Dear Mr. Treviño:

This Final Audit Report, entitled MCed Career College’s Administration of Student Financial Assistance Programs Under Title IV of the Higher Education Act, presents the results of our audit. The purpose of the audit was to determine whether the MCed Career College’s administration of the Title IV programs was in compliance with selected requirements of the Higher Education Act of 1965, as amended (HEA), and applicable program regulations governing institutional eligibility, program eligibility, student eligibility, award calculations, disbursements, and return of Title IV funds. Our review covered the period July 1, 2003 through June 30, 2005.

BACKGROUND

MCed Career College (MCed) is a for-profit, non-degree granting institution that began offering instruction in October 1989 and began participating in the Title IV programs in May 1995. MCed was incorporated in the State of California on October 1, 1997. The School Director (Director) is the sole stockholder of the corporation. MCed is accredited by the Accrediting Commission of Career Schools and Colleges of Technology, operates one campus located in Fresno, California, and has an enrollment of about 200 students.

MCed offers vocational training programs in business, technical, medical, and legal disciplines. Eleven of the fifteen programs offered in its 2005 catalog are approved for the Title IV programs. The vocational training programs are offered in a non-standard term academic calendar and measured in quarter credit hours. The eleven programs range from 32 to 40 quarter credit hours in length. Students enroll in programs that start once a month. The programs consist of a series of three to four week modules, which students typically take one at a time.

MCed participates in the following HEA, Title IV programs: Federal Pell Grant Program, Federal Supplemental Educational Opportunity Grant Program, and the Federal Direct Loan Program. During the two-year period from July 1, 2003 through June 30, 2005, MCed awarded about $2.9 million in Title IV funds to about 400 students.
AUDIT RESULTS

We concluded that MCed met Title IV requirements governing institutional and program eligibility. However, we found that MCed did not consistently comply with Title IV requirements governing student eligibility, award calculations, disbursements, and the return of Title IV funds. MCed also did not maintain financial records that readily provided the information required to calculate the Title IV revenue percentage for the 90-10 Rule. To continue to participate in the Title IV programs, an institution must demonstrate that it is capable of adequately administering the programs under 34 C.F.R. § 668.16, standards of administrative capability. We concluded, based on the results of our review, that MCed did not fully meet these standards.

MCed concurred with our finding and described the corrective actions planned to address our recommendations. MCed’s comments are summarized at the end of the finding and the full text of the comments is included as an attachment to the report.

FINDING – MCed Did Not Fully Meet Aspects of the Administrative Capability Standards for the Title IV Programs

To continue participation in a Title IV program, 34 C.F.R. § 668.16 requires an institution to demonstrate that it “is capable of adequately administering that program under each of the standards established in this section.” The standards include, among other requirements, that an institution—

Administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, [and] all applicable regulatory provisions prescribed under that statutory authority.... [34 C.F.R. § 668.16(a)]

Administers the Title IV, HEA programs with adequate checks and balances in its system of internal controls.... [34 C.F.R. § 668.16(c)(1)]

Establishes and maintains records required under this part and individual Title IV, HEA program regulations.... [34 C.F.R. § 668.16(d)]

Shows no evidence of significant problems that affect, as determined by the Secretary, the institution’s ability to administer a Title IV, HEA program.... [34 C.F.R. § 668.16(j)]

Does not otherwise appear to lack the ability to administer the Title IV, HEA programs competently.... [34 C.F.R. § 668.16(n)]
MCed’s Director, Controller, and Financial Aid Administrator with one part-time assistant perform the various activities related to the administration of the Title IV programs and MCed had written policies and procedures covering those activities. MCed also had well-organized admission, financial aid, and academic files and records. However, we found that MCed did not have adequate internal control procedures in place to ensure proper verification documentation, award calculations, timing of Title IV disbursements, calculation of unearned Title IV funds for withdrawn students, and the return of Title IV funds. Also, its financial records need to provide the required information to calculate the Title IV revenue percentage for the 90-10 Rule. Thus, MCed did not fully meet the above listed administrative capability standards for the Title IV programs.

Internal Control over Verification Documentation, Title IV Awards, and Disbursements Needs Improvement

MCed did not have adequate controls in place to ensure that verification of student eligibility data was properly documented, Title IV award calculations were accurate, and the timing of Title IV disbursements was appropriate. We reviewed student records for 30 students randomly selected from the 408 students who were awarded Title IV funds during the audit period. For 13 of the 30 sampled students (43 percent of the sampled students), we found that MCed made an error in the administration of Title IV programs.

<table>
<thead>
<tr>
<th>Errors Identified in the Random Sample of 30 Students</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Error</strong></td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>Lack of verification documentation</td>
</tr>
<tr>
<td>Incorrect Title IV award calculations</td>
</tr>
<tr>
<td>Early Title IV disbursements</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

(a) The $2,940 consists of $1,810 in Federal Pell Grant funds, $724 in subsidized Federal Direct Loan funds, and $406 in unsubsidized Federal Direct Loan funds.

- **Lack of verification documentation.** Seventeen of the 30 sampled students were flagged by the Central Processing System for verification of information that the student provided on the Free Application for Federal Student Aid (FAFSA). MCed was unable to provide evidence that verification was completed for 1 of the 17 students. Subsequent to our review, MCed obtained a completed verification document and copies of the relevant tax forms from the parent. The documents confirmed the information on the student’s application and the student’s eligibility for the awarded Title IV funds.

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1 34 C.F.R. § 668.54(a)(2) states an institution must require each applicant whose application is selected for verification to verify all of the applicable items specified in §668.56, except that no institution is required to verify the applications of more than 30 percent of its total number of applicants in an award year for Federal financial aid.
• **Incorrect Title IV award calculations.** MCed miscalculated the Title IV awards for 5 of the 30 sampled students. The award miscalculations occurred because MCed staff did not prorate the annual Title IV awards for five students who were enrolled in an educational program (32 quarter credit hours) that was less than a full academic year (36 quarter credit hours). For one of the five students, MCed also incorrectly determined the annual Pell Award amount for the student’s expected family contribution (EFC) from the U.S. Department of Education’s (Department’s) Pell Grant Program Schedule of Awards. As a result of the improper calculations, the five students were over awarded Title IV funds totaling $2,940.

• **Early Title IV disbursements.** MCed inappropriately disbursed Title IV funds for the second payment period during the first payment period for 7 of the 30 sampled students. The disbursements occurred early because MCed staff did not accurately compute the calendar midpoint between the first and last scheduled days of class. Subsequent to early disbursements, the seven students became eligible for Title IV funds.

The Financial Aid Administrator, or the Administrator’s assistant, independently performed tasks related to the award and disbursement of Title IV funds. MCed had no system of review in place to detect errors, when they occurred.

**Internal Control Over the Return of Title IV Funds for Withdrawn Students Needs Improvement**

MCed did not have adequate controls in place to ensure that return of Title IV calculations were performed correctly and that the required unearned Title IV funds were returned timely and to the proper Title IV program. The regulations at 34 C.F.R. § 668.22 address the treatment of Title IV funds when a student withdraws from an institution. These regulations require the institution to determine the amount of Title IV grant or loan assistance that the student earned as of the student’s withdrawal date and return the difference between the Title IV funds disbursed and the amount earned by the student. The institution must return the unearned Title IV funds to the Title IV programs in the program order and timeframe specified in the regulations.

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2 Federal Pell Grant Program regulations at 34 C.F.R.§ 690.63(d)(1) and Federal Direct Loan Program regulations at 34 C.F.R. § 685.203(a) and (b) require institutions offering nonstandard term programs to prorate a student’s awards/loans by dividing the credit hours a student is enrolled for the academic year by the credit hours required for full-time enrollment in the academic year.

3 The Department’s Pell Grant Schedule of Awards shows the maximum annual awards for students based on the student’s EFC. The EFC is the amount a student and the student’s family can be expected to contribute to the cost of the student’s education for the academic year.

4 34 C.F.R. § 668.164(b) requires institutions to disburse Title IV funds on a payment period basis. Federal Pell Grant Program regulations at 34 C.F.R. § 690.76 allow the institution to make disbursements within the payment period at such times and in such installments as the institution determines will best meet the student’s needs. Federal Direct Loan Program regulation at 34 C.F.R. § 685.301(b)(3) requires the institution to disburse loan proceeds at least once in each payment period and the institution may not make the second disbursement until the calendar midpoint between the first and last scheduled days of class of the loan period.
We reviewed records for 19 students (10 randomly and 9 judgmentally selected) from the 64 students that MCed identified as having withdrawn from school during our audit period. We found that MCed made one or more errors in the return of Title IV funds for 9 of the 19 sampled students.

<table>
<thead>
<tr>
<th>Type of Error</th>
<th>Sampled Withdrawn Students With Cited Error(s)</th>
<th>Additional Title IV Funds to Be Returned (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>MCed Needs to Return</td>
</tr>
<tr>
<td>Incorrect Return of Title IV calculations</td>
<td>4</td>
<td>(b)</td>
</tr>
<tr>
<td>Title IV funds not returned or not returned within required timeframe</td>
<td>6</td>
<td>$5,245</td>
</tr>
<tr>
<td>Funds returned to incorrect Title IV program</td>
<td>1</td>
<td>$1,294</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>$6,539</td>
</tr>
</tbody>
</table>

(a) The $6,539 to be returned by MCed consists of $2,689 of unsubsidized Direct Loan funds, $1,861 of subsidized Direct Loan funds and $1,989 of Pell Grant Funds. The amount to be returned by the student consists solely of subsidized Direct Loan funds.

(b) The corrected calculations resulted in either no unearned Title IV funds or no additional Title IV funds to be returned by MCed or the student.

(c) MCed made two types of errors for two of the 9 students cited with errors (incorrect calculation/funds returned late and incorrect calculation/funds returned to incorrect program).

- **Incorrect return of Title IV calculations.** MCed staff improperly used the formula specified for clock hour programs for 4 of the 19 sampled students when calculating the return of Title IV amount.\(^5\) For these 4 students, MCed staff used the FSA-provided form for calculating Return of Title IV amounts for clock hour programs rather than the form provided for credit hour programs. Prior to May 6, 2003, MCed measured its programs in clock hours.

- **Title IV funds not returned or not returned within required timeframe.** For 6 of the 19 sampled students, MCed did not return the Title IV funds (3 students), return the required amount (1 student), or return the funds timely (2 students).\(^6\) For three students (two students for whom MCed did not return funds and the one student for whom the required amount was not returned), MCed staff improperly concluded that the Title IV funds did not need to be returned because MCed had provided the Title IV funds to the student for living expenses. (The students’ tuition had been paid by a rehabilitation agency.) Due to an oversight by MCed staff, Title IV funds were not returned for the

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\(^5\) For purposes of calculating the amount of Title IV funds earned by the student, 34 C.F.R § 668.22(f) provides different formulas for calculating the percentage of the payment period completed for programs measured in credit hours versus clock hours.

\(^6\) 34 C.F.R § 668.22(j)(1) specifies that an institution must return the Title IV funds as soon as possible but no later than 30 days after the date of the institution’s determination that the student withdrew.
other student and the funds were returned 37 days and 22 days late for the two students. Because of the unmade and untimely returns, MCed must comply with the reserve standards at 34 C.F.R. § 668.173 requiring a letter of credit.

- **Title IV funds returned to incorrect Title IV program.** MCed staff returned the Title IV funds to the incorrect program for 1 of the 19 sampled students. The unearned Title IV funds were returned to the student’s Federal Pell Grant and the parent’s PLUS Direct Loan rather than first applying the unearned funds to the student’s subsidized Direct Loan. As was the case with the Title IV funds not returned, MCed staff had improperly concluded that the Title IV funds did not need to be returned to the student’s subsidized Direct Loan because MCed had provided the full amount from the subsidized loan to the student for living expenses.

The Financial Aid Administrator, the Administrator’s assistant, and the Controller independently performed tasks related to the return of Title IV funds. MCed had no system of review in place to detect the errors, when they occurred. In addition, MCed staff did not fully understand aspects of the return of Title IV requirements.

**Financial Records Need to Provide Information Required to Ensure Compliance with the 90-10 Rule**

MCed’s Director mistakenly believed that the Title IV percentage for the 90-10 Rule was derived using total revenue rather than only revenue from educational programs eligible for Title IV funds and an accrual rather than cash basis of accounting. As a result, MCed improperly calculated the Title IV revenue percentages reported in its financial statements for fiscal years 2003 and 2004 and provided us with an incorrect estimate of its revenue percentage for fiscal year 2005. An additional result of the mistaken understanding was that MCed did not design its accounting system to capture Title IV transactions by educational program or provide the necessary information to determine amounts on the cash basis.

Section 102(b)(1)(F) of the HEA establishes the institutional eligibility requirement (referred to as the 90-10 Rule) that a proprietary institution must have “at least 10 percent of the school’s revenues from sources that are not derived from funds provided under Title IV, as determined in accordance with regulations prescribed by the Secretary.” The regulation at 34 C.F.R. § 600.5(d) provides the methodology for calculating the revenue percentage, which specifies that only revenue derived from students enrolled in eligible programs may be included in the calculation and that an institution must use the cash basis of accounting when calculating the revenue percentage.

The regulation at 34 C.F.R. § 668.24(a) mandates an institution to establish and maintain records documenting its eligibility to participate in the Title IV programs. The regulation at 34 C.F.R. § 668.24(b)(2) requires an institution to establish and maintain its “[f]inancial records [in a manner] that reflects each HEA, title IV program transaction; and…[g]eneral ledger control

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7 34 C.F.R. § 668.22(i)(1) and (2) require the unearned funds to be returned in the following order for the Title IV programs administered by MCed: unsubsidized Federal Direct Loans, subsidized Federal Direct Loans, Federal Direct PLUS Loans, Federal Pell Grants, and Federal Supplemental Educational Opportunity Grants.
accounts and related subsidiary accounts that identify each title IV, HEA program transaction and separate those transactions from all other institutional financial activity.”

Because we could not readily identify needed amounts from MCed financial records, we were unable to recalculate the Title IV revenue percentages. However, from our analysis of available information and using conservative assumptions, we concluded that MCed did not derive more than 90 percent of its revenue from the Title IV, HEA programs in fiscal years 2004 and 2005 and, thus, remained eligible to participate in the Title IV programs.

**MCed Has Implemented Additional Internal Controls and Plans to Modify Its Accounting System**

During the exit conference, MCed’s Director provided a spreadsheet (SFA Audit Checklist – Students), which was designed to ensure that verification documentation is obtained, Title IV awards are properly calculated, and Title IV disbursements are made at the proper time. The spreadsheet contains columns for a reviewer to confirm that MCed staff correctly executed the various actions. MCed provided another spreadsheet (All SFA Drop Students) for MCed staff to track withdrawn students, refund calculations, and the return of Title IV funds. The Director stated that he would review the spreadsheets. The Director also provided a list of account classifications that he stated have been set up in MCed’s accounting system to separately identify Title IV program transactions so that information needed for the 90-10 Rule is readily available. In a letter dated February 3, 2006, MCed provided copies of the completed spreadsheets to demonstrate that it had implemented the additional internal controls.

The corrective actions taken and planned should significantly enhance MCed’s internal control over its administration of the Title IV programs. However, MCed should have staff, who are involved in the calculation and return of unearned Title IV funds and the review of such activities, complete the Return of Title IV segments of the FSA COACH Web-based Training to ensure that staff are knowledgeable of Title IV requirements.

**Recommendations**

We recommend that the Chief Operating Officer for Federal Student Aid require MCed to—

1.1 Have its independent public accountant, as part of the institution’s next annual audit, provide an attestation that the described internal control procedures and changes in its accounting system were fully implemented.

1.2 Confirm that the Director, Financial Aid Administrator, and other MCed staff, as appropriate, have completed the Return of Title IV segments of the FSA COACH Web-based Training.

1.3 Return the $2,940 improperly awarded due to Title IV award calculation errors, the $6,539 not properly returned to the Title IV programs for unearned amounts for withdrawn students, and the interest costs incurred by the Federal government on the subsidized Direct Loans, to the Federal Pell Grant and Federal Direct Loan accounts, as applicable.
1.4 Identify all amounts of unearned Title IV funds that have not been returned to the appropriate Title IV program for student who withdrew from July 1, 2003, through the present and return the funds (plus the interest costs incurred by the Federal government on the subsidized Direct Loans) to the applicable Title IV programs.

1.5 Recalculate all awards made to students from July 1, 2003 to the present and return any identified over awards to the applicable Title IV programs.

1.6 Provide an irrevocable letter of credit as required under 34 C.F.R. § 668.173(d).^8

MCed’s Comments

MCed concurred with the finding and recommendations. In its comments on the draft report, MCed stated that it would complete the recommended corrective actions and set up a plan with the Department for the return of the Title IV funds.

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### OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if MCed administered the Title IV programs in compliance with Title IV of the HEA and applicable regulations. Specifically, we evaluated compliance with selected Title IV regulations governing institutional eligibility, program eligibility, student eligibility, award calculations, disbursements, and return of the Title IV funds. Our audit covered the period July 1, 2003 through June 30, 2005.

To accomplish our audit objective, we gained an understanding of pertinent HEA provisions, Federal regulations, and Department guidance. We reviewed MCed’s audited financial statements prepared by its independent public accountant (IPA) for the years ended June 30, 2003 and 2004 and interviewed MCed’s IPA. To evaluate internal controls we reviewed MCed’s written policies and procedures applicable to its financial aid processes and gained an understanding of the manual and the electronic processes used to administer the Title IV funds. We interviewed MCed’s School Director, Financial Aid Administrator and her part-time assistant, and the Controller.

To evaluate institutional and program eligibility, we examined approvals and correspondence from the school’s accrediting agency and state oversight agency and interviewed officials from the state oversight agency. We also reviewed accreditation documentation specific to credit hour and course length calculations. We observed classes while in session and toured the school campus. To review MCed’s compliance with the 90-10 Rule, we gained an understanding of the

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^8 34 C.F.R. § 668.173(c)(1)(i) requires an institution to submit an irrevocable letter of credit when an audit conducted by the Office of Inspector General finds that an institution did not return unearned Title IV funds within the required timeframe for 5 percent or more of sampled students. MCed did not return unearned Title IV funds within the required 30-day timeframe for 31.6 percent (6 of 19) of sampled students. 34 C.F.R. § 668.173(d)(2) states that the amount of the required letter of credit is 25 percent of the total amount of unearned Title IV funds that the institution was required to return during the institution’s most recently completed fiscal year.
calculation performed by MCed for the fiscal years ended June 30, 2003, 2004 and 2005. We used alternative procedures to assess whether MCed received less than 90 percent of its revenues from the Title IV programs, because we could not identify from MCed’s accounting system the non-Title IV revenue received for students enrolled in Title IV eligible programs.

We reviewed academic, financial aid, and accounting files for a random sample of 30 students to evaluate MCed’s compliance with selected student eligibility requirements (i.e., student’s Institutional Student Information Record (ISIR) contained required eligibility information, school performed required verifications of ISIR data, student passed ability-to-benefit test (if required), and student enrolled at least half-time), award calculation requirements, and selected disbursement requirements (i.e., students met time requirements for initial disbursements and completed required coursework for second disbursement). We selected the 30 students from the universe of 408 students awarded Title IV funds during our audit period. To identify the student universe, we relied on student data extracted by MCed from its electronic student database. To assess the completeness of the extracted data, we compared the data to information on the Department’s National Student Loan Data System. Based on the comparison, we concluded that the extracted data was sufficiently reliable for use in selecting the sample.

To confirm that MCed disbursed Title IV funds by the end of the third business day after receipt of the funds in the institution’s bank accounts, we reviewed drawdown information and information in bank statements (including cancelled checks) and student accounts for five drawdowns of Title IV funds. We reviewed one Federal Pell Grant and one Federal Direct Loan drawdown from the most current month (June 2005), one Federal Pell Grant and one Federal Supplemental Educational Opportunity Grant drawdown from earlier in that fiscal year (February 2005 and January 2005, respectively), and one Federal Direct Loan drawdown from the first fiscal year in our audit period (February 2004).

To evaluate the compliance with return of Title IV requirements, we reviewed files for a sample of 19 withdrawn students. Ten of the sampled students were randomly selected from the list of 44 students that MCed identified from its electronic student database as students who withdrew from the institution during our audit period. To assess the completeness of the list, we traced the 9 withdrawn students identified in our sample of 30 students (sample used to review student eligibility, award calculations and disbursements) to the MCed-provided list of withdrawn students. However, we found that 4 of the withdrawn students in our sample of 30 students were not included in the MCed-provided list because MCed had unintentionally used an incorrect query to identify withdrawn students from its database. MCed used a corrected query to provide a revised list that included 64 students who withdrew during our audit period. Since the original list of 44 students used to select the random sample was not complete, we included the 9 withdrawn students from our sample of 30 students in our review for compliance with return of Title IV requirements.

We performed our fieldwork at MCed’s campus in Fresno, California. We held an exit briefing with MCed officials on January 19, 2006. We conducted the audit in accordance with generally accepted government auditing standards appropriate to the scope of the review, as discussed above.
ADMINISTRATIVE MATTERS

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 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 Department official, who will consider them before taking final Departmental action on this audit:

Theresa S. Shaw
Chief Operating Officer
Federal Student Aid
U.S. Department of Education
Union Center Plaza, Mail Stop 5132
830 First Street, NE
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/
Gloria Pilotti
Regional Inspector General for Audit
Attachment: MCed’s Comments on the Draft Report
Gloria Pilotti  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
501 I Street, Suite 9-200  
Sacramento, California 95814-2559

Dear Ms. Pilotti:

MCed Career College concurs will all the finding identified by the audit team.

The following are the responses to the recommendations made:

**Recommendation 1.1**  MCed Career College concurs with the recommendation.  
T.J. Williams & Company, CPA’s will conduct a review and provide an attestation of the internal control procedures and changes in the accounting system that has been implemented. Field work will begin on April 12, 2006 with a targeted completion date of April 30, 2006.

**Recommendation 1.2**  MCed Career College concurs with the recommendation.  
The school director, financial aid administrator and the accounting officer are in the process of completing Module 8 (School Responsibilities: Enrolled and Former Students), of the FSA Coach Web-Based Training. Certificates of Completion will be submitted to demonstrate the completion of Module 8. Targeted completion date is April 21, 2006.

**Recommendation 1.3**  MCed Career College concurs with the recommendation.  
MCed will return $2,940 that was improperly awarded due to Title IV award calculation errors and also return $6,539 of unearned amounts for withdrawn students plus interest costs incurred.

MCed Career College would like to set-up a payment plan with the Department of Education to return the monies. Targeted completion date: To be Determined by the U.S. Department of Education & MCed Career College

**Recommendation 1.4**  MCed Career College concurs with the recommendation.  
MCed will identify all amounts of unearned Title IV funds that have not been returned for students who withdrew from July 1, 2003 through present. Targeted completion date is April 21, 2006.
Once MCed Career College identifies the amount of unearned Title IV funds for students who withdrew from July 1, 2003 to present, MCed Career College would request a payment plan with the Department of Education to return the monies identified plus interest. Targeted completion date of returning the funds: To be Determined by the U.S. Department of Education & MCed Career College.

**Recommendation 1.5**  
MCed Career College concurs with the recommendation. MCed will recalculate and identify all awards made to students from July 1, 2003 to present who were in transition from 32 to 34 and 36 quarter credit hour programs. Targeted completion date is April 30, 2006.

MCed Career College would like to set-up a payment plan with the Department of Education to return the monies identified plus interest. Targeted completion date: To be Determined by the U.S. Department of Education & MCed Career College.

**Recommendation 1.6**  
MCed Career College concurs with the recommendation. MCed Career College will provide an irrevocable letter of credit as required. MCed will first determine total refunds required to be returned for 2004-2005 (most recent completed fiscal year).

MCed Career College will work with the U.S. Department of Education to determine a due date for the letter of credit.

Sincerely,

/s/

Rick Trevino  
School Director