



June 25, 2015

Mrs. Ursula Shorty  
Financial Aid Administrator  
Southern University and Agricultural & Mechanical College at Baton Rouge  
Joseph S Clark Administration Bldg  
Jesse N Stone Avenue  
Baton Rouge, LA 70813-9374

RE: Approval of Request for Extension for Response to Program Review Report  
OPE ID: 00202500  
PRCN: 201520628901

Dear Mrs. Shorty:

The Dallas School Participation Division has received and reviewed Southern University and Agricultural & Mechanical College at Baton Rouge's (SUBR's) request, dated June 24, 2015 for an extension to respond to the above-referenced Program Review Report, and has approved the request. SUBR's response must now be received on or before August 31, 2015.

If you have any questions concerning this letter, please call me at (214) 661-9576.

Sincerely,

A handwritten signature in cursive script, appearing to read "Shereé Porter", is written over the typed name.

Shereé Porter  
Institutional Review Specialist

cc: Flandus McClinton, Chancellor

**RECEIVED**

JUL 01 2015

FINANCIAL AID DEPARTMENT

**Federal Student Aid**

An OFFICE of the U.S. DEPARTMENT of EDUCATION

Dallas School Participation Division  
1999 Bryan Street, Suite 1410, Dallas, TX 75201-6817  
StudentAid.gov



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MAY 04 2015

FINANCIAL AID DEPARTMENT

April 30, 2015

Mr. Flandus McClinton  
Acting Chancellor  
Southern University and Agricultural & Mechanical  
College at Baton Rouge  
Joseph S Clark Administration Bldg  
Jesse N Stone Avenue  
Baton Rouge, LA 70813-9374

Certified Mail  
Return Receipt Requested  
7014 1820 0002 0352 9310

RE: **Program Review Report**  
OPE ID: 00202500  
PRCN: 201520628901

Dear Mr. McClinton:

From January 26, 2015 through January 30, 2015, Ms. Shereé Porter, Ms. Brittany Stubblefield, and Mr. Bruce Anderson conducted a review of the Southern University and Agricultural & Mechanical College at Baton Rouge's (SUBR's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by SUBR. The response should include a brief, written narrative for each finding that clearly states SUBR's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, SUBR must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report<sup>1</sup> and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
  - a. A written statement addressing the institution's response;
  - b. A written statement of the basis for such report or determination; and
  - c. A copy of the institution's response.

<sup>1</sup> A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

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Dallas School Participation Division

1999 Bryan Street, Suite 1410 Dallas, TX 75201-6817

Student Aid Division



The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by SUBR upon request. Copies of the program review report, the institution's response, 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 the FPRD is issued.

The institution's response should be sent directly to Ms. Shereé Porter of this office within 60 calendar days of receipt of this letter.

**Protection of Personally Identifiable Information (PII):**

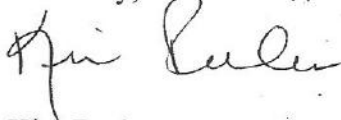
PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity 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. The appendix was encrypted and sent separately to the institution via e-mail. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

**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).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Ms. Shereé Porter at 214-661-9576 or sheree.porter@ed.gov.

Sincerely,



Kim Peeler  
Compliance Manager

cc: Ursula J. Shorty, Financial Aid Administrator

**Enclosure:**

Program Review Report

Protection of Personally Identifiable Information

Appendix A (sent via e-mail)

Appendix B

## 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

Southern University and Agricultural  
& Mechanical College at Baton Rouge

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the AMERICAN MIND™

**OPE ID** 00202500  
**PRCN** 201520628901

Prepared by  
**U.S. Department of Education**  
**Federal Student Aid**  
**Dallas School Participation Division**

# Program Review Report

April 30, 2015

Dallas School Participation Division  
1999 Bryan Street, Suite 1410, Dallas, TX 75201-6817  
[StudentAid.gov](http://StudentAid.gov)

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### A. Institutional Information

Southern University and Agricultural & Mechanical College at Baton Rouge  
Joseph S Clark Administration Bldg  
Jesse N Stone Avenue  
Baton Rouge, LA 770813

Type: Public

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

Accrediting Agency: Southern Association of Colleges and Schools Commission on Colleges

Current Student Enrollment: 6,310 (Fall 2014)

% of Students Receiving Title IV: 82%

Title IV Participation School Funding Report:

	2013-2014
Federal Pell Grant	\$17,156,323
Teacher Education Assistance for College and Higher Education Grant (TEACH)	\$ 2,940
William D. Ford Federal Loan Program (Subsidized)	\$12,304,107
William D. Ford Federal Loan Program (Unsubsidized)	\$44,260,210
William D. Ford Federal Loan Program (PLUS)	\$ 2,462,414
William D. Ford Federal Loan Program (GRAD PLUS)	\$ 5,739,820
Federal Supplemental Educational Opportunity Grant	\$ 681,890
Federal Work Study	\$ 862,513

Default Rate DL:	2011	7.0%
	2010	6.2%
	2009	8.2%

Default Rate Perkins:	6/30/2014	.0%
	6/30/2013	.0%
	6/30/2012	.0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Southern University and Agricultural & Mechanical College at Baton Rouge (SUBR) from January 26, 2015 to January 30, 2015. The review was conducted by Ms. Shereé Porter, Ms. Brittney Stubblefield, and Mr. Bruce Anderson.

The focus of the review was to determine SUBR'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 SUBR'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 2013-2014 and 2014-2015 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

### **Disclaimer:**

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

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

## **C. Findings**

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

### **Finding 1. Verification Violations**

**Citation:** An institution must establish procedures to request, receive, and verify applicant data for each award year. Institutions are also responsible for resolving conflicting information related to a student's application for federal student aid. The following is a list of data elements that must be verified for the 2013-2014 award year:



2013-2014 Required Verification Items (Verification Groups for 2013-2014)

- V1 Standard Verification Group
  - Household size;
  - Number enrolled in college;
  - Adjusted Gross Income (AGI);
  - U.S. income tax paid; and,
  - Other untaxed income and benefits;
  - SNAP if reported on ISIR;
  - Child support paid if reported on ISIR
- V2 SNAP Verification Group
- V3 Child Support Paid Verification Group
- V4 Custom Verification Group (High School Completion Status /Statement of Educational Purpose, Supplemental Nutrition Assistance Program (SNAP) if reported on ISIR, Child Support Paid if reported on the ISIR)
- V5 Aggregate Verification Group (Standard Verification Criteria (V1), High School Completion Status, Identity/Statement of Educational Purpose)

Supporting documentation collected from the student (and parents or spouse) is compared to the information 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)(2), 668.51 –668.61, and the U.S. Department of Education's 2013-2014 Application and Verification Guide*

**Noncompliance:** Federal regulation requires that changes to any dollar item of \$25 or more must be submitted for reprocessing to the Central Processing System (CPS). SUBR failed to accurately complete verification for two students during the 2013-2014 award year.

Student #1 – The student was selected for verification tracking group V1 (Standard Verification Group). The student used the Internal Revenue Service (IRS) data transfer for income fields; however, he indicated on the verification worksheet that payments to a tax-deferred pension were made in the amount of \$218.50. This amount was also documented on the 2012 W-2 form. Although this information was not included in the IRS data transfer, the untaxed income was noted and a hand-calculation was performed which indicated no change in the student's EFC.

Student #7 - The student was selected for verification tracking group V1 (Standard Verification Group). The income earned from work was reported as \$1,169 on the 2013-2014 Verification Worksheet; however, the 2013-2014 Institutional Student Information Record (ISIR), transaction #02, showed \$4,250 in income earned from work. Although this information was not included in the IRS data transfer, the income earned from work was noted and a hand-calculation was performed which indicated no change in the student's EFC.

**Required Action:** Due to the number of occurrences, SUBR must perform a review of all students who were selected for verification in the 2013-2014 award year to determine if

verification was properly completed. If verification was not properly completed, SUBR must collect the data to complete the verification process and recalculate the EFC, if required, in accordance with the verification requirements. For all students selected for verification, the following information must be provided in spreadsheet format:

1. Student's Name
2. Social Security Number (last 4)
3. Original EFC
4. Recalculated EFC (if applicable)
5. Original Amount of Title IV funds disbursed by program
6. Revised Amount of Title IV funds disbursed by program, based on a recalculated EFC (if applicable)
7. Amount of overpayment/underpayment of funds by program (if applicable)

After reviewing the information SUBR provides to the Department in response to the program review report, instructions for repayment of any identified liabilities will be provided in the Final Program Review Determination Letter.

Additionally, SUBR must develop a policy and procedure to ensure timely and accurate completion of the student verification process. A copy of the revised policy must be submitted with the institution's response to the program review report.

## **Finding 2. Student Status – Inaccurate/Untimely Reporting**

**Citation:** An institution participating in the Title IV programs must have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS). 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. Changes in enrollment to less than half-time, graduated, or withdrawn must be reported within 30 days unless a student status confirmation report is expected within 60 days.  
*34 C.F.R. § 685.309(b)*

**Noncompliance:** SUBR failed to accurately report (certify) the enrollment status to the Department for the following students:

Student #9 – Student enrolled at SUBR in Fall 2013; however, NSLDS reflects only the "Withdrawn" status effective March 21, 2014.

Student #10 – Student enrolled at SUBR in Spring 2014; however, NSLDS reflects no enrollment certification record reported for this student.

Student #11 – Student enrolled at SUBR in Fall 2013; however, NSLDS reflects no enrollment certification record reported for this student.



Student #13 - Student's graduation date was 5/10/14; however, NSLDS reflects a certification date of 1/02/15.

Student #14 - Student enrolled at SUBR in Fall 2013; however, NSLDS reflects no enrollment certification record reported for this student.

Student #16 - On 2/13/2014, the student was coded as "Graduated" with an effective date of 12/6/2013. On 6/21/2014, the effective date of graduation was changed to 1/13/2014. However, the student is currently enrolled in the 2014-15 award year, but his record has not been updated to reflect his/her current enrollment status.

Student #18 - Prior to Fall 2014, the student was last enrolled in Spring 2009. The student withdrew 4/4/2009, and his record was appropriately updated. However, the student re-enrolled Fall 2014 but a school batch file sent 11/14/2014 still shows the student as withdrawn. Therefore, the current enrollment status has not been updated.

Student # 25: Student enrolled at SUBR in Fall 2014; however, NSLDS reflects no enrollment certification record reported for this student.

Student #30 - Student's withdrawal date was 10/2014; however, NSLDS reflects a certification date of 1/02/15.

**Required Action:** Based on the number of occurrences, SUBR must review the enrollment status for all students enrolled during the 2013-2014 and 2014-2015 award years to ensure that all students have been accurately reported. For students with inaccurate records, SUBR must update the record to reflect the students' current status and provide assurances that all required reporting has been completed.

The institution must also develop a policy and procedure to ensure timely and accurate student enrollment data reporting. A copy of the revised policy must be submitted with the institution's response to the program review report.

### **Finding 3. Account Records Not Reconciled**

**Citation:** Reconciliation of Title IV, HEA program awards and disbursements is an internal control procedure that helps to ensure that an institution has met its fiduciary responsibility to use its Title IV, HEA program funds in the manner and for the purpose prescribed by regulations. An institution is subject to the highest standards of care and diligence in administering the programs and in accounting to the Secretary for the funds received under those programs.  
*34 C.F.R. § 668.82*

**Noncompliance:** According to G5 and the Common Origination and Disbursement (COD) system, as of January 20, 2015 the following Title IV program accounts are unreconciled:

Award Year	Program	Net Drawdowns	NAPD*	Available Balance	AY Closure Date
2013-2014	Pell	\$ 17,156,837.21	\$ 17,152,604.21	\$ 4,233	10/01/2014
2013-2014	Direct Loan	\$ 67,921,659.00	\$ 67,876,996.00	\$ 44,663	08/01/2015

\*NAPD – Net Accepted and Posted Disbursements

**Required Action:** SUBR must review its Federal Pell Grant and Federal Direct Loan program expenditures against authorizations to complete reconciliation for the 2013-2014 award year. In response to this report, please submit documents to support the reconciliation of the aforementioned accounts.

Additionally, SUBR must review its current policy and procedure to ensure timely and accurate reconciliation of Title IV, HEA program expenditures against final authorizations and COD. A copy of the policy must be submitted in response to this report.

#### **Finding 4. Bank Accounts – Federal Funds Not Identified**

**Citation:** Institutions are required to maintain at least one bank account into which the Department transfers, or the institution deposits, Title IV program funds. For each bank account that contains Title IV program funds, an institution must identify that federal funds are maintained in the account by:

- Including the phrase “*federal funds*” in the name of the account, or
- Notifying the bank or investment company that the account contains Title IV program funds and, except for public institutions, filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds.

The institution must keep a copy of any notice to banks or investment companies as well as any UCC-1 in its records. 34 C.F.R. § 668.163

**Noncompliance:** SUBR did not properly identify the bank account into which it deposits William D. Ford Federal Direct and Perkins Loan program funds. The bank statements from Chase Bank display the account names as “Southern University Federal Direct Loan Account” and “Southern University-NDSL Perkins Collection Account”. Neither account name contains the words “federal funds” and the institution did not provide documentation that the bank was notified that the accounts contain Title IV program funds.

**Required Action:** As a public institution, SUBR is exempt from the requirement to file a UCC-1 statement. However, SUBR must either update the name of the Perkins Loan and Direct Loan federal bank accounts to include the phrase “federal funds” or must notify the bank in writing that the accounts contain Title IV program funds. In response to this report, please provide documentation of the action taken to resolve this finding.



**Finding 5. Federal Perkins Loan – Inadequate Billing/Collection Procedures/and Due Diligence Requirements**

**Citation:** An institution shall exercise due diligence in collecting loans including, but not limited to, coordinating information within all applicable offices, disclosing specific information to the borrower, and maintaining appropriate billing procedures. *34 C.F.R. §§ 674.41 through 674.46*

**Noncompliance:** SUBR failed to perform due diligence in the collection of its outstanding Perkins Loan portfolio. While on-site, reviewers were advised that SUBR is not actively collecting on the Federal Perkins loan accounts unless a student contacts SUBR to inquire about his/her balance or repayment options. As such, the institution was unable to demonstrate that the required due diligence has been performed in administering the Federal Perkins Loan program. Failure to adhere to required billing/collection procedures could result in losses to the institution's Federal Perkins Loan funds.

**Required Action:** SUBR must immediately resume billing and collection efforts on the loans remaining in its Federal Perkins Loan portfolio until all loans have been assigned to the Department or purchased by the school. In response to this report, please provide documentation, including letters or other correspondence to students, to support that collection practices have resumed.

In addition, SUBR must review and revise its current policy and procedures for collection of Federal Perkins loans. A copy of the revised policy and samples of all correspondence and collection letter sent must be provided in response to the program review report.

**Finding 6. Federal Perkins Loan Institutional Data Not Reconciled with Billing**

**Citation:** An institution shall ensure that the cash balances of the accounts into which it deposits Federal Perkins Loan Fund cash assets do not fall below the amount of Fund cash assets deposited into those accounts but not yet expended on authorized purposes in accordance with applicable Title IV, HEA program requirements, as determined by the records of the institution. In addition, the institution must establish and maintain program and fiscal records that are reconciled on at least a monthly basis. *34 C.F.R. § 674.19*

An institution shall maintain the Perkins Loan funds it receives in an interest-bearing bank account or investment account consisting predominately of low-risk investments. *34 C.F.R. § 668.163*

Additionally, an institution shall establish and maintain a Perkins Loan fund into which payments of principal, interest, late charges, and collection costs on loans must be deposited. *34 C.F.R. § 674.8*

**Noncompliance:** SUBR failed to properly account and maintain Perkins Loan funds collected. Subsequent to the on-site review, SUBR provided reviewers with the January 2015

bank statement for the “NDSL Perkins Collections Account”, which reflected Perkins Loan collections in the amount of \$70.41. Based on that statement, it appears the funds were transferred into the Southern University Systems Payables Account, which appears to be the institution’s operating account, rather than the funds being transferred into a revolving account designated for Federal Perkins Loan funds.

**Required Action:** SUBR must be able to identify the balance of its Perkins Loan fund, including all payments that it has received since the institution began participating in the Perkins Loan program. SUBR must provide an explanation of the current accounting practices related to Perkins Loan collections, including a description of how the Perkins Loan funds are utilized and the movement of Perkins Loan funds between accounts and for which purposes in its response to the program review report.

In addition, it appears that the Perkins Loan funds collected are not appropriately maintained. Please provide a copy of the general ledger indicating the total amount of Perkins Loan funds collected as of the date of this report.

#### **Finding 7. Federal Perkins Loan Balances Not Maintained**

**Citation:** The legislative requirement included in Section 466 of the Higher Education Act (HEA) of 1965, as amended, requires the return of excess Federal Perkins Loan funds when available resources exceed a school’s need in the foreseeable future. A school has excess liquid capital in its Federal Perkins Loan fund if the funds available (cash on hand, plus projected collections, plus Federal Capital Contribution [FCC] and Institutional Capital Contribution [ICC], and cancellation repayments) for the current award year significantly exceed the award year’s total expenditures from the fund. Regardless of whether a school has received FCC or not, if a school has more cash than it plans to spend, the school should disburse any excess cash during the award year or return it to the Department. *34 C.F.R. § 674.19*

**Noncompliance:** SUBR has failed to either make new loans under the federal Perkins Loan program or return excess Perkins Loan program funds collected to the Department. SUBR must determine how much money in Perkins Loan funds it has collected but has not used to make new loans to borrowers or returned to the Department. During the on-site fiscal interview, reviewers were informed that no new Perkins loans have been made since the “1970’s” and that SUBR is in the process of liquidating its Perkins Loan portfolio. According to the 2013-2014 Fiscal Operations Report and Application to Participate (FISAP), SUBR reported the Perkins Loan account “Cash on hand and in depository as of 10/31/2014” has a balance of \$14,281.

**Required Action:** SUBR must identify all Perkins Loan program funds that it is required to return to the Department. This includes all Perkins Loan funds collected, as well as an accounting of the total amount of Perkins Loan funds (1) cancelled or discharged, (2) in default, and (3) currently outstanding.



Further, SUBR has been liquidating its Perkins loans for a period of two years and is currently providing the Department with monthly batches of files for liquidation; however, there is no anticipated date of completion for the Perkins liquidation process. Per the Campus-Based Unit, the batches provided by SUBR consist of approximately 30-40 students with approximately 3,074 loans remaining. At this rate, the liquidation process will take six years or more to complete, which is not a reasonable timeframe.

SUBR must exert a more concerted effort to ensure a timely and more efficient process in liquidating the remaining loans in its Perkins portfolio by assigning them to the Department or purchasing. Given the time since SUBR began the liquidation process and began assigning its outstanding loans to the Department, it is reasonable to expect SUBR to complete the assignment of outstanding, open loans to the Department by October 1, 2015, the end of the current reporting cycle under Campus Based Programs. To that end, please revisit the current process and provide, in response to this report, a detailed explanation outlining a timeframe that will allow SUBR to complete the liquidation and closeout process more timely. Perkins liquidation information is included in Appendix B and latest guidance can also be found on the Campus-Based Processing Information and Resources page on IFAP.

Under Title IV, Part F, Section 485(c) of the Higher Education Act of 1965, as amended, schools are required to report new loans or update data on existing loans to the National Student Loan Data System (NSLDS). It is a school's responsibility to ensure its required reporting to NSLDS (which includes Perkins Loan account detail) is completed on time and accurately. A school must complete its NSLDS reporting requirements in accordance with the instructions in the NSLDS Enrollment Reporting Guide and the Perkins Data Provider Instructions. Schools that utilize a third party servicer for billing, collecting and reporting should communicate these requirements to its servicer. The school must ensure that its loans are properly accounted for and updated in NSLDS. It may be helpful if someone at the school has on-line access to its data on NSLDS. Ultimately, the total amount of loans and number of borrowers the Department has in NSLDS must match what is reported by the school on its final FISAP.

For the purposes of Perkins liquidation and closeout, schools must ensure that all outstanding Perkins Loans are properly accounted for and updated in NSLDS—NSLDS must reflect that all borrower loan accounts for a liquidating school are fully retired, accepted for assignment by the Department, or purchased by the school. The Department suggests schools request a reconciliation report from NSLDS to ensure its records are consistent with the NSLDS data, and to reconcile any discrepancies and update NSLDS accordingly.

#### **Finding 8. Federal Perkins Loan Notes Not Safely Maintained**

**Citation:** An institution shall keep the original paper promissory note or original paper master promissory note (MPN) and repayment schedules in a locked, fireproof container. 34 C.F.R. § 674.19(e)(4)(i)

**Noncompliance:** Upon initial examination of the Perkins loan promissory notes and repayment schedules, the documents were not properly secured. SUBR explained that due to a recent move,



the documents were removed from the fireproof file cabinets and temporarily placed in file boxes. Inadvertently, the documents were not returned to their respective storage cabinets. While the reviewers were on-site, the documents were returned to the cabinets; however, the cabinets were not locked and the Bursar did not have keys to secure the documents. Reviewers were assured that a locksmith would be contacted immediately to ensure compliance with federal regulations.

**Required Action:** SUBR must provide an explanation in its response to the program review report regarding the corrective measures taken to properly secure the Perkins loan documents.

**Finding 9. Crime Awareness Requirements Not Met – Reporting Discrepancies in Crime Statistics Published in the Annual Security Report and those Reported to the Department’s Campus Crime Statistics Database**

**Citation:** The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (*Clery Act*) and the Department’s regulations require that all institutions that receive Title IV, HEA funds must, by October 1 of each year, publish and distribute to its current students and employees through appropriate publications and mailing, a comprehensive Annual Security Report (ASR) that contains, at a minimum, all of the statistical and policy elements described in 34 C.F.R. § 668.46(b).

The ASR must be prepared and actively distributed as a single document. Acceptable means of delivery include U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution’s website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report’s availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. § 668.41(e)(1). The Department’s regulations also require participating institutions to provide a notice to all prospective students and employees that includes a statement about the ASR’s availability, its contents, and its exact electronic address if posted to a website. This notice must also advise interested parties of their right to request a paper copy of the ASR and to have it furnished upon request. 34 C.F.R. § 668.41(e)(4).

Specifically, the *Clery Act* and the Department’s regulations require institutions to include statistics for incidents of crimes reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assaults, burglary, motor vehicle theft, and arson. Statistics for certain hate crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs, illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2) on-campus student residential facilities; 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property. 34 C.F.R. § 668.46(c)(1).



The ASR must include several policy statements. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of programs and resources as well as channels for victims of crime to seek recourse. In general, these policies include topics such as the law enforcement authority and practices of campus police and security forces, incident reporting procedures for students and employees, and policies that govern the preparation of the report itself. Institutions are also required to disclose alcohol and drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies of the issuance of timely warnings, emergency notifications, and evacuation procedures. All required statistics and policies must be included in a single comprehensive document, known as an ASR. With the exception of certain drug and alcohol program information, cross referencing to other publications is not sufficient to meet the publication and distribution requirements of the Act. § 485(f) of the HEA; 34 C.F.R. § 668.46(b).

In addition, as of October 1, 2010, the *Clery Act* and the Department's regulations require that all institutions that receive Title IV, HEA funds and maintain an on-campus student housing facility must, by October 1 of each year, prepare, publish and distribute to its current students and employees through appropriate publications and mailings, an Annual Fire Safety Report that contains, at a minimum, all of the statistical and policy elements described in 34 C.F.R. § 668.49(b).

Finally, each institution must also submit its crime statistics to the Secretary for inclusion in the Department's online campus crime statistics database called the "Campus Safety and Security Data Analysis Cutting Tool." 34 C.F.R. § 668.41(e)(5).

**Noncompliance:** SUBR failed to publish accurate and complete 2013 and 2014 ASRs and distribute them as a comprehensive document to all current students and employees. Specifically, SUBR's ASRs did not include the following required disclosures:

- A statement of policy to immediately notify the campus community upon the confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees occurring on the campus.
- A statement of policy regarding the emergency response and evacuation procedures that a test may be announce or unannounced, but it must be conducted at a time when most of the students, faculty, and staff are expected to be present on campus.
- A statement of policy to document each test, including the date, time, and whether it was announced or unannounced.
- A statement of policy requiring that any official missing person report be referred immediately to the institution's police or campus security department, or, in the

absence of a sworn law enforcement officer, to a local law enforcement agency that has jurisdiction in the area.

- A statement of policy advising students that their contact information will be registered confidentially.
- A statement of policy advising students that if they are under 18 years of age and not emancipated, the institution must notify a custodial parent or guardian when the student is missing within 24 hours.
- A statement of policy advising students that regardless of whether they name a contact person, unless the local law enforcement agency was the entity that made the determination that a student is missing the institution will notify the local law enforcement agency that a student is missing.
- A statement of policy that regardless of whether the student has identified a contact person, is above the age of 18, or is an emancipated minor, the institution will inform the local law enforcement agency that has jurisdiction in the area within 24 hours.
- A statement of policy regarding 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.
- A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engage at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities.
- A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws.
- Any of the sexual assault policy statements as set forth by 34 CFR § 668.46(b)(11).
- A statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994, concerning registered sex offenders.

In addition, SUBR failed to compile and publish accurate and complete crime statistics in the 2014 ASR and/or submitted inaccurate and incomplete data to the Department's online campus crime statistics database, Campus Safety and Security Data Analysis Cutting Tool (CSSDACT).<sup>2</sup> This finding is based on the fact that the crime statistics the University submitted to the Department did not match those that were published in SUBR's "2014 Annual Security & Fire



Safety Report,” meaning that one or both data sets were flawed. An institution must identify and resolve all data discrepancies before the ASR is published and the annual statistical survey is forwarded to the Department. An institution’s campus crime statistics must be fully reconciled and accurately disclosed in the ASR and the CSSDACT. The review team compared the crime statistics in the 2014 ASR to those that were submitted to the CSSDACT and identified the following discrepancies:

**Criminal Offenses – Residential Facility**

Year	Category	Number Reported on ASR	Number Reported to OPE
2012	Sex Offenses - Forcible	3	4
2011	Sex Offenses - Forcible	2	0
2011	Aggravated Assault	2	1

**Disciplinary Referrals – On Campus**

Year	Category	Number Reported on ASR	Number Reported to OPE
2012	Liquor Law Violations	7	0
2011	Drug Violations	1	0

**Disciplinary Referrals – Residential Facility**

Year	Category	Number Reported on ASR	Number Reported to OPE
2012	Drug Violations	11	1
2011	Drug Violations	1	0

Any failure to disclose accurate and complete crime statistics in the ASR and/or AFSR and/or submit them to the CSSDACT violates the *Clery Act*. Such discrepancies entered in an institution’s crime statistics confuses users of the ASR and the Department’s online campus crime statistics database and deprives the campus community and the public of important campus crime information.

**Required Action:** As a result of this violation, SUBR is required to review and improve its existing internal policies, procedures, internal controls, and training programs to ensure that all crime statistics are disclosed accurately and completely, both in its ASR, AFSR, and in its data submission to the Department’s CSSDACT. In addition, the University must develop and implement all the policy statements identified in noncompliance and any new policies and procedures that are needed to ensure that all of the University’s campus security operations will

be carried out in accordance with the *Clery Act* going forward. As part of this internal review, SUBR must review the crime statistics that were included in the 2014 ASR and its corresponding CSSDACT data submission as well as those statistics that will be published in the 2014 ASR and CSSDACT submission and verify that all statistics are accurate and complete. If additional reporting errors are identified during this internal review, SUBR must take immediate action to correct those data discrepancies by amending its ASR and/or its CSSDACT data submission. A copy of the amended 2014 ASR must accompany SUBR's response to this program review report. Finally, SUBR must submit a copy of all of its new and revised policies and procedures as well as a list of any additional statistical discrepancies that were identified during the internal review with its response to this program review report.

As noted above, the exceptions identified in this finding constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. SUBR will be given an opportunity to publish and distribute accurate and complete campus crime and fire safety statistics and in doing so, will begin to bring its overall campus safety program into compliance with the *Clery Act* as required by its Program Participation Agreement (PPA). Nevertheless, the University is advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective measures as a result.

Based on an evaluation of all available information including SUBR's response, the Department will determine if additional actions will be required and will advise the University accordingly in the FPRD.

#### **Finding 10. Drug and Alcohol Abuse Prevention Program Requirements Not Met – Multiple Violations**

**Citation:** The Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations requires each participating institution of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse prevention program (DAAPP). The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.

On an annual basis, the IHE must distribute information about its DAAPP in writing to all students, faculty, and staff. The distribution plan must make provisions for distributing the DAAPP disclosure to students who enroll at a date before or after the standard distribution and for employees who are hired at different times throughout the year. The information must include:

- 1) A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;
- 2) A written description of legal sanctions imposed under Federal, state and local laws for unlawful possession or distribution of illicit drugs and alcohol;



- 3) A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;
- 4) A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to students and employees; and,
- 5) A statement that the IHE will impose disciplinary sanctions on students and employees for violations of the institution's codes of conduct and a description of such sanctions.

In addition, each IHE must conduct a biennial review in order to measure the effectiveness of its DAAPP and to ensure consistent enforcement of its disciplinary standards and codes of conduct. The IHE must prepare a report of findings and maintain its biennial review report and supporting materials and make them available to the Department upon request. *34 C.F.R. §§86.3 and 86.100.*

**Noncompliance:** SUBR violated the requirements of the *DFSCA*. Specifically, the University violated *DFSCA*'s annual DAAPP disclosure distribution requirement by failing to deliver comprehensive program information to all employees and students who are enrolled for any academic credit each year.

As a direct consequence of the violation described above, SUBR also failed to conduct a biennial review of the effectiveness of its DAAPP and of the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct and by logical extension therefore, also failed to produce a biennial review report of findings and recommendations for improvement.

The Department takes note that SUBR officials asserted that some drug and alcohol prevention information was available to students and employees through various publications including the student handbook, and the Offices of Student Affairs, Residence Life, and the Health Center. However, the University was unable to provide any documentation that specifically substantiates that the required materials were actively distributed to all employees and all students enrolled for academic credit.

Failure to comply with the *DFSCA*'s DAAPP requirements deprives students and employees of important information regarding the educational, disciplinary, health, and legal consequences of illegal drug use and alcohol abuse. Failure to comply with the biennial review requirements also deprives the institution of important information about the effectiveness of its own drug and alcohol programs. Such failures may contribute to increased drug and alcohol abuse as well as an increase in drug and alcohol-related violent crime.

**Required Action:** SUBR is required to take all necessary corrective actions to resolve these violations. At a minimum, these actions must include:

- Review and revise its existing drug and alcohol program materials and develop new program content as needed to ensure that a comprehensive DAAPP that includes all of the required elements found in the *DFSCA* is in place;



- Publish a materially-complete annual DAAPP disclosure that summarizes the program;
- SUBR must provide a draft copy of its DAAPP disclosure and distribution policy with its response to this program review report. Once the materials are approved by the Department, the University must distribute them in accordance with the Part 86 regulations and its new policy and provide documentation evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed as required. This certification must also affirm that the College understands all of its *DFSCA* obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur;
- Conducting a substantive biennial review to assess the effectiveness of its DAAPP. SUBR must describe the research methods and data analysis tools that will be used to determine the effectiveness of the program and identify the responsible official(s) and office(s) that conducted the biennial review. Finally, the biennial review report must be approved by the College's President and/or its board. The biennial review must be completed by June 15, 2015 and be submitted to the review team by July 1 2015; and,
- SUBR must establish policies and procedures to ensure that all subsequent biennial reviews are conducted in a timely manner and are fully documented. The University also must take all other necessary action to ensure that these violations do not recur.

As noted above, the exceptions identified in this finding constitute serious violations of the *DFSCA* that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. The University will be given an opportunity to implement a substantive DAAPP, publish and distribute an accurate and complete DAAPP disclosure, conduct a biennial review and to otherwise bring operations into compliance with the *DFSCA*, as required by its PPA. Additionally, SUBR is advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective measures as a result.

Based on an evaluation of all available information including SUBR's response, the Department will determine if additional actions will be required and will advise the University accordingly in the FPRD.

#### **D. Appendices**

Appendix A - Student Sample

Appendix B - Federal Perkins Liquidation Procedures.

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



## **Appendix A – Student Sample**

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## **Appendix B – Federal Perkins Liquidation Procedures**

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# **Federal Perkins Loan Liquidation Procedures**

## **Eight Steps for Schools Ending Participation in the Federal Perkins Loan Program**

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## **Step 1. Notify the Department of Education of Intent to Liquidate**

A school must notify the Department of Education (the Department) in writing of its intent to liquidate its Federal Perkins Loan portfolio.

### **Written Notification**

A school must notify the Department of its intent to liquidate by sending a letter to:

Federal Perkins Loan Program Liquidation  
Grants & Campus-Based Division  
U.S. Department of Education  
Union Center Plaza  
830 First Street, NE, Room 63C1  
Washington, DC 20202

### **Email Notification**

Alternatively, the Department will accept an email as written notification. The email must be sent by an authorized official of the school, such as the Financial Aid Administrator or President, and sent to:

[perkinsliquid@ed.gov](mailto:perkinsliquid@ed.gov)

The subject of the email notification should include the name of the school, OPEID number and the words "INTENT TO LIQUIDATE." The email must also include contact information, including the names, telephone numbers and email addresses of appropriate school officials, should the Department need to contact the school during the liquidation process. If applicable, the school is also responsible for providing the names, telephone numbers, and email addresses of any third-party servicers that it contracts with for Federal Perkins Loan billing and collection activities.

### **FISAP**

A school may notify the Department of its intent to liquidate its Federal Perkins Loan portfolio during its annual submission of the FISAP by checking the "yes" box in Part II, Section B. However, a separate written notification of intent to liquidate is still required.

## **Step 2. Assign Loans to the Department of Education**

### **General Requirements**

When a school liquidates its Perkins portfolio, it must assign the remaining loans with outstanding balances to the Department for collection. The school must inform servicers involved in billing or collection activities to return outstanding accounts to the school so that it

can begin the loan assignment process, which results in the Department becoming the holder of the loan. The school must submit a completed Perkins Assignment Form, OMB Form 1845-0048, with each outstanding Perkins, National Direct Student Loan (NDSL), and National Defense Student Loans (Defense Loans). Using Departmental student data and FISAP data, the Department will work with the school to reconcile any discrepancies between what it reports and what we have on file. Ultimately, the total amount of loans and number of borrowers we have in our records must match what is reported by the school on its final FISAP.

## **Assignment of Outstanding Loans to the Department**

(See *attachment titled Federal Perkins Loan Assignment Procedures* **for further details on the Assignment Process**):

**1. Notify Borrowers:** At least 90 days before submission of loans for assignment to the Department, the school must notify borrowers and its third party servicer that the school intends to liquidate and assign to the Department all outstanding Perkins, NDSL, and Defense Loans. Once assigned loans are accepted by the Department, the Department becomes the holder of the loan and will collect on balances owed.

**Please note:** If your school holds loans for which mandatory due diligence actions were not performed in a timely manner in prior years, the “cure” process as outlined in the attachment ***Federal Perkins Loan Assignment Procedures*** may enable you to assign these loans. Under this process, your school is also required to send additional information and notify the borrower of the loan’s default status. For these particular borrowers, you may want to combine the required notification to borrowers of assignment with the additional requirements under the cure process. Please see “***Cure Process for Assigning Defaulted Loans***,” in the ***Federal Perkins Loan Assignment Procedures*** for further information.

**2. Complete OMB Form 1845-0048- The Federal Perkins Loan Assignment Form:** For each outstanding defaulted or non-defaulted Perkins, NDSL, or Defense Loan, the school must complete the Assignment form in accordance with the forms instructions. The form and instructions for the Federal Perkins Loan Assignment Form are also attached to the electronic announcement, please read the instructions carefully.

**3. Separate Loans into Categories:** The school must divide and clearly mark its non-defaulted Perkins, NDSL and Defense Loans into the following borrower categories: grace period, forbearance, deferment, enrolled and in attendance at a school at the time of liquidation, or in repayment. Please note that for any of these types of non-defaulted, loan categories, there should not be a default date included.





Please also note that if a school receives notification that a bankruptcy petition has been filed prior to the time the school submits the loan to the Department, this would result in an automatic rejection from the Department. For the purposes of liquidation, a school should separate and clearly mark these loans to avoid automatic rejection of the loan. The same is true for any loans that would fall under the category of potential death, non-resolved. The processing center must handle these two categories differently and needs to have them separated out from the other submission categories.

**4. Send Loans:** The school must include all available documents required for the assignment process (e.g., original promissory notes, completed assignment forms, submission package manifest) as specified in the ***Federal Perkins Loan Assignment Procedures*** and send them by registered mail.

Submit Federal Perkins Loans assignments to:

ECSI Federal Perkins Loan Servicer  
181 Montour Run Road  
Coraopolis, PA 15108

For more information on assignment processing by the Department, please refer to the attachment titled *Federal Perkins Loan Assignment Procedures*.

**5. Official Acceptance:** If the assignments are accepted, the institution will receive a document identified as "Perkins/NDSL Load Database Report." This report provides borrower identification information, school identification information, and outstanding principal and interest. This is the official acceptance notice and should be retained in the school's records. Acceptance notices are sent to the school's address provided in the school's program participation agreement. The institution should ensure that its mail distribution staff becomes familiar with these notices and the offices to which they should be distributed.

***Payments Received after Account has been Assigned***

Payments from a borrower received by a school or its servicer after the borrower's account has been submitted to the Department for assignment, and accepted by the Department, should be forwarded, as soon as possible, to:

Department of Education  
ECSI Federal Perkins Loan Servicer  
P.O. Box 105765  
Atlanta, GA 30348-5765



Each payment submission must clearly identify the borrower's full name, Social Security Number, and the type of loan to which the payment is to be applied.

Once an account is submitted for assignment, it becomes the property of the Department and will only be returned to the institution for deficiencies related to its submission. Therefore, an institution should not contact ED to request the return of a submission because a borrower has made a payment to the institution.

***Payment Received after Account has been Submitted, not yet Assigned***

If payments are received on accounts that have been submitted to the Department for assignment, but have not yet been accepted by the Department, the school should deposit the funds immediately and await official notification of acceptance. Upon acceptance of the account, the institution must issue a check to the Department, including the borrower and loan information noted above.

***Collection Fees***

Any collection agency fees that are deducted from payments received after account submission to the Department are the sole responsibility of the institution and may not be charged to the Federal Perkins Program Loan Fund. The entire borrower payment must be forwarded to the Department.

**6. Correct Rejected Loan Submissions:** For Perkins, NDSL, or Defense Loans rejected for assignment, the Department will provide the school with instructions relating to the "cure" process. For most problems, this process may enable a school to correct the deficiencies and resubmit the rejected loans. For more information on the cure process, please refer to the ***Federal Perkins Loan Assignment Procedures***. The Department will work with the school to assist in resolving any issues.

**7. Purchase Loans:** The Department will not accept a loan for assignment if the promissory note is missing or unsigned or if proper due diligence has not been performed on the loan (see exception for using a: "Certified True Copy" in the ***Federal Perkins Loan Assignment Procedures***.) All accounts deemed unenforceable by the Department will be rejected for assignment and returned to the school for purchase. Section 674.50(g) of the Federal Perkins Loan Program regulations requires that the school reimburse its revolving fund (the Fund) for the entire portion of the outstanding balance plus any accrued interest on a loan the Department determines is unenforceable. This should be verified by the audit conducted under the Independent Perkins Program Liquidation Audit (See Step 3 below). To reimburse the Fund for the purpose of purchasing any unenforceable loans, please refer to the instructions contained in the attachment titled, "Returning Federal Perkins Loan Program Funds to

the Department.” Once a loan has been purchased, the Department transfers all rights, title and interest of the United States in the loan to the school for its own account.

**8. Abide by Terms and Conditions for School-Purchased Loans:** Because the Federal Perkins Loan promissory note is a binding legal document, the borrower remains subject to the terms and conditions after purchase of the loan by the school and retains his/her entitlement to deferment and cancellation benefits.

**9. Report School-Purchased Loans:** Reimbursements a school makes on unassignable loans and deposits into the Fund are considered cash-on-hand and are reported on the FISAP in Part III, Section A in Field Item 1.1 or 1.2. Funds received from a school’s reimbursement to its Perkins loan Fund should be treated the same as funds received from a borrower’s repaying a loan balance. If the school does not re-lend that money before the year’s end (6/30 or 10/31), the school simultaneously reports the principal (Field Item 5) and the interest (Field Item 31). The school will reclaim its share of the reimbursed amount when the final capital distribution occurs, (See Step 5 below). The school must also report the full purchase price, including interest, in Part III, Section C in Field Item 1.2. The reported amounts and final capital distribution amounts are to be verified as part of the audit conducted under the Independent Perkins Program Liquidation Audit procedure, (See Step 3 below).

**10. Keep in Mind:** The school relinquishes its rights to any share of amounts collected by the Department after a loan is assigned to and accepted by the Department. All future payments will be made to the Department and the borrower will receive notification of the change of loan holder and where to send payments.

### **Step 3. Initiate Independent Perkins Program Liquidation Audit**

#### **General Requirements**

34 CFR 668.26 requires a school to submit a letter of engagement for an independent audit of all funds that the school received under the program to the Secretary within 45 days after the school’s participation ends. The engagement for the independent audit shall include the requirements prescribed in this step of the liquidation procedures. The results of the Independent Perkins Program Liquidation Audit (the audit) must be submitted to the Secretary within 45 days after the date of the engagement letter with the audit firm, (See specific audit requirements below). **Note:** Institutions that are liquidating their Federal Perkins Loan account and closing out their participation in the Federal Perkins Loan Program must account for the program funds as outlined under the Audit Requirements—Step 3. Coverage below. Institutions that qualify and report annually under the Single Audit Act, commonly referred to as the OMB A-133 audit, should consult with their auditor and contact the FSA’s School Participation Team to discuss how the close-out reporting will be done.



## Audit Requirements

**1. Audit:** A Title IV, HEA program compliance audit must be conducted in accordance with the provisions of 34 CFR 668.23. "Compliance audits and audited financial statements" of the Student Assistance General Provisions. For the purposes of liquidation and close out, there is additional, program specific information the audit shall include as additional agreed upon procedures. A school's Perkins Loan Program Fund and portfolio cannot be considered liquidated until the Fund and portfolio information has been reviewed and substantiated by an independent auditor. The results of the audit must be forwarded to the Department in a written report, (See Coverage below).

**2. Timing:** The audit should be submitted to the Department within 90 days of the end of the school's participation in the program and after all assignable loans have been assigned and officially accepted by the Department. This time frame permits 45 days for the school to engage an independent auditor and an additional 45 days for preparation and submission of the audit.

**3. Coverage:** The audit shall cover the school's Federal Perkins Loan Program activities for the entire period of time since the school's preceding compliance or annual A-133 audit. Additionally, the auditor shall review and verify the following:

- 1) That all loans for the total number of borrowers that make up the portfolio have been accounted for, this includes:
  - a. Retired loans, including loans purchased; and
  - b. Loans assigned to the Department, including validation of the computed accumulated interest charged on the loans;
- 2) Service cancellation data on Section A and all of the data on Section C of Part III of the school's latest submitted FISAP;
- 3) The Federal capital contribution (FCC);
- 4) The institutional capital contribution (ICC); and
- 5) Overall cash on hand or excess cash amounts.

**Please note:** this overall cash on hand amount would include payment to the Fund for any loans the school may have purchased.

### ***Determining Share Distributions***

Because of changes in the matching ratio of the required institutional match of the Federal Capital Contribution (FCC) from 1992 and forward, the Department's federal share of a school's revolving Fund must be calculated using the "over-time" formula:

#### **Formula**

$$\frac{(\text{net FCC})}{(\text{net FCC} + \text{net ICC})} \times \text{Cash on hand} = \text{Final Capital Distribution}$$

#### **Definitions and FISAP Part and Field Item reference**

**FCC** = Federal Capital Contribution added to the Fund by ED over period of time  
(Part III. Section A. Field Item 27)

**Repayments of Fund capital to federal government**  
(Part III. Section A. Field Item 28)

**net FCC** = FCC minus repayments of Fund capital to federal government  
(Field Item 27 minus Field Item 28)

**ICC** = School Capital Contribution added by school over period of time  
(Part III. Section A. Field Item 29.3)

**Repayments of Fund capital to school**  
(Part III. Section A. Field Item 30.3)

**net ICC** = ICC minus repayments of Fund capital to school  
(Field Item 29.3 - Field Item 30.3)

**Cash on hand**  
(Part III. Section A. Field Item 1.1 or 1.2 as appropriate)

*See Example on next page..*



**Example:**

FCC (Field Item 27) = 3,778,548

Repayments of Fund capital to federal government (Field Item 28) = 89,377

net FCC = 3,778,548 – 89,377 = 3,689,171

ICC (Field Item 29.3) = 629,581

Repayments of Fund capital to school (Field Item 30.3) = 178,490

net ICC = 629,581 – 178,490 = 451,091

Cash on hand = 59,949 (Field Item 1.1 or 1.2) as appropriate

$$\frac{3,689,171}{3,689,171 + 451,091} \times 59,949 = \frac{3,689,171}{4,140,262} \times 59,949 = .89 \times 59,949 = \mathbf{53,355}$$

**Federal share Final Capital Distribution = \$53,355**

The auditor must include these steps and detail information within the written audit report to the Department. Additionally, the auditor must make a statement regarding the accuracy of the school's Perkins FISAP data in the report. Any findings regarding inaccurate data must be corrected by the school and captured within the report to notify the Department that errors were found and corrected.

**Note:** Any data found to be inaccurate on the latest submitted FISAP must be corrected and re-submitted to the Department. The school can submit a change request through eCB indicating it needs to amend the FISAP data for the purposes of liquidation.

**4. SFA Audit Guide:** The SFA Audit Guide and subsequent Dear CPA letters providing further guidance can be found on the Office of Inspector General's web site at: <http://www.ed.gov/about/offices/list/oig/nonfed/sfa.html>.

**Please note:** That the detail information pertaining to the additional requirements and coverage for the purposes of Perkins liquidation is contained in this procedural document.

**5. Audit Format and Template:** The template below is an example and is to be used as a guide and not an exact recommendation for how the finished report is to be written.

COVER PAGE 1

-School Name, City, State, OPEID Number-

**APPLE SCHOOL OF BUSINESS  
HARTFORD, CONNECTICUT  
OPEID# 00012340**

-COMPLIANCE AUDIT WITH ADDITIONAL SPECIFIED AGREED UPON PROCEDURES-

**COMPLIANCE ATTESTATION EXAMINATION OF THE TITLE IV  
STUDENT FINANCIAL ASSISTANCE PROGRAM(S)**

and

**INDEPENDENT PERKINS PROGRAM LIQUIDATION  
AUDITOR'S REPORT**

FOR FISCAL YEAR ENDED DECEMBER 31, 20XX

-and/or- AWARD YEAR ENDED JUNE 30, 20XX

at

1234 Center Street, Hartford Connecticut 06101

-List other branch addresses or applicable client information-

-Auditor's Firm/Business Name-

**ROTH & ASSOCIATES, LLC  
Certified Public Accountants**

AUDITOR INFORMATION PAGE 2

**AUDITOR INFORMATION SHEET**

-School Name, Address(s) City, State-

**APPLE SCHOOL OF BUSINESS  
1234 Center Street, Hartford Connecticut 06101  
HARTFORD, CONNECTICUT**

-OPEID #, DUNS# and Telephone Main Office-

**OPEID# 00012340  
DUNS# 123456789  
Tel. No. (123) 123-1234 (Main Office)**

-Auditor Information-

President: Name

Contact Person & Title: Name, Senior Vice President

LEAD AUDITOR: John Doe, CPA

E-MAIL ADDRESS: idoe@roth.com  
FIRM's NAME: ROTH & ASSOCIATES, LLC  
ADDRESS: 123 Business Drive  
Perry, Pennsylvania 17006

TEL. NO.:

LICENSE NO. AND STATE:

**AUDIT COVER and WRITTEN REPORT PAGE 3**

*-Company Letterhead Including Address-*

**ROTH & ASSOCIATES, LLC**

**Certified Public Accountants**

*Please note: this example of the written audit report is just that, an example, and its purpose is to give more detail on the areas of the overall audit that pertain specifically to the liquidation requirements of the Federal Perkins Loan Program (Agreed Upon Procedures)*

Board of Directors, Trustees, Owners  
Apple School of Business  
Hartford, Connecticut 06101

Dear [Mr. President]

*Intro-clearly stating the intent of the audit...*

This **Audit Report**, entitled *Independent Perkins Program Liquidation for the Apple School of Business*, presents the results of our audit. The purpose of the audit was to determine whether Apple School of Business-administered the Title IV program in accordance with selected requirements of the Higher Education Act of 1965, as amended (HEA). We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Specifically, we evaluated the school's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct effect on the school's major federal programs for the year ended June 30, 20XX. Additionally, we evaluated the school's compliance with requirements and procedures described in the Federal Student Aid Electronic Announcement entitled *Federal Perkins Loan Liquidation Procedures* for the explicit purpose of closing the School's Federal Perkins Loan Program. Our review covered the period July 1, 20XX, through June 30, 20XX.

**Background**

*Give a brief background of the school and its operation...*

Apple School of Business is a subsidiary of IT Tech Systems, Inc. Apple School of Business is a proprietary school located in Hartford, Connecticut, with a location in Springfield, Massachusetts. The Hartford campus has been in operation since 1984, and the Springfield campus has been in operation since 1986. Apple School of Business is accredited by the Accrediting Council for Independent Colleges and Schools (ACICS). The School offers career and technical training programs leading to diplomas and associate degrees. The training programs are offered in a non-standard term academic calendar and are measured in quarter credit



hours. Students enroll in programs that start each week, on Monday. The nine programs that Career Point offers are from 26 to 39 quarter credit hours in length. The School participates in the following HEA, Title IV programs: Federal Pell Grant Program (Pell), Federal Supplemental Educational Opportunity Grant Program, Federal Work Study Program, Federal Perkins Loan Program, and the Federal Direct Loan Program. During the 20XX-20XX award year (July 1, 20XX, through June 30, 20XX), Apple School of Business awarded over \$12.5 million in Title IV funds to about 2,100 students.

### **Audit Results**

*Give Executive Summary, including statements on Internal Control Over Compliance and the accuracy of the school's Perkins FISAP data; list any findings and steps the school has or will take to resolve. Include the Perkins Liquidation detail section, clearly identifying steps taken by the school to liquidate its Perkins Program Fund.*

Apple School of Business generally complied with the requirements governing the return of Title IV funds and Title IV disbursements, GAPS and Cash Management and Administrative Capability listed in Section II of the U.S. Department of Education's Audit Guide. Based on the evidence we reviewed, the School had internal controls to ensure accurate award calculations, timing of Title IV disbursements, calculation of unearned Title IV funds for withdrawn students, and the return of Title IV funds.....include any findings of noncompliance and recommendations...

### **Federal Perkins Loan Program Liquidation - Verification**

As of February 9, 20XX, Apple School of Business has completed Steps 1 – 5 of the liquidation procedures for the purpose of liquidating its Federal Perkins Loan Program with the award year ending June 30, 20XX. As part of our Compliance Attestation Examination of the Title IV Student Financial Assistance Programs, we have examined the school's assertions that the School complied with specific requirements applicable to the Federal Perkins Loan Program, including the procedures set forth in the electronic announcement titled, "FEDERAL PERKINS LOAN LIQUIDATION PROCEDURES" and have found the information shown below is accurately stated. Our examination *did/or* did not result in any findings regarding the Federal Perkins Loan Program FISAP data.

Specifically, we have verified the following:

- 1) All loans for the total of **1,477** borrowers in the portfolio have been accounted for:
  - a. There were **952** borrowers whose loans were fully retired, including **8** loans purchased by the School. The School reimbursed its revolving Fund in the amount of **\$10,450** for the entire portion of the outstanding balance plus accrued interest on the **8** loans the School could not assign to the Department;
  - b. There were **525** borrowers whose loans were assigned and accepted by the Department and we have validated the computed accumulated interest charged on these loans was accurately calculated.
- 2) The service cancellation data on Section A and all of the data on Section C of Part III of the School's latest submitted FISAP for award year ending June 30, 20XX;

- a. The service cancellation data on Section A was accurately reported upon our review of the School's records;
- b. The data in Section C did not accurately reflect the total number of borrowers whose loans were fully retired or assigned to the Department. The School entered the liquidation process after the submission of the latest FISAP and, therefore, the assignment process of the remaining loans was not complete at the time of the submission of the FISAP.
- 3) The Federal capital contribution (FCC);
  - a. The FCC was accurately reported upon our review of the School's records.
- 4) The institutional capital contribution (ICC);
  - a. The ICC was accurately reported upon our review of the School's records.
- 5) Overall cash on hand at the time the School submitted its latest FISAP was \$0.
  - a. The reported Cash on Hand was verified against the School's bank statement and/or ledger for the Fund.
  - b. After the School completed the assignment process for the purpose of liquidation, there were loans deemed un-assignable to the Department. The amount for purchase of these loans was added to the depository on December 31, 20XX making total Cash on Hand \$10,450.

#### Determining Share Distributions

The U. S. Department of Education's Federal share of a School's revolving Fund was calculated using the following formula:

$$\frac{(\text{Net FCC})}{(\text{Net FCC} + \text{Net ICC})} \times \text{Cash on Hand} = \text{Final Capital Distribution}$$

#### Definitions and Numerical Explanation

FCC: Federal Capital Contribution added to the Fund by U. S. Department of Education over period of time. For the year ended June 30, 20XX, FCC was **\$534,857**.

Repayments of Fund Capital to Federal Government: For the year ended June 30, 20XX, repayments of Fund capital to federal government was **\$187,948**.

Net FCC: FCC minus repayments of Fund capital to federal government. For the year ended June 30, 20XX, net FCC was **\$346,909**.

ICC: School Capital Contribution added by school over period of time was **\$59,441** for the year ended June 30, 20XX.

Repayments of Fund Capital to School: For the year ended June 30, 20XX, repayments of Fund capital to school was **\$20,351**.

Net ICC: ICC minus repayments of Fund capital to school. For the year ended June 30, 20XX, net ICC was



\$39,090.

Cash on Hand: This amount is the cash the School still has on hand or in depository for the Federal Perkins Loan Program, including any funds returned to the Fund for the purpose of purchasing unassignable loans. At June 30, 20XX, this amount was **\$-0-**. After assignment and for the purpose of completing liquidation, Funds totally the amount of loans purchased of **\$10,450** was added to the Fund making total Cash on Hand **\$10,450**.

Results of Share Calculation Amount Returned to the Department

$$\begin{array}{r} \$346,909 \\ \hline \$385,999 \end{array} = .90 \times \$10,450 = \underline{\$9,405} \text{ Final Capital Distribution}$$

The final capital distribution from Apple School of Business' Federal Perkins Loan revolving Fund was made in accordance with Title IV, Part C, Section 466(c) of the Higher Education Act of 1965, as amended (HEA). We've verified that the federal share of the School's Federal Perkins Loan revolving Fund was \$9,405 and the amount owed the Department.

Objective, Scope, and Methodology

Our audit objective was not only to determine whether Apple School of Business administered the Title IV programs in accordance with selected requirements of the HEA. Specifically, we evaluated the school's compliance with requirements for the purposes of liquidating its Federal Perkins Loan Program fund. Our review covered the period *Date*, 20XX, through *Date*, 20XX.

To accomplish our objectives, we—

- Reviewed requirements in the HEA, regulations, and Departmental guidance applicable to our objectives;
- Reviewed Apple School of Business' audited financial statements and Compliance Attestation Examination of the Title IV Student Financial Assistance Programs for the award year ending June 30, 20XX;
- Interviewed Apple School of Business' President, Vice President, Financial Aid Director, Fiscal Operations Director, and other school officials;
- Obtained an understanding of Apple School of Business' policies and procedures regarding its administering the Federal Perkins Loan Program;
- Reviewed Apple School of Business' bank statements from our audit period; and
- Analyzed the FISAP data reporting and derived the return of federal capital contribution according to the overtime calculation of cash on hand.

We conducted our fieldwork at Apple School of Business' campus in Hartford, Connecticut from January 10, 20XX through February 9, 20XX. We held an exit conference with Apple School of Business on February 8, 20XX. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

### **Conclusion**

We have verified the School's Federal Perkins Loan account, records, and Part III of the Fiscal Operations Report or FISAP and believe the data was accurately reported. We did not find any substantial discrepancies with the reported data; the discrepancies noted above in our verification of the latest FISAP were accounted for in the verification detail section above. It is our opinion that Apple School of Business will not need to amend the latest submitted FISAP and can proceed with submitting a Final FSIAP to the Department.

This report is intended solely for the information and use of Apple School of Business' management, Board of Trustees, others within the entity, the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

### **AUDITOR'S SIGNATURE**

Date = Last day of any significant field work

*This date should not be dated earlier than when the auditor has sufficient audit evidence to support the opinion.*

**6. Audit Submission:** A school must send a copy of the audit or portion that contains the specific information prescribed above in this section to:

Federal Perkins Loan Program Liquidation  
U.S. Department of Education Grants & Campus-Based Division  
830 First Street, NE Union Center Plaza, Room 63C1  
Washington, DC 20202

Alternatively, a copy of the audit or portion that contains the specific information prescribed above in this section can be sent electronically via email to [perkinsliquid@ed.gov](mailto:perkinsliquid@ed.gov) as an attached PDF. We encourage an electronic copy be forwarded.

## **Step 4. Continue Reporting to NSLDS**

### **General Requirements**

A school must complete its NSLDS reporting requirements in accordance with the instructions in the [NSLDS Enrollment Reporting Guide](#) posted January 11, 2013 and [Perkins Data Provider Instructions](#) dated October 23, 2007. NSLDS reporting must continue until all of a school's outstanding Federal Perkins Loans are fully retired, accepted for assignment by the Department or purchased by the school.

### **Reporting of Assigned or Purchased Loans to NSLDS**

#### **After Assignment and Acceptance**



After the assignment process, the school must report each loan that was accepted by the Department as "AE" (transferred for Assignment) to NSLDS in accordance with NSLDS reporting requirements. In order to transfer a loan from one data provider to another (e.g., a Perkins loan assigned to ED), a complete 'handshake' must take place between the two data providers, that is, the current data provider must release the loan which then enables the new ED data provider to report on it. NSLDS does not consider this as a loan status code but, rather, a loan transfer code. Schools use the code AE to transfer, or assign a loan to the Department. Although loan transfer codes use the loan status code field on the Database Extract file, they are NOT loan status codes and do not update the loan status code fields in NSLDS. Instead, they indicate that the loan is in transit to another data provider. It is only when the new data provider reports on the loan that it is actually transferred to the new data provider. If the previous data provider reports the loan with a non-transfer loan status before the new data provider reports on the loan, NSLDS will assume that the transfer request was incorrect and the loan will be retained by the previous data provider (the school).

#### **Accepted for Assignment**

Again, after a school receives notification from the Department that a loan has been accepted for assignment, it is to report the loan to NSLDS as transferred for Assignment using the code "AE;" once this has been completed, the school must then stop reporting the loan to NSLDS.

#### **Purchased**

After the Fund is reimbursed for any defaulted and non-defaulted loans that a school has purchased, the school must report these loans to NSLDS as "UC" (Non-defaulted Loan Purchased by School) or "UD" (Defaulted Loan Purchased by School).

### **Step 5. Return the Federal Capital Contribution to the Department of Education as Determined by the Independent Perkins Program Liquidation Audit and Verified by the Department**

#### **General Requirements**

The final capital distribution from a school's Federal Perkins Loan revolving Fund must be made in accordance with Title IV, Part C, Section 466(c) of the Higher Education Act of 1965, as amended (HEA). This Section requires a school to return the federal share of a school's Federal Perkins Loan revolving fund to the Department when the amount in the Loan fund exceeds what would be "required for loans or otherwise in the foreseeable future." This passage of the HEA is applied to both excess liquid capital procedures for on-going schools and liquidation procedures for schools ending their participation in the Perkins Loan Program. The amount of the federal

share of a school's Federal Perkins Loan revolving Fund to be returned to the Department must be verified by the Independent Perkins Program Liquidation Audit (See previous Step 3).

### **Returning Federal share to the Department**

See the attachment titled "Instructions for Electronic Fund Transfers and Check Transmittals for the Federal Perkins Loan Program" for information regarding returning the federal share to the Department.

### **Step 6. File a Final FISAP**

A school must continue to file its FISAP annually until it can report all final activity. Please note that "final" activity here would be assigning any remaining loans with outstanding balances to the Department or reimbursing the Fund for the purpose of purchasing any loans that are not accepted by the Department, and repayment of Fund Capital distributions. Specifically, the final FISAP must report that:

- ▶ All outstanding loans have been fully retired, including those loans it purchased or that the Department accepted for assignment.
- ▶ The federal share of cash on hand has been returned to the Department. The "final" FISAP must be submitted for the Fiscal Operations Report year during which the final activity occurred. This report must show zero entered for Cash on hand as of 6/30 and Cash on hand as of 10/31 (Part III. Section A. Field Items 1.1 and 1.2).
- ▶ Entries for Repayments of Fund capital to federal government (Field Item 28) and Repayments of Fund capital to school (Field Item 30.3) equal the amounts returned to the Department and reclaimed by the school.
- ▶ Entries in the following Field Items of Part III. Section C. are zero:
  - Total borrowers not in repayment status (Field Item 3)
  - Borrowers on schedule in repayment status (Field Item 4)
  - In default less than 240 days (monthly installments) or less than 270 days (other installments) (Field Item 5.1)
  - In default less than 240 days or more (monthly installments) or 270 days or more (other installments), up to 2 years (Field Item 5.2)
  - In default more than 2 years but not more than 5 years (Field Item 5.3)
  - In default more than 5 years (Field Item 5.4)
- ▶ Amounts pertaining to loans that have been fully retired, purchased or assigned are entered in the following Field Items of Part III. Section C.

- Borrowers whose loans are fully retired this would include borrowers whose loans were purchased (Field Item 1.1)
- Amount of Loans that have been purchased (Field Item 1.2)
- Borrowers whose loans were assigned to and officially accepted by the U.S. Department of Education as of June 30 (Field Item 2) (Note: Field Item 2 equals the sum of Field Item 2.1 plus Field Item 2.2.)
- Assignments due to default or liquidation (Field Item 2.1)
- Assignments due to total and permanent disability discharge (Field Item 2.2)

## **Step 7. School Communication to Department of Completed Steps and Reconciliation of FISAP Data with Department of Education**

In order to complete the liquidation process, the school must send a letter to:

Federal Perkins Loan Program Liquidation  
U.S. Department of Education Grants & Campus-Based Division  
830 First Street, NE Union Center Plaza, Room 63C1  
Washington, DC 20202

**Alternatively**, the Department will accept an email as written notification. The email must be sent by an authorized official of the school, such as the Financial Aid Administrator or President, and sent to:

[perkinsliquid@ed.gov](mailto:perkinsliquid@ed.gov)

The subject of the email notification should include the name of the school, OPEID number and the words "FINAL STEP OF LIQUIDATION."

The letter or email should state that:

- ▶ the school's outstanding loans have been fully retired, purchased or assigned;
- ▶ the federal share amount of the cash on hand has been or will be returned; and
- ▶ the Independent Perkins Program liquidation audit has been completed

The letter or email must also include as an attachment or enclosure:

- ▶ a copy of the refund check for the federal share of cash on hand if amount was paid for by check or if sent electronically, copy of the EFT or G5 receipt, if not already forwarded; and
- ▶ a copy of the Independent Perkins Program liquidation audit report with required detail.



The Department's Grants and Campus-Based Division will use the email or letter and its attachments or enclosures to assist in reconciling the information submitted by the school.

We will also verify that the Department has received the federal share of the cash on hand and that it is the correct amount.

Once the Department's Grants and Campus-Based Division has reconciled or verified the information submitted by the school, it will communicate any additional steps. In some cases, the next step would be for the school to submit its Final FISAP (See Step 6 above).

### **Step 8. Receive Official Liquidation Completion Letter from the U. S. Department of Education**

Once the liquidation requirements are satisfied, a letter of approval will be sent to your school from the Department's Grants and Campus Based Division. Your school must receive this letter which will confirm completion of the liquidation process. Please retain this for your records.