%	\$ -	\$ 56.38
26-3		\$ 1,136.00	DL Sub	7/1/2010	7/1/2010	06/08/11	8/15/2010	297	150	147	4.50%	0.00%	\$ 21.01	\$ 20.59
26-4		\$ 1,214.00	DL Unsub	12/18/10	12/18/10	06/08/11	2/1/2011	127	0	127	6.80%	0.00%	\$ -	\$ 28.72
26-5		\$ 3,134.00	DL Unsub	3/12/2011	3/12/2011	06/08/11	4/26/2011	43	0	43	6.80%	0.00%	\$ -	\$ 25.11
26-6		\$ 3,487.00	DL Unsub	4/24/2010	4/24/2010	06/08/11	6/8/2010	365	0	365	6.80%	0.00%	\$ -	\$ 237.12
26-7		\$ 1,321.00	DL Unsub	3/9/2009	3/9/2009	06/08/11	4/23/2009	776	0	776	6.80%	0.00%	\$ -	\$ 190.98
26-7		\$ 207.00	DL Sub	3/9/2009	3/9/2009	06/08/11	4/23/2009	776	150	626	6.00%	0.00%	\$ 5.10	\$ 21.30
26-8		\$ 173.00	DL Unsub	6/29/2011	6/29/2011	08/13/11	8/13/2011	0	0	0	6.80%	0.00%	\$ -	\$ -
26-8		\$ 1,544.00	DL Sub	6/29/2011	6/29/2011	08/13/11	8/13/2011	0	0	0	4.50%	0.00%	\$ -	\$ -
26-9		\$ 2,103.00	DL Unsub	10/25/2008	10/25/2008	06/08/11	12/9/2008	911	0	911	6.80%	0.00%	\$ -	\$ 356.92
26-9		\$ 1,145.00	DL Unsub	10/02/10	10/02/10	06/08/11	11/16/2010	204	0	204	6.80%	0.00%	\$ -	\$ 43.52

Total Principal	\$ 20,692.00
Total DL Sub	\$ 3,313.00
Total DL Unsub	\$ 17,379.00
Total FFEL Sub	\$ -
Total FFEL Unsub	\$ -
Total PLUS	\$ -

\$ 27.11	\$ 1,107.99
	\$ 1,136.10

Mount Mercy College
OPE ID 00188000
PRCN 201030727226
Page 60

Final Program Review Determination
PRCN #:

Appendix K.

Program Review Report



START HERE: 
GO FURTHER: 
FEDERAL STUDENT AID

Prepared for

Mount Mercy College

OPE ID 00188000

PRCN 201030727226

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team – Kansas City

Program Review Report

September 13, 2010

U.S. Department of Education, Federal Student Aid, School Participation Team—Kansas City
8930 Ward Parkway, Suite 2028
Kansas City, Missouri 64114-3302
www.FederalStudentAid.ed.gov

Table of Contents

A.	Institutional Information.....	3
B.	Scope of Review.....	4
C.	Findings.....	5
Fiscal Administration		
	<u>Finding 1</u> : Late Returns of Title IV Funds Finding.....	5
	<u>Finding 2</u> : Failure to Perform Return of Title IV Funds Calculations.....	8
	<u>Finding 3</u> : Improper Return of Title IV Funds Calculation.....	10
	<u>Finding 4</u> : Improper Return of Title IV Funds Policy.....	11
	<u>Finding 5</u> : Improper Holding of Title IV Credit Balances.....	12
	<u>Finding 6</u> : Improper Authorization to Hold Title IV Credit Balances.....	15
	<u>Finding 7</u> : Incomplete Audit Trail.....	16
	<u>Finding 8</u> : Untimely Reconciliation of Title IV Funds.....	18
Administrative Capability		
	<u>Finding 9</u> : Incomplete Withdrawal Notification Procedures.....	18
	<u>Finding 10</u> : Late NSLDS Reporting.....	21
Institutional Eligibility		
	<u>Finding 11</u> : Unreported Change to Institutional Information.....	23
	<u>Finding 12</u> : Incomplete Campus Security Report.....	25
	<u>Finding 13</u> : Late COD Reporting.....	27
Student Eligibility		
	<u>Finding 14</u> : Incomplete Verification.....	28
Federal Direct Loan Program		
	<u>Finding 15</u> : Overaward of Direct Loan Funds.....	29
	<u>Finding 16</u> : Enrollment Status Not Verified Before Disbursement.....	30
	<u>Finding 17</u> : Early Disbursement of Title IV Funds.....	30
	<u>Finding 18</u> : Missing Entrance/Exit Counseling.....	31
Federal Pell Grant Program		
	<u>Finding 19</u> : Ineligible Pell Disbursements.....	33

Federal Work Study Program

<u>Finding 20</u> : Failure to Meet FWS Community Service Requirements.....	33
<u>Finding 21</u> : Failure to Develop FWS Job Descriptions.....	35

FSEOG Program

<u>Finding 22</u> : Incomplete FSEOG Awarding Procedures.....	36
---	----

D. Appendix A: Student Sample.....	39
------------------------------------	----

A. Institutional Information

Mount Mercy College
1330 Elmhurst Drive N.E.
Cedar Rapids, IA 52402-4797

Type: Private, non-profit

Highest Level of Offering: Master's Degree

Accrediting Agency: North Central Association of Colleges and Schools (NCASC)

Current Student Enrollment: 1671 (Spring 2010)

% of Students Receiving Title IV: 74.50% (2009/10 award year)

Title IV Participation (G5):

	2008/09 award year
Federal Pell Grant Program	\$1,114,127
Federal Direct Loan Program	\$9,658,441
Federal Perkins Loan Program	\$489,933
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$180,215
Federal Work Study (FWS) Program	\$357,040

Default Rate - Direct Loans: 2007: 1.7%
2006: 1.5%
2005: 2.1%

Default Rate - Perkins: 2009: 11.49%
2008: 7.74%
2007: 7.85%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Mount Mercy College (MMC) from May 10, 2010 to May 13, 2010. The review was conducted by Mr. Roy Chaney, Mr. John Nading, and Ms. Angela Beam.

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

A sample of 30 files was identified for review from the 2008/09 and 2009/10 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 32 files of students who withdrew from the institution were selected. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

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

C. Findings

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

Finding 1. 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 Federal Work Study 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)

Beginning July 1, 2006, 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)

Noncompliance: In two of 20 2008/09 and 2009/10 Return of Title IV Funds calculations reviewed, MMC failed to make the necessary Returns within the required time frames.

Student #47 The financial aid file indicates that the student withdrew on 10/21/09, and MMC's date of determination that the student withdrew was also 10/21/09. MMC performed a Return of Title IV Funds calculation on 11/5/09 that identified a Return of \$995 in Unsubsidized Direct Stafford Loan funds and \$622 in Subsidized Direct Stafford Loan funds. The student's account card and institutional financial records indicate that the return of \$619 in Subsidized Direct Stafford Loan funds was made on 11/16/09. However, institutional records reflect that the return of \$991 in Unsubsidized Direct Stafford Loan funds was not made until 4/27/10, while the Department's Common

Origination and Disbursement (COD) system indicates that the return was not made until 4/28/10—144 days late. As of 5/13/10—the last day of the program review—the remaining \$3 of Subsidized Direct Stafford Loan funds and \$4 in Unsubsidized Direct Stafford Loan funds had not been returned.

Student #39 The financial aid file indicates that MMC determined that the student withdrew on 10/14/08. MMC performed a Return of Title IV Funds calculation on 1/8/09—41 days late—that identified a return of \$1,185 in Unsubsidized Direct Stafford Loan funds. The student's account card indicates that the Return was made on 1/26/09. However, the Department's COD system indicates that the original disbursement of \$1,383 reported on the Return of Title IV Funds calculation and the student's account card was not, in fact, reported to COD at the time of the alleged disbursement. Rather, the institution appears to have offset a Post-Withdrawal Disbursement (PWD) drawdown of the Unsubsidized Direct Stafford Loan funds on 1/12/09 by the amount of the Return due.

Required Action: In response to this finding, MMC must provide comprehensive information for all Title IV recipients who officially or unofficially withdrew during the 2008/09, 2009/10, and 2010/11 award years. The institution must identify, review, and report on the files of all Title IV recipients for whom a Return calculation was performed or should have been performed in any of the three award years. For Returns that are found to be improperly calculated and Returns that should have been calculated but were not, MMC must perform a correct calculation or recalculation.

The materials the institution must submit include:

- (1) A spreadsheet that contains, for each Title IV recipient who officially or unofficially withdrew, the following information:
 - (1) Student's name;
 - (2) Last four digits of student's SSN number;
 - (c) Student's last date of attendance;
 - (d) Student's withdrawal date;
 - (e) The date that MMC determined that the student withdrew;
 - (f) The date that the original Return was calculated;
 - (g) The amount of Title IV funds returned, if applicable (organized by Title IV program);
 - (h) The date(s) the Return(s) were made (organized by Title IV program);
 - (i) Amount of post-withdrawal disbursement (PWD), if applicable;
 - (j) Title IV program from which PWD was made;
 - (k) Date PWD was paid;
 - (l) Date of corrected Return of Title IV Funds calculation, if applicable;
 - (m) Corrected amount of Return, if applicable;
 - (n) Title IV program to which corrected Return(s) was made;
 - (o) Date of corrected Return;
 - (p) Amount of PWD, if applicable;

- (q) Title IV program from which PWD was made;
- (r) Date PWD was paid.

The spreadsheet should be organized by award year, and then by individual student. The spreadsheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format;

- (1) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew in the 2008/09, 2009/10, and 2010/11 award years (MMC must identify calculations that were first performed as a result of the PRR);
- (2) A copy of the complete corrected Return of Title IV Funds calculation, if applicable;
- (3) 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;
- (4) 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;
- (5) A copy of MMC's official withdrawal form (or other official withdrawal documentation) for each Title IV recipient who officially withdrew, with the official date of withdrawal notated.
- (6) Copies of all pertinent attendance records supporting MMC's determination of the student's last date of attendance.
- (7) In cases where a post-withdrawal disbursement was calculated, copies of all supporting documentation establishing that the post-withdrawal disbursement of Title IV loan funds was offered to the student or parent, and the student or parent's response to that offer. In cases where no such documentation is available, MMC 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;
- (8) In the case of unearned aid that is required to be returned by a student, copies of all supporting documentation establishing that MMC contacted the student and made appropriate repayment arrangements, as outlined in Federal regulations.

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

Award year	Student	SSN	Last date of attendance	Withdrawal date	Date of determination	Date of Return calculation	Amount of return, if applicable	Title IV program	Date of Return
2007/08	***	***	6/20/08	6/20/08	6/24/08	6/24/08	\$2,000	DL Unsub	7/6/08
	" "	" "	" "	" "	" "	" "	\$1,356	DL Sub	7/6/08
	" "	" "	" "	" "	" "	" "	\$312	Pell	7/4/08

Amount of PWD if applicable	PWD program	Date PWD Paid	Date of Corrected Return calculation if applicable	Corrected Amount of return if applicable	Title IV program	Date of Corrected Return	Amount of PWD if applicable	PWD program	Date PWD Paid
" "	" "	" "	6/24/08	\$2,000	DL Unsub	7/6/08	" "	" "	" "
" "	" "	" "	" "	\$1,356	DL Sub	7/6/08	" "	" "	" "
" "	" "	" "	" "	\$517	Pell	6/7/10	" "	" "	" "

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Additionally, MMC must review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed in a timely manner in the future. A copy of these procedures must accompany MMC's response to this report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 2. Failure to Perform Return of Title IV Funds Calculations

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 Federal Work Study 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)

For the purposes of the Return of Title IV Funds calculation, in each payment period or period of enrollment a pro rata schedule is used, up through the 60 percent point, to determine the amount of Title IV funds the student has earned at the time of withdrawal. After the 60 percent point in the payment period or period of enrollment, a student has earned 100 percent of the Title IV funds he or she was scheduled to receive during the period. For a student who withdraws after the 60 percent point-in-time, there are no unearned funds. However, a school must still complete a Return of Title IV Funds calculation in order to determine whether the student is eligible for a post-withdrawal disbursement. *2008/09 Federal Student Aid Handbook*, Volume 5, Chapter 2

Noncompliance: For one of 20 2008/09 and 2009/10 Title IV recipients who withdrew from MMC, the institution failed to perform a Return of Title IV Funds calculation.

Student #42 The financial aid file and academic transcript indicate that the student attended the institution's winter 2010 term and withdrew on 2/7/10—a point after the listed "add/drop" period. Although the student received \$1,789 in Subsidized Direct Stafford Loan funds on 1/25/10, MMC failed to perform a Return of Title IV Funds calculation for this student.

It is noted that the full amount of the \$1,789 in Subsidized Direct Stafford Loan funds was returned to the Department on 4/27/10, according to MMC's account card for this student. However, the Department's COD system reflects that as of 7/14/10, the full amount of the \$1,789 disbursement of Subsidized Direct Stafford Loan funds, as well as a further \$568 in Subsidized Direct Stafford Loan funds, are still reported as having been disbursed to the student on 2/1/10.

Required Action: A previous finding requires MMC to review the records of all Title IV recipients who officially or unofficially withdrew during the 2008/09, 2009/10, and 2010/11 award years and identify any late, unmade, improperly calculated, or uncalculated Returns of Title IV Funds. Consequently, no additional reconstructive action will be required as a result of this finding at this time.

However, MMC must review the student files of student #42 and attempt to determine what exactly occurred and how to properly resolve the issue. A discussion of MMC's review and resolution of this finding must accompany the institution's response to this report.

Finding 3. Improper Return of Title IV Funds Calculation

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

Noncompliance: In one instance, MMC has improperly performed a Return of Title IV Funds calculation.

Student #31 The institution determined that the student withdrew on 4/14/09 and performed a Return of Title IV Funds calculation on that same date. In calculating the Return, MMC reported that \$2,365 in Pell Grant funds and \$4,500 in Subsidized Direct Stafford Loan funds were disbursed to the student during the payment period, and that an additional \$2,365 in Pell Grant funds and \$4,500 in Subsidized Direct Stafford Loan funds could have been disbursed. Based on this disbursement history, MMC concluded that the student was eligible to receive a PWD of \$6,865. However, the only Title IV disbursements that the student was eligible to receive during the payment period were the funds that were disbursed. Consequently, the calculation of a \$6,865 PWD was incorrect.

It is noted that because there were no outstanding institutional charges, MMC did not apply PWD funds to the student #31's account. However, it is unclear whether MMC paid the PWD directly to the student.

Required Action: A previous finding requires MMC to review the records of all Title IV recipients who officially or unofficially withdrew during the 2008/09, 2009/10, and 2010/11 award years and identify any late, unmade, or improperly calculated refunds. Consequently, no additional reconstructive action will be required as a result of this finding at this time.

However, MMC must review the financial aid file of student #31 and determine whether a PWD was made directly to the student. If so, MMC must provide the amount of the disbursements, the Title IV programs from which the disbursements came, and the date of the disbursements.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 4. Improper Return of Title IV Funds Policy

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 Federal Work Study 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)

A student begins earning Title IV funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a Return calculation. *2009/10 Federal Student Aid Handbook*, Volume 5, Chapter 2

Noncompliance: In one respect, MMC has failed to perform Return of Title IV Funds calculations for Title IV recipients who have withdrawn.

MMC's published Return of Title IV Funds policy indicates that the institution does not perform a Return of Title IV Funds calculation for Title IV recipients who withdraw within the institution's two-week "add/drop" period.

The published policy states:

"If a student withdraws from the college within the add/drop period, a (Return of Title IV Funds) withdrawal calculation is not needed. In this situation, all of their aid would be returned because they will be treated as a 'cancel.' They will not be charge for any courses and will not receive a grade."

Required Action: A previous finding requires MMC to review the records of all Title IV recipients who officially or unofficially withdrew during the 2008/09, 2009/10, and 2010/11 award years and identify any late, unmade or improperly calculated refunds. Consequently, no additional reconstructive action will be required as a result of this finding at this time. However, MMC must include students who withdrew within the "add/drop" period in the required reconstruction.

However, MMC must review and revise its Return of Title IV Funds policies and procedures to ensure that a Return of Title IV Funds calculation will be performed for all

Title IV recipients who withdraw after attending class in a payment period. A discussion of these revised policies and procedures should accompany MMC's response to this report.

Finding 5. Improper Holding 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)

Federal regulations state that an institution is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS).

In obtaining the student's or parent's authorization, an institution (1) may not require or coerce the student or parent to provide that authorization; (2) must allow the student or parent to cancel or modify that authorization at any time; and (3) must clearly explain how it will carry out that activity.

A school may include two or more of the items that require authorization in one statement. However, each component and term in the authorization must be conspicuous to the reader, and a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

If a student or parent cancels an authorization to hold Title IV funds, the institution must pay those funds directly to the student or parent as soon as possible but no later than 14 days after the institution receives that notice. 34 C.F.R. § 668.165(b)

A school is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS). If the school has the authorization to hold the credit balance, it must identify the amount of funds that it holds for the student or parent in a subsidiary ledger account designated for that purpose. The school also must maintain, at all times, cash in its bank account at least equal to the amount that it holds for students. The school is permitted to retain any interest earned on the student's credit balance funds. Because FSA funds are awarded to students to pay current year charges, notwithstanding any authorization from the student or parent, the school must pay (1) any remaining balance on FSA loan funds by the end of the loan period, and (2) any other

remaining FSA program funds by the end of the last payment period. *2009/10 Federal Student Aid Handbook*, Volume 4, Chapter 1

Notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary, lender, or guaranty agency, any Title IV, HEA program funds, except FWS program funds, that it attempts to disburse directly to a student or parent but the student or parent does not receive or negotiate those funds. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursement.

If an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check. If a check is returned to the institution, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. In cases where the institution does not make another attempt, the funds must be returned before the end of this 45 day period. In cases where the institution makes further attempts, the institution must cease any additional disbursement attempts and return the funds no later than 240 days after the date it issued the check. 34 C.F.R. § 668.164(h)

Federal regulations state that an institution is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS). In obtaining the student's or parent's authorization, an institution (1) may not require or coerce the student or parent to provide that authorization; (2) must allow the student or parent to cancel or modify that authorization at any time; and (3) must clearly explain how it will carry out that activity. 34 C.F.R. § 668.165(b)

Noncompliance: In three respects, MMC has improperly held Title IV credit balances on behalf of students.

First, MMC does not maintain Title IV credit balances in a subsidiary ledger of its general ledger, nor does the institution have procedures in place to verify that it maintains, at all times, cash in its bank account at least equal to the amount of the Title IV credit balances that it holds for students.

Second, although MMC maintains an un-negotiated check fund, it has no procedures in place for identifying which un-negotiated checks represent Title IV credit balances, or for returning the un-negotiated Title IV credit balance checks to the Department.

Third, MMC has held Title IV credit balances on behalf of students without first obtaining the necessary authorization from the student.

For example, the account card of student #1 indicates that for the Spring 2009 term the student received \$2,737 in Subsidized Direct Stafford Loans funds and \$3,483 in Unsubsidized Direct Stafford Loans funds. Because the amount of Title IV funds applied to the account exceeded the amount of allowable current charges, a Title IV credit balance of \$3,850 was created on 1/26/09—the date of the Unsubsidized Direct Stafford Loan disbursements. The Title IV credit balance was not paid until 2/17/09—eight days

late. The student's financial aid file did not include an authorization to hold Title IV credit balances.

Likewise, the account card of student #2 indicates that for the Spring 2009 term the student received \$2,737 in Subsidized Direct Stafford Loans funds, \$3,483 in Unsubsidized Direct Stafford Loans funds, and \$1,000 in Perkins Loan funds. Because the amount of Title IV funds applied to the account exceeded the amount of allowable current charges, a Title IV credit balance of \$2,950 was created on 1/28/09—the date of a tuition adjustment entry for the Spring 2009 term. The Title IV credit balance was reduced to \$1,120 on 2/4/10—the date of a tuition adjustment entry for the Winter 2009 term. The reduced Title IV credit balance was not paid until 2/16/09—five days late. The student's financial aid file did not include an authorization to hold Title IV credit balances.

Required Action: With respect to the issue of maintaining Title IV credit balances in a subsidiary ledger of the institution's general ledger and having procedures in place to verify that the institution maintains cash in its bank account to cover all Title IV credit balances, MMC must develop and implement appropriate policies and procedures to ensure that it meets these two accounting requirements in the future. A discussion of these policies and procedures must accompany MMC's response to this report.

With respect to the issue of having no procedures for identifying which un-negotiated checks in its un-negotiated check fund represent Title IV credit balances, MMC must develop and implement procedures designed to ensure that the institution will be able to effectively track and, as necessary, repay un-negotiated Title IV credit balance checks to the Department within the required time frames.

Also, MMC must review the student account cards for all students currently identified as having a credit balance and for whom (1) MMC has been unable to deliver the funds, and (2) the original credit balance check has ceased to be negotiable. For each credit balance that MMC determines to be a Title IV credit balance in accordance with Federal regulations, MMC must provide the following information:

- (1) Student's name;
- (2) Social Security number;
- (3) Award year;
- (4) Amount of Title IV credit balance;
- (5) Title IV program(s) that created the credit balance (organized first by Title IV program, then date of disbursement, then amount of disbursement);
- (6) Date of original Title IV credit balance check;
- (7) Date that original Title IV credit balance check became non-negotiable;
- (8) Copy of student's complete account card.

Instructions for repayment of any un-negotiated Title IV credit balance funds will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

With respect to MMC's failure to maintain signed Title IV credit balance holding authorizations in student files, the institution must devise and implement procedures to ensure that, in the future, an appropriate written authorization is obtained from students or parents prior to holding Title IV credit balances. A discussion of those procedures should accompany MMC's response to this report.

Finding 6. Improper Authorization to Hold Title IV Credit Balances

Citation: Federal regulations state that an institution is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS).

In obtaining the student's or parent's authorization, an institution (1) may not require or coerce the student or parent to provide that authorization; (2) must allow the student or parent to cancel or modify that authorization at any time; and (3) must clearly explain how it will carry out that activity.

A school may include two or more of the items that require authorization in one statement. However, each component and term in the authorization must be conspicuous to the reader, and a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

If a student or parent cancels an authorization to hold Title IV funds, the institution must pay those funds directly to the student or parent as soon as possible but no later than 14 days after the institution receives that notice.

Notwithstanding any authorization obtained by the institution under this paragraph, pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. § 668.165(b)

Noncompliance: In two respects, MMC has not developed an authorization to hold Title IV credit balances that meets the Department's requirements.

First, MMC's authorization to hold Title IV credit balances does not include a statement indicating that a student can rescind the authorization at any time.

Second, MMC's authorization to hold Title IV credit balances does not include a statement indicating that the institution will pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded.

Required Action: MMC must revise its existing authorization to hold Title IV credit balances so that it conforms to Departmental regulations. A copy of MMC's revised written authorization should accompany its response to this report.

Finding 7. 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.F.R. § 668.164(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(a)&(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)

The Department considers excess cash to be any amount of Title IV funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution either (1) received those funds from the Secretary, or (2) deposited or transferred to its Federal account previously disbursed Title IV program funds received from the Department, such as those resulting from award adjustments, recoveries, or cancellations. (These provisions do not apply to the Title IV funds that an institution receives from the Secretary under the just-in-time payment method.)

An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Department any amount of excess cash over the one-percent tolerance and any amount remaining in its account after the seven-day tolerance period. 34 C.F.R. § 668.166

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

MMC, in practice, appears to reimburse itself with Title IV funds for expenditures already posted to student accounts. However, when MMC draws down Title IV funds, it draws down the total amount—or a percentage of the total amount—of funds that the Department's G5 system indicates is available to them, rather than drawing down an amount that equates to the amount of funds being disbursed to a population of students. Consequently, it is not possible to tie any particular drawdown to any particular disbursement of Title IV funds to a student account.

For example, on 9/18/09 MMC drew down \$100,000 in Pell funds for the 2009/10 award year from the Department's G5 system. During the program review, MMC was unable to provide a roster that reflects the students and the amounts of the disbursements that, taken together, make up the amount of the drawdown.

One problem created by this policy of determining the amounts of drawdowns solely by the amount of funds available in the G5 system is that it makes it impossible for MMC to establish that it is, in all cases, reimbursing itself for funds already obligated to particular student accounts, as its internal policies appear to require.

A second problem is that MMC cannot establish that it is not holding Title IV excess cash. For example, the student account card for student #4 indicates that the student received a \$1,642 disbursement of Subsidized Direct Stafford Loan funds on 9/10/09. However, the Department's COD system reflects that the disbursement was made on 8/14/09 which, if an accurate reporting of the date the funds were drawn down, would indicate that MMC held the loan funds longer that it was allowed to before disbursing them to the student's account.

Likewise, the student account card for student #6 indicates that the student received a \$1,850 disbursement of Direct PLUS Loan funds on 10/28/08. However, the Department's COD system reflects that the disbursement was made on 8/18/08 which, if an accurate reporting of the date the funds were drawn down, would indicate that MMC held the loan funds longer that it was allowed to before disbursing them to the student's account.

Required Action: MMC 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 crediting student accounts for the disbursements. A copy of these procedures must be included with MMC's response to this report.

Additionally, for the FSEOG and FWS programs, MMC must reconcile its G5 drawdowns in the 2007/08, 2008/09 and 2009/10 award years with the total amount of disbursements and payroll expenditures for both programs in those years. A detailed discussion of the results of this reconciliation must accompany MMC's response.

Finding 8. Untimely Reconciliation of Title IV Funds

Citation: Federal regulations require an institution to 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 program transaction and separate those transactions from all other institutional financial activity. An institution shall account for the receipt and expenditure of Title IV program funds in accordance with generally accepted accounting principles and reconcile its oversight of Title IV funds on at least a monthly basis. 34 C.F.R. §§ 668.24(a) & (b), 674.19(d)(1), 675.19(b)(2)(iv), 676.19(b)(2), 682.610(a), 690.81(a); *The Blue Book*, October 2005, Ch. 12.

Noncompliance: MMC failed to reconcile its Title IV program receipts and expenditures on a monthly basis.

During an interview on 5/13/10, MMC's controller stated that, in general, it is the institution's practice to reconcile its Title IV accounting records to student accounts and the financial aid office's awarding and disbursement records once every semester.

Required Action: MMC must develop and implement procedures to ensure that all Title IV program accounts are reconciled on a monthly basis, in accordance with Federal regulations. A detailed discussion of these revised procedures must accompany MMC's response to this report.

Finding 9. Incomplete Withdrawal Notification Procedures

Citation: Federal regulations require a school to ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program. If a student borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required. 34 C.F.R. § 685.304(b)

Federal regulations also state that a school shall—

- (1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and
- (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days—
 - (a) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis;
 - (b) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;
 - (c) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or
 - (d) If it discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address. 34 CFR § 682.610

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 Stafford (Direct and FFEL) 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 FSA loans at other schools 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. The institution may also go to www.nslsdfap.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. However, if a Roster file is expected within 60 days, the institution may provide the data on that roster file. *2008/09 Federal Student Aid Handbook*

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. *2008/09 Federal Student Aid Handbook, Volume 2, Chapter 10*

Noncompliance: In one respect, MMC's withdrawal notification procedures are inadequate for the purposes of administering the Title IV programs.

During the on-site portion of the program review it was noted that there is not a thorough and consistent method for the MMC's provosts office to notify the financial aid office that a particular student has not returned for the next academic term after completing the previous term. Consequently, the financial aid office cannot perform required functions related to the administration of the Title IV programs, such as exit counseling and NSLDS reporting, in a timely manner.

For example, the financial aid file of student #63 indicates that the student completed the institution's Fall 2009 academic term on 12/19/10, and did not return for the Spring 2010 academic term. Although MMC's business office was aware that the student did not reenroll and returned Title IV funds that had been disbursed for the term, the financial aid office was not made aware that the student was not enrolled in the Spring 2010 term until the office began its preparations in April 2010 for the Department's May 2010 program review. Although the student received Federal Direct Loans and Federal Perkins Loans during his period of enrollment, as of 5/13/2010—the last day of the on-site portion of the program review—the student had not been notified of the need to undergo any type of loan exit counseling, nor had the student's withdrawal status been reported to NSLDS.

Required Action: For the 2008/09 and 2009/10 award years, MMC must review the provosts office records for students who did not reenroll in the institution after completing the previous academic term and identify all students who did not receive the appropriate Direct Loan or Perkins Loan exit counseling, or whose enrollment status in NSLDS has not been properly updated. For the identified students, MMC must perform the necessary exit counseling and report the students' change in enrollment status to NSLDS. MMC must also provide a listing, in spreadsheet format, of all of the identified students, along with other pertinent information, including:

- (1) Award year;
- (2) Student's name;
- (3) Social Security number;
- (4) Date of withdrawal;
- (5) End date of last academic term completed;
- (6) Date that financial aid office was notified or otherwise became aware that a student had not reenrolled;
- (7) Date that exit counseling was mailed to the student, or that the student was otherwise notified of the need to complete exit counseling;
- (8) Date that NSLDS was updated with proper enrollment status.

Documentation indicating that exit counseling requirements were met, either through interactive electronic means or by mailing written counseling materials to the student borrower, must be retained in the student files. Copies of this documentation should also be submitted with MMC's response to this report.

The spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Student	SSN	Date of withdrawal	End date of last academic term completed	Date FA notified of withdrawal	Date of mailing for exit counseling	Date of NSLDS update
2007/08	***	***	12/9/08	Winter 08	3/15/09	5/15/09	6/11/09

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Also, MMC must devise and implement internal notifications procedures that will ensure, in all cases, that the financial aid office is notified in a timely manner of all students who do not reenroll in the institution after completing a previous semester. A discussion of these procedures should accompany MMC's response to this report.

Finding 10. Late NSLDS Reporting

Citation: Federal regulations state that a school shall—

- (1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and
- (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days—
 - (a) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis;
 - (b) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;
 - (c) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or
 - (d) If it discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address. 34 CFR § 682.610

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 Stafford (Direct and FFEL) 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 FSA loans at other schools 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. The institution may also go to www.nslsdfap.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. However, if a Roster file is expected within 60 days, the institution may provide the data on that roster file. *2008/09 Federal Student Aid Handbook*

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. *2008/09 Federal Student Aid Handbook, Volume 2, Chapter 10*

Noncompliance: In nine instances, MMC has not accurately reported student status on its student status confirmation reports (SSCRs):

Student #3 NSLDS records indicate that the student's status as of 12/19/09 was "graduated." However, this status was not reported to NSLDS until 5/21/10—at least 123 days late.

Student #4 NSLDS records indicate that the student's status as of 8/13/09 was "withdrawn." However, this status was not reported to NSLDS until 2/19/10—at least 160 days late.

Student #5 NSLDS records indicate that the student's status as of 8/08/09 was "graduated." However, this status was not reported to NSLDS until 2/19/10—at least 165 days late.

Student #6 NSLDS records indicate that the student's status as of 12/19/09 was "withdrawn." However, this status was not reported to NSLDS until 5/21/10—at least 123 days late.

Student #7 NSLDS records indicate that the student's status as of 8/08/09 was "graduated." However, this status was not reported to NSLDS until 2/19/10—at least 165 days late.

Student #12 NSLDS records indicate that the student's status as of 5/23/09 was "graduated." However, this status was not reported to NSLDS until 11/24/09—at least 155 days late.

Student #15 NSLDS records indicate that the student's status as of 12/15/08 was "withdrawn." However, this status was not reported to NSLDS until 6/19/09—at least 156 days late.

Student #24 NSLDS records indicate that the student's status as of 12/19/09 was "graduated." However, this status was not reported to NSLDS until 5/21/10—at least 123 days late.

Student #27 NSLDS records indicate that the student's status as of 12/20/09 was "Less than half." However, this status was not reported to NSLDS until 5/21/10—at least 122 days late.

Required Action: MMC must review the enrollment status of all students who were enrolled at the institution in the 2008/09, 2009/10, and 2010/11 award years and either verify that the listed enrollment status is current, or update the enrollment status to bring it current. MMC is also required to review its procedures for reporting enrollment status changes to NSLDS and, as necessary, revise them. A discussion of the results of MMC's review of its 2008/09, 2009/10, and 2010/11 enrollment status reporting and its NSLDS reporting procedures should accompany its response to this report.

Finding 11. Unreported Change to Institutional Information

Citation: Federal regulations stated that an eligible institution must report to the Secretary, in a manner prescribed by the Secretary, certain changes to information relating to the institution within 10 days of the change. An institution's failure to inform the Secretary of a change described in paragraph (a) of this section within the time period stated in that paragraph may result in adverse action against the institution. 34 C.F.R. § 668.600.21

All schools are required to report to the Department adding an additional accredited and licensed location where they will be offering 50 percent or more of an eligible program if the school wants to disburse Title IV funds to students enrolled at that location. Schools must not disburse FSA program funds to students at a new location before the school has reported that location and submitted any required supporting documents to the Department. Once it has reported a new licensed and accredited location, unless it is a school that is required to apply for approval for a new location, a school may disburse FSA program funds to students enrolled at that location. If a school meets one or more of the following criteria, it must apply for and wait for approval before disbursing FSA funds at an additional location where it will be offering 50% or more of an eligible program:

- (1) The school is provisionally certified;
- (2) The school is on the cash monitoring or reimbursement system of payment;

- (3) The school has acquired the assets of another school that provided educational programs at that location during the preceding year, and the other school participated in the FSA programs during that year;
- (4) The school would be subject to a loss of eligibility under the cohort default rate regulations if it adds that location; or
- (5) The school was previously notified by the Department that it must apply for approval of an additional location. *2009/10 Federal Student Aid Handbook*, Volume 2, Chapter 5

Noncompliance: In one instance, MMC failed to notify the Department of changes to institutional information within the time period required for such notifications.

Since September 2009, MMC has offered two degree programs in Management at Hawkeye Community College, Waterloo, IA. Students who enrolled in either of the Management programs are considered to be MMC students, and the students can complete 100 percent of the program at the HCC location. However, MMC has failed to report the additional location to the Department, as required by Federal regulations.

Required Action: MMC must submit the new additional location at Hawkeye Community College to the Department. The changes must be submitted using the Department's electronic application located on the [Application for Approval to Participate in the Federal Student Financial Aid Programs](#) website at www.eligcert.ed.gov. An acknowledgement that the change has been submitted should accompany MMC's response to this report. Copies of the pertinent state and accrediting agency approvals for the new additional location should also accompany MMC's response.

Additionally, MMC must review the files of all MMC students who received Title IV funds while enrolled in and attending either of the MMC degree programs offered at the Hawkeye Community College additional location in the 2009/10 or 2010/11 award years. MMC must construct a spreadsheet that contains, for each Title IV recipient at the Hawkeye location, the following information:

- (3) Student's name;
- (4) Last four digits of student's SSN number;
- (5) Student's date of enrollment at the Hawkeye location;
- (6) Name of MMC academic program;
- (7) Student's date of withdrawal from the Hawkeye location, if applicable;
- (8) The amount of Title IV funds disbursed to the student (organized first by Title IV program, then date of disbursement, then amount);
- (9) The date that a Return of Title IV Funds was calculated, if applicable;
- (10) The amount of Title IV funds returned, if applicable (organized by Title IV program, then by date of return).

The spreadsheet discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Student	SSN	Enrollment Date	Academic Program	Withdrawal date	Date of Title IV Disbursement	Title IV Program	Amount	Date of Return calculation if applicable	Amount of return if applicable	Date Title IV funds were returned
2007/08	***	***	6/20/08	Management	6/24/08	9/24/09	DL Unsub	\$3,000	12/15/09	\$2,000	12/20/09
						9/24/09	DL Sub	\$1,775	" "	\$0	n/a
						12/1/09	Pell	\$2,025	" "	\$0	n/a

MMC must also compile and submit the following documentation for each Title IV recipient at the Hawkeye location:

- (1) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who attended the Hawkeye location, if applicable;
- (2) A copy of all pertinent student account cards for students at the new Hawkeye location. The account card should reflect all disbursements included in the spreadsheet as well as any Returns of Title IV Funds, if applicable;
- (3) 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 any Returns of the Title IV funds to the Title IV accounts for students at the Hawkeye location. 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;

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Also, MMC must provide assurances that in the future it will notify the Department in a timely manner of all changes to eligibility-related information, as described in Federal regulations and the annual *Federal Student Aid Handbook*.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 12. Incomplete Campus Security Report

Citation: By October 1 of each year, the institution must publish and distribute its annual campus security report. It must be distributed to all enrolled students and current employees directly by publications and mailings that include: (1) a statement of the report's availability; (2) a list and brief description of the information contained in the

report; (3) the exact electronic address (URL) of the Internet or Intranet Web site at which the report is posted, and (4) a statement saying the school will provide a paper copy upon request. If an institution chooses to fulfill the distribution requirement by posting the crime report on an Internet or Intranet Web site, an individual notice of such posting must be distributed to each student and current employee. Upon request, an institution must provide its annual campus security report to a prospective student or prospective employee.

In general, Federal regulations require that an annual security report contain:

- (1) Crime statistics, as defined in Federal regulations;
- (2) A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus;
- (3) A statement of current policies concerning security of and access to campus facilities; including campus residences, and security considerations used in the maintenance of campus facilities.
- (4) A statement of current policies concerning campus law enforcement that addresses the enforcement authority of security personnel, encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies, and describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.
- (5) A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.
- (6) A description of programs designed to inform students and employees about the prevention of crimes.
- (7) A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities.
- (8) A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws.
- (9) A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws.
- (10) A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HEA. For the purpose of meeting this requirement, an institution may cross-reference the materials the institution uses to comply with section 120(a) through (d) of the HEA.
- (11) A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.

When compiling the campus security report an institution must, among other requirements, report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of specific types of crimes that are reported to local police agencies or to a campus security authority. An institution must record a crime statistic in its annual security report for the calendar year in which the crime was reported to a campus security authority. The institution must also, among other factors, provide a geographic breakdown of the crime statistics according to the following categories: (1) On campus; (2) in or on a non-campus building or property; (3) on public property. Further, the required statistics may not include the identification of the victim or the person accused of committing the crime. 34 C.F.R. § 668.46

Noncompliance: In four respects, MMC's policies and procedures for the creation and distribution of its annual campus security report do not meet Federal regulations.

First, MMC does not have adequate procedures for distributing new annual campus security reports to returning students. The distribution of the latest annual campus security report is limited to new students, who received the new reports in MMC's student orientation materials.

Second, MMC does not have procedures for distributing new annual campus security reports to new employees.

Third, MMC's campus security report does not include the following element:

- (1) Procedure for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:
 - (a) The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
 - (b) Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense.

Required Action: MMC must publish and disseminate either a 2010 campus security report, or an amendment to that report, that includes the above-mentioned information. A copy of this campus security report, as well as institutional assurances that it has been disseminated to all students and employees and made available to all prospective students and employees, must be included with MMC's response.

Finding 13. Late COD Reporting

Citation: Federal regulations require a school that participates under school origination option 2 to submit the promissory note, loan origination record, and initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial

disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made. 34 C.F.R. § 685.301(e)

Noncompliance: In one instance, MMC failed to report a student's second disbursement to the Department's COD system in a timely manner:

Student #16 The account card indicates that the student received a \$2,737 second disbursement of a Subsidized Direct Stafford Loan 1/25/10, and a \$995 second disbursement of a Unsubsidized Direct Stafford Loan on 1/26/10. However, the Department's COD system shows the date processed for these two loans as 6/1/10.

Required Action: MMC must review the financial aid file of student #16 and determine the cause of the late COD reporting. A discussion of MMC's determination, as well as the development and implementation of policies that will ensure COD is updated in a timely manner in the future, should accompany MMC's response to this report.

Finding 14. Incomplete Verification

Citation: The purpose of verification is to ensure accuracy in determining the student's eligibility. An institution is responsible for resolving conflicting information related to a student's application for federal student aid. There are five required data elements that must be verified: (1) household size, (2) number enrolled in college, (3) adjusted gross income, (4) U.S. income tax paid, and (5) other untaxed income and benefits. Supporting documentation collected from the student/parents is compared to the information that was reported on the student's Institutional Student Information Record (ISIR). Verification documentation collected must be retained in the student's file as evidence that the process was completed. 34 C.F.R. §§ 668.16(f), 668.56; *2009/10 Application and Verification Guide*

Noncompliance: In one instance, MMC failed to verify all of the required data elements in the verification process.

Student #22 The student's 2009/10 ISIR was selected for verification. The 02 ISIR transaction dated 04/20/09 shows the student's taxes paid as zero. However, the student's 2008 tax return shows the amount of taxes paid as \$833. Also, the 02 ISIR shows the parents AGI as \$66,303, and taxes paid of \$5,254. However, the 2008 tax return shows their AGI as \$66,594, and taxes paid as \$5,970.

Required Action: In the case of student #22, MMC is required to resolve the discrepant information and recalculate the student's EFC, as necessary. MMC must submit copies of all pertinent documentation resolving the identified issues with its response to this report.

The FPRD letter will provide MMC with repayment instructions for any identified liabilities. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 15. Overaward of Direct Loan Funds

Citation: Federal regulations state that to qualify for a subsidized loan, a student must have financial need. A borrower unable to qualify based on need for a subsidized loan may apply for an unsubsidized loan, which is not based on need. Also, a student able to qualify for only a part of the subsidized loan limit may apply for an unsubsidized loan to cover the Expected Family Contribution (EFC) and any unmet financial need (up to the annual loan limit). 34 C.F.R. § 685.200

Noncompliance: In three instances, MMC awarded Title IV aid in excess of a student's need.

Student 7 The student's cost of attendance totaled \$23,110, with an EFC of \$21,132 for the 2008/09 award year. The student received a subsidized loan in the amount of \$5,500, creating an overaward of \$3,522.

Student 12 The student's cost of attendance totaled \$34,923, with an EFC of \$21,253 for the 2008/09 award year. The student received institutional aid totaling \$9,000, FWS totaling \$992, and a subsidized loan in the amount of \$5,500, creating an overaward of \$1,822.

Student 26 The student's cost of attendance totaled \$33,526, with an EFC of \$12,084 for the 2008/09 award year. The student received institutional aid totaling \$11,600, outside aid totaling \$4,963, and a subsidized loan in the amount of \$5,500, creating an overaward of \$621.

Required Action: MMC must reduce the subsidized loans for the students listed above and reclassify these overawards as unsubsidized loans. Additionally, MMC must review and, as necessary, revise its internal awarding policies and procedures to ensure that in the future the financial aid office will review all funding sources before disbursing Title IV funds. A copy of these policies and procedures must accompany MMC's response. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

Finding 16. Enrollment Status Not Verified Before Disbursement

Citation: Before disbursing Title IV, HEA program funds to students, an institution must confirm that a student remains eligible to receive them. If the disbursement occurs on or after the first day of classes, the institution must determine that the student has begun attendance. An institution must have a method by which to determine that a student began attendance in the educational coursework for which he or she is paid Title IV funds.

A student is eligible to receive a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a combination of these loans if the student is enrolled, or accepted for enrollment, on at least a half-time basis in a school that participates in the Direct Loan Program. 34 C.F.R. § 685.200

Noncompliance: In one instance, MMC did not properly verify a student's enrollment status.

Student #27 During the Spring 2010 semester, the student's enrollment status was less than half-time. However, the student received second disbursements of \$2,750 Direct Subsidized Stafford Loan funds, and \$1,000 in Direct Unsubsidized Stafford Loan funds.

Required Action: MMC must provide an explanation for the above ineligible disbursements, including documentation showing evidence that the funds have been returned to the Direct Loan Program. MMC must also devise and implement policies and procedures to ensure that students are enrolled at the institution on at least half-time basis before disbursing Direct Loan funds.

The FPRD letter will provide MMC with repayment instructions for any identified liabilities. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 17. Early Disbursement of Title IV Funds

Citation: Federal regulations stipulate that 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 Department;

- (2) Funds received from a lender under the FFEL Programs; or
- (3) Institutional funds used in advance of receiving Title IV, HEA program funds.

An institution must disburse Title IV, HEA program funds on a payment period basis. 34 C.F.R. §§ 668.164(a) & (b)

If a student is enrolled in a credit hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, HEA program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. 34 C.F.R. § 668.164(f)(1).

Noncompliance: In one case, MMC disbursed Title IV funds earlier than Federal regulations allow.

Student #10 According to institutional catalogues, MMC's summer 2009 semester started on 5/28/09. Consequently, the earliest date that Title IV funds could have been disbursed for a student attending the summer 2009 semester was 5/18/09. However, according to the Department's COD system \$2,750 in Direct Subsidized Stafford Loan funds and \$1,580 in Direct Unsubsidized Stafford Loan funds for the summer 2009 semester were disbursed to this student on 4/21/09. A further \$2,750 in Direct Subsidized Stafford Loan funds and \$1,580 in Direct Unsubsidized Stafford Loan funds for the summer 2009 semester were disbursed on 5/1/09. The student's account card was not credited with the full amount of the disbursements until 7/7/09.

Required Action: MMC must review the financial aid file and account card of student #10 and determine the reason why the student received early disbursements of Direct Subsidized and Unsubsidized Stafford Loan funds. A discussion of MMC's determination must be included in the institution's response to this report.

Additionally, MMC must devise and implement procedures that will ensure that Title IV funds are not disbursed to students earlier than Federal regulations allow. A copy of these procedures must also accompany MMC's response to this report.

Finding 18. Missing Entrance/Exit Counseling

Citation: Federal regulations require a school to ensure that initial counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means prior to its release of the first disbursement, unless the student borrower has received a prior Federal Stafford, Federal SLS, or Direct subsidized or unsubsidized loan. A school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions regarding those programs. As an alternative, in the case of a student borrower enrolled in a correspondence program or a student borrower enrolled in a study-abroad program that the home institution approves for credit, the counseling may

be provided through written materials, prior to releasing those loan proceeds. A school must maintain documentation substantiating the school's compliance with requirement for each student borrower. 34 C.F.R. § 685.304(a)

Federal regulations also require a school to ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program. If a student borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required. 34 C.F.R. § 685.304(b)

Noncompliance: In two instances, MMC failed to maintain documentation in the student's file indicating that the student completed Direct Loan entrance and exit counseling.

Student #3 The student's records indicated that the student graduated on 12/19/09. However, the student's financial aid file contained no documentation reflecting that the student had undergone Direct Loan exit counseling.

Student #6 The student's financial aid file and account card indicate that the student was awarded and disbursed \$7,500 in Direct Unsubsidized Loans and a \$3,700 Direct Plus Loan in the 2008/09 award year. However, the student's financial aid file contained no documentation reflecting that the student had undergone Direct Loan entrance counseling.

Required Action: In response to this report, MMC must provide student #3 with exit counseling materials, and student #6 with entrance counseling materials, in a manner consistent with the Department's requirements. A discussion of MMC's resolution of this finding, with supporting documentation, should be included in its response.

Additionally, MMC must provide the Department with assurances that MMC will perform all required entrance and exit counseling to student borrowers in the future.

Finding 19. Ineligible Pell Disbursements

Citation: Federal regulations state that the calculation of a Federal Pell Grant is based on the student's enrollment status from the payment schedule: full-time, three-quarter time, half-time or less-than-half time. Additionally, an institution must determine that the student (1) qualifies as an eligible student under the Federal regulations governing student eligibility, and (2) is enrolled in an eligible program as an undergraduate student. 34 C.F.R. § 690.63 & 690.75

Noncompliance: In one instance, MMC disbursed Pell Grant funds to a student who was not eligible.

Student #24 The student graduated in December 2009. However, the Department's COD system indicated that the institution disbursed \$625 in Pell Grant funds to the student's account on 2/2/10. The financial aid file did not indicate the cause or nature of the disbursement.

Required Action: In the case of student #24, MMC corrected this ineligible disbursement by returning the \$625 in Pell Grant funds to the Title IV programs on 6/7/10. However, MMC must review and, as necessary, revise its policies and procedures to ensure that Title IV funds are not disbursed to ineligible students. A discussion of these policies and procedures must be included in MMC's response to this report.

Finding 20. Failure to Meet FWS Community Service Requirements

Citation: Federal regulations state that an institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one—

- (1) Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
- (2) Family literacy project that employs one or more FWS students in family literacy activities.

The Secretary may waive the FWS community service requirements if the Secretary determines that an institution has demonstrated that enforcing the requirements would cause a hardship for students at the institution.

To the extent practicable, in providing reading tutors for children, an institution must—

- (1) give priority to the employment of students to tutor in reading in schools that are participating in a reading reform project that is designed to train teachers how to teach reading on the basis of scientifically-based research on reading, and is funded under the Elementary and Secondary Education Act of 1965; and
- (2) Ensure that any student who is employed in a school participating in a reading reform project receives training from the employing school in the instructional practices used by the school.

In meeting the seven percent community service expenditure requirement, students may be employed to perform civic education and participation activities in projects that—

- (1) Teach civics in schools;
- (2) Raise awareness of government functions or resources; or
- (3) Increase civic participation.

To the extent practicable, in providing civic education and participation activities, an institution must—

- (1) Give priority to the employment of students in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and
- (2) Ensure that the students receive appropriate training to carry out the educational services required. 34 C.F.R. § 675.18(g)

Noncompliance: Although MMC reported in its annual Fiscal Operations Report and Application to Participate (FISAP) submission that it had met the Department's FWS community service requirements in the 2008/09 award year, a review of the institution's FWS community service positions indicates that the institution did not.

On the 2008/09 Fiscal Operation Report (FISCOP) portion of the FISAP, MMC reported that it had expended 10.4 percent of its total FWS obligations on community service positions. However, during the program review it was noted the community service positions reported on the FISAP included a significant number of "general library" positions that did not meet the Department's definition of community service employment. With the "general library" positions removed, MMC determined that it had not met the community service requirement for the 2008/09 award year.

MMC's financial aid officer, during an interview on 5/10/10, also indicated that the institution did not meet the FWS community service requirement in either the 2007/08 or the 2009/10 award year, for the same reason. There was no indication that MMC has been granted a waiver of the FWS community service requirement by the Department in any of the award years under discussion.

Required Action: MMC must review and, as necessary, revise its calculations of FWS community service employment for the 2007/08, 2008/09, and 2009/10 award years to ensure that its determination of the FWS community service percentage is correctly reported. For each award year, MMC must provide the following information:

- (1) Total amount of FWS expenditures for the award year, including Federal and institutional share;
- (2) Total amount of FWS community service expenditures for the award year, including Federal and institutional share;
- (3) Total number of FWS community service positions for the award year, including names and Social Security numbers of each FWS recipient, a copy of the FWS job description for each community service position, and the period of each student's employment in the position;
- (4) Total number of FWS community service positions in each award year that involved working as a reading tutor for preschool or elementary students; and
- (5) Total number of FWS community service positions in each award year that involved working in a family literacy program, including the name of each student who held such a position.

In cases where the amounts provided in MMC's response differ from numbers provided in its annual FISAP submission, the institution should provide an explanation for the discrepancy.

Also, MMC must strengthen its job development procedures so that it will meet the seven percent FWS community service requirement in future award years. A copy of these strengthened procedures should accompany MMC's response to this report.

Finding 21. Failure to Develop FWS Job Descriptions

Citation: Federal regulations state that a student's work must be governed by employment conditions, including pay, that are appropriate and reasonable in terms of type of work, geographical region, employee proficiency, and any applicable Federal, State or local law. In addition, FWS employment may not impair existing service contracts, displace employees or fill jobs that are vacant because employer's regular employees are on strike, or involve the construction, operation, or maintenance of any part of a facility used or to be used for religious worship or sectarian instruction. 34 C.F.R. § 675.20(c).

Every FWS position should have a job description that includes the following:

- (1) The name and address of the student's employer (department, public agency, nonprofit organization);
- (2) The purpose of the student's job;
- (3) The student's duties and responsibilities;
- (4) The job qualifications;
- (5) The job's wage rate or range;
- (6) The length of the student's employment (beginning and ending dates); and

(7) The name of the student's supervisor.

The job description has several purposes:

- (1) It clearly defines whether the job qualifies under the FWS Program;
- (2) It provides the information needed to explain the position to a student and to help him or her select the type of employment most closely related to his or her educational or career objectives;
- (3) It helps the financial aid administrator, the student, and the supervisor determine the number of hours of work required at the specified wage rate to meet a student's financial need;
- (4) It establishes a written record, for both student and employer, of the job's duties and responsibilities so that there will be no misunderstanding.

If a student is employed with an agency or organization that provides community services, the school should, as with any other FWS position, have a job description that includes the duties and the responsibilities. Schools should use the job description to verify that the job meets the definition of community services in the FWS regulations. In addition, for students performing reading tutoring or family literacy activities, the job description should support those jobs. *2008/09 Federal Student Financial Aid Handbook*, Volume 6, Chapter 2.

Noncompliance: MMC failed to provide job descriptions for its on and off-campus FWS positions.

As noted by the institution's financial aid officer during an interview with program reviewers on 5/20/10, the institution has not developed and maintained job descriptions for its on and off-campus FWS positions. Rather, MMC maintains a data base that it uses to assign jobs to students who have expressed a general interest in FWS employment. The database is not shown to students, nor does it contain many of the job description elements that are required by Federal regulations.

Required Action: MMC must create current job descriptions for each on and off-campus FWS position. The descriptions must include all the required elements, as defined above. With its response to this finding, MMC must submit copies of each job description, as well as policies and procedures that will ensure that FWS job descriptions are maintained.

Finding 22. Incomplete FSEOG Awarding Procedures

Citation: An institution's selection procedures may specify categories of students to ensure that the students in each category have an opportunity to be awarded FSEOG funds. Categories may be based on class standing, enrollment status, program, date of application, or a combination of factors. The institution may choose to assign a

percentage or dollar amount of FSEOG funds to each category; there is no requirement to make the percentage or dollar amount proportional to the need of students in a particular category or even to the number of students in the category.

However, categorization may not be used to exclude certain students or groups of students from consideration. If an institution knows that its funds are so limited as to effectively exclude year after year categories that come later in the sequence, the institution may not be in compliance with the "reasonably available" provision.

An institution's written selection procedures must ensure that FSEOG recipients are selected on the basis of the lowest EFC and Pell Grant priority requirements over the entire award year. If the institution enrolls students as often as monthly or weekly, FSEOG funds can be reserved for use throughout that award year (on the basis of the institution's experiences from previous periods), and selection practices can be applied in a manner that would assure a reasonable consistency over the entire award year.

When an institution uses categories to package FSEOG, within each category the institution must first award the assigned FSEOG funds to students with the lowest EFCs who will also receive a Pell Grant. If FSEOG funds assigned for that category still remain, the institution must next award FSEOG funds to students in the category with the lowest EFCs who will not receive a Pell Grant. *2009/10 Federal Student Aid Handbook, Volume 3, Chapter 7*

Noncompliance: In one respect, MMC has not developed the necessary FSEOG awarding procedures.

Although MMC maintains standardized FSEOG awarding procedures, the procedures do not ensure that a portion of FSEOG funding is set aside for the purpose of awarding students who enroll later in an award year. Consequently, the Department's requirement of creating a "reasonable consistency" to the awarding and disbursing of FSEOG funds throughout an institution's award year, for institutions that enroll students through the year, is not met.

For example, MMC's awarding practices resulted in students who submitted a 2009/10 Free Application for Federal Student Aid (FAFSA) prior to 3/1/09, and who displayed the lowest EFC's and Pell Grant priority, being awarded the bulk of the institution's FSEOG funding, while students who submitted FAFSA's after 3/1/09, and who displayed equally low EFC's and Pell Grant priority, received substantially smaller awards, or no awards at all.

It is noted that the improper awarding of FSEOG on what may be termed a "first-come, first-serve" basis was also a finding in MMC's OMB A-133 audits for the fiscal years ending 6/30/09 and 2008.

Required Action: The institution must review and revise its FSEOG awarding policies and procedures to ensure that FSEOG recipients are selected on the basis of the lowest EFC and Pell Grant priority requirements over the entire award year, in order to create a "reasonable consistency" in its selection procedures. A copy of the revised FSEOG awarding procedures must accompany MMC's response to this report.

**Appendix A:
Student Sample**

2008/09

	Student's Name	Student's SSN (last four digits only)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		

2009/10

16.		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24.		
25.		
26.		
27.		
28.		
29.		
30.		

Return of Title IV Funds Student Sample

2008/09

- 31.
- 32.
- 33.
- 34.
- 35.
- 36.
- 37.
- 38.
- 39.



(b)(6); (b)(7)(C)

2009/10

- 40.
- 32.
- 41.
- 42.
- 43.
- 44.
- 45.
- 46.
- 47.
- 48.
- 49.



(b)(6); (b)(7)(C)

Withdrawal Student Sample

2008/09

- 51.
- 52.
- 53.
- 54.
- 55.
- 56.



(b)(6); (b)(7)(C)

2009/10

- 57. (b)(6); (b)(7)(C)
- 58. [Redacted]
- 59. [Redacted]
- 60. [Redacted]
- 61. [Redacted]
- 62. [Redacted]

Additional Students Referenced

2009/10

- 63. [Redacted]

Final Program Review Determination
PRCN #:

Appendix L.

MMC's Response to
the Program Review Report

Copy # 3

MOUNT MERCY UNIVERSITY

November 9, 2010

Mr. Roy Chaney
US Department of Education
Federal Student Aid
8930 Ward Parkway, Suite 2028
Kansas City, Missouri 64114-3302

Office of the President
1330 Elmhurst Drive NE
Cedar Rapids, Iowa 52402-4797
Office 319-368-6464
Fax 319-363-5270
www.mtmercy.edu

Re: Program Review Report
OPE ID: 001880
PRCN: 201030727336

Dear Mr. Chaney:

On September 13, 2010, we received a letter from Dvak Corwin, Team Leader, regarding the findings of the review you conducted from May 10, 2010 through May 13, 2010. Enclosed you will find a report of our responses.

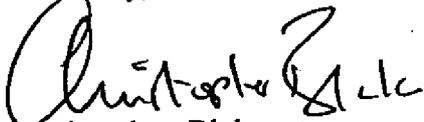
Findings of noncompliance are referenced in bold font followed by our response. We have included a brief, written narrative for each finding, which states our position regarding the finding and any corrective action taken to resolve the finding. We have included a CD-ROM that contains information you have requested from us along with attachments we reference in our response report.

In a second letter sent to us on September 13, 2010 from Ralph LoBosco, Area Director, the Department requested a Letter of Credit for \$12,145. We have submitted the letter of credit and are enclosing a copy of the letter with our response report.

We appreciate the time you spent with us in May during your review. We are confident that as a result of this review, we have improved our processes and procedures and are awarding Title IV Federal Financial Aid to students in accordance with Federal Regulations. We are submitting this report in the conviction that we have addressed all issues identified in your visit and in the findings of your review.

If you have any questions regarding our response report or any of the attachments, please contact our Director of Financial Aid, Bethany Rinderknecht, at 319-368-6467.

Sincerely,


Christopher Blake
President

cc: Vice President Barbara Pooley
Director of Financial Aid Bethany Rinderknecht

Contents

Fiscal Administration	2
Finding 1: Late Returns of Title IV Funds.....	2
Finding 2: Failure to Perform Return of Title IV Funds Calculations	3
Finding 3: Improper Return of Title IV Funds Calculation	4
Finding 4: Improper Return of Title IV Funds Policy.....	4
Finding 5: Improper Holding of Title IV Credit Balances	5
Finding 6: Improper Authorization to Hold Title IV Credit Balances	7
Finding 7: Incomplete Audit Trail	7
Finding 8: Untimely Reconciliation of Title IV Funds.....	8
Administrative Capability	9
Finding 9: Incomplete Withdrawal Notification Procedures.....	9
Finding 10: Late NSLDS Reporting	10
Institutional Eligibility.....	12
Finding 11: Unreported Change to Institutional Information	12
Finding 12: Incomplete Campus Security Report	12
Finding 13: Late COD Reporting	13
Student Eligibility.....	14
Finding 14: Incomplete Verification	14
Federal Direct Loan Program.....	14
Finding 15: Overaward of Direct Loan Funds	14
Finding 16: Enrollment Status Not Verified Before Disbursement	15
Finding 17: Early Disbursement of Title IV Funds.....	16
Finding 18: Missing Entrance/Exit Counseling	17
Federal Pell Grant Program	17
Finding 19: Ineligible Pell Disbursements.....	17
Federal Work Study	18
Finding 20: Failure to Meet FWS Community Service Requirements	18
Finding 21: Failure to Develop FWS Job Descriptions	19
FSEOG Program	19

Excerpts from the Department of Education Program Review Report are in bold font. Mount Mercy University's responses are in normal font and excerpts from our college catalog and the federal regulations are in Italics.

Fiscal Administration

Finding 1: Late Returns of Title IV Funds

Noncompliance: In two of the 20 2008/09 and 2009/10 Return of Title IV Funds calculations reviewed, MMC failed to make the necessary Returns within the required time frames.

Student #47: The financial aid file indicates that the student withdrew on 10/21/09, and MMC's date of determination that the student withdrew was also 10/21/09. MMC performed a Return of Title IV Funds calculation on 11/5/09 that identified a Return of \$995 in Unsubsidized Direct Stafford Loan funds and \$622 in Subsidized Direct Stafford Loan funds. The student's account card and institutional financial records indicate that the return of \$619 in Subsidized Direct Stafford Loan funds was made on 11/16/09. However, the institutional records reflect that the return of \$991 in Unsubsidized Direct Stafford Loan funds was not made until 4/27/10, while the Department's Common Origination and Disbursement (COD) system indicates that the return was not made until 4/28/10 – 144 days late. As of 5/13/10 – the last day of the program review – the remaining \$3 of Subsidized Direct Stafford Loan funds and \$4 in Unsubsidized Direct Stafford Loan funds had not been returned.

Student #39: The financial aid file indicates that MMC determined that the student withdrew on 10/14/08. MMC performed a Return of Title IV Funds calculation on 1/8/09 – 41 days late – that identified a Return of \$1,185 in Unsubsidized Direct Stafford Loan funds. The student's account card indicates that the Return was made on 1/26/09. However, the Department's COD system indicates that the original disbursement of \$1,383 reported on the Return of Title IV Funds calculation and the student's account card was not, in fact, reported to COD at the time of the alleged disbursement. Rather the institution appears to have offset a Post-Withdrawal Disbursement (PWD) drawdown of the Unsubsidized Direct Stafford Loan funds on 1/12/09 by the amount of the Return due.

Response to the Finding: In reviewing our records for student #47, we agree that we did not refund the correct amount of funds within the proper timeframe. The remaining \$3 of Subsidized Direct Stafford Loan funds and \$4 in Unsubsidized Direct Stafford Loan funds have not been returned yet. We have determined the funds were incorrectly returned due to the Business Office rounding the loans when they are adjusting the loan amounts to be returned and posting them on the student's account. We have implemented a process for ensuring the correct dollar amounts are refunded in the future.

In regards to student #39, we agree that we did not disburse the loan to COD until 1/12/09. In reviewing our Financial Aid software system, PowerFAIDS, we determined that when we attempted to disburse the

loan on 11/3/08 it rejected and did not send. We did not catch this error until we were balancing our Direct Loan accounts in January 2009. However, technically we were not 41 days late in calculating the Return of Title IV funds. The student completed the semester, but failed all of their courses. If a student fails all of their courses, we withdraw the student at the 50% point of the semester.

According to the 2008/09 Federal Student Aid Handbook, Volume 5, Chapter 2, pages 5-71 and 5-72:

If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

A student who did not officially withdraw and did not receive either a passing grade or an "F" in at least one course must be considered to have unofficially withdrawn. As noted above, when a student unofficially withdraws from an institution that is not required to take attendance, the institution may use either the student's last date of attendance at an academically related activity or the midpoint of the period as the student's withdrawal date.

Since Mount Mercy is an institution that is not required to take attendance, and we could not verify this student's last date of attendance, we calculated the Return of Title IV Funds at the midpoint of the Fall 2008 Semester. This was clearly stated on her withdrawal paperwork, which will be included as part of Attachment 2.

Mount Mercy has implemented new policies and procedures for completing Return to Title IV Funds calculations. It is our current policy that each file is reviewed by a second staff member to ensure accuracy. A copy of our revised policies and procedures are included as Attachment 1 to this report. In addition, Attachments 2 through 4 include copies of return calculation worksheets, student account cards, COD screens with pertinent detail information, copies of official withdrawal forms and any other pertinent documentation for all withdrawals during 2008/09, 2009/10 and 2010/11. These attachments are organized by award year. Attachment 5 is a spreadsheet that includes all Title IV recipients who officially or unofficially withdrew for which a refund calculation was required.

Finding 2: Failure to Perform Return of Title IV Funds Calculations

Noncompliance: For one of 20 2008/09 and 2009/10 Title IV recipients who withdrew from MMC, the institution failed to perform a Return of Title IV calculation.

Student #42: The financial aid file and academic transcript indicate that the student attended the institution's winter 2010 term and withdrew on 2/7/10 – a point after the listed "add/drop" period. Although the student received \$1,789 in Subsidized Direct Stafford Loan funds on 1/25/10, MMC failed to perform a Return of Title IV Funds calculation for this student.

It is noted that the full amount of the \$1,789 in Subsidized Direct Stafford Loan funds was returned to the Department of 4/27/10, according to MMC's account card for this student. However, the Department's COD system reflects that as of 7/14/10, the full amount of the \$1,789 disbursement of Subsidized Direct Stafford Loan funds, as well as a further \$568 in Subsidized Direct Stafford Loan funds, are still reported as having been disbursed to the student on 2/1/10.

Response to the Finding: According to COD this student received two Fall Disbursements on a Subsidized Stafford Loan, one for \$1,798 and one for \$1,797. In addition we processed two separate Unsubsidized Loans for the student, one for \$1,030 and one for \$570, both of which were Fall Disbursements according to COD.

In researching Student #42 we determined the Subsidized Stafford Loan was originally set up for a Fall disbursement of \$1,798 and a Spring disbursement of \$1,797. In April when we determined the student was not attending Spring courses, the Subsidized Stafford Loan of \$1,797 was changed to a Fall only loan and the Spring disbursement was changed to a Fall disbursement.

We do not agree with this finding. We have determined this student did not attend any spring courses and withdrew after they completed their winter term course, so the student was an end of semester withdrawal. A withdrawal calculation was not necessary. We are including print screens from COD as Attachment number 6 to this report.

Finding 3: Improper Return of Title IV Funds Calculation

Noncompliance: In one instance, MMC has improperly performed a Return of Title IV Funds calculation.

Student #31: The institution determined that the student withdrew on 4/14/09 and performed a Return of Title IV Funds calculation on that same date. In calculating the Return, MMC reported that \$2,365 in Pell Grant funds and \$4,500 in Subsidized Direct Stafford Loan funds were disbursed to the student during the payment period, and that an additional \$2,365 in Pell Grant funds and \$4,500 in Subsidized Direct Loan funds could have been disbursed. Based on this disbursement history, MMC concluded that the student was eligible to receive a PWD of \$6,865. However, the only Title IV disbursements the student was eligible to receive during the payment period were the funds that were disbursed. Consequently, the calculation of a \$6,865 PWD disbursement was incorrect.

It is noted that because there were no outstanding institutional charges, MMC did not apply PWD funds to the student #31's account. However, it is unclear whether MMC paid the PWD directly to the student.

Response to the Finding: In reviewing Student #31's file, we have determined a PWD disbursement was not made directly to the student. The withdrawal form was completed incorrectly. The same dollar amounts were entered into the "amount disbursed" and "amount that could have been disbursed" columns.

The Director of Financial Aid will work with the Financial Aid Staff members to ensure they understand how to complete R2T4 on the web and what a PWD is.

Finding 4: Improper Return of Title IV Funds Policy

Noncompliance: In one respect, MMC has failed to perform Return of Title IV Funds calculations for Title IV recipients who have withdrawn.

The published policy states: "If a student withdraws from the college within the add/drop period, a (Return of Title IV Funds) withdrawal calculation is not needed. In this situation, all of their aid would be returned because they will be treated as a 'cancel'. They will not be charged for any courses and will not receive a grade."

Response to the Finding: In order to be in compliance, Mount Mercy has reviewed and revised our Return of Title IV Funds policies and procedures to ensure that we perform a withdrawal calculation for Title IV recipients who withdraw after attending class in a payment period. A copy of our revised policies and procedures are included as attachment 1 to this report.

In addition, we have reviewed the records of all Title IV recipients who officially or unofficially withdrew during 2008/09, 2009/10 and 2010/11 to determine students who withdrew during the add/drop period. We identified nine students and have included them on the spreadsheet in Attachment 5.

Finding 5: Improper Holding of Title IV Credit Balances

Noncompliance: In three respects, MMC has improperly held Title IV credit balances on behalf of students.

First, MMC does not maintain Title IV credit balances in a subsidiary ledger of its general ledger, nor does the institution have procedures in place to verify that it maintains, at all times, cash in its bank account at least equal to the amount of Title IV credit balances that it holds for students.

Second, although MMC maintains an un-negotiated check fund, it has no procedures in place for identifying which un-negotiated checks represent Title IV credit balances, or for returning the un-negotiated Title IV credit balance checks to the Department.

For example, the account card of student #1 indicates that for the Spring 2009 term the student received \$2,737 in Subsidized Direct Stafford Loan funds and \$3,483 in Unsubsidized Direct Stafford Loan funds. Because the amount of Title IV funds applied to the account exceeded the amount of allowable current charges, a Title IV credit balance of \$3,850 was created on 1/26/09 – the date of the Unsubsidized Direct Stafford Loan disbursements. The Title IV credit balance was not paid until 2/17/09 – eight days late. The student's financial aid file did not include an authorization to hold Title IV credit balances.

Likewise, the account card of student #2 indicates that for the Spring 2009 term the student received \$2,737 in Subsidized Direct Stafford Loans funds, \$3,483 in Unsubsidized Direct Stafford Loans funds, and \$1,000 in Perkins Loan funds. Because the amount of Title IV funds applied to the account exceeded the amount of allowable current charges, a Title IV credit balance of \$2,950 was created on 1/28/09 – the date of a tuition adjustment entry for the Spring 2009 term. The Title IV credit balance was reduced to \$1,120 on 2/4/10 – the date of a tuition adjustment entry for the Winter 2009 term. The reduced Title IV credit balance was not paid until 2/16/09 – five days late. The student's financial aid file did not include an authorization to hold Title IV credit balances.

Response to the Finding: In regards to the issue of not having procedures in place to verify the institution maintains cash in our bank account to cover all Title IV credit balances being held, we have created new policies/procedures to correct this. We have worked with our IT department to develop a report that allows us to identify students with a Title IV credit balance on their account. This report is run weekly and used to identify any student with a Title IV credit balance. If a student has a credit balance and has not completed an authorization form, we initiate a refund for the student(s). Once refunds are completed, we re-run the report which is now a listing of all Title IV credit balances we are holding. The total for this report is given to the Controller who can verify that we have funds in our bank account to cover all of these Title IV credit balances.

In regards to the issue of having no procedures for indentifying un-negotiated checks representing Title IV credit balances, we have created new policies/procedures to correct this. Each month after the bank reconciliation is prepared; the list of all outstanding checks is reviewed. Any check which has been outstanding for 6 months is considered "stale" by our office. This listing is given to our Accounting department for review/verification and any student on this list is contacted by email. If no response to email, a phone call is made and then a letter is sent notifying the student that a check was sent to them and the check is still outstanding. Through this contact we ask the student if there is a reason why they have not cashed the check. If the check has been misplaced, we offer to provide a replacement check. If we are unable to contact the student or the student refuses to cash the check after 2 months from our initial attempt at contacting them (the check is now 240 days old) we will notify the student of 34 CFR section 668.164 and explain that we are returning the funds to the US Department of Education and they will no longer be able to cash the outstanding check. Attachment number 7 is a listing of students who have un-negotiated checks older than 240 days.

In regards to the failure to maintain signed Title IV credit balance authorizations we have reviewed our existing procedures to ensure that signed authorizations are on file and if they are not on file, that a refund is given to the student in a time frame which complies with 34 CFR section 668.165. We will be utilizing the above referenced report which identifies all students with a Title IV credit balance on their account. Any student appearing on this report will have their student account reviewed to verify that they have a signed authorization on file. If the student does not have a signed authorization on file, a refund will be initiated. Below is a discussion of the students who are listed in the Program Review Report as having a credit balance held on their account without the proper authorization.

Student #1: The Program Review Report identifies this student as having a refund issued 8 days late. This refund was not issued late based upon the following facts:

- First date of the Spring Semester was 2/4/2009
- Aid was posted to the student account on 1/26/09 which is within the allowable timeframe to disburse aid 10 days prior to the start of the semester
- Credit balances do not need to be paid until 14 days after the start of the semester which would be 2/18/09
- Student #1 had a refund given to them on 2/17/09 which was 13 days after the start of the semester which would have been within the time frame allowed.

Student #2: The Program Review Report identifies this student as having a refund issued 5 days late. In reviewing this student's account, we believe the dates cited in this finding are incorrect. During the Spring 2009 term, this student does not have a Title IV credit balance on their account and there is not a tuition adjustment for the Winter 2009 term. However, in looking closer at this student's account, they did have a Title IV credit balance on their account which was created during the Spring 2010 term. We agree that this credit created during the Spring 2010, was refunded to the student 5 days late and that there is no signed authorization to hold the credit balance on file.

Finding 6: Improper Authorization to Hold Title IV Credit Balances

Noncompliance: In two respects, MMC has not developed an authorization to hold Title IV credit balances that meets the Department's requirements.

First, MMC's authorization to hold Title IV credit balances does not include a statement indicating that a student can rescind the authorization at any time.

Second, MMC's authorization to hold Title IV credit balances does not include a statement indicating that the institution will pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded.

Response to the Finding: In regards to the issue of improper authorization forms to hold Title IV credit balances, we have reviewed our existing form and made necessary changes to ensure that the form is in compliance with 34 CFR section 668.165. We have added a statement to the form notifying the student (or parent in the case of a PLUS loan) that they can rescind the authorization at anytime by contacting our office. We have also added a statement to the form notifying the student (or parent in the case of a PLUS loan) that we will pay any remaining credit balance by the end of the loan period. A copy of the revised form is included as attachment #8.

Finding 7: Incomplete Audit Trail

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

MMC, in practice, appears to reimburse itself with Title IV funds for expenditures already posted to student accounts. However, when MMC draws down Title IV funds, it draws down the total amount – or a percentage of the total amount – of funds that the Department's G5 system indicates is available to them, rather than drawing down an amount that equates to the amount of funds being disbursed to a population of students. Consequently, it is not possible to tie any particular drawdown to any particular disbursement of Title IV funds to a student account.

For example, on 9/18/09 MMC drew down \$100,000 in Pell funds for the 2009/10 award year from the Department's G5 system. During the program review, MMC was unable to provide a roster that reflects the students and the amounts of the disbursements that, taken together, make up the amount of the drawdown.

One problem created by this policy of determining the amounts of drawdowns solely by the amount of funds available in the G5 system is that it makes it impossible for MMC to establish that it is, in all cases, reimbursing itself for funds already obligated to particular student accounts, as its internal policies appear to require.

A second problem is that MMC cannot establish that it is not holding Title IV excess cash. For example, the student account card for student #4 indicates that the student received a \$1,642 disbursement of Subsidized Direct Stafford Loan funds on 9/10/09. However, the Department's COD system reflects that the disbursement was made on 8/14/09 which, if an accurate reporting of the date of funds were drawn down, would indicate that MMC held the loan funds longer than it was allowed to before disbursing them to student's account.

Likewise, the student account card for student #6 indicates that the student received a \$1,850 disbursement of Direct PLUS Loan funds on 10/28/08. However, the Department's COD system reflects that the disbursement was made on 8/18/08 which, if an accurate reporting of the date the funds were drawn down, would indicate that MMC held the loan funds longer than it was allowed before disbursing them to the student's account.

Response to the Finding: In regards to the issue of an incomplete audit trail, our policies/procedures on how we draw down funds have been reviewed and changed. After aid is disbursed on to student accounts a report is printed out of our Student AR system showing the total amount disbursed for each type of Title IV federal aid. This report not only shows the total amount disbursed that day, but also lists out the names of each individual student and the amount disbursed on each student account. We generally do not draw down funds that same day, but rather wait about 72 hours. Our Student Account Manager who is responsible for drawing down funds from G5 will take the disbursements report from our Student AR system and will verify with our Financial Aid Office that this amount agrees with what they disbursed and that these funds are available to draw according to COD. If everything agrees, the money is drawn from G5. The disbursement report from our Student Account system is then attached to the email confirmation received from the G5 system stating the date and amount of money that has been drawn. The Student Account manager also forwards a copy to our Accounting department to verify that the money was received in our "Federal Funds" bank account. A copy of these procedures and the reconciliation of G5 draw downs for FSEOG and FWS programs for 2007/08, 2008/09, and 2009/10 is included as attachment 9.

Finding 8: Untimely Reconciliation of Title IV Funds

Noncompliance: MMC failed to reconcile its Title IV program receipts and expenditures on a monthly basis.

During an interview on 5/13/10, MMC's controller stated that, in general, it is the institution's practice to reconcile its Title IV accounting records to student accounts and the financial aid office's awarding and disbursement records once every semester.

Response to the Finding: In regards to untimely reconciliation of Title IV funds we have created new policies/procedures to ensure that all Title IV federal funds are being reconciled on at least a monthly basis. A copy of these procedures is included as attachment #10.

Administrative Capability

Finding 9: Incomplete Withdrawal Notification Procedures

Noncompliance: In one respect, MMC's withdrawal notification procedures are inadequate for the purposes of administering the Title IV programs.

During the on-site portion of the program review it was noted that there is not a thorough and consistent method for the MMC's provost's office to notify the financial aid office that a particular student has not returned for the next academic term after completing the previous term. Consequently, the financial aid office cannot perform required functions related to the administration of the Title IV programs, such as exit counseling and NSLDS reporting, in a timely manner.

For example, the financial aid file of student #63 indicates that the student completed the institution's Fall 2009 academic term on 12/19/10, and did not return for the Spring 2010 academic term. Although MMC's business office was aware that the student did not reenroll and returned Title IV funds that had been disbursed for the term, the financial aid office was not made aware that the student was not enrolled in the Spring 2010 term until the office began preparations in April 2010 for the Department's May 2010 program review. Although the student received Federal Direct Loans and Federal Perkins Loans during his period of enrollment, as of 5/13/2010 – the last day of the on-site portion of the program review – the student had not been notified of the need to undergo any type of loan exit counseling, nor had the student's withdrawal status been reported to NSLDS.

Response to the Finding: In regards to student #63, we agree that we did not provide the student with exit counseling materials, however the student was reported to NSLDS as a withdrawal on 2/25/2010, with a withdrawn status effective 12/19/2009. A print out of the student's NSLDS history is included as Attachment #15.

We have reviewed our records to determine those students who unofficially withdrew from the college in 2008/09 and 2009/10. We have also mailed exit counseling materials to each student. Included with this report you will find attachment #11 that includes a spreadsheet of students who were determined to be unofficial withdrawals. Attachments #12 and #13 are copies of the letters that we have sent to the unofficial withdrawals for the above award years.

We have implemented policies and procedures to identify unofficial withdrawals. A copy of those policies and procedures is included as Attachment #14.

Finding 10: Late NSLDS Reporting

Noncompliance: In nine instances, MMC has not accurately reported student status on its student status confirmation reports (SSCRs):

Student #3: NSLDS records indicate that the student's status as of 12/19/09 was "graduated". However, this status was not reported to NSLDS until 5/21/10 – at least 123 days late.

Student #4: NSLDS records indicate that the student's status as of 8/13/09 was "withdrawn". However, this status was not reported to NSLDS until 2/19/10 – at least 160 days late.

Student #5: NSLDS records indicate that the student's status as of 8/08/09 was "graduated". However, this status was not reported to NSLDS until 2/19/10 – at least 165 days late.

Student #6: NSLDS records indicate that the student's status as of 12/19/09 was "withdrawn". However, this status was not reported to NSLDS until 5/21/10 – at least 123 days late.

Student #7: NSLDS records indicate that the student's status as of 8/08/09 was "graduated". However, this status was not reported to NSLDS until 2/19/10 – at least 165 days late.

Student #12: NSLDS records indicate that the student's status as of 5/23/09 was "graduated". However, this status was not reported to NSLDS until 11/24/09 – at least 155 days late.

Student #15: NSLDS records indicate that the student's status as of 12/15/08 was "withdrawn". However, this status was not reported to NSLDS until 6/19/09 – at least 156 days late.

Student #24: NSLDS records indicate that the student's status as of 12/19/09 was "graduated". However, this status was not reported to NSLDS until 5/21/10 – at least 123 days late.

Student #27: NSLDS records indicate that the student's status as of 12/20/09 was "less than half time". However, this status was not reported to NSLDS until 5/21/10 – at least 122 days late.

Response to the Finding:

Student #3: According to the NSLDS for this student and we reported their status as graduated as of 12/19/09, sent a file to the Clearinghouse on 1/4/10 and it was received by NSLDS on 1/14/10. The same status was reported on 1/6/10, 4/5/10, 5/3/10 and 6/1/10. Please see attachment #16.

Student #4: According to the NSLDS for this student and we reported their status as withdrawn as of 8/13/09, sent a file to the Clearinghouse with this data on 10/02/09 and it was received by NSLDS on 10/23/09. The same status was reported on 11/2/09, 12/1/09, 1/06/10. Please see attachment #16.

Student #5: According to the NSLDS for this student and we reported their status as graduated as of 8/08/09, sent a file to the Clearinghouse on 8/25/09 and it was received by NSLDS on 9/03/09. The same status was reported on 11/02/09, 12/01/09 and 1/06/10 as well. Please see attachment #16.

Student #6: According to the NSLDS for this student and we reported their status as withdrawn as of 12/19/09, sent a file to the clearinghouse on 2/17/10 and it was received by NSLDS on 2/25/10. The same status was reported on 4/05/10, 5/3/10 and 6/1/10. Please see attachment #16.

Student #7: According to the NSLDS for this student and we reported their status as graduated as of 8/08/09, sent a file to the clearinghouse on 8/25/09 and it was updated by NSLDS on 9/03/09. The same status was reported on 10/2/09, 11/2/09, 12/1/09 and 1/06/10. Please see attachment #16.

Student #12: According to the NSLDS for this student and we reported their status as graduated as of 5/23/09, sent a file to the Clearinghouse on 5/28/09 and it was updated by NSLDS on 6/18/09. The same status was reported on 10/02/09 and 11/02/09. Please see attachment #16.

Student #15: According to the NSLDS for this student and we reported their status as withdrawn as of 12/15/08, sent a file to the Clearinghouse on 02/20/09 and it was updated by NSLDS on 3/20/09. The same status was reported on 4/10/09 and 05/28/09. Please see attachment #16.

Student #24: According to the NSLDS for this student and we reported their status as graduated as of 12/19/09, sent a file to the Clearinghouse on 01/04/10 and it was updated by NSLDS on 1/14/10. The same status was reported on 1/6/10, 4/5/10, 5/3/10 and 6/1/10. Please see attachment #16.

Student #27: According to the NSLDS for this student and we reported their status as less than half time as of 12/20/09, sent a file to the Clearinghouse on 02/17/10 and it was updated by NSLDS on 2/25/10. The same status was reported on 4/5/10, 5/3/10, 6/1/10 and 7/1/10. Please see attachment #16.

The information was reported correctly for all students cited by the Department of Education. Attachment #16 includes print-offs from the Clearinghouse and from NSLDS to document this.

We are also submitting a copy of our policies and procedures for reporting to the Clearinghouse and NSLDS as Attachment #17.

Institutional Eligibility

Finding 11: Unreported Change to Institutional Information

Noncompliance: In one instance, MMC failed to notify the Department of changes to institutional information within the time period required for such notifications.

Since September 2009, MMC has offered two degree programs in Management at Hawkeye Community College, Waterloo, IA. Student who enrolled in either of the Management programs are considered to be MMC students, and the students can complete 100 percent of the program at the HCC location. However, MMC has failed to report the additional location to the Department, as required by Federal regulations.

Response to the Finding: Mount Mercy updated our Program Participation Agreement on August 29, 2010 to include the Hawkeye Community College, Waterloo, IA location. We will take steps to ensure we update our Program Participation Agreement with any additional locations we add in the future or any other institutional changes we make that we are required to notify the Department of Education about. We are providing the following attachments that you have requested:

- Attachment 18: Updated ECAR and Program Participation Agreement
- Attachment 19: Copy of the accrediting agency's approval to add the Hawkeye Community College location
- Attachment 20: A spreadsheet containing the students who enrolled at the Hawkeye location who received Title IV funds
- Attachment 21: Account cards for the students who enrolled at the Hawkeye location

Finding 12: Incomplete Campus Security Report

Noncompliance: In four respects, MMC's policies and procedures for the creation and distribution of its annual campus security report do not meet Federal regulations.

First, MMC does not have adequate procedures for distributing new annual campus security reports to returning students. The distribution of the latest annual campus security report is limited to new students, who received the new reports in MMC's student orientation materials.

Second, MMC does not have procedures for distributing new annual campus security reports to new employees:

Third, MMC's campus security report does not include the following element:

- (1) Procedure for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:
 - a. The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
 - b. Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense.

Response to the Finding: On 9/29/2010 a copy of the distributive email was sent to all staff, students and faculty providing detailed information on accessing the annual campus security report. In addition, we have implemented a policy of sending an automated reply to all inquiries concerning applicant information at Mount Mercy University detailing information on accessing the annual campus security report.

The verbiage in (a) and (b) supra, has been added to the Campus Security Report. The statements are consistent with current policy and expound on procedures currently in place. A copy of the report is available on the Mount Mercy website;

<http://www.mtmercy.edu/campuslife/safety/annalsecurityreport.html> is appended.

A copy of the email sent out to faculty, staff and students, a copy of the automated response to applicants and a copy of our annual security report is included as Attachment 22.

Finding 13: Late COD Reporting

Noncompliance: In one instance, MMC failed to report a student's second disbursement to the Department's COD system in a timely manner.

Student #16: The account card indicates that the student received a \$2,737 second disbursement of a Subsidized Direct Stafford Loan 1/25/10, and a \$995 second disbursement of an Unsubsidized Direct Stafford Loan on 1/26/10. However, the Department's COD system shows the date processed for these two loans as 6/1/10.

Response to the Finding: In reviewing this student's loan information in COD, we agree that it was not reported correctly. In late April 2010 when balancing our Direct Loan accounts, we noticed this student's spring disbursements of both the Subsidized and Unsubsidized loans had not been reported. In researching the issue it was determined that our loan processor was not running the correct reports from our financial aid software system, PowerFAIDS. The processor was not running a "reject" report to review student's whose loan disbursements rejected when we attempted to export the information to COD. This particular employee is no longer with the college and the Director of Financial Aid and Assistant Director of Financial Aid have taken over the processing of federal loans and grants to ensure this situation does not occur again.

We have implemented a process to ensure we catch all rejects. At the time we run a disbursement file to export to COD, we also run a reject report and review all student awards that are rejecting, or that PowerFAIDS will not let us export. This is done in a "simulation" mode so we can view and correct any potential problems. After we have corrected any issues, we run the file again in simulation mode. If there are no additional errors, we will run it in "real" mode and export the file to COD. The Assistant Director of Financial Aid imports files each day and checks for any students that may have been rejected by COD. If there are any rejects we address them immediately and correct the issue within 24 hours.

In addition, we are also balancing Direct Loans once per month to ensure our records match what is in COD.

Attachment #23 includes our procedures for reporting to COD.

Student Eligibility

Finding 14: Incomplete Verification

Noncompliance: In one instance, MMC failed to verify all of the required data elements in the verification process.

Student #22: The student's 2009/10 ISIR was selected for verification. The 02 ISIR transaction dated 04/20/09 shows the student's taxes paid as zero. However, the student's 2008 tax return shows the amount of taxes paid as \$833. Also, the 02 ISIR shows the parents AGI as \$66,303, and taxes paid of \$5,254. However, the 2008 tax return shows their AGI as \$66,594, and taxes paid as \$5,970.

Response to the Finding: The institution has reviewed verification documents for the above student. The Director of Financial Aid has performed verification again and the following changes should have been made:

- Student's tax paid was \$0 and should be \$833
- Parent's AGI was \$66303, but should be \$66594
- Parent's tax paid was \$5254, but should be \$5970
- Father's income from work was \$38,157, but should be \$36,435
- Parent's exemptions was 1, but should be 2.
- The original EFC was 8022, but should be 7545.
- The student was over-awarded on their Fall 2009 Subsidized Loan by \$4.

Documentation regarding the verification changes, awards, and budget items will be included with the report as Attachment #24. We are also including a copy of the verification compliance checklist we are currently using for the 2010/11 year Attachment #25. We have created the compliance checklist to ensure accuracy.

In addition to the compliance checklist we are using, the Director of Financial Aid will also be performing internal audits monthly to review verification performed by other staff members. As part of on-going training the entire Financial Aid Staff will review the verification section of the Federal Student Aid Handbook each year.

Federal Direct Loan Program

Finding 15: Over-award of Direct Loan Funds

Noncompliance: In three instances, MMC awarded Title IV aid in excess of a student's need.

Student 7: The student's cost of attendance totaled \$23,110, with an EFC of \$21,132 for the 2008/09 award year. The student received a subsidized loan in the amount of \$5,500, creating an over-award of \$3,522.

Student 12: The student's cost of attendance totaled \$34,923, with an EFC of \$12,084 for the 2008/09 award year. The student received institutional aid totaling \$9,000, FWS totaling \$992, and a subsidized loan in the amount of \$5,500, creating an over-award of \$1,822.

Student 26: The student's cost of attendance totaled \$33,526, with an EFC of \$12,084 for the 2008/09 award year. The student received institutional aid totaling \$11,600, outside aid totaling \$4,963, and a subsidized loan in the amount of \$5,500, creating an over-award of \$621.

Response to the Finding: The Institution has reviewed the files of the three students listed above. We agree that student's 7 and 12 were packaged incorrectly. However, student 26 was packaged correctly. According to our records his EFC for 2008/09 was \$9812. For the 2009/10 year his EFC was \$12,084. The cost of attendance was \$33,526, leaving him with need of \$21,442. He received \$11,600 in institutional aid, which left a remaining need of \$9,842. He received a Subsidized Loan of \$5,500, so he had remaining need of \$4,342. The outside aid of \$4,963 was a private student loan called the Alliance Loan, which is serviced by Iowa Student Loan. Because it is a private loan it should not be counted as need based aid, therefore the student was not over-awarded. We are attaching documentation to support this as Attachment 26.

Attachment 27 includes a copy of our awarding policies and procedures. A copy of the award sheet (packaging spreadsheet) we use to calculate eligibility is included as Attachment 28. The Director of Financial Aid implemented the use of this award sheet for the 2010/11 award year. This sheet is required to be used for each student and assists the financial aid staff with calculating eligibility and also repackaging students after verification is performed, outside scholarships are received, etc. By using this sheet we will be able to prevent over-award situations.

Finding 16: Enrollment Status Not Verified Before Disbursement

Noncompliance: In one instance, MMC did not properly verify a student's enrollment status.

Student #27: During the Spring 2010 semester, the student's enrollment status was less than half-time. However, the student received second disbursements of \$2,750 Direct Subsidized Stafford Loan funds, and \$1,000 in Direct Unsubsidized Stafford Loan funds.

Response to the Finding: We have reviewed the above student and do not believe this should be a finding for the following reason:

Cost of Attendance: \$10,343

Aid awarded:

Institutional aid:	\$394
Iowa Tuition Grant:	\$1333
Subsidized Loan:	\$5500
Unsubsidized Loan:	\$2000
Total Aid:	\$9227

This student had an EFC of \$2626 and eligibility of need based aid of \$7717. The aid was all awarded in the Fall semester.

Attachment 29 includes a copy of the student's account history and print-offs from COD to be used as back up documentation supporting the fact that we did not process any loans for this student for Spring 2010.

To ensure we do not disburse aid to a student who is not registered for courses, we run a currently enrolled report that is generated from the Registrar's office and compare that report to a report ran out of PowerFAIDS that is called "registered hours". We compare the two reports for any discrepancies. If we find a discrepancy due to a change in hours enrolled, we will adjust the student's financial aid package. This report is run before the start of each semester and again after the add/drop period.

Finding 17: Early Disbursement of Title IV Funds

Noncompliance: In one case, MMC disbursed Title IV funds earlier than Federal regulations allow.

Student #10: According to institutional catalogues, MMC's summer 2009 semester started on 5/28/09. Consequently, the earliest date that Title IV funds could have been disbursed for a student attending the summer 2009 semester was 5/18/09. However, according to the Department's COD system \$2,750 in Direct Subsidized Stafford Loan funds and \$1,580 in Direct Unsubsidized Stafford Loan funds for the summer were disbursed to this student on 4/21/09. A further \$2,750 in Direct Subsidized Stafford Loan funds and \$1,580 in Direct Unsubsidized Stafford Loan funds for the summer 2009 semester were disbursed on 5/1/09. The student's account card was not credited with the full amount of the disbursements until 7/7/09.

Response to the Finding: In reviewing this student's information, we have determined we made a clerical error when entering the loan period in PowerFAIDS so it was sent incorrectly to COD, however, we did not actually disburse the loan to the student until 7/7/09, which was the date it was credited to the student's account card.

Attachment 30 includes print-outs from PowerFAIDS, which show that we packaged the student's aid on 5/20/09 and disbursed the loan on 7/7/09. In addition, we are including print-outs from COD.

We now have procedures in place that will prevent us from making this type of error in the future. The Director of Financial aid sets all disbursement dates before the award year begins. The Director and Assistant Director are the only two staff members who have the ability to set up disbursements dates. A copy of these procedures is included as Attachment 31.

Finding 18: Missing Entrance/Exit Counseling

Noncompliance: In two instances, MMC failed to maintain documentation in the student's file indicating that the student completed Direct Loan entrance and exit counseling.

Student #3: The student's records indicated that the student graduated on 12/19/09. However, the student's financial aid file contained no documentation reflecting that the student had undergone Direct Loan exit counseling.

Student #6: The student's financial aid file and account card indicate that the student was awarded and disbursed \$7,500 in Direct Unsubsidized Loans and a \$3,700 Direct Plus Loan in the 2008/09 award year. However, the student's financial aid file contained no documentation reflecting that the student had undergone Direct Loan entrance counseling.

Response to the Finding: Student #3 was not provided with exit counseling materials and Student #6 did not complete entrance counseling. We have now provided these two students with the materials. Attachment 32 includes copies of the letters we sent to these students. In addition, student #3 was provided with an Exit Counseling booklet and student #6 with an Entrance Counseling booklet. The books we use are created and maintained by the Iowa College Student Aid Commission. The Exit Counseling book is included as Attachment 33 and the Entrance Counseling book can be found in Attachment 34.

Attachment 35 includes a copy of our Entrance and Exit Counseling policies and procedures.

Federal Pell Grant Program

Finding 19: Ineligible Pell Disbursements

Noncompliance: In one instance, MMC disbursed Pell Grant funds to a student who was not eligible.

Student #24: The student graduated in December 2009. However, the Department's COD system indicated that the institution disbursed \$625 in Pell Grant funds to the student's account on 2/2/10. The financial aid file did not indicate the cause or nature of the disbursement.

Response to the Finding: We have reviewed the above student and determined that the Pell Grant was never posted to the student's account. A copy of the student's account statement will be provided as Attachment 36. The Pell Grant was disbursed out of PowerFAIDS and exported to COD in error. The student originally had registered for a winter term and spring term course, which is the reason the Pell Grant was packaged for Spring. The student made changes to their schedule and applied for graduation.

In order to ensure this error does not occur again, the Financial Aid Office will compare our records with the Registrar's records to determine enrollment for each semester. In addition, as part of the exit process, when a student graduates we will be reviewing their data in PowerFAIDS to ensure there are no future disbursements set up. A copy of our policies and procedures for reviewing aid packaged each semester is included as Attachment 37.

Federal Work Study

Finding 20: Failure to Meet FWS Community Service Requirements

Noncompliance: Although MMC reported in its annual Fiscal Operations Report and Application to Participate (FISAP) submission that it had met the Department's FWS community service requirements in the 2008/09 award year, a review of the institution's FWS community service positions indicates that the institution did not.

On the 2008/09 Fiscal Operation Report (FISCOP) portion of the FISAP, MMC reported that it had expended 10.4 percent of its total FWS obligations on community service positions. However, during the program review it was noted the community service positions reported on the FISAP included a significant number of "general library" positions that did not meet the Department's definition of community service employment. With the "general library" positions removed, MMC determined that it had not met the community service requirement for the 2008/09 award year.

MMC's financial aid officer, during an interview on 5/10/10, also indicated that the institution did not meet the FWS community service requirement in either the 2007/08 or the 2009/10 award year, for the same reason. There was no indication that MMC has been granted a waiver of the FWS community service requirement by the Department in any of the award years under discussion.

Response to the Finding: We agree with the above finding, however, prior to the Department of Education Program Review in May, the Director of Financial Aid became aware that we were not in compliance with federal regulations regarding using 7% of our total FWS wages towards community service positions. In February 2010 the Director began to implement new policies and procedures regarding the FWS program and creating new community service positions. We were able to place students in community service positions for the 2009/10 year, but fell short of the required 7%.

For the current award year, 2010/11, we have created additional community service positions. We are currently working with six outside non-profit schools or agencies and have placed students (a total of 6) at four of these locations. We project that these students will earn approximately \$16,000, which is 9.3% of our total FWS dollars allocated to us each year. Our goal is to continue to develop additional community service jobs and increase our overall percentage spent in community service to 12-15%.

Attachment 38 includes a spreadsheet that contains revised calculations of our community service employment for 2007/08, 2008/09 and 2009/10 as well as the names of each student employed in a community service position. In addition, Attachment 39 contains our FWS and Community Service policies and procedures.

Finding 21: Failure to Develop FWS Job Descriptions

Noncompliance: MMC failed to provide job descriptions for its on and off-campus FWS positions.

As noted by the institution's financial aid officer during an interview with program reviewers on 5/20/10, the institution has not developed and maintained job descriptions for its on and off-campus FWS positions. Rather, MMC maintains a data base that it uses to assign jobs to students who have expressed a general interest in FWS employment. The database is not shown to students, nor does it contain many of the job description elements that are required by Federal regulations.

Response to the Finding: The institution has been working on updating our FWS policies and procedures. Prior to the program review, we had spoken with supervisors and informed them of the need to have job descriptions. Since the program review, all supervisors have prepared job descriptions which are provided with this report as attachment 40. The job descriptions will be kept in the Financial Aid Office, made readily available to student's and updated on a yearly basis.

The Financial Aid Office will keep an electronic copy as well as a hard copy of each job description. Prior to the start of a new award year, the FA Office will send an electronic copy to each supervisor and require them to review and update job descriptions for those positions pertaining to their department. The job descriptions will also be reviewed each year by the Director of Financial Aid and the Work Study Coordinator to ensure they are within compliance of federal regulations.

As stated in Finding 20, a copy of our policies and procedures for the FWS program can be found in Attachment 39.

FSEOG Program

Finding 22: Incomplete FSEOG Awarding Procedures

Noncompliance: In one respect, MMC has not developed the necessary FSEOG awarding procedures.

Although MMC maintains standardized FSEOG awarding procedures, the procedures do not ensure that a portion of FSEOG funding is set aside for the purpose of awarding students who enroll later in an award year. Consequently, the Department's requirement of creating a "reasonable consistency" to the awarding and disbursing of FSEOG funds throughout an institution's award year, for institutions that enroll students throughout the year, is not met.

For example, MMC's awarding practices resulted in students who submitted a 2009/10 Free Application for Federal Student Aid (FAFSA) prior to 3/1/09, and who displayed the lowest EFC's and Pell Grant priority, being awarded the bulk of the institution's FSEOG funding, while students who submitted FAFSA's after 3/1/09, and who displayed equally low EFC's and Pell Grant priority, received substantially smaller awards, or no awards at all.

It is noted that the improper awarding of FSEOG on what may be termed a "first-come, first-serve" basis was also a finding in MMC's OMB A-133 audits for the fiscal years ending 6/30/09 and 2008.

Response to the Finding: While Mount Mercy did have a policy that students who filed their FAFSA prior to 3/1 of each year would receive FSEOG first, that policy was changed when the current Director of Financial Aid started in March 2008. Awarding had already begun for that award year so there were a few students who did not have a zero EFC that were awarded FSEOG.

For the 2009/10 year the institution stopped awarding FSOEG on a first-come, first-serve basis and awarded to students with zero EFC's only. During this year we saw an increase of students with a zero EFC so we ran out of funding. For the 2010/11 award year we reduced the maximum FSEOG award from \$1000 to \$750 in hopes of being able to award it to every student who enrolls throughout the year with a zero EFC. If a student is attending part-time, their award may be lower than \$750 because their need is less than a full time student. The Director of Financial Aid will review the FSEOG awarding guidelines each year and if necessary, make adjustments so those students who enroll later in the year have an opportunity to receive FSEOG funds.

For the 2009/10 year, we awarded FSEOG to 174 students. Of those students, 69 had filed their FAFSA prior to 3/1/09. The remaining 105 students filed their FAFSA after 3/1/09. The total amount awarded to the students who filed their FAFSA on or before 3/1/09 was \$46,033. The average award for those students was \$667.14. The total amount awarded to those who filed after 3/1/09 was \$64,788 and the average award for those students was \$617.02. The reason this number is lower is because we had more students that filed after 3/1/09 that were only here for part of the award year. There were 6 students who filed prior to 3/1/09 who were only here for half of the year, versus 20 who filed after 3/1/09. Based on this information we did not award the bulk of our funding to student's who filed their FAFSA prior to 3/1/09. A spreadsheet of all FSEOG recipients that contains the amount they were awarded, their EFC and the date they filed their FAFSA is included as Attachment 41.

There were 2 students who originally had a zero EFC, awarded FSEOG, were selected for verification, their EFC increased and we did not take away the FSEOG award. The Director of Financial Aid will be performing internal audits to ensure this does not happen in future award years.

A copy of our FSEOG awarding policies and procedures can be found in Attachment 27, which as stated previously, contains our awarding policies and procedures.

Mount Mercy College
OPE ID 00188000
PRCN 201030727226
Page 63

Final Program Review Determination
PRCN #:

Appendix M.

Program Review Report Addendum



START HERE
GO FURTHER
FEDERAL STUDENT AID

Prepared for

Mount Mercy College

OPE ID 00188000
PRCN 201030727226

Prepared by

U.S. Department of Education
Federal Student Aid
School Participation Team – Kansas City

Program Review Report Addendum

June 8, 2011

U.S. Department of Education, Federal Student Aid, School Participation Team—Kansas City
8930 Ward Parkway, Suite 2028
Kansas City, Missouri 64114-3302
www.FederalStudentAid.ed.gov

Table of Contents

<u>Finding 23</u> : Lack of Administrative Capability – Failure to Appropriately Administer Title IV, HEA Funds for Non-Term Programs.....	2
<u>Finding 24</u> : Improper/Ineligible Disbursements – Title IV, HEA Funds Disbursed Prior to Successful Completion of Credit Hours Attempted in Prior Payment Period for Students Enrolled in a Non-Term Program.....	6
<u>Finding 25</u> : Inaccurate Loan Periods – Non-Term Program.....	12
<u>Finding 26</u> : Unmade/Inaccurate Return to Title IV Funds Calculation for Students Enrolled in Non-Term Programs.....	13
<u>Finding 27</u> : Failure to Return Title IV, HEA Funds for Ineligible Students...	17
Appendix A: Program Review Appendix Addendum.....	21
Appendix B: Spreadsheet 1 (Finding 24) Non-Term Program Disbursements	22

Finding 23. Lack of Administrative Capability – Failure to Appropriately Administer Title IV, HEA Funds for Non-Term Programs

Citation: 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 administrative capability if the institution administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA. 34 C.F.R. § 668.16(a).

Payment periods for an eligible program that measures progress in credit hours that do not have academic terms (programs that do not meet the definition of standard or nonstandard terms) are defined as:

- For a student enrolled in an eligible program that is one academic year or less in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the program and half of the number of weeks of instructional time in the program. The second payment period is the period of time in which the student successfully completes the program or the remainder of the program.
- For a student enrolled in an eligible program that is more than one academic year in length, the first academic year and any subsequent full academic year is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year. The second payment period is the period of time in which the student successfully completes the academic year.
- For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half of the number of weeks of instructional time remaining in the program; and the second payment period is the period of time in which the student successfully completes the remainder of the program.
- For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program. 34 C.F.R. § 668.4(c).

34 C.F.R. §668.4 (f) states, "If a student withdraws from a program during a payment period and then reenters the same program within 180 days, the student remains in that same payment period when he or she returns and, subject to conditions established by the Secretary, is eligible

to receive any Title IV, HEA program funds for which he or she was eligible prior to withdrawal, including funds that were returned by the institution or student under the provisions of §668.22.

An institution calculates new payment periods for the remainder of a student's program for a student who withdraws from a program and reenters that program after 180 days. 34 C.F.R. § 668.4 (g).

A student successfully completes credit hours if the institution considers the student to have passed the coursework associated with those hours. 34 C.F.R. 668.4 (h).

Guidance from the 2009-2010 Federal Student Aid Handbook (FSA) states, "For FSA purposes, an institution will use either "term-based" payment periods (the payment period is the term), or payment periods based on the completion of credit or clock hours and weeks of instructional time. The payment period an institution must use depends on the kind of academic calendar the school uses and the FSA programs for which the school is disbursing funds.

A program that measures progress in credit hours must use a non-term academic calendar if it has:

- courses that do not begin and end within a set period of time;
- courses that overlap terms;
- self-paced and independent study courses that overlap terms; or
- sequential courses that do not begin and end within a term.

Eligible programs that measure progress in credit hours and do not have academic terms must use payment periods that are based on the time it takes for the student to successfully complete the credit or clock hours and weeks of instructional time in the payment period. For these programs, each subsequent payment period cannot begin until the student successfully completes the credit or clock hours and weeks of instruction in the previous payment period. Successful completion means that the student has earned a passing grade or otherwise received credit for the credits or clock hours in the payment period." *2009-2010 Federal Student Aid Handbook, Volume 3.*

For loan purposes, non-term programs, as well as programs that mix nonstandard term and standard terms that do not have a scheduled academic year, must be certified using a Borrower Based Academic Year (BBAY) methodology. A BBAY3 loan period:

- 1) Floats with a student's enrollment;
- 2) Begins when a student's enrollment is at least a half-time basis;
- 3) Must meet at least the minimum requirements for hours/weeks of the program's FSA academic year;
- 4) May not exceed the annual loan limit (the total of all loans received within a BBAY3);

A student becomes eligible for a new annual loan limit only after successfully completing the clock or credit hours AND weeks of instructional time in the BBAY3. A student cannot receive

subsequent disbursements of loan funds until the student successfully completes one-half of the hours and the weeks of the student's academic year.

A student who successfully completes the hours to progress to the institution's next academic grade level may not become eligible for the higher grade level annual loan limits until after successful completion of the student's BBAY3.

After original certification of a loan, a student may receive additional loans within a BBAY3 only if the:

- student did not receive the maximum annual loan amount and has remaining eligibility, or;
- student changes from a dependent to an independent student status.
- *2009-2010 Federal Student Aid Handbook, Volume 3.*

If a loan period is more than one payment period, the school must disburse loan proceeds at least once in each payment period. The school must disburse loan proceeds in substantially equal installments, and no installment may exceed one-half of the loan. 34 C.F.R. 685.301(b)(5).

Non-Compliance: MMC offers accelerated degree completion programs (Advance) tailored to meet the needs of non-traditional students. Accelerated courses are offered in five, eight, or ten week block periods in which students attend class one night per week for three or four hours. MMC offers accelerated programs in Accounting, Applied Management, Business, Finance, Human Resource Management, Management Information Systems, Marketing, and R.N. to B.S.N. Completion. MMC will accept up to 75 credit hours of transfer work towards a baccalaureate degree for students transferring to MMC from other institutions.

To be accepted into the Advance program, students must be 23 years of age; must have a minimum of three years full-time relevant work experience and must have a minimum cumulative grade point average of 2.5 or higher on a 4.0 scale. Exceptions to this policy may be made by the MMC Admission Committee or based upon established articulation agreements. Students are not allowed to pursue a major or minor in MMC's traditional programs at the same time the student is pursuing a major or minor in one of the accelerated programs.

As discussed in detail in Findings 24, 25, and 26, MMC did not award and disburse Title IV, HEA funds based on rules established for the administration of Title IV, HEA funds for students enrolled in a non-term program. Disbursement of Title IV, HEA funds prior to a student successfully completing the credit hours and weeks of instruction in the previous payment period has resulted in the improper disbursement of Title IV, HEA funds.

Student # 42 serves as an example to illustrate the deficiencies in MMC's administration of Title IV, HEA funds for non-term programs.

Student # 42: The student began her first two courses (CO260 and NU210) at MMC on 01/05/2009 and completed the courses on 02/07/2009 resulting in 4 credit hours earning grades of B+ and A, respectively. The student also began (MA135) on 01/05/2009, but later withdrew

from the course. The student began (EN133) on 02/09/2009 and completed the course on 03/14/2009 with a grade of B+. The student began (NU242) on 03/16/2009 and completed the course on 04/18/2009 with a grade of A. The student began (NU230) on 04/21/2009 and completed the course and first payment period of the academic year on 05/30/2009 with a grade of A-.

The student started her second payment period of her first academic year when she began (NU461) on 06/01/2009 and completed the course on 08/15/2009 with a grade of A. The student began (BA203/1) on 08/31/2009 and completed the course on 10/03/2009 with a grade of B. The student began (NU460) on 10/05/2009 and completed the course on 12/19/2009 with a grade of A. Successful completion of (NU460) completed the student's first academic year which began 01/05/2009 and ended on 12/19/2009 with at least 24 credit hours and 30 weeks of instructional time.

MMC incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$5,500 and a Federal Unsubsidized Stafford Loan in the amount of \$500 for the loan period of 01/26/2009 to 08/07/2009. The first disbursement of \$4,200 in Federal Subsidized Stafford Loan funds and \$250 in Federal Unsubsidized Stafford Loan funds was disbursed on 01/26/2009. The second disbursement of \$1,300 in Federal Subsidized Stafford Loan funds and \$250 in Federal Unsubsidized Stafford Loan funds was disbursed on 05/28/2009. Loan disbursements were not disbursed in substantially equal installments, and the amounts disbursed exceeded one-half of the loan amount certified. In addition, the student did not successfully complete his first payment period of 12 credit hours and 15 weeks of instruction time until 05/30/2009. The student was only eligible to receive \$2,750 in Federal Subsidized Stafford Loan funds and \$250 in Federal Unsubsidized Stafford Loan funds for the first payment period. The student was not eligible for the second half of her loan disbursements until on or after 06/01/2009 in the amounts of \$2,750 in Federal Subsidized Stafford Loan funds and \$250 in Federal Unsubsidized Stafford Loan funds. The loan period for this student should have a start date of 01/05/2009 and corresponding end date of 12/19/2009.

The student started the first payment period of her second academic year on 01/04/2010. The student began (MA135) on 01/04/2010 and completed the course on 03/13/2010 earning 3 credit hours with a grade of A-. (MA135) is the final course entry on the student's academic transcript.

MMC incorrectly certified two Federal Subsidized Stafford Loans and a Federal Unsubsidized Stafford Loan in the amounts of \$3,595, \$570, and \$1,030; respectively, for the loan period of 08/24/2009 to 06/01/2010. \$1,798 and \$570 in Federal Subsidized Stafford Loan funds was disbursed on 08/14/2009. \$1,797 in Federal Subsidized Stafford Loan funds and \$1,030 in Federal Unsubsidized Stafford Loan funds were disbursed on 01/30/2010. As discussed above, the student's first payment of her second academic year at MMC did not begin until 01/04/2010. The student did not enroll in enough hours for the payment period to establish an enrollment status as a half-time student as required by Title IV, HEA regulations for the Federal Stafford Loan Program. In addition, had the student been eligible to receive the funds, the disbursements were not made in substantially equal installments, and the amounts disbursed exceeded one-half of the loan amount certified.

Failure to disburse Title IV, HEA funds based on statutes and regulations established for non-term programs resulted in the incorrect certification of Federal Stafford loan periods and the disbursement of Title IV, HEA funds prior to the successful completion of one-half of the credit hours and instructional weeks in subsequent payment periods. As a result, the student was not eligible for \$4,165 in Federal Subsidized Stafford Loan funds; and \$1,030 in Federal Unsubsidized Stafford Loan funds received for the student's second academic year at MMC that began on 01/04/2010.

This student is also cited in Findings 2, 24, 25, 26, and 27.

Required Action: MMC must develop written policies and procedures for awarding and disbursing Title IV, HEA financial assistance for a non-term program that addresses each issue identified above and addressed in subsequent findings in this correspondence. A copy of these procedures must be provided to this office within 30 days of receipt of this correspondence. Upon acceptance of the procedures, MMC will be required to apply the policies and procedures to the required file reviews in Findings 24 and 26. In addition, MMC must provide assurance that in the future, it will appropriately award and disburse Title IV, HEA financial assistance to students enrolled in the Advance or other similar programs based on applicable regulatory guidelines established for such programs.

Finding 24. Improper/Ineligible Disbursements – Title IV, HEA Funds Disbursed Prior to Successful Completion of Credit Hours Attempted in Prior Payment Period for Students Enrolled in a Non-Term Program

Citation: Payment period for an eligible program that measures progress in credit hours that do not have academic terms (payment periods that do not meet the definition of standard or nonstandard terms) are defined as:

- For a student enrolled in an eligible program that is one academic year or less in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the program and half of the number of weeks of instructional time in the program. The second payment period is the period of time in which the student successfully completes the program or the remainder of the program.
- For a student enrolled in an eligible program that is more than one academic year in length, the first academic year and any subsequent full academic year is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year. The second payment period is the period of time in which the student successfully completes the academic year.

- For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half of the number of weeks of instructional time remaining in the program; and the second payment period is the period of time in which the student successfully completes the remainder of the program.
- For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program. 34 C.F.R. § 668.4(c).

Noncompliance: The minimum academic year definition for a full-time student enrolled in a credit hour program is 24 semester or trimester credit hours and 30 weeks of instructional time. A school who offers both term based and non-term based academic programs may define an academic year differently for each program. A student who takes courses that overlap terms or sequential courses that do not begin and end within a term, such as the Advance program, is enrolled in a non-term program. To complete the minimum definition of an academic year, an Advance student would have to successfully complete 24 credit hours within 30 instructional weeks. As discussed below, MMC failed to ensure student's successfully completed at least 12 credit hours and 15 instructional weeks each payment period prior to making subsequent disbursements of Title IV, HEA funds.

Student #42 The following table illustrates the appropriate disbursement schedule for Student 42 based on successful completion of 24 credit hours and 30 weeks of instructional time for each academic year.

Student 42: Appropriate BBAY3 Disbursement Schedule

Academic Year	Loan Period	Midpoint	Grade Level	Pell	Subsidized	Unsubsidized
1	01/25/2009 – 12/19/2009	06/01/2009	.4	N/A	\$5,500.00	\$500.00
2	01/04/2010 - (Completion of 24 CH & 30 Weeks)*			N/A	\$0	\$0

* Student never established half-time enrollment for the second academic year of study.

As discussed in detail in Finding 23, Student 42 began her first two courses (CO260 and NU210) at MMC on 01/05/2009. The student successfully completed 24 credit hours and 30 weeks of instructional time on 12/19/2009. The student was eligible for Federal Subsidized Stafford Loan funds of \$5,500 and Federal Unsubsidized Stafford Loan funds of \$7,000 (the student only accepted \$500 in Federal Unsubsidized Stafford Loan funds for the first academic year). Disbursement of these funds should have been split equally in two disbursements with one-half

for the first payment period beginning on 01/05/2009 and ending on 05/30/2009. Upon successful completion of the first payment period, the remaining one-half should have been disbursed for the period beginning on 06/01/2009 and ending on 12/19/2009.

The student began her second academic year on 01/04/2010 when she began (MA135). The student never established enrollment as at least a half-time student for the payment period and therefore, was not eligible for Title IV, HEA funds for the student's second academic year of study.

As illustrated in the table below, MMC incorrectly disbursed Title IV, HEA funds based on the rules for scheduled academic year programs and did not award and disburse Title IV, HEA funds based on the successful completion of both the credit hours and weeks of instruction in the student's academic year as required for non-term programs.

MMC Disbursement Schedule for Student 42

Loan Period	Midpoint	Grade Level	Pell	Subsidized	Unsubsidized
01/26/2009 – 08/07/2009	05/28/2009	3	N/A	\$ 5,500.00	\$ 500.00
08/24/2009 – 06/01/2010	01/30/2010	4	N/A	\$ 4,165.00	\$ 1,030.00

Actual Disbursement Dates:

Federal Subsidized Stafford Loan	\$4,200 on 01/26/2009 & \$1,300 on 05/28/2009
Federal Unsubsidized Stafford Loan	\$250 on 01/26/2009; \$250 on 05/28/2009
Federal Subsidized Stafford Loan	\$2,368 on 08/14/2009; \$1,797 on 01/30/2010
Federal Unsubsidized Stafford Loan	\$1,030 on 01/30/2010

Failure to disburse Title IV, HEA funds based on statutes and regulations established for non-term programs resulted in the incorrect certification of Federal Stafford loan periods and the disbursement of Title IV, HEA funds prior to the successful completion of one-half of the credit hours and instructional weeks in subsequent payment periods. As a result, the student was not eligible for \$4,165 in Federal Subsidized Stafford Loan funds; and \$1,030 in Federal Unsubsidized Stafford Loan funds received for the student's second academic year at MMC that began on 01/04/2010.

The student is also cited in Findings 2, 23, 25, 26, and 27.

Student #45 Student 45 began his first course (BN204) on 01/05/2009 and completed the course on 02/07/2009, earning a grade of B. The student began (PL169) on 02/09/2009 and completed the course on 03/14/2009, earning a grade of B. The student began (BA250) on 03/16/2009 and later withdrew from the course. The student began (BA203/1) on 04/21/2009 and completed the course on 05/30/2009, earning a grade of C-. The student began (EC251) on 06/01/2009 and later withdrew from the course. The student began (BK208) on 08/31/2009 and completed the course and first payment period of the academic year on 10/03/2009 with a grade of B.

According to the Department's COD records, MMC disbursed \$535 in Federal Pell Grant funds on 01/02/2009; \$1,071 on 01/26/2009; and \$534 on 05/28/2009. MMC returned \$534 to the Federal Pell Grant program on 08/11/2009. MMC disbursed \$1,388 in Federal Pell Grant funds on 09/01/2009. The student was only eligible to receive \$2,141 for the payment period that began 01/05/2009 and ended on 10/03/2009.

In addition, MMC incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$3,000 for the loan period of 02/04/2009 to 05/21/2009. The first disbursement of \$1,500 in Federal Subsidized Stafford Loan funds was disbursed on 01/26/2009. The second disbursement of \$1,500 in Federal Subsidized Stafford Loan funds was disbursed on 02/05/2009. MMC also incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$1,100 for the loan period of 08/24/2009 to 12/19/2009. The full \$1,100 in Federal Subsidized Stafford Loan funds was disbursed on 08/14/2009. The student, however, did not successfully complete his first payment period of 12 credit hours and 15 weeks of instructional time until 10/03/2009. The student was only eligible to receive \$2,050 in Federal Subsidized Stafford Loan funds for the first payment period that began on 01/05/2009 and ended on 10/03/2009 (one half of \$4,100).

The student started his second payment period of his first academic year when he began (BC265) on 10/05/2009 and completed the course on 12/19/2009 with a grade of C. The student began (BC266) on 02/08/2010 and later withdrew from the course. (BC266) is the final course entry on the student's academic transcript. The student did not complete the second payment period of the academic year.

Based on COD records, MMC incorrectly disbursed \$286 in Federal Pell Grant funds on 04/19/2010. The student was eligible to receive \$1,388 in Federal Pell Grant funds for the payment period that began on 10/05/2009 and ended with the successful completion of at least 12 credit hours and 15 weeks of instructional time.

The student was not eligible for the second half of her Federal Subsidized Stafford Loan funds in the amount of \$2,050 discussed above until on or after 10/05/2009. The loan period for this student should have had a start date of 10/05/2009 and corresponding end date based on the amount of time required for the student to successfully complete 24 credit hours and 30 weeks of instructional time. MMC was required to perform a Return of Title IV funds calculation for this student based on the student's withdraw from (BC266) and failure to reenroll at MMC during the payment period or within 180 days of the student's last date of attendance.

Failure to disburse Title IV, HEA funds based on rules established for non-term programs resulted in incorrect disbursement of Title IV, HEA funds prior to the successful completion of

one-half of the hours and instructional weeks for subsequent payment periods and failure to perform a required Return to Title IV funds calculation.

This student is also cited in Findings 25 and 26.

Student #64 Student 64 began her first course (BA205) on 06/01/2009 and completed the course on 07/02/2009, earning a grade of B-. The student began (BK311) on 07/06/2009 and completed the course on 08/15/2009, earning a grade of B. The student began (EN123) on 08/31/2009 and completed the course on 10/03/2009, earning a grade of B+. The student began (EC251) on 10/05/2009 and completed the course on 11/07/2009, earning a grade of D-. If MMC considers the grade of D- as successful completion of (EC251), then the student successfully completed the first payment of their first academic year at MMC on 11/07/2009. If MMC's policy does not consider a grade of D- as successful completion of the course, MMC must extend the student's payment period until the student successfully completes 12 credit hours and at least 15 weeks of instructional time.

According to the Department's COD records, MMC disbursed \$1,388 in Federal Pell Grant funds to the student's account on 08/14/2009. The student was eligible to receive \$2,675 in Federal Pell Grant funds for the payment period that began 06/01/2009 and ended on 11/07/2009.

Assuming MMC's policy considers a D- as successful completion; the student began her second payment period on 11/09/2009 when she began (EC252). The student completed (EC252) on 12/19/2009 earning a grade of F. The student began (MA130) on 01/04/2010 and completed the course on 03/13/2010 earning a grade of C-. The student began (BN380) on 03/15/2010 and completed the course on 04/24/2010 earning a grade of B+. The student began (BA310) on 04/26/2010 and completed the course on 06/01/2010 earning a grade of B. The student began (BN304) on 08/23/2010 and withdrew from the course. The course was scheduled to end on 10/02/2010. (BN304) is the final course listed on the student's academic transcript. The student never successfully completed 12 credit hours required to complete the payment period.

According to the Department's COD records, MMC disbursed \$1,388 in Federal Pell Grant funds to the student's account on 01/25/2010; \$668 on 06/02/2010; and \$1,388 on 08/13/2010. MMC returned \$1,153 to the Federal Pell Grant program on 10/15/2010. The student was eligible to receive \$2,775 in Federal Pell Grant funds for the payment period that began 11/09/2009. MMC should have calculated a Return to Title IV calculation for the payment period that began 11/09/2009 and ended on 10/02/2010.

Failure to disburse Title IV, HEA funds based on rules established for non-term programs resulted in incorrect disbursement of Title IV, HEA funds prior to the successful completion of one-half of the hours and instructional weeks for subsequent payment periods and an incorrect Return to Title IV funds calculation.

This student is also cited in Finding 26.

Students # 39, 41, 65, 66, 67, 68, 69, 70 Each student was enrolled in Advance program courses and was awarded and disbursed Title IV, HEA funds based on a scheduled academic year calendar, as opposed to successful completion of hours and weeks attempted in the prior payment period as required for students enrolled in a non-term program structure.

Required Action: In response to this correspondence, MMC must review the enrollment history for each Title IV, HEA recipient and identify each student enrolled in the Advance program or in Advance courses from the 2008-2009 award year to present. MMC must prepare a spreadsheet listing all of the students included in this file review and recalculate each student's financial assistance based on successful completion of payment periods. In cases where liabilities are identified as a result of the file review, MMC must list the liability amount by Title IV, HEA program. MMC must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

- (1) Student's first and last name;
- (2) Social Security number (last four digits only);
- (3) Award year student enrolled in the Advance program or first attended Advance courses;
- (4) Reconstruction of each payment period the student attended based on successful completion of the prior payment period;
- (5) Student's grade level based on hours completed for each payment period;
- (6) Actual Amount of Federal Pell Grant disbursed;
- (7) Date of Federal Pell Grant disbursement;
- (8) Amount of Federal Pell Grant that should have been disbursed for the payment period;
- (9) Date of Federal SEOG Grant disbursement;
- (10) Amount of Federal SEOG Grant that should have been disbursed for the payment period;
- (11) Amount of Federal ACG disbursed;
- (12) Date of Federal ACG disbursement;
- (13) Amount of Federal ACG that should have been disbursed for the payment period;
- (14) Amount of Federal Perkins Loan disbursed;
- (15) Amount of Federal Perkins Loan that should have been disbursed for the payment period;
- (16) Amount of Federal Subsidized Loan disbursed;
- (17) Date of Federal Subsidized Loan disbursement;
- (18) Amount of Federal Subsidized Loan that should have been disbursed for the payment period;
- (19) Amount of Federal Unsubsidized Loan disbursed;
- (20) Date of Federal Unsubsidized Loan disbursement;
- (21) Amount of Federal Unsubsidized Loan that should have been disbursed for the payment period;
- (22) Amount of Federal PLUS Loan disbursed;
- (23) Date of Federal PLUS Loan disbursement;
- (24) Amount of Federal PLUS Loan that should have been disbursed for the payment period;

- (25) Legible copy of student's admission application;
- (26) Legible copy of student's original account card;
- (27) Legible copy of student's academic transcript.

An example of how the file review information should be reported is attached and will be included as Appendix B: Spreadsheet 1 (Finding 24) Non-Term Program Disbursements to the program review report issued on September 13, 2010.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure of the program review report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 25. Inaccurate Loan Periods – Non-Term Program

Citation: Federal regulations state the period of enrollment is the period for which a Federal Direct Subsidized, Federal Direct Unsubsidized, or Federal Direct PLUS Loan is intended (e.g., an academic year; or the length of the program of student in weeks of instructional time). The period of enrollment is also referred to as the loan period. 34 C.F.R. §685.102(b).

Noncompliance: MMC did not accurately certify and/or adjust Federal Stafford Loan periods for students enrolled in the Advance program or for students who failed to successfully complete both the weeks and credit hours required for completion of the student's academic year.

Student #42 MMC incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$5,500 and a Federal Unsubsidized Stafford Loan in the amount of \$500 for the loan period of 01/26/2009 to 08/07/2009. The loan period begin date should have been 01/05/2009. If a student does not successfully complete a payment period in a non-term program on the originally scheduled end date, the school is required to update the student's loan period to reflect the student's new anticipated end date for the payment period. In this instance, the student successfully completed the first academic year and corresponding loan period on 12/19/2009.

MMC also incorrectly certified two Federal Subsidized Stafford Loans and a Federal Unsubsidized Stafford Loan in the amounts of \$3,595, \$570, and \$1,030; respectively, for the loan period of 08/24/2009 to 06/01/2010. The loan period start date should have been 01/04/2010 with an anticipated end date estimated on the amount of time it would take the student to complete 24 credit hours and 30 weeks of instructional time. In this instance, the student only completed the first course of the first payment period in the academic year. If the student withdrew prior to the disbursement of loan funds for the payment period or MMC had knowledge that the student was not going to enroll in at least six credit hours for the payment period, the institution would have been required to cancel and return 100% of the loan funds disbursed to the Federal Stafford Loan program. If the student was enrolled in at least six credit hours at the time loan funds were disbursed for the payment period, MMC should have

performed a Return to Title IV funds calculation using the original anticipated end date for the period, based on the anticipated time it would take the student to complete 12 credit hours and at least 15 weeks of instructional time. MMC should have updated the student's loan period and loan certification to accurately reflect the student's anticipated loan disbursements based on the student's enrollment status and successful completion of hours attempted.

This student is also cited in Findings 2, 23, 24, 26, and 27.

Student 45 MMC incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$3,000 for the loan period of 02/04/2009 to 05/21/2009. The loan period begin date should have been 01/05/2009. If a student does not successfully complete a payment period in a non-term program, the school is required to update the student's loan period to reflect the student's new anticipated end date for the payment period. In this instance, the student successfully completed the first academic year and corresponding loan period on 10/03/2009.

MMC also incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$1,100 for the loan period of 08/24/2009 to 12/19/2009. The loan period start date should have been 10/05/2009 with an anticipated end date estimated on the amount of time it would take the student to complete 24 credit hours and 30 weeks of instructional time. In this instance, the student completed the first course of the payment period and withdrew during the second course. MMC should have performed a Return to Title IV funds calculation using the original anticipated end date for the period, based on the anticipated time it would take the student to complete 12 credit hours and at least 15 weeks of instructional time. MMC should have updated the student's loan period and loan certification to accurately reflect the student's anticipated loan disbursements based on the student's enrollment status and successful completion of hours attempted.

This student is also cited in Finding 24 and 26.

Required Action: MMC must submit a copy of its policy and procedures that will ensure that Federal Stafford and PLUS Loans are correctly certified and updated in the future.

Finding 26. Unmade/Inaccurate Return to Title IV Fund Calculation for Students Enrolled in Non-Term Programs

Citation: Federal regulations state that when a recipient of Title IV, HEA grant or loan assistance withdrawals 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, HEA grant or loan assistance that the student earned as of the student's withdrawal date. If the total amount of Title IV, HEA grant or loan assistance, or both, that the student earned is less than the amount of Title IV, HEA grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a Federal 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, HEA programs. If the total amount of Title IV, HEA grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV, HEA grant or loan

assistance, or both, that was disbursed to the student or on behalf of the student in the case of a Federal 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. An institution must calculate and return Title IV, HEA refunds no later than 45 days after the date of the institution's determination that the student withdrew. 34 CFR § 668.22.

Institutions that offer non-term programs must have a reasonable procedure for projecting the completion date of the period based on the student's progress prior to withdrawal from the program. For a student who successfully completed all modules attempted up to the time the student withdrew, the completion date (and the corresponding number of days in the Return calculation) is the number of days between the first module and the originally scheduled end date of the last module. The institution must take into consideration any credits that a student has attempted, but not successfully completed before withdrawing. Credits must be successfully completed before the student is considered to have completed the period. The school must add to the number of days between the start date of the first module and the scheduled end of the last module, the number of days the student spent in the courses/module(s) the student did not successfully complete. *2009-2010 Federal Student Aid Handbook, Volume 5.*

A student who withdraws from a credit-hour non-term program and then re-enters within 180 days is considered to remain in the same payment period when he/she returns, and is eligible to receive Title IV, HEA funds for which he/she was eligible prior to withdrawal. *2009-2010 Federal Student Aid Handbook, Volume 3.*

Non-Compliance: MMC does not have procedures in place to calculate a student's last day of attendance for students enrolled in the ADVANCE program and has not accurately performed required Return to Title IV funds calculations for students who withdraw prior to completion of a payment period.

Student #42 As referenced in Finding 24, the student started the first payment period of her second academic year on 01/04/2010. The student only completed one course for the entire payment period on 03/13/2010. If the student was enrolled/scheduled to attend at least six hours for the payment period, MMC should have performed the required Return to Title IV funds calculation. If the student was never enrolled as at least a half-time student, MMC should have cancelled and returned 100% of the Federal Stafford Loan funds disbursed. There is no documentation in the student's file that MMC performed the required Return of Title IV funds calculations.

MMC's response, however, to Finding 2 of the Program Review Report indicates MMC reprocessed the Spring disbursement of the student's loan as a Fall only loan in April of 2010 when MMC determined the student was not attending Spring courses. Issues identified with these procedures are identified in Finding 27 of this correspondence.

This student is also cited in Finding 2, 23, 24, 25, and 27.

Student #45 As referenced in Finding 24, the student began his second payment period in his first academic year on 10/05/2009. The student began his second course of the payment period

on 02/08/2010 and later withdrew from the course. The student did not reenroll during the payment period or within 180 days of the student's last date of attendance; and therefore never successfully completed the payment period. As discussed in Finding 24, the student's Title IV, HEA funds were incorrectly awarded and disbursed. In addition, the Return of Title IV funds calculation completed on 03/29/2010 was processed with incorrect payment period dates, resulting in an inaccurate Return of Title IV funds calculation.

This student is also cited in Finding 24.

Student #64 As referenced in Finding 24, the student began the second payment period of her first academic year on 11/09/2009. The student failed (EC252); and successfully completed (MA130; BN380; and BA310). The student began (BN304) on 08/23/2010 and withdrew from the course. The student never successfully completed 12 credit hours required to complete the payment period. As discussed in Finding 24, the student's Title IV, HEA funds were incorrectly awarded and disbursed. In addition, the Return of Title IV funds calculation completed on 10/14/2010 was processed with incorrect payment period dates, resulting in an inaccurate Return to Title IV funds calculation.

This student is also cited in Finding 24 and 25.

Required Action: In the case of students 42, 45, and 64, MMC is required to first calculate the appropriate Title IV, HEA awards based on the student's enrollment status by payment period and then perform a Return to Title IV funds calculation for the student's correct payment period.

MMC is also required to perform a Return to Title IV funds calculation for each student identified in the file reconstruction required in Finding 24 who withdrew or ceased attending MMC prior to the completion of the payment period.

For Returns that are found to be improperly calculated and Returns that should have been calculated but were not, MMC must perform a correct calculation or recalculation.

The materials the institution must submit include:

- (1) A spreadsheet that contains, for each Title IV recipient who officially or unofficially withdrew, the following information:
 - (a) Student's name;
 - (b) Last four digits of student's SSN number;
 - (c) Student's last date of attendance;
 - (d) Student's withdrawal date;
 - (e) The date that MMC determined that the student withdrew;
 - (f) The date that the original Return was calculated;
 - (g) The amount of Title IV funds returned, if applicable (organized by Title IV program);
 - (h) The date(s) the Return(s) were made (organized by Title IV program);
 - (i) Amount of post-withdrawal disbursement (PWD), if applicable;
 - (j) Title IV program from which PWD was made;

- (k) Date PWD was paid;
- (l) Date of corrected Return of Title IV Funds calculation, if applicable;
- (m) Corrected amount of Return, if applicable;
- (n) Title IV program to which corrected Return(s) was made;
- (o) Date of corrected Return;
- (p) Amount of PWD, if applicable;
- (q) Title IV program from which PWD was made;
- (r) Date PWD was paid.

The spreadsheet should be organized by award year and then by individual student. The spreadsheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format;

- (2) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew (MMC 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 MMC'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 MMC's determination of the student's last date of attendance.
- (8) In cases where a post-withdrawal disbursement was calculated, copies of all supporting documentation establishing that the post-withdrawal disbursement of Title IV loan funds was offered to the student or parent, and the student or parent's response to that offer. In cases where no such documentation is available, MMC 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) In the case of unearned aid that is required to be returned by a student, copies of all supporting documentation establishing that MMC contacted the student and made appropriate repayment arrangements, as outlined in Federal regulations.

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

Award year	Student	SSN	Last date of attendance	Withdrawal date	Date of determination	Date of Return calculation	Amount of return, if applicable	Title IV program	Date of Return
2007/08	***	***	6/20/08	6/20/08	6/24/08	6/24/08	\$2,000	DL Unsub	7/6/08
	" "	" "	" "	" "	" "	" "	\$1,356	DL Sub	7/6/08
	" "	" "	" "	" "	" "	" "	\$312	Pell	7/4/08

Amount of PWD, if applicable	PWD program	Date PWD Paid	Date of Corrected Return calculation, if applicable	Corrected Amount of return, if applicable	Title IV program	Date of Corrected Return	Amount of PWD, if applicable	PWD program	Date PWD Paid
" "	" "	" "	6/24/08	\$2,000	DL Unsub	7/6/08	" "	" "	" "
" "	" "	" "	" "	\$1,356	DL Sub	7/6/08	" "	" "	" "
" "	" "	" "	" "	\$517	Pell	6/7/10	" "	" "	" "

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of the program review report issued on September 13, 2010.

Additionally, MMC must review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed in a timely manner in the future. A copy of these procedures must accompany MMC's response to this report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 27. Failure to Return Title IV, HEA Funds for Ineligible Students

Citation: A student is eligible to receive Title IV, HEA program assistance if the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution; and for purposes of the Federal Perkins Loan, FWS, FFEL, and Direct Loan programs, is enrolled or accepted for enrollment as at least a half-time student at an eligible institution in a program necessary for a professional credential or certification from a State that is required for employment as a teacher in an elementary or secondary school in that State. 34 CFR § 668.32(a)(2) and 34 CFR § 685.200(a)(i).

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 provide to the Secretary, borrower information that includes but is not limited to:

- The borrower's eligibility for a loan;
- The student's loan amount; and

- The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds. 34 CFR § 685.301(a)(2).

The date of loan origination is the date a school creates the electronic loan origination record. 34 CFR § 685.301(a)(6).

An institution must disburse loan proceeds on a payment period basis. If a loan period is more than one payment period, the school must disburse loan proceeds at least once in each payment period. 34 CFR § 685.301(b)(2)(i).

If, prior to making any disbursement to a borrower, the student temporarily ceases to be enrolled on at least a half-time basis, the school may make a disbursement and any subsequent disbursement to the student if the school determines and documents in the student's file—

- That the student has resumed enrollment on at least a half-time basis;
- The student's revised cost of attendance; and
- That the student continues to qualify for the entire amount of the loan, notwithstanding any reduction in the student's cost of attendance caused by the student's temporary cessation of enrollment on at least a half-time basis. 34 CFR § 685.303.

If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV, HEA program funds that were credited to the student's account at the institution or disbursed directly to the student for that payment period or period of enrollment, for Federal Perkins Loan, FSEOG, TEACH Grant, Federal Pell Grant, ACG, and National SMART Grant program funds. For FFEL and Direct Loan funds:

- The institution must return all FFEL and Direct Loan funds that were credited to the student's account at the institution for that payment period or period of enrollment; and
- The institution must return the amount of payments made directly by or on behalf of the student to the institution for that payment period or period of enrollment, up to the total amount of the loan funds disbursed;

The institution must return those funds for which it is responsible to the respective Title IV, HEA program as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance. 34 CFR § 668.21.

An institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for a payment period and is eligible to receive those funds. 34 CFR § 668.164 (b)(3).

Non-Compliance: In Finding 2 of the Program Review Report issued by the Department on September 13, 2010, program reviewers documented one instance in which MMC failed to perform a Return of Title IV funds calculation.

MMC's response to the Program Review Report states, "In researching Student #42, we determined the Subsidized Stafford Loan was originally set up for a Fall disbursement of \$1,798 and a Spring disbursement of \$1,797. In April when we determined the student was not attending Spring courses, the Subsidized Stafford Loan of \$1,797 was changed to a Fall only loan and the Spring disbursement was changed to a Fall disbursement.

We do not agree with this finding. We have determined this student did not attend any spring courses and withdrew after they completed their winter term course, so the student was an end of semester withdrawal."

It has been determined that student 42 is enrolled in a non-term program. Specific Findings and corrective action have been cited throughout this correspondence related to the administration of Title IV, HEA funds for non-term programs. MMC's response to the Program Review Report, however, indicates systemic issues related to MMC's failure to return Title IV, HEA Federal Stafford Loan funds for students who lose eligibility for Title IV, HEA funds during a loan period certified by MMC. If a student does not begin attendance in a payment period or period of enrollment the institution must return all Title IV, HEA program funds that were credited to the student's account at the institution for that payment period. In the case of student 42, the loan was certified for a loan period of 08/24/2009 to 06/01/2010. Assuming student 42 had been enrolled in a term based program, MMC would have been required to disburse Federal Stafford Loan funds in equal disbursements with one half of the funds disbursed for the Fall semester and the second half for the Spring semester. If a student fails to enroll as a half-time student or drops to an enrollment status below half-time for a semester/payment period at the time of disbursement, MMC is required to cancel and return any Title IV, HEA funds received for those students who never begin attendance and complete any required Return to Title IV calculation for those students who begin attendance but fail to complete the payment period as required by 34 CFR § 668.22.

Required Action: In response to this correspondence, MMC must review the enrollment history for each Title IV, HEA recipient enrolled in MMC's traditional standard degree programs (Non-Advance students) and identify each student for whom the institution certified a Federal Stafford Loan in which the student did not complete the certified loan period from the 2008-2009 award year to present. MMC must prepare a spreadsheet listing all of the students included in this file review. For each student identified in which MMC incorrectly reallocated ineligible disbursements to a previous payment period, MMC must report all ineligible disbursements by Title IV, HEA program. MMC must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

- (1) Student's first and last name;
- (2) Social Security number (last four digits only);
- (3) Award year;
- (4) Amount of Ineligible Federal Subsidized Loan disbursed;
- (5) Date of Ineligible Federal Subsidized Loan disbursement;
- (6) Amount of Ineligible Federal Unsubsidized Loan disbursed;
- (7) Date of Ineligible Federal Unsubsidized Loan disbursement;
- (8) Amount of Ineligible Federal PLUS Loan disbursed;
- (9) Date of Ineligible Federal PLUS Loan disbursement;

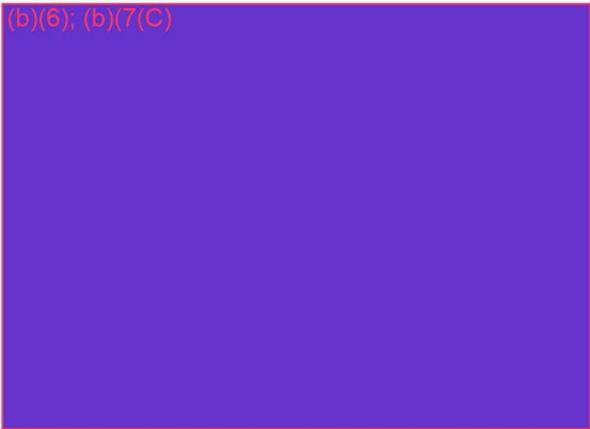
- (10) Legible copy of student's original account card;
- (11) Legible copy of student's academic transcript.
- (12) Legible copies of all audit trail documentation (i.e. screen prints of Common Origination and Disbursement (COD) screens with pertinent detail information).

Student	Last 4 SSN	Amount of Ineligible Federal Subsidized Loan Disbursement	Date of Ineligible Federal Subsidized Loan Disbursement	Amount of Ineligible Federal Unsubsidized Loan Disbursement	Date of Ineligible Federal Unsubsidized Loan Disbursement	Amount of Ineligible Federal PLUS Disbursement	Date of Ineligible Federal PLUS Disbursement
Sam Student	***	\$2,750	01/30/2010	\$3,500	01/30/2010	N/A	N/A

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure of the program review report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Appendix A: Program Review Appendix Addendum
Advance Program Students Referenced

<u>Student Number</u>	<u>Name</u>	<u>Last 4 SSN</u>
64.		
41.		
42.		
65.		
45.		
39.		
66.		
67.		
68.		
69.		
70.		

Final Program Review Determination
PRCN #:

Appendix N.

MMC's Response to
the Program Review Report Addendum

Final Program Review Determination
PRCN #:

Appendix N.

MMC's Response to
the Program Review Report Addendum

MOUNT MERCY UNIVERSITY

1330 Elmhurst Drive NE
Cedar Rapids, Iowa 52402-4797
319-363-8213
www.mtmercy.edu

November 9, 2011

Dvak Corwin
U.S. Department of Education, FSA
School Participation Team
8930 Ward Parkway, Suite 2028
Kansas City, MO 64114-3302

Re: Program Review Report
PRCN: 201030727336
OPE ID: 00188000

Dear Mr. Corwin:

Enclosed please find Mount Mercy University's response to the Program Review Report Addendum. A Table of Contents is included that references each document or spreadsheet included in this response.

We appreciate the extension of time granted to submit this information. Please let us know if you need additional information.

Thank you,



Barbara Parks Pooley, CPA, CMA, CFM
Vice President for Finance and Business Operations

Contents

Finding 23: Lack of Administrative Capability – Failure to Appropriately Administer Title IV, HEA Funds for Non-Term Programs	2
Finding 24: Improper/Ineligible Disbursements – Title IV, HEA Funds Disbursed Prior to Successful Completion of Credit Hours Attempted in Prior Payment Period for Students Enrolled in a Non-Term Program	4
Finding 25: Inaccurate Loan Periods – Non-Term Program	5
Finding 26: Unmade/Inaccurate Return to Title IV Funds Calculation for Students Enrolled in Non-Term Programs	7
Finding 27: Failure to Return Title IV, HEA Funds for Ineligible Students	8

Excerpts from the Department of Education Program Review Report are in bold font. Mount Mercy University's responses are in normal font and excerpts from our college catalog and the federal regulations are in Italics.

Finding 23: Lack of Administrative Capability – Failure to Appropriately Administer Title IV, HEA Funds for Non-Term Programs

Noncompliance: MMC offers accelerated degree completion programs (*Advance*) tailored to meet the needs of non-traditional students. Accelerated courses are offered in five, eight, or ten week block periods in which students attend class one night per week for three or four hours. MMC offers accelerated programs in Accounting, Applied Management, Business, Finance, Human Resource Management, Management Information Systems, Marketing, and R.N. to B.S.N. Completion. MMC will accept up to 75 credit hours of transfer work towards a baccalaureate degree for students transferring to MMC from other institutions.

To be accepted into the *Advance* program, students must be 23 years of age; must have a minimum of three years full-time relevant work experience and must have a minimum cumulative grade point average of 2.5 or higher on a 4.0 scale. Exceptions to this policy may be made by the MMC Admission Committee or based upon established articulation agreements. Students are not allowed to pursue a major or minor in MMC's traditional programs at the same time the student is pursuing a major or minor in one of the accelerated programs.

As discussed in detail in Findings 24, 25, and 26, MMC did not award and disburse Title IV, HEA funds based on rules established for the administration of Title IV, HEA funds for students enrolled in a non-term program. Disbursement of Title IV, HEA funds prior to a student successfully completing the credit hours and weeks of instruction in the previous payment period has resulted in the improper disbursement of Title IV, HEA funds.

Student #42 serves as an example to illustrate the deficiencies in MMC's administration of Title IV, HEA funds for non-term programs.

Student #42: The student began her first two courses (CO260 and NU210) at MMC on 01/05/2009 and completed the courses on 02/07/2009 resulting in 4 credit hours earning grades of B+ and A, respectively. The student also began (MA135) on 01/05/2009, but later withdrew from the course. The student began (EN133) on 02/09/2009 and completed the course on 03/14/2009 with a grade of B+. The student began (NU242) on 03/16/2009 and completed the course on 04/18/2009 with a grade of A. The student began (NU230) on 04/21/2009 and completed the course and first payment period of the academic year on 05/30/2009 with a grade of A-.

The student started her second payment period of her first academic year when she began (NU461) on 06/01/2009 and completed the course on 08/15/2009 with a grade of A. The student began (BA203/1) on 08/31/2009 and completed the course on 10/03/2009 with a grade of B. The student began (NU460) on 10/05/2009 and complete the course on 12/19/2009 with a grade of A. Successful

completion of (NU460) completed the student's first academic year which began 01/05/2009 and ended on 12/19/2009 with at least 24 credit hours and 30 weeks of instructional time.

MMC incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$5,500 and a Federal Unsubsidized Stafford Loan in the amount of \$500 for the loan period of 01/26/2009 to 08/07/2009. The first disbursement of \$4,200 in Federal Subsidized Stafford Loan funds and \$250 in Federal Unsubsidized Stafford Loan funds was disbursed on 01/26/2009. The second disbursement of \$1,300 in Federal Subsidized Stafford Loan funds and \$250 in Federal Unsubsidized Loan funds was disbursed on 05/28/2009. Loan disbursements were not disbursed in substantially equal installments, and the amounts disbursed exceeded one-half of the loan amount certified. In addition, the student did not successfully complete his first payment period of 12 credit hours and 15 weeks on instruction time until 05/30/2009. The student was only eligible to receive \$2,750 in Federal Subsidized Stafford Loan funds and \$250 in Federal Unsubsidized Stafford Loan funds for the first payment period. The student was not eligible for the second half of her loan disbursements until on or after 06/01/2009 in the amounts of \$2,750 in Federal Subsidized Loan funds and \$250 in Federal Unsubsidized Loan funds. The loan period for this student should have a start date of 01/05/2009 and corresponding end date of 12/19/2009.

The student started the first payment period of her second academic year on 01/04/2010. The student began (MA135) on 01/04/2010 and completed the course on 03/13/2010 earning 3 credit hours with a grade of A-. (MA135) is the final course entry on the student's academic transcript.

MMC incorrectly certified two Federal Subsidized Stafford Loans and a Federal Unsubsidized Stafford Loan in the amounts of \$3,595, \$570 and \$1,030; respectively, for the loan period of 08/24/2009 to 06/01/2010. \$1,798 and \$570 in Federal Subsidized Stafford Loan funds was disbursed on 08/14/2009. \$1,797 in Federal Subsidized Stafford Loan funds and \$1,030 in Federal Unsubsidized Loan funds were disbursed on 01/03/2010. As discussed above, the student's first payment of her second academic year at MMC did not begin until 01/04/2010. The student did not enroll in enough hours for the payment period to establish an enrollment status as a half-time student as required by Title IV, HEA regulations for the Federal Stafford Loan Program. In addition, had the student been eligible to receive the funds, the disbursements were not made in substantially equal installments, and the amounts disbursed exceeded one-half of the loan amount certified.

Failure to disburse Title IV, HEA funds based on statutes and regulations established for non-term programs resulted in the incorrect certification of Federal Stafford loan periods and the disbursement of Title IV, HEA funds prior to the successful completion of one-half of the credit hours and instructional weeks in subsequent payment periods. As a result, the student was not eligible for \$4,165 in Federal Subsidized Stafford Loan funds; and \$1,030 in Federal Unsubsidized Stafford Loan funds received for the student's second academic year at MMC that began on 01/04/2010.

This student is also cited in Findings 2, 24, 25, 26, and 27.

Response to the Finding: We have reviewed the rules for administering Title IV, HEA funds for non-term programs along with the definition of a non-term program and we agree that we were not properly awarding and disbursing aid to students in the Accelerated programs.

On 7/13/2011 proposed changes for restructuring the Advance program were submitted to Angela Beam, Institutional Review Specialist for the United States Department of Education, which included the following:

- Students must be enrolled in courses prior to the start of the semester; they will not be allowed to start the program during any block.
- Students will be able to earn 24 credits hours within 30 weeks of instruction time by enrolling in at least one course per block for 7 blocks (21 credits) plus two online courses (6 credits). This will allow students to potentially earn 27 credits within 30 weeks of instructional time.
- All courses will start and end within the standard term dates, the winter intercession will be linked to the spring semester.
- Each student's Cost of Attendance (COA) and EFC will be adjusted for periods of non-attendance and students will only be packaged and paid for actual instructional weeks of attendance within the term.

On 08/08/2011 we received confirmation from Ms. Beam that these proposed changes would allow us to treat the Accelerated program as a Standard term program and award aid accordingly.

On 9/8/2011 written policies and procedures for administering aid for non-term programs and for administering aid for modular programs were emailed to Angela Beam. These policies and procedures are attached to this response.

Finding 24: Improper/Ineligible Disbursements - Title IV, HEA Funds Disbursed Prior to Successful Completion of Credit Hours Attempted in Prior Payment Period for Students Enrolled in a Non-Term Program

Noncompliance: The minimum academic year definition for a full-time student enrolled in a credit hour program is 24 semester or trimester credit hours and 30 weeks of instructional time. A school who offers both term based and non-term based academic programs may define an academic year differently for each program. A student who takes courses that overlap terms or sequential courses that do not begin and end within a term, such as the Advance program, is enrolled in a non-term program. To complete the minimum definition of an academic year, an Advance student would have to successfully complete 24 credit hours within 30 weeks of instructional weeks. As discussed below, MMC failed to ensure student's successfully completed at least 12 credit hours and 15 instructional weeks each payment period prior to making subsequent disbursements of Title IV, HEA funds:

Student #42: As discussed in detail in Finding 23, Student 42 began her first two courses (CO260 and NU210) at MMC on 01/05/2009. The student successfully completed 24 credit hours and 30 weeks of instructional time on 12/19/2009. The student was eligible for Federal Subsidized Stafford Loan funds of \$5,500 and Federal Unsubsidized Stafford Loan funds of \$7,000 (the student accepted \$500 in Federal Unsubsidized Stafford Loan funds for the first academic year). Disbursement of these funds

should have been split equally in two disbursements with one-half for the first period beginning on 01/05/2009 and ending on 05/30/2009. Upon successful completion of the first payment period, the remaining one-half should have been disbursed for the period beginning on 06/01/2009 and ending on 12/19/2009.

The student began her second academic year on 01/04/2010 when she began (MA135). The student never established enrollment as at least a half-time student for the payment period and therefore, was not eligible for Title IV, HEA funds for the student's second academic year of study.

MMC incorrectly disbursed Title IV, HEA funds based on the rules for scheduled academic year programs and did not award and disburse Title IV, HEA funds based on the successful completion of both the credit hours and weeks of instruction in the student's academic year as required for non-term programs.

Failure to disburse Title IV, HEA funds based on statutes and regulations established for non-term programs resulted in the incorrect certification of Federal Stafford loan periods and the disbursement of Title IV, HEA funds prior to the successful completion of one-half of the credit hours and instructional weeks in subsequent payment periods. As a result, the student was not eligible for \$4,165 in Federal Subsidized Stafford Loan funds; and \$1,030 in Federal Unsubsidized Stafford Loan funds received for the student's second academic year at MMC that began on 01/04/2010.

The student is also cited in Findings 2, 23, 25, 26, and 27.

Student #45 and Student #64 were also cited in this finding with similar ineligible/incorrect disbursements.

Students #39, 41, 65, 66, 67, 68, 69, 70 – Each student was enrolled in the Advance program courses and was awarded and disbursed Title IV, HEA funds based on a scheduled academic year calendar, as opposed to successful completion of hours and weeks attempted in the prior payment period as required for students enrolled in a non-term program structure.

Response to the Finding: These students were not awarded based on non-term Title IV, HEA program rules. A spreadsheet is included that contains the information requested in the program review addendum. In addition, all Advance (Accelerated) admission applications, original account cards and academic transcripts are included.

Finding 25: Inaccurate Loan Periods – Non-Term Program

Noncompliance: MMC did not accurately certify and/or adjust Federal Stafford Loan periods for students enrolled in the Advance program or for students who failed to successfully complete both the weeks and credit hours required for completion of the student's academic year.

Student #42: MMC incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$5,500 and a Federal Unsubsidized Stafford Loan in the amount of \$500 for the loan period of 01/26/2009 to

08/07/2009. The loan period begin date should have been 01/05/2009. If a student does not successfully complete a payment period in a non-term program on the originally scheduled end date, the school is required to update the student's loan period to reflect the student's new anticipated end date for the payment period. In this instance, the student successfully completed the first academic year and corresponding loan period on 12/19/2009.

MMC also incorrectly certified two Federal Subsidized Stafford Loans and a Federal Unsubsidized Stafford Loan in the amounts of \$3,595, \$570, and \$1,030; respectively, for the loan period of 08/24/2009 to 06/01/2010. The loan period start date should have been 01/04/2010 with an anticipated end date estimated on the amount of time it would take the student to complete 24 credit hours and 30 weeks of instructional time. In this instance, the student only completed the first course of the first payment period in the academic year. If the student withdrew prior to the disbursement of loan funds for the payment period or MMC had knowledge that the student was not going to enroll in at least six credit hours for the payment period, the institution would have been required to cancel and return 100% of the loan funds disbursed to the Federal Stafford Loan program. If the student was enrolled in at least six credit hours at the time loan funds were disbursed for the payment period, MMC should have performed a Return to Title IV funds calculation using the original anticipated end date for the period, based on the anticipated time it would take the student to complete 12 credit hours and at least 15 weeks on instructional time. MMC should have updated the student's loan period and loan certification to accurately reflect the student's anticipated loan disbursements based on the student's enrollment status and successful completion of hours attempted.

This student is also cited in Findings 2, 23, 24, 26 and 27.

Student 45: MMC incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$3,000 for the loan period of 02/04/2009 to 05/21/2009. The loan period begin date should have been 01/05/2009. If a student does not successfully complete a payment period in a non-term program, the school is required to update the student's loan period to reflect the student's new anticipated end date for the payment period. In this instance, the student successfully completed the first academic year and corresponding loan period on 10/03/2009.

MMC also incorrectly certified a Federal Subsidized Stafford Loan in the amount of \$1,100 for the loan period of 08/24/2009 to 12/19/2009. The loan period start date should have been 10/05/2009 with an anticipated end date estimated on the amount of time it would take the student to complete 24 credit hours and 30 weeks of instructional time. In this instance, the student completed the first course if the payment period and withdrew during the second course. MMC should have performed a Return to Title IV funds calculation using the original anticipated end date for the period, based on the anticipated time it would take the student to complete 12 credit hours and at least 15 weeks of instructional time. MMC should have updated the student's loan period and loan certification to accurately reflect the student's anticipated loan disbursements based on the student's enrollment status and successful completion of hours attempted.

This student was also cited in Finding 24 and 26.

Response to the Finding: We agree that students enrolled in the Accelerated program had inaccurate loan periods based on non-term Title IV, HEA rules. We certified these students loans based on Standard Academic Year guidelines. We submitted a copy of our policies and procedures for certifying loans to Angela Beam on 09/08/2011. We will attach a copy of those policies and procedures to this response.

Finding 26: Unmade/Inaccurate Return to Title IV Funds Calculation for Students Enrolled in Non-Term Programs

Noncompliance: MMC does not have procedures in place to calculate a student's last date of attendance for students enrolled in the ADVANCE program and has not accurately performed required Return to Title IV funds calculations for students who withdraw prior to completion of a payment period.

Student #42: As referenced in Finding 24, the student started the first payment period of her second academic year on 01/04/2010. The student only completed one course for the entire payment period on 03/13/2010. If the student was enrolled/scheduled to attend at least six hours for the payment period, MMC should have performed the required Return to Title IV funds calculation. If the student was never enrolled as at least a half-time student, MMC should have cancelled and returned 100% of the Federal Stafford Loan funds disbursed. There is no documentation in the student's file that MMC performed the required Return of Title IV funds calculations.

MMC's response, however, to Finding 2 of the Program Review Report indicates MMC reprocessed the Spring disbursement of the student's loan as a Fall only loan in April of 2010 when MMC determined the student was not attending Spring courses. Issues identified with these procedures are identified in Finding 27 of this correspondence.

This student is also cited in Finding 2, 23, 24, 25, and 27.

Student #45: As referenced in Finding 24, the student began his second payment period in his first academic year on 10/05/2009. The student began his second course of the payment period on 02/08/2010 and later withdrew from the course. The student did not reenroll during the payment period or within 180 days of the student's last date of attendance; and therefore never successfully completed the payment period. As discussed in Finding 24, the student's Title IV, HEA funds were incorrectly awarded and disbursed. In addition, the Return of Title IV funds calculation completed on 03/29/2010 was processed with incorrect payment period dates, resulting in an inaccurate Return of Title IV funds calculation.

The student is also cited in Finding 24.

Student #64: As referenced in Finding 24, the student began the second payment period of her first academic year on 11/09/2009. The student failed (EC252); and successfully completed (MA130; BN380; and BA310). The student began (BN304) on 08/23/2010 and withdrew from the course. The student never successfully completed 12 credit hours required to complete the payment period. As

discussed in Finding 24, the student's Title IV, HEA funds were incorrectly awarded and disbursed. In addition, the Return of Title IV funds calculation completed on 10/14/2010 was processed with incorrect payment period dates, resulting in an inaccurate Return of Title IV funds calculation.

This student is also cited in Finding 24 and 25.

Response to the Finding: Return to Title IV funds calculations were not properly calculated for non-term programs. A spreadsheet that includes recalculations for students enrolled in our standard term programs (as requested in an email from Angela Beam on 07/01/2011) and for students who were enrolled in the Advance program that had an original calculation completed as well as students we identified through Finding 24 and the recalculations of aid eligibility is included in this response. A copy of our policies and procedures for determining withdrawals and calculating Return of Title IV funds has also been included.

Finding 27: Failure to Return Title IV, HEA Funds for Ineligible Students

Noncompliance: In Finding 2 of the Program Review Report issued by the Department on September 13, 2010, program reviewers documented one instance in which MMC failed to perform a Return of Title IV funds calculation.

MMC's response to the Program Review Report states, "In researching Student #42, we determined the Subsidized Stafford Loan was originally set up for a Fall disbursement of \$1,798 and a Spring disbursement of \$1,797. In April when we determined the student was not attending Spring courses, the Subsidized Stafford Loan of \$1,797 was changed to a Fall only loan and the Spring disbursement was changed to a Fall disbursement.

We do not agree with this finding. We have determined this student did not attend any spring courses and withdrew after they completed their winter term course, so the student was an end of the semester withdrawal."

It has been determined that student #42 is enrolled in a non-term program. Specific Findings and corrective action have been cited throughout this correspondence related to the administration of Title IV, HEA funds for non-term programs. MMC's response to the Program Review Report, however, indicates systemic issues related to MMC's failure to return Title IV, HEA Federal Stafford Loan funds for students who lose eligibility for Title IV, HEA funds during a loan period certified by MMC. If a student does not begin attendance in a payment period or period of enrollment the institution must return all Title IV, HEA program funds that were credited to the student's account at the institution for that payment period. In the case of student 42, the loan was certified for a period of 08/24/2009 to 06/01/2010. Assuming student 42 had been enrolled in a term based program, MMC would have been required to disburse Federal Stafford loan funds in equal disbursements with one half of the funds disbursed for the Fall semester and the second half for the Spring semester. If a student fails to enroll as a half-time student or drops to an enrollment status below half-time for a semester/payment period at the time of disbursement, MMC is required to cancel and return any Title IV, HEA funds received for those students who never begin attendance and complete any required Return to Title IV

calculation for those students who begin attendance but fail to complete the payment period as required by CFR 668.22.

Response to the Finding: We reviewed the enrollment history for each Title IV, HEA recipient enrolled in our traditional standard degree program to identify students for whom we certified a Federal Stafford Loan in which the student did not complete the certified loan period from the 2008-2009 award year to present. To determine ineligible disbursements, a report was generated that included each student who withdrew from our traditional standard degree program, the date they withdrew, the amount of Title IV aid they received, the date their aid was disbursed and the date aid was returned. In completing the review of these students, we did not find any other students with ineligible disbursements. Because there are not any ineligible disbursements to report, we did not prepare a spreadsheet. If needed, a copy of the report generated can be provided.

Appendix O. FEDWIRE Form

FEDWIRE Form

DEPARTMENT OF EDUCATION
FED-WIRE EFT MESSAGE FORMAT & INSTRUCTIONS

ABA Number 021030004	Type/Sub-Type	
Sender No.:	Sender Ref. No.	Amount ①

Sender Name (Automatically inserted by the Federal Reserve Bank)

Treasury Department Name/CTR/
TREAS NYC / CTR /

BNF=ED / AC - 91020001 OBI=

Name / City / State:

②

DUNS / TIN:

③

FOR:

④

INSTRUCTIONS

A. Complete circled items 1-4 above as follows:

- ①** Indicate amount including cents digits.
- ②** Indicate Name, City, and State.
- ③** Indicate DUNS Number and Taxpayer Identification Number (TIN).
- ④** Enter the reason for the remittance: Bill Number / Document Number / Other.

B. Provide the sending bank with a copy of the completed form. This form contains other information the bank will need to transmit the FEDWIRE message.