Audit of Taylor Business Institute's Administration of the Title IV Student Financial Assistance Programs

FINAL AUDIT REPORT

Control Number ED-OIG/A02-B0026
July 2003

Our mission is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations.

U.S. Department of Education
Office of Inspector General
New York Audit Region
New York, New York

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July 8, 2003 **ED-OIG/A02-B0026**

Ms. Lydia Henry-Manrow
Executive Director
Taylor Business Institute
18 West 18th Street
New York, New York 10011

Dear Ms. Henry-Manrow

Attached is our report entitled *Audit of Taylor Business Institute's Administration of Title IV Student Financial Assistance Programs.* The report incorporates the comments you provided in response to the draft audit report. If you have any additional comments or information that you believe may have a bearing on the resolution of the audit, you should send them directly to the following Education Department official, who will consider them before taking final Department action on the audit.

Theresa S. Shaw
Chief Operating Officer, Federal Student Aid
U. S. Department of Education
Union Center Plaza,
830 First Street, NE, Room 112G1
Washington, DC 20202

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

Daniel Schultz
Regional Inspector General for Audit

Attachment

Notice

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

In accordance with Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

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EXECUTIVE SUMMARY

The objective of our audit was to determine whether Taylor Business Institute (TBI) administered the Title IV Student Financial Assistance program in compliance with the Higher Education Act of 1965, as amended, (HEA) and applicable Federal regulations for the period November 1, 1999, to October 31, 2000. We examined institutional and program eligibility, student eligibility, Title IV disbursements, and the calculation and payment of refunds. Because our work indicated that refund calculation deficiencies existed outside the audit period, we extended our review to include the period November 1, 2000, to October 31, 2001.

TBI was not in compliance with the regulations for the return of unearned Title IV funds. TBI did not return unearned Title IV funds timely and did not ensure that the return of Title IV funds were calculated correctly. In addition, TBI did not always properly determine students' withdrawal date on a timely basis.

We recommend that the Chief Operating Officer for Federal Student Aid (FSA) require TBI to:

- Establish an effective system to monitor students' last day of attendance so that TBI can determine students' withdrawal date in accordance with Federal regulations and to ensure timely return of Title IV funds;
- Pay to ED $251 in imputed interest ($171 due to late return of Title IV funds and $80 due to overpayment);
- Return to ED $1,838 in Title IV funds, which is $1,455 of insufficient return of unearned Title IV funds and $383 of underpaid overpayments of Title IV funds;
- Recalculate all refunds and return any underpayment to ED; and
- Establish effective procedures to ensure all calculations of return of Title IV funds are correctly computed.

TBI provided comments, dated June 3, 2003, to our draft report. TBI generally disagreed with our finding related to improperly disbursed Title IV funds in the draft report. TBI provided additional documentation for the 12 students who did not have a financial aid transcript or an NSLDS financial aid history which we accepted. The amount disbursed for a student who did not maintain the minimum grade point average (GPA) in order to meet satisfactory academic progress standards was immaterial. TBI agreed to make some of the changes associated with the finding's recommendations; TBI stated that they updated their Standard Operating Procedures Manual to address changes in the Title IV regulations, and that they would provide training to new employees on the administration of Title IV programs. As a result, we eliminated the finding related to improperly disbursed Title IV funds.

TBI also generally disagreed with our remaining finding. We summarized TBI's comments to the draft report at the end of the finding and included them as an Attachment. Because the corresponding documentation TBI provided was voluminous and included numerous references to students' names and social security information, we did not include that information. A copy of TBI's comments and all supporting documentation will be forwarded, under separate cover, to the Chief Operating Officer for FSA.

AUDIT RESULTS

We concluded that TBI met program and institutional eligibility requirements. TBI was not in compliance with the HEA and Federal regulations for the calculation and payment of return of Title IV funds.

Finding No. 1 - Taylor Business Institute Failed to Properly Administer Federal Pell Grant and Federal Supplemental Educational Opportunity Grant Funds

TBI was not in compliance with the regulations for the return of unearned Title IV funds. TBI did not return $8,125 of unearned Title IV funds timely, ensure the return of Title IV funds were calculated correctly, and identify students' withdrawal date on a timely basis.

TBI Did Not Return Title IV Funds Timely

According to 34 C.F.R. § 668.22(j)(1) (2000), "[a]n institution must return the amount of title IV funds for which it is responsible . . . as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew. . . . "[1]

34 C.F.R. § 668.21(a)(1) states that "[i]f a student officially withdraws, drops out, or is expelled before his or her first day of class of a payment period, all funds paid to the student for that payment period for institutional or noninstitutional costs under the Federal Pell Grant [and] FSEOG . . . programs are an overpayment."

We identified 19 students from our combined sample of 115 who were due a return of Title IV funds. The return of unearned Title IV funds for 13 of the 19 students', totaling $8,125, were after the required 30-day period.[2] The return of Title IV funds for 2 of the 19 students', totaling $1,011, were never made. The late return of Title IV funds were paid an average of 202 days late and ranged from 10 to 1,055 days late. Based on the late return of unearned Title IV funds and the two students whose unearned Title IV funds were never paid, we imputed interest due to ED of $171.

We identified 15 students who never started attendance and TBI failed to return five of the overpayments, totaling $5,367, within 30 days of the drawdown date. TBI underpaid one overpayment by $383 and this difference was never returned by TBI. The late return of overpayments averaged 143 days late and ranged from 7 to 620 days late. The imputed interest due to ED for the late return of the six overpayments is $80.

[1] The regulations at 668.22 (h)(2)(iv) (1999) provided the same 30 days to make a return of Title IV.
[2] Eight of the 13 student's return of unearned Title IV funds, totaling $4,857, were calculated incorrectly and are discussed under TBI Did Not Ensure the Return of Title IV Funds Were Calculated Correctly.

TBI did not return Title IV funds on time because it did not have an effective system to ensure timely return of Title IV funds. This system was ineffective because TBI's long cycle time for processing return of Title IV funds involved TBI informing Global Financial Aid Services (Global), the third party servicer; TBI requesting payment by check from their parent corporation, International Education Corporation (IEC); and manual checks drawn by IEC and sent to Global, who in turn remitted the funds to ED.

TBI maintained attendance records both manually and on a computer system but lacked an effective procedure to detect overpayments. Specifically, TBI did not use the attendance procedures it had in place to determine students who had never attended TBI, resulting in Title IV overpayments.

TBI Did Not Ensure the Return of Title IV Funds Were Calculated Correctly

TBI did not ensure that the calculations of the return of Title IV funds were correct. TBI used Global to calculate all return of Title IV funds.

Institutions are required to calculate returns of Title IV funds for students who withdraw according to 34 C.F.R. § 668.22. Regulations for 'the return of Title IV' requirements of the Higher Education Amendments of 1998 were published in the Federal Register on November 1, 1999. Institutions were not required to implement these new procedures until October 7, 2000, although institutions could choose to implement them earlier. Based on our analysis, TBI did not choose early implementation of the November 1, 1999 rules. We used the appropriate return of Title IV calculation depending on when the students withdrew.

Pursuant to 34 C.F.R. § 668.22(c)(8), "the portion of the period of enrollment for which the student has been charged that remains is determined . . . by dividing the total number of weeks comprising the period of enrollment for which the student has been charged into the number of weeks remaining in that period as of the student's withdrawal date."

According to 34 C.F.R. § 668.22(f)(2)(i) (2000), "The total number of calendar days in a payment period . . . includes all days within the period, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period . . . and the number of calendar days completed in that period."

During the review of our combined sample of 115 students, we identified 36 students who required a calculation of return of Title IV funds.[3] We found that 13 of the 36 calculations for the return of Title IV funds were miscalculated; seven of the 13 resulted in excessive return of Title IV funds totaling $634; and six of the 13 resulted in insufficient return of unearned Title IV funds totaling $1,455.

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[3] Of the 36 calculations, 15 were subject to the procedures published on November 1, 1999, and 21 were subject to the old procedures.

The miscalculations occurred due to TBI's lack of policies to ensure that the return of Title IV funds calculations prepared by Global were computed according to the regulations:

- TBI did not consistently exclude scheduled breaks of at least five consecutive days in the calculation of return of Title IV funds under the procedures they were required to use starting October 7, 2000.
- TBI did not consistently use the actual number of days in the payment period to compute the return of Title IV funds under the procedures they were required to use starting October 7, 2000.
- TBI did not consistently use the actual number of weeks in the period of enrollment under the procedures prior to October 7, 2000.[4]

TBI Did Not Properly Determine Students' Withdrawal Date On A Timely Basis

TBI did not properly determine student withdrawals on a timely basis. TBI's withdrawal date for two students was made after the allowable 30 days from the last day of the payment period.

According to 34 C.F.R. § 668.22(j)(2) (2000 and 2001), "An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of . . . the payment period . . . ."

TBI had computerized attendance records but did not effectively monitor them for students' withdrawal status. The withdrawal date, which was the students' last day of attendance, was used in the calculation of return of Title IV funds. TBI's determination date was the date that TBI became aware the student was no longer attending the school.

Recommendations

We recommend that the Chief Operating Officer for Federal Student Aid require TBI to:

1.1. Establish an effective system to monitor students' last day of attendance so that TBI can determine students' withdrawal date in accordance with Federal regulations and to ensure timely return of Title IV funds.
1.2. Pay to ED $251 in imputed interest ($171 due to late return of Title IV funds and $80 due to overpayments).
1.3. Return to ED $1,838 in Title IV funds, which is $1,455 of insufficient return of unearned Title IV funds and $383 of underpaid overpayments of Title IV funds.
1.4. Recalculate all refunds and return any underpayment to ED.
1.5. Establish effective procedures to ensure all calculations of return of Title IV funds are correctly computed.

[4] The period of enrollment, for our purposes, is defined as the quarter for which tuition is charged.

TBI Comments

TBI stated that since the arrival of the new ownership they have implemented "policies and procedures [that] are responsive to the recommendations in 1.1 and 1.5 and, accordingly, these recommendations should be withdrawn." TBI agreed with the untimely return of Title IV funds and that withdrawal dates were not determined timely for two students. TBI stated that they had established, under the new ownership, a new system to effectively monitor students' attendance and determine students' withdrawal date in accordance with Federal regulations. TBI stated that they are no longer relying on a manual check system for refunds of Title IV funds.

TBI generally agreed that the miscalculation of refunds had occurred. However, TBI believes the calculations were performed correctly for four of the students in the sample and no additional refund or interest are due as recommended in 1.2. TBI attached refund policy calculation results sheets prepared by Global for the calculation of refunds due to ED.

In regards to recommendation 1.3, TBI believes it should only pay $821, which is the net of the insufficient return of Title IV funds of $1455 and the excessive return of $634. TBI stated that $383 each, for two quarters, was disbursed when the student's cumulative GPA during the two quarters was within TBI's satisfactory academic progress standards. Since the student was eligible to receive Title IV funds, TBI stated no additional return of funds is required.

TBI disagreed with the recommendation in 1.4 that "TBI recalculate refunds in connection with the Finding." TBI also stated that the overall discrepancies in calculations were minimal. TBI believes that four of the recalculations were correct, and stated they believe refunds were fully paid for the majority of the students.

OIG Response

The corrective actions TBI outlined in its response for recommendations 1.1 and 1.5 should help rectify the failure to properly administer the Pell and FSEOG funds. However, we did not audit or evaluate the new procedures TBI stated it recently implemented.

TBI did not provide any evidence that would result in changes to our recommendations 1.2, 1.3, and 1.4. While TBI provided the refund policy calculation results sheets used to calculate the refunds due to ED, we had reviewed the same documentation during our audit. Therefore, TBI provided no new documentation to support their assertion that their calculations were correct. TBI did not consistently exclude scheduled breaks of at least five consecutive days in the calculation of return of Title IV funds under the procedures they were required to use starting October 7, 2000. TBI did not consistently use the actual number of days in the payment period to compute the return of Title IV funds under the procedures they were required to use starting October 7, 2000. TBI did not consistently use the actual number of weeks in the period of enrollment under the procedures prior to October 7, 2000. Our calculations represent only a sample of the total universe of 1,425 Title IV recipients at the institution. The student we cited did not achieve satisfactory academic progress for Title IV disbursement on March 15, 2000 during the period in question.

OTHER MATTERS

Institutions are required by 34 C.F.R. § 668.43(a)(4) (2000 and 2001) to make readily available to enrolled and prospective students "A summary of the requirements under [34 C.F.R.]§ 668.22 for the return of title IV grant or loan assistance . . . ."

TBI's 2001 catalog description of the return of Title IV funds calculations did not include the required exclusion of scheduled breaks of at least five consecutive days. TBI should inform current and prospective students of the correct return of Title IV policy and ensure future catalogs are correct.

BACKGROUND

TBI, a for-profit proprietary two-year school, formerly a subsidiary of IEC, was purchased by Benhem Company Inc. (Benhem), on April 4, 2002. The school offers two-year degree and certificate programs and is accredited by the Accrediting Council of Independent Colleges and Schools. TBI is a participant in the Federal Pell Grant, FSEOG, and Federal Work Study programs. TBI lost eligibility for the Federal Family Education Loan (FFEL) Program due to three years of high cohort default rates in excess of 25 percent. In 1996, TBI's cohort default rate was in violation of the HEA and, in April 1997, TBI was removed from the FFEL program. In the fall of 2001, TBI reapplied for reinstatement into the FFEL Program but was denied by FSA. As a subsidiary of IEC, TBI was on heightened cash monitoring type 2 and was required to maintain a letter of credit.

During the period November 1, 1999, through and including October 31, 2001, TBI received $2.6 million in Title IV funds.

The new owner, Benhem, is liable for any deficiencies found in any of the ongoing audits of TBI. On August 16, 2002, FSA issued a provisional Program Participation Agreement (PPA) to TBI, expiring June 30, 2005, which included the following special conditions:

- The Benhem principals agreed to be held jointly and severally liable for any liabilities arising under the PPA,
- TBI provide a letter of credit equal to 25 percent of the Title IV refunds that were made or should have been made in the prior year,
- The two majority holder principals provided audited personal financial statements,
- TBI is on heightened cash monitoring type 2, and
- A Business Plan - Financial Responsibility Standards Plan must be submitted to ED quarterly.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether TBI administered the Title IV Student Financial Assistance program in compliance with the HEA of 1965, as amended, and applicable Federal regulations for the period November 1, 1999, to October 31, 2000. We examined institutional and program eligibility, student eligibility, Title IV disbursements, and the calculation and payment of refunds. Because our work indicated that refund calculation deficiencies existed outside the audit period, we extended our review to include the period November 1, 2000, to October 31, 2001.

To accomplish our objective, we—

1. Reviewed TBI's 1999, 2000, and 2001 audited financial statements and compliance audit reports.
2. Reviewed the institution's procedure for calculating the revenue percentage requirements (also referred to as the 90/10 rule).
3. From a universe of 1,425 recipients, who enrolled at the school during the audit period, we reviewed 96 student files from 100 randomly selected for student eligibility and refunds/return of Title IV. We also identified 21 students that had discrepancies between TBI's CLASS system and NSLDS. Two of the students with discrepancies were also included in the 96 students we sampled from the 100 randomly selected students. We included the remaining 19 students with discrepancies in our testing of student eligibility and refunds/return of Title IV, giving us a combined sample of 115 students. We also selected a non-statistical random sample of 36 students from a universe of 68 students who participated in the externship program and did not complete the externship program during our audit period, for evaluating the externship program.
4. Obtained and reviewed data applicable to the school from ED's NSLDS, Postsecondary Education Participants System, and Grant Administration and Payment System databases.
5. Reviewed the bank records of both TBI and its third party servicer, Global, as to the timing of return of Title IV funds and posting of Title IV funds to students' ledger cards.
6. Interviewed management officials of the school, students of the school, FSA, and Global officials.
7. Reviewed management Standard Operating Procedure Manual, Global's Submission Guide, and school catalogs pertaining to the audit period.

We relied, in part, on a computer generated universe of students from the NSLDS database to derive our random audit sample and on TBI's CLASS student data system. We tested the accuracy and completeness of the data by comparing source records to the computer data. Based on these tests and assessments we conclude that the data are sufficiently reliable to be used in meeting the audit objectives.

We conducted the onsite fieldwork at the auditee's offices in New York, New York during the period September 10, 2001, through October 29, 2002. We held an exit conference with TBI officials on September 5, 2002. We contacted TBI, on April 1, 2003, subsequent to our exit conference, in order to brief them on our audit results and the status of our draft report. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our review, we assessed the system of management controls, policies, procedures, and practices applicable to TBI's administration of the Title IV programs. We assessed the level of control risk for determining the nature, extent, and timing of our substantive tests. For the purpose of this report, we assessed and classified the significant controls into the following categories: (1) institutional and program eligibility, (2) student eligibility, (3) Title IV disbursements, and (4) calculation and payment of refunds.

Because of inherent limitations, a study and evaluation made for the limited purposes described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed management control weaknesses, which adversely affected TBI's ability to administer the Title IV programs. These weaknesses are related to calculation and payment of refunds. These weaknesses and their effects are discussed in the AUDIT RESULTS section of this report.

TAYLOR™
BUSINESS INSTITUTE

June 3, 2003

Mr. Daniel P. Shultz
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
75 Park Place
New York, NY 10007

Dear Mr. Shultz,

This response to the Draft Audit Report (Control Number ED-OIG/A02-B0026) has been prepared by Taylor Business Institute to address the Findings and Recommendations presented in the report. We have timely filed this response in accordance with the revised deadline of June 4, 2003. Please contact me if you have any questions.

Thank you for your consideration.

Lydia Henry-Manrow

Lydia Henry-Manrow
Executive Director

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Finding No. 1

Taylor Business Institute (TBI) disputes the Finding for eleven of the twelve students cited as not having financial aid transcripts or evidence of NSLDS financial aid history documentation in their files. As discussed below and shown in the attachments, TBI did and does possess the required NSLDS financial aid history documentation in its student files for these students. The documentation demonstrates that the cited students did not have financial aid history that precluded their eligibility for the disbursements cited in the Finding. As detailed below, TBI also obtained NSLDS information for the twelfth student demonstrating that the student's prior financial aid history would not have required any reduction in the Title IV funds received from TBI. For these reasons, the recommended disallowances should be dismissed.

The bulk of the files for students cited in the Finding do in fact contain NSLDS financial aid history documentation. The Comments Page of the ISIR for each of students 17, 74, 80, 92, and 99 clearly state, "your application record was compared with the National Student Loan Data System (NSLDS)" and explicitly conclude that "However, no Financial Aid history information was found for printing on your ISIR." This student file documentation is enclosed with the response and shows that the questioned disbursements were not precluded by prior financial aid history.

Similarly, the Comments Page of the ISIR for each of students 2, 8, 19, and 29 clearly state, "your application record was compared with the National Student Loan Data System (NSLDS)" and similarly conclude, "The NSLDS confirmed that your social security number is not associated with any previous financial aid history." This student file documentation is enclosed with the response and shows that these questioned disbursements were also not precluded by prior financial aid history.

The student file documentation for student number 11 included an NSLDS Financial Aid History page of his ISIR that indicated prior year Financial Aid history. However, as shown on the enclosed documentation, no financial aid had been received by the student at any other school during the current year at TBI. Consequently, the student's eligibility for Pell and SEOG funds was not affected and the student was not precluded from receiving the questioned disbursements. Because TBI did not and does not participate in the FFEL programs, the student's financial aid history in prior award years at other schools did not have a bearing on the aid received at TBI (e.g., aggregate loan limits).

The student file documentation for student number 23 included an NSLDS Financial Aid History page on his ISIR that indicated a Defaulted Student Loan. As reflected on the enclosed ledger card and updated ISIR, TBI did not disburse any Title IV funds to this student until the Default status had been resolved, and documentation received. Accordingly, this student's disbursements were not precluded by prior financial aid history.

Lastly, with respect to student number 26, TBI subsequently obtained documentation from NSLDS demonstrating that the student did have prior financial aid history, but that this history would not have required any reduction in the disbursements made by TBI to this disbursement. We have also reviewed the current NSLDS History for the student, which still shows no Title IV disbursements for the year in question (1999-2000) other than those made by TBI. There was no overpayment of Title IV funds. Accordingly, we do not believe these funds should be disallowed.

We note that the Finding also contains a separate contention questioning a disbursement to one student, number 31, who was not making satisfactory academic progress for one quarter. However, as reflected in the enclosed documentation, TBI identified the discrepancy for this student and returned the questioned amount to the Department nearly three years ago on July 13, 2000. Accordingly, this matter has long since been resolved and the recommended disallowance should be withdrawn.

Lastly, in connection with the recommendations in the Finding, we note that the changes in Title IV regulations have been incorporated into TBI's Procedures Manual, and that management expects to keep the manual up to date henceforth. In addition, training has been provided to both the FA Administrator and staff. The FA Administrator attended the "Fundamentals of Title IV Administration" workshop March 10, through March 14, 2003. She has also joined the NYS Financial Aid Administrators Association. The entire TBI Financial Planning Department will continue to attend FA training offered by various agencies and organizations.

Finding No 2

We note at the outset that this Finding concerns the calculation and return of Title IV funds for periods that predates by at least five months and as many as twenty-nine months the arrival of a new ownership team at TBI in April 2002. Each of the three components of the Finding is discussed below. As detailed below, the new ownership has since established new procedures and policies for computation and timely return of funds for withdrawn students and for timely calculation of student withdrawal dates. These policies and procedures are responsive to the recommendations in 2.1 and 2.5 and, accordingly, these recommendations should be withdrawn.

Timely Return of Funds
The Finding contends that TBI did not have an effective system for returning funds timely "because TBI's long cycle time for processing return of Title IV funds involved TBI informing Global Financial Aid Services (Global), the third party servicer; TBI requesting payment by check from their parent corporation, International Education Corporation (IEC); and manual checks drawn by IEC and sent to Global, who in turn remitted the funds to ED." This system with which the Finding is concerned is no longer in existence and was replaced more than a year ago with a new system involving new ownership. TBI is no longer reliant on receipt of manual checks from a parent company headquartered in California, but instead makes payments out of locally owned and operated accounts. Moreover, TBI has since changed from manual checks to electronic funds transfer, which enables all refunds to be wire transferred to the EDPYT Account upon review of the change in status/Return of Title IV fund calculation. Thus, the Finding's concerns arise out of a system that has long since been replaced.

We note the following with respect to the following students:

For student number 31(the same student discussed in Finding 1), the cited amount was disbursed for a payment period in which she was achieving SAP and had not withdrawn. The student's last date of attendance was May 8, 2000. She had two Title IV payments of $383 each for the 99V (12/6/99-3/10/00), and 00E (3/13/00-6/9/00) quarters. Her cumulative GPA at the outset of each of these quarters was within the SAP standards stated in the TBI catalog for the periods. All Title IV payments for the period in which the student failed to achieve SAP were refunded in July 2000.
Consequently, no additional return of funds was required and the student was eligible for the disbursements.

For student number 34, TBI believes that the calculation was performed correctly according to published Federal Refund Policy. Therefore, no additional refund or interest is due.

For student number 60, TBI believes that the calculations were performed correctly. The amount refunded was caused by the lowering of tuition by TBI on May 3, 2001. The refund cleared on May 24, 2001 therefore no interest is due.

Calculation of Refunds

The Finding contends that TBI did not accurately calculate the Pell and SEOG refunds for 13 students.[1] However, we note at the outset that, even if correct, underpayments would have been made for only 6 of the students (numbers 34, 54, 56, 60, 77, and 100). Even under the Finding's calculations, TBI overpaid the refunds owed in connection with the other 7 students (numbers 1,59,63, 69, 72, 89, and A), resulting in an overpayment to the Department of $634. Consequently, we believe that the $1,455 sought for the 6 students, should be offset by the $634 overpaid in connection with the other 7 students. We note that the $821 in combined discrepancies is nominal and reflects only minor differences between the calculations of the Finding and TBI under its prior ownership.

We also disagree with the recommendation that TBI recalculate refunds in connection with the Finding. Although TBI would fully cooperate with the Department should it choose to accept this recommendation, we believe recalculation is unwarranted here because: (i) the overall discrepancies in calculations by the Finding and by TBI are minimal; (ii) as detailed below, TBI disagrees with at least four of the Finding's recalculations; and (iii) refunds were fully paid for the overwhelming majority of students cited for this portion of the Finding.

In addition, we note the following disagreements with the calculations for the following students:

We believe that the calculations for students number 34,60,63, and A were performed correctly according to published Federal Regulations for Return of Title IV Funds and Federal Refund Policy.
Breaks of at least five consecutive days were excluded, and the correct number of days in the payment periods was used in the Return of Title IV calculations.
Additionally the correct number of weeks in the periods of enrollment was used in the refund calculations under the procedures prior to October 7, 2000.

Timely Withdrawal Date Determinations for Two Students

Lastly, the Finding contends that withdrawal dates were not determined timely for two students. We agree with the Finding's implicit conclusion that the refunds were timely returned for these students notwithstanding any lateness in the determination of the withdrawal dates. We note that this portion of the Finding only concerns two students. In any event, TBI's new ownership has established a new system to effectively monitor students' last day of attendance and determine students' withdrawal date in accordance with Federal regulations and to ensure timely return of Title IV funds as follows:

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[1] **The refunds at issue consist solely of Pell and SEOG refunds to the Department. None of TBI's students received FFEL or other Title IV loans during the audit period.**

A- We have revised the duties of the Student Services Coordinator. Her primary function is to monitor and record daily attendance for every student. She runs a "Last Date of Attendance" (LDA) report daily, and ensures that the Registrars Department drops all students whose absences have exceeded nineteen days from their LDA or have failed to return to classes within two weeks of the beginning of the term.

B- All refunds to Title IV programs are wire transferred immediately to the EDPYT Account upon review of the change in status/return of Title IV fund calculation, usually within one week of the date of determination.

Final Report Distribution List
Control Number ED-OIG/A02-B0026

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