



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL  
1999 BRYAN STREET, HARWOOD CENTER, SUITE 2630  
DALLAS, TEXAS 75201-6817  
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JUN 19 2002

**MEMORANDUM**

**TO :** Greg Woods  
Chief Operating Officer  
Federal Student Aid

**FROM :** Sherri L. Demmel [REDACTED]  
Regional Inspector General  
for Audit

**SUBJECT:** Final Audit Report, *WADE COLLEGE*  
Control Number ED-OIG/A06-C0019

Attached is our subject report presenting our findings and recommendations resulting from our audit of Wade College.

In accordance with the Department's Audit Resolution Directive, you have been designated as the action official responsible for resolution of the findings and recommendations in this report.

If you have any questions, please contact me at 214-880-3031.

Please refer to the above control number in all correspondence relating to this report.

Attachment



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JUN 19 2002

Frank Tortoriello, Jr.  
President  
Wade College  
P. O. Box 586343, Int'l Apparel Mart  
Dallas, TX 75258-6343

Dear Mr. Tortoriello:

This ***Final Audit Report*** (Control Number ED-OIG/A06-C0019) presents the results of our audit of Wade College's (Wade) compliance with Title IV of the Higher Education Act of 1965 (HEA), as amended, and selected regulations governing Federal Student Financial Assistance (SFA) programs during the period July 1, 2000, through December 31, 2001. Wade College agreed with our findings and recommendations during our exit conference on April 4, 2002.

The audit objective was to determine whether Wade administered the Title IV programs according to selected aspects of the SFA program laws and regulations authorized by the HEA, as amended. To accomplish this objective we focused on determining if Wade complied with the 90 Percent Rule, the use of professional judgment (including dependency overrides), student eligibility, Title IV disbursements, return of Title IV funds, financial responsibility, and institutional and program eligibility.

## AUDIT RESULTS

During the audit period, Wade generally administered the SFA programs in accordance with the HEA and selected regulations. However, we found errors in Wade's calculation of the return of Title IV funds. Institutions are required to calculate returns of Title IV funds for students who withdraw according to procedures in the regulations at 34 C.F.R. § 668.22. During our review of records for 60 randomly selected students, we identified 31 students requiring a return of Title IV funds calculation. We found that Wade had miscalculated the return of Title IV funds for 13 students:

- Return of Title IV was miscalculated for returns to the Direct Loan program for 4 students, resulting in a liability of \$3,746.
- Return of Title IV was miscalculated for returns to the Pell Grant program for 2 students, resulting in an underpayment of \$2,175.
- Return of Title IV was miscalculated for the remaining 7 students resulting in no change in the amounts to be returned.

## **RECOMMENDATIONS**

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

1. Return the \$3,746 to the Direct Loan Program;
2. Credit the proper students' accounts;
3. Recalculate all refunds, return any under payment to the appropriate Federal account, and make any required adjusts to the proper students' accounts; and
4. Evaluate its procedures to ensure returns of Title IV funds are accurately calculated.

## **BACKGROUND**

Wade is a two-year proprietary school located in Dallas, Texas. It received initial approval to participate in the Title IV, SFA programs on February 3, 1971. The Southern Association of Colleges and Schools Commission on Colleges accredited the school and the Higher Education Coordinating Board, Texas College and University System authorizes them to operate in the State. Wade offers an associate degree in Merchandising and Design. During the award years 1999-2000 and 2000-2001, they received approximately \$1.6 million and \$1.3 million in Title IV funds, respectively. Wade participates in William D. Ford Direct Loan, Federal Perkins Loan, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, and Federal Pell Grant programs.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The audit objective was to determine whether Wade administered the Title IV programs according to selected aspects of the SFA program laws and regulations authorized by HEA, as amended. To accomplish this objective we focused on determining if Wade complied with the 90 Percent Rule, the use of professional judgment (including dependency overrides), student eligibility, Title IV disbursements, return of Title IV funds, financial responsibility, and institutional and program eligibility.

Our audit fieldwork was performed at Wade's offices in Dallas, Texas, from March 4-21, 2002. We interviewed Wade College, Armstrong and Associate (auditor), and Department of Education officials. We reviewed 1) Department administrative and program review files; 2) federal laws, regulations, and other guidance regarding Title IV programs; 3) Wade's administrative and accounting files, policies and procedures; 4) Wade's 2000 Compliance Audit; and 5) Wade's 2000 Financial Statement Audit and associated working papers. We tested a sample of 60 student files to determine the appropriateness of Title IV funding to the students. We pulled the sample from a population of 242 students who received Pell grants and/or William D. Ford Direct Loans.

We relied on a computer-generated universe of students from the National Student Loan Data System to derive our audit sample. Our audit covered the period from July 1, 2000, through December 31, 2001. We conducted an exit conference on April 4, 2002, at which time you agreed with our findings.

### STATEMENT ON MANAGEMENT CONTROLS

As part of our review, we assessed Wade's management controls, policies, procedures, and practices applicable to the scope of the audit. We assessed the level of control risk for determining the nature, extent, and timing of our substantive tests

Our audit was made only for the limited purpose described and would not necessarily disclose all material weaknesses in Wade's administration of the Title IV programs. However, our assessment disclosed a weakness related to return of Title IV fund calculations. This weakness is discussed in the Audit Results section of this report.

### ADMINISTRATIVE MATTERS

The conclusions in this report represent the opinions of the Office of Inspector General. You are not required to respond to this report. However, if you have any comments or information that you believe may have a bearing on this audit, you should send them directly to the following Education Department Official:

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

In accordance with the 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.

We appreciate the cooperation and assistance extended by your staff during the audit. You are not required to respond to this report. However, if you desire to discuss it, please call me at 214-880-3031.

Sincerely,



Sherri L. Demmel  
Regional Inspector General for Audit

electronic cc: Faye Harris, FSA  
Charles Johnson, Area Director, Dallas Case Management Team  
Pat Howard, Director FSA Advice & Assistance

**REPORT DISTRIBUTION LIST  
CONTROL NO. ED-OIG/A06-C0019**

**Auditee**

Mr. Frank Tortoriello, Jr., President  
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P. O. Box 586343, Int'l Apparel Mart  
Dallas, TX 75258-6343

**ED Action Official**

Mr. Greg Woods  
Chief Operating Officer  
Federal Student Aid

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The Council on Occupational Education