



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

Audit Services  
Dallas Audit Region

September 28, 2007

**Control Number**  
**ED-OIG/A06H0010**

Mr. Jonathan W. Bullen  
President  
Eagle Gate College  
299 South Main Street, Suite 2420  
Salt Lake City, Utah 84111

Dear Mr. Bullen:

This **Final Audit Report**, entitled *Eagle Gate College's Administration of Title IV Student Financial Assistance Programs*, presents the results of our audit. The purpose of the audit was to determine whether Eagle Gate College administered the Title IV programs in accordance with selected requirements of the Higher Education Act of 1965, as amended (HEA). Specifically we evaluated the school's compliance with requirements for (1) incentive compensation, (2) return of Title IV funds, (3) institution and student eligibility, and (4) disbursements. Our audit covered the period July 1, 2005, through June 30, 2006.

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## BACKGROUND

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Eagle Gate College (Eagle Gate) is a proprietary school located in Utah and has locations in the cities of Salt Lake City, Murray, and Layton. The school was founded in 1979 as the Intermountain College of Court Reporting. In July 2001, Bullen and Wilson, LLC, acquired the school and changed its name to Eagle Gate College. The Accrediting Council for Independent Colleges and Schools accredits Eagle Gate. The college offers career and technical training programs leading to certificates, diplomas, and associate degrees.

For the 2005-2006 Award Year (July 1, 2005, through June 30, 2006), Eagle Gate received \$8,612,991 in Federal funds for the following Title IV programs:

- Federal Pell Grant (Pell) Program - \$1,952,841
- Federal Supplemental Educational Opportunity Grant Program - \$79,800
- Federal Family Education Loan (FFEL) Program - \$6,561,440
- Federal Work Study Program - \$18,910

The U.S. Department of Education (Department) required Eagle Gate to post a letter of credit because late refunds were identified in its independent public accountant's report. The existing letter of credit in the amount of \$35,847 expires on June 30, 2008.

Eagle Gate contracts with a third-party servicer to provide financial aid services, such as determining student eligibility for Title IV student financial aid, reviewing submitted academic information to ensure program eligibility, performing the Return of Title IV calculation, and transferring daily electronic applications and corrections to the Department's Central Processing System on behalf of Eagle Gate. Although the third-party servicer provides financial aid services, Eagle Gate remains responsible for its compliance with all Title IV, HEA requirements.

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## AUDIT RESULTS

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Eagle Gate generally complied with HEA requirements governing incentive compensation, institution and student eligibility, and disbursements. Based on the evidence reviewed, Eagle Gate had internal controls to ensure proper verification documentation, award calculations, and timing of Title IV disbursements. However, Eagle Gate's calculations for the Return of Title IV funds were not always performed accurately and timely.

In response to our draft report, Eagle Gate acknowledged that it made some mistakes in the Return of Title IV Funds calculations, but did not concur with some of our calculations. Based on our review of additional information provided by Eagle Gate, we have modified our findings and recommendations. Eagle Gate's comments are summarized at the end of the finding, and the text of the comments is included as an attachment to the report. Because the exhibits referenced in the comments are voluminous and contain student information, we have not included them in the attachment (copies of Eagle Gate's comments, with student information deleted, are available upon request).

### **Finding No. 1 – Inaccurate Calculations for Return of Title IV Funds**

To test the Return of Title IV calculations performed by Eagle Gate's servicer, we initially selected and reviewed the calculation records for a random sample of 25 students who withdrew, dropped, or were terminated. We found five exceptions for five students. In five cases, the total amount of the Return of Title IV funds calculated by the servicer was different than our calculation.

To further test Eagle Gate's compliance with Return of Title IV requirements, we selected an additional sample of 25 students who withdrew, dropped, or were terminated during the period April 1, 2006, through June 30, 2006 (the last quarter of our audit period). We found three exceptions for three students. In two cases, the total amount we calculated differed from the

amount calculated by Eagle Gate's servicer. In the other case, we agreed with the servicer's calculation of the total amount, but our calculation of the amounts for which the school and the student were responsible differed.

In our two samples, combined, Eagle Gate's servicer made 8 inaccurate calculations. The range of amounts owed for Return of Title IV was from \$47.20 to \$1,094.63.

Pursuant to 34 C.F.R. § 668.22(e)(1)<sup>1</sup>—

The amount of title IV grant or loan assistance that is earned by the student is calculated by—

- (i) Determining the percentage of title IV grant or loan assistance that has been earned by the student . . . ; and
- (ii) Applying this percentage to the total amount of title IV grant or loan assistance that was disbursed . . . to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

In most cases, the total amounts calculated by the servicer were incorrect because they excluded Pell disbursements from the Return of Title IV calculations or used an incorrect amount of other Title IV funds that were or could have been disbursed. For the inaccurate calculations in our samples, Eagle Gate owes \$2,630 to the Department and to FFEL Program lenders.

## **Recommendations**

We recommend that the Chief Operating Officer of FSA require Eagle Gate College to—

- 1.1 Return \$2,630 of Title IV funds owed to the Department and to FFEL Program lenders.
- 1.2 Recalculate all Return of Title IV calculations for students who withdrew, dropped, or terminated from July 1, 2003, to the present and return any Title IV funds owed to the Department or FFEL Program lender, as appropriate.
- 1.3 Strengthen its policies and procedures, including appropriate oversight over the functions performed by its servicer, to ensure that Return of Title IV calculations are performed accurately.

## **Eagle Gate Comments**

Eagle Gate disagreed with 7 of the 12 calculations for Return of Title IV Funds that we identified as inaccurate in our draft audit report. Eagle Gate noted that it did not utilize a third-party servicer prior to July 1, 2005, and believes that a requirement to recalculate all Return of Title IV calculations after July 1, 2003, would be an undue burden.

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<sup>1</sup> C.F.R. citations in this report are from the July 1, 2005, edition.

Eagle Gate stated that it has strengthened its policies and procedures and will work with its third-party servicer, which has assigned a senior analyst to the College to ensure the accuracy of all refund calculations. Eagle Gate will examine the results of all refund calculations upon receipt, in order to verify their accuracy, and will return excess funds owed to the Department and to FFEL Program lenders as required.

### **OIG Response**

After reviewing additional support documentation from Eagle Gate, we found that four of the seven original calculations that Eagle Gate disputed were calculated correctly by Eagle Gate; however, we did not agree with Eagle Gate's calculations for the remaining three students. We concluded that Eagle Gate had a total of eight inaccurate Return of Title IV Funds calculations, and we revised our finding and recommendation accordingly. We do not agree that recalculating Return of Title IV calculations from July 1, 2003, is an undue burden. The recalculations are necessary for the integrity of the Title IV program.

### **Finding No. 2 – Untimely Returns of Title IV Funds**

To test Return of Title IV funds, we also reviewed documentation for the timeliness of the return of the funds to the Department and to FFEL Program lenders. For the samples of students we used, in Finding No. 1, to test the Return of Title IV calculations, Eagle Gate made 43 Returns of Title IV funds to either the Department or the lenders. We found that 16 of these 43 returns were made more than 30 days after Eagle Gate determined that the student withdrew. The range of these late returns was from 32 days to 66 days after Eagle Gate's determination.

According to 34 C.F.R. § 668.22(j)(1), “[a]n institution must return the amount of title IV funds for which it is responsible . . . no later than 30 days after the date of the institution's determination that the student withdrew . . . .” Pursuant to 34 C.F.R. § 668.173(b)(1), “an institution returns unearned title IV, HEA funds timely if . . . [t]he institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 30 days after the date it determines that the student withdrew . . . .”

To comply with refund reserve standards provided in 34 C.F.R. § 668.173(a)(3), the College must return funds in a timely manner. Under 34 § C.F.R. 668.173(c)(1)(i)—

An institution does not comply with the reserve standard under §668.173(a)(3) if, in a compliance audit conducted . . . by the Office of the Inspector General . . . the auditor or reviewer finds . . . [i]n the sample of student records audited or reviewed that the institution did not return unearned title IV, HEA program funds within the timeframes described in paragraph (b) of this section for 5% or more of the students in the sample.

If an institution does not meet this compliance threshold for either of its two most recently completed fiscal years, it must submit an irrevocable letter of credit to the Department as described in 34 C.F.R. § 668.173(d). Because Eagle Gate exceeded the 30-day limit for about 37

percent of the students in our samples for whom a return of unearned Title IV, HEA program funds was due during the 2005-2006 award year, it may have also exceeded the compliance threshold for its corresponding fiscal year.

Eagle Gate's servicer calculates the amounts of the Return of Title IV funds and is required to provide those calculations to Eagle Gate within 10 business days after the date it receives a Change-in-Status (CIS) packet. We analyzed and tracked the dates that Eagle Gate sent the CIS packets to the servicer to calculate the Return of Title IV funds. For the 43 Returns of Title IV funds we reviewed, the servicer met the 10-day criteria specified in its contract agreement.

Although Eagle Gate officials were aware of the 30-day requirement in 34 C.F.R. § 668.22(j), Eagle Gate did not process timely the Returns of Title IV after it received the calculations from the servicer. As a result, students paid more interest on their unsubsidized loans, and the government paid more special allowance and interest on the subsidized loans.

## **Recommendations**

We recommend that the Chief Operating Officer of FSA require Eagle Gate College to—

- 2.1 Identify all late Returns of Title IV funds made to students from July 1, 2003, to the present, including the 16 untimely returns in our samples, and calculate and pay to the Department and FFEL Program lenders, as appropriate, the imputed interest and special allowance costs.
- 2.2 Strengthen its policies and procedures to ensure the Return of Title IV funds are remitted timely.

We also recommend that the Chief Operating Officer of FSA—

- 2.3 Review Eagle Gate's existing letter of credit for adequacy and require Eagle Gate to supplement that letter, as appropriate, or require Eagle Gate to provide documentation showing that, for each of the two most recent fiscal years, it returned unearned Title IV, HEA program funds within the timeframes described in 34 C.F.R. § 668.173(b) for more than 95 percent of its students eligible for such a return of funds.

## **Eagle Gate Comments**

Eagle Gate concurred with the schedule of findings with the exception of three students. It stated that, upon discovery, Eagle Gate previously self-reported this deficiency to Case Management, and it has actively worked towards resolution with the Department. The College was required by Case Management to review 100% of the unearned refunds for the 2005 calendar year and has already submitted an irrevocable letter of credit.

Eagle Gate made the conversion to a third-party servicer in the wake of Hurricane Katrina and experienced unfamiliar changes in internal procedures in adapting to this conversion. Eagle Gate attributes the errors we identified to an isolated period, and believes that it would be an undue burden to identify all returns made to students from July 1, 2003 to present. For the 2006 calendar year, Eagle Gate's independent public accountant report confirmed that Eagle Gate was in compliance.

### **OIG Response**

After reviewing additional support documentation provided by Eagle Gate on the untimely Returns of Title IV Funds, we have not changed our finding. The support documentation provided by Eagle Gate identified a Return of Title IV funds but did not show the specific amount attributed to our sample students; therefore, we can not be certain that the correct refund was made. Most of the late refunds we identified were made in December 2005 through June 2006 and thus do not appear to be attributable to an isolated period.

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## **OBJECTIVES, SCOPE, AND METHODOLOGY**

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The purpose of the audit was to determine whether Eagle Gate administered the Title IV programs in accordance with selected requirements of the HEA. Specifically we evaluated the school's compliance with requirements for (1) incentive compensation, (2) return of Title IV funds, (3) institution and student eligibility, and (4) disbursements. Our audit covered the period July 1, 2005, through June 30, 2006.

To accomplish our objectives, we—

- Reviewed provisions in the HEA, regulations, and Departmental guidance applicable to our audit's objective;
- Reviewed Eagle Gate's audited financial statements and *Compliance Attestation Examination of the Title IV Student Financial Assistance Programs* for the fiscal year ending June 30, 2006;
- Interviewed Eagle Gate officials;
- Obtained an understanding of Eagle Gate's policies and procedures regarding incentive compensation, Return of Title IV, enrollment, and disbursements; and
- Reviewed Eagle Gate's bank statements from our audit period.

We randomly selected 25 student files from a universe of 1,299 Title IV recipients and reviewed them to determine if eligibility and disbursement requirements were met. To test Eagle Gate's compliance with incentive compensation requirements (in 34 C.F.R. § 668.14(b)(22)), we selected a random sample of seven employees and reviewed their records for two randomly-selected pay periods.

The samples for our tests of Return of Title IV calculations were taken from two separate universes. We requested from Eagle Gate a list of students who withdrew, dropped, or were terminated from the school—

- During the 2005-2006 Award Year (July 1, 2005, through June 30, 2006). The total universe was 466 students. We reviewed files for 25 students randomly selected from this universe to determine whether the school complied with requirements for Return of Title IV funds.
- From April 1, 2006, through June 30, 2006. The total universe was 125 students. We reviewed files for 25 students randomly selected from this universe to determine whether the school complied with requirements for Return of Title IV funds.

We relied upon the computerized student roster lists provided by Eagle Gate officials to select our Return of Title IV sample. In addition, we relied on computerized information from the National Student Loan Data System (NSLDS) to select our student eligibility and disbursement sample. We tested the student lists for accuracy and completeness by comparing selected source records to the student lists. Based on these tests, we concluded that the student lists and NSLDS information were sufficiently reliable for the purpose of our audit.

We conducted an assessment of internal controls, policies, procedures, and practices applicable to Eagle Gate's administration of Title IV funds. Our testing did not identify significant weaknesses; however we did identify weaknesses that needed to be addressed. These weaknesses are discussed in the AUDIT RESULTS section of this report.

We conducted our fieldwork at the Eagle Gate College campus in Salt Lake City, Utah, from March 19 – 30, 2007, and April 30 – May 4, 2007. We held an exit conference with Eagle Gate officials on July 10, 2007.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

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## **ADMINISTRATIVE MATTERS**

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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.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

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

It is the policy of the U. S. Department of Education 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 appreciated.

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

Sincerely,

/s/  
Sherri L. Demmel  
Regional Inspector General  
for Audit

Attachment



August 30, 2007

Sherri Demmel  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
1999 Bryan Street, Suite 1440  
Dallas, Texas 75201-6817

Re: Draft Audit Report, entitled *Eagle Gate College's Administration of Title IV Student Financial Assistance Programs*, Control Number ED-OIG A06H0010.

Dear Ms. Demmel:

This letter constitutes our response to the Draft Audit Report dated August 2, 2007 and provides our comments on the findings and recommendations contained in the OIG draft report. The purpose of the audit was to evaluate the school's compliance with requirements for (1) incentive compensation, (2) return of Title IV funds, (3) institutional and student eligibility, and (4) disbursements.

As a result of the audit, the OIG noted that, "***Eagle Gate generally complied with HEA requirements governing incentive compensation, institution and student eligibility, and disbursements. Based on the evidence reviewed, Eagle Gate had internal controls to ensure proper verification documentation, award calculations, and timing of Title IV disbursements.*** However, Eagle Gate's calculations for the Return of Title IV funds were not always performed accurately and timely."

The Report later states, "***Our testing did not identify significant weaknesses***; however we did identify weaknesses that needed to be addressed." We will address the cited weaknesses in our response below as to each of the two findings documented in the Audit Results. The College strives to ensure that all policies and procedures are administered in accordance with the Title IV requirements of the Higher Education Act of 1965, as amended (HEA).

We look forward to the conclusion of this matter and extend our appreciation to the OIG for respectfully working through this investigation over the last six months. We are pleased to acknowledge that there are no material weaknesses in the administrative capability of the College and have worked closely with the Department of Education in resolving any concerns surrounding the Return of Title IV funds. The College is also committed to perfecting the relationship it has with a third-party servicer and will always look for new and improved ways to enhance the efficiency and compliance of its operations.

We extend our appreciation and look forward to a continued positive working relationship.

Sincerely,

/s/

Jonathan W. Bullen  
CEO & President

**I. Finding No. 1 – Inaccurate Calculations for Return of Title IV Funds**

## a. Comments in regards to Finding No. 1.

- i. The College acknowledges that some mistakes were made in the Return of Title IV Funds calculations due to human error, but does not concur with some of the results from the OIG as provided in the following list below.
  1. Disagree – EDITED. Pell grant was disbursed to the student in the amount of \$135 prior to the term start. Although, when the student did not attend beyond the first add/drop week, the reconciliation data record which is sent to the servicer after the first week of school showed the student as not attending courses. The servicer posted a negative disbursement in the amount of \$135 on the Check Posting Report dated 5/10/06. Therefore, when the R2T4 calculation was completed on 5/22/06, the \$135 was included as aid that could have been disbursed to acknowledge the student eligibility, but was not included as aid disbursed due to the add/drop computer disbursement procedures. Negative disbursements by the servicer are later imported automatically to the College ledger card to reflect accurate disbursement data on the student account. This amount of \$135 reflects the difference between the two calculations. The servicer showed a lower amount of unearned liability because the refund of \$135 had already been processed. Please refer to Exhibit 1.1.
  2. Agree – EDITED A Pell grant disbursement of \$600 was accidentally excluded from the refund calculation as aid disbursed. While this did not result in any additional liabilities for the school to return, it would have caused the student to owe an additional \$467.40 in unearned funds to the Department of Ed. Please refer to Exhibit 1.2.
  3. Agree – EDITED The student dropped and re-entered causing billing adjustments which confused the student start date due to their no show record. The analyst who processed the refund calculation accidentally perceived the \$1575 and -\$1575 to reflect a net zero tuition. When excluding this tuition from the refund calculation, it reduced the amount due from school. Please refer to Exhibit 1.3.
  4. Agree – EDITED The servicer excluded 9 days for the Christmas holiday in the calculation while the OIG excluded 10 days. This caused a .1% difference in the calculation resulting in the school refunding \$3.44 more than needed. Please refer to Exhibit 1.4.
  5. Disagree – EDITED. The OIG did not include any Stafford loans as aid that could have been disbursed. The student loans were certified on 7/7/05 and the student's last date of attendance was 8/1/05. The student was eligible for a higher amount of earned Pell grant funds than reflected in the OIG calculation. Please refer to Exhibit 1.5.

6. Neutral – EDITED. The College agrees that the original calculation was incorrect due to the exclusion of any days for vacation. Although, this error was corrected and a revised refund calculation was completed on 2/27/06. The institution refunded more unearned funds than was required. Please refer to Exhibit 1.6.
7. Disagree – EDITED. The OIG used \$950 in Pell as aid disbursed while the servicer calculated \$317 as aid disbursed. The servicer requested a negative disbursement of -\$633 to reconcile the eligible aid amount for the term. Therefore, the correct eligible amount was utilized in the calculation. The student was enrolled less than half time and was eligible for a less than half time Pell disbursement. Please refer to Exhibit 1.7.
8. Disagree – EDITED. The OIG did not include the federal share of FSEOG when processing the refund calculation. The student was originally paid a single disbursement as the amount was less than \$501. Upon withdrawal in the second term, the servicer calculates one half of the FSEOG disbursement as aid disbursed. This resulted in an additional \$74.47 that the school was required to send back to the Department of Ed as unearned funds. Please refer to Exhibit 1.8.
9. Disagree – EDITED It appears that the OIG counted Pell grant twice for the payment period and used \$2363 in Pell when calculating the total amount of aid disbursed. The servicer utilized \$1013 in Pell grant, student loans, and 50% of the FSEOG allocation as aid disbursed. The servicer requested a negative disbursement of -\$337 to reconcile the eligible aid amount for the term from a f/t to  $\frac{3}{4}$  time disbursement. The student ledger reflects the correct disbursements. Please refer to Exhibit 1.9.
10. Disagree – EDITED The OIG did not include any Pell grant as aid that could have been disbursed for the payment period. The servicer calculation reflects a scheduled amount of \$800 in Pell grant that was initially awarded to the student. Please refer to Exhibit 1.10.
11. Disagree – EDITED. The OIG did not include \$300 of institutional charges when calculating the school responsibility of unearned funds. The ledger card reflects \$2100 total which is the amount used by the servicer in the refund calculation. As mentioned in the Audit Results, the servicer and OIG calculations do agree in the amount of unearned funds, so this merely explains the difference between the two calculations. Please refer to Exhibit 1.11.
12. Neutral – EDITED The original tuition amount for the student was incorrectly billed which caused the refund calculation to attribute a higher amount of unearned liability to the school rather than the student. The College refunded the entire amount of unearned funds for the student and made the correct tuition adjustment. As mentioned in the Audit Results, the servicer and OIG calculations do agree in the amount of unearned funds,

so this merely explains the difference between the two calculations. Please refer to Exhibit 1.12.

b. Corrective Actions

- i. The third-party servicer has provided the school with the knowledge that a senior analyst has been assigned to the College to ensure the accuracy of all refund calculations.
- ii. The College examines the results of all refund calculations upon receipt in order to verify the accuracy of the calculation.
- iii. The College will return excess funds owed to the Department and to FFEL Program lenders as prescribed by the OIG refund calculations.

c. Comments in regards to OIG Recommendations

- i. The College will return excess funds owed to the Department and to FFEL Program lenders as prescribed by the OIG refund calculations and the Final Audit Report.
- ii. The College did not utilize a third-party servicer prior to July 1, 2005. The College believes it would cause an undue burden to recalculate all Return of Title IV calculations from July 1, 2003. The recommendation to recalculate all refund calculations may be reconsidered if the OIG determines the responses provided in Section I(a)(i) verify the accuracy of the majority of all refund calculations.
- iii. As noted in the corrective actions above, the College has strengthened its policies and procedures and will review all refund calculations for accuracy in order to exercise the appropriate oversight over the functions performed by its servicer.

## II. Finding No. 2 – Untimely Returns of Title IV Funds

a. Comments in regards to Finding No. 2.

- i. The College concurs with the schedule of findings with the exception of three students as listed below.
  1. Agree – EDITED. Pell refund posted in GAPS: 35 days late. FFELP refund transferred from bank account: 14 days late.
  2. Agree – EDITED. Pell and FSEOG refunds posted in GAPS: 13 days late. FFELP refund transferred from bank account: 8 days late.
  3. Agree – EDITED. Pell refund posted in GAPS: 19 days late.
  4. Disagree – EDITED. The OIG noted that no supporting documentation was provided for the unsubsidized loan refund. This student was dropped as an unofficial withdrawal on 4/7/06 and reinstated to active status on 4/17/06. The student attended the last week of class even

though a refund calculation was performed by the servicer. The College did not utilize the refund calculation. No tuition adjustments were made to the ledger card and no Title IV funds were returned. Please refer to Exhibit 2.4.

5. Disagree – EDITED. The OIG noted that no supporting documentation was provided for the unsubsidized loan refund. The College provided documentation showing the refunds occurred on 1/11/06. The College returned both the unearned funds from the refund calculation and the student's credit balance. The unsubsidized refund was for \$2620.44 in excess of the \$1293.01 required. The refund was 7 days early and is not a late refund. Please refer to Exhibit 2.5.
6. Agree – EDITED. FFELP refunds transferred from bank account: 16 days late.
7. Agree – EDITED. FFELP refund transferred from bank account: 7 days late.
8. Disagree – EDITED. The OIG noted that no supporting documentation was provided for the subsidized loan refund. The College provided documentation showing the refunds occurred on 6/20/06. The College returned both the unearned funds from the refund calculation and the student's credit balance. The subsidized refund was for \$2000.31 in excess of the \$636.32 required. The refund was 16 days early and is not a late refund. Please refer to Exhibit 2.8.
9. Agree – EDITED. FFELP refund transferred from bank account: 2 days late.

b. Corrective Actions

- i. In 2006, the College implemented a tracking report which is maintained by the Corporate Business Office. The report allows the fiscal officers to maintain oversight of both the Financial Aid Department and the activities of the third-party servicer.
- ii. The College is experiencing normal timeframes and is confident in the interaction with its third-party servicer. All refunds are returned in a timely manner in accordance with 34 CFR 668.22(j).
- iii. The College disclosed this finding to the OIG upon engagement at the entrance conference. The College previously self-reported this deficiency to Case Management upon discovery and actively worked towards resolution with the Department of Ed. The College was previously required by Case Management to review 100% of the unearned refunds for the 2005 calendar year and already submitted an irrevocable letter of credit. The Corrective Action Plan implemented as a result of the 2005 audit period has been in place now for nearly 18 months.

c. Comments in regards to OIG Recommendations

- i. The College made the conversion to a third-party servicer in the wake of Hurricane Katrina and also experienced unfamiliar changes in internal procedures in adapting to this conversion. The College believes the errors made are attributed to an isolated period and that it would cause an undue burden to identify all returns made to students from July 1, 2003 to present.
- ii. The 14 late refunds cited in the sample reviewed by the OIG were 2 to 34 days late. There were no instances where the school failed to make any necessary refunds, although they were delayed beyond 30 days. The imputed interest and special allowance costs were previously deemed by the Case Management team to be minimal.
- iii. In the subsequent audit period, the independent public accountant report confirmed that the College is in compliance for the 2006 calendar year. If there are no repeat findings for the 2007 calendar year, the College will work with the Department of Ed to remove the letter of credit upon resolution. Please refer to Exhibit 2(c)(iii).

III. Conclusion

- a. The results of this audit centered on the Return of Title IV Funds. Prior to the audit proceedings, the College was already engaged in resolution with the Department of Education. It is noted that the other purposes of the audit including incentive compensation, institutional and student eligibility, and disbursements did not report any instances of non-compliance.