



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES
Chicago/Kansas City/Dallas Audit Region

January 21, 2009

Control Number
ED-OIG/A05H0018

Jonathan A. Kaplan, J.D.
President
Walden University
155 Fifth Avenue South
Suite 100
Minneapolis, Minnesota 55401-2511

Dear Mr. Kaplan:

This **Final Audit Report**, entitled *Walden University's Compliance with Selected Regulations and U.S. Department of Education Guidance*, presents the results of our audit. The objective of the audit was to determine if Walden University resolved comment codes in compliance with regulations and U.S. Department of Education (Department) guidance. The period covered by the audit was July 1, 2005, through June 30, 2006 (2005-2006 award year).

BACKGROUND

Walden University (University) is a private, for-profit, distance learning institution that provides programs at the undergraduate, graduate, and professional levels. Since 2004, it has been owned by Laureate Education, Inc. The University is headquartered in Minneapolis, Minnesota. The records for accounting and administration of student financial assistance programs are located in Baltimore, Maryland. It provides 100 percent of its courses online to more than 24,000 students and offers more than 20 degree programs, including doctoral and master's degrees in education, management, psychology, health and human services, and public policy and administration. The University also offers master's degrees in engineering and applied science, a bachelor completion program in business, academic certificates for engineering and IT professionals, self-paced graduate courses for K-12 educators, and a post-doctoral certificate in psychology. It is accredited by The Higher Learning Commission and is a member of the North Central Association of Colleges and Schools (NCACS). The University's M.S. Nursing program is accredited by the Commission on Collegiate Nursing Education.

The purpose of the programs authorized by Title IV of the Higher Education Act of 1965, as amended (HEA), is to provide financial assistance to students attending eligible institutions of higher education. The University participates in three Title IV, HEA programs: Federal Pell Grant (Pell), Federal Work-Study (FWS), and Federal Family Education Loan (FFEL). Under

the FFEL Program, Stafford loans (subsidized and unsubsidized) are made to students, and PLUS loans (unsubsidized) are made to graduate students and to parents of dependent undergraduate students. The federal government pays the interest on a subsidized student loan during in-school status, the grace period, and during authorized deferment periods. Borrowers are responsible for the interest that accrues on an unsubsidized loan throughout the life of the loan.

During the 2005-2006 award year, the University disbursed the following amounts of Title IV, HEA program funds:

<u>Program</u>	<u>Funds</u>
Pell	\$ 530,785
FFEL-Stafford Subsidized	\$ 98,327,756
FFEL-Stafford Unsubsidized	\$130,230,147
FFEL-PLUS	\$ 51,337
FWS	\$ 9,504
Total	\$229,149,529

The Department's Central Processing System (CPS) receives and processes each student's Free Application for Federal Student Aid (FAFSA) and correction information. Upon receipt of a student's FAFSA, CPS completes a series of quality control checks on the application data to identify incomplete or inconsistent data. CPS also performs database matches with the Department's National Student Loan Data System (NSLDS) and other federal agency records to screen for applicant eligibility (for example, Department of Homeland Security (DHS) and Social Security Administration (SSA) records). CPS generates a Student Aid Report (SAR)/Institutional Student Information Record (ISIR) for each student, with comment codes, also referred to as C codes, that include warning edits, assumptions, highlights, and reject codes. The comment codes point out possible questions or identify missing or inconsistent FAFSA data.

In accordance with 34 C.F.R. § 668.16(f), an institution must develop and apply "an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs." Institutions must retain documentation of the resolution of SAR/ISIR C codes to comply with the record retention provisions in 34 C.F.R. § 668.24. Records an institution must maintain include the SAR/ISIR used to determine eligibility for Title IV, HEA program funds; application data submitted to the Secretary, lender, or guaranty agency by the institution on behalf of the student or parent; and documentation of each student's or parent borrower's eligibility for Title IV, HEA program funds. The Department provides information and guidance on how to resolve SAR/ISIR C codes in *The ISIR Guide*, *SAR/ISIR Comment Codes and Text*, and *Application and Verification Guide*.

AUDIT RESULTS

The University did not always resolve SAR/ISIR comment codes returned to the University during the processing of student FAFSAs in compliance with regulations and the Department's guidance. Specifically, the University (1) did not adequately resolve all comment codes generated by CPS after unsuccessful database matches with other federal agencies and (2) did not adequately resolve comment codes generated after a match with NSLDS indicated that students were approaching or had exceeded aggregate loan limits. As a result, the University disbursed \$1,185,473 in unallowable Title IV, HEA program funds. These funds were unallowable because the University did not resolve SAR/ISIR comment codes as required to document students' eligibility.

A draft of this report was provided to the University for review and comment on June 2, 2008. We received the University's comments, along with additional documentation, on July 11, 2008. In its comments, the University concurred, in part, and disagreed, in part, with the findings and recommendations. We summarized the University's comments at the end of each finding. We also provided our response after the summary of the University's comments. Based on the University's comments and the actions it took based on the findings disclosed in the draft audit report, we revised parts of our original findings and recommendations.

Except for personally identifiable information (that is, information protected under the Privacy Act of 1974 (5 U.S.C. § 552a)), the entire narrative of the University's comments is included as Attachment 1 to this report. All personally identifiable information mentioned in the University's comments was replaced with bracketed text. Because of the voluminous nature of the attachments to the University's comments and the personally identifiable information within, we have not included them in Attachment 1. Copies of the attachments to the University's comments, less the personally identifiable information, are available on request.

FINDING NO. 1 – The University Did Not Resolve All Comment Codes Generated after Unsuccessful Database Matches with Other Federal Agencies

Prior to awarding and disbursing Title IV, HEA program funds, the University did not always resolve comment codes generated (1) when students claiming to be eligible noncitizens failed the CPS match with DHS or (2) when students claiming to be citizens failed the match with SSA. For the 2003-2004 through 2006-2007 award years, the University disbursed \$734,212 without documenting that the students were eligible to receive Title IV, HEA program funds. In late 2007, after we completed our field work, the University documented the students' eligibility for \$188,604 of these disbursements.

Secondary Confirmation of Noncitizen Student Immigration Status Not Performed When CPS Match with DHS Was Unsuccessful

The University did not submit required requests for secondary confirmations to DHS to confirm noncitizen students' eligibility when the CPS match was unable to confirm that the student was an eligible noncitizen. If CPS is unable to confirm a student's eligibility electronically after two attempts, a comment code is added to the SAR/ISIR indicating that DHS did not confirm the student's statement on the FAFSA that he or she is an eligible noncitizen. The student is required to submit proof of noncitizen eligibility, and the University is then required to begin a secondary confirmation process with DHS. We reviewed the files for all 17 students for whom, for the 2005-2006 award year, the University was required to obtain a secondary confirmation to resolve comment codes. The University did not obtain secondary confirmations for any of the 17 students.

In accordance with 34 C.F.R. § 668.133(a)

[A]n institution shall require the student to produce the documentation required under § 668.33(a)(2) [for proof of citizenship or noncitizenship status] and request the INS [Immigration and Naturalization Service] to perform secondary confirmation for a student claiming eligibility under § 668.33(a)(2)

Pursuant to 34 C.F. R. § 668.135

Within 10 business days after an institution receives the documentary evidence of immigration status submitted by a student required to undergo secondary confirmation, the institution shall—

- (a) Complete the request portion of the INS Document Verification Request Form G-845;
- (b) Copy front and back sides of all immigration-status documents received from the student and attach copies to the Form G-845; and
- (c) Submit Form G-845 and attachments to the INS District Office.

A University official stated that staff did not understand what was required for the secondary confirmation. Staff did not follow University policy and ensure that proof of eligible noncitizenship status was received, maintained, and confirmed prior to awarding and disbursing Title IV, HEA program funds.

The 17 students received improper payments of \$257,770 in Title IV, HEA program loan funds during the 2005-2006 award year. The University also had disbursed an additional \$420,939 during the 2003-2004, 2004-2005, and 2006-2007 award years, for a total of \$678,709 of improper payments. The University submitted secondary confirmation requests to DHS for the 17 students after we completed our fieldwork. The results of the 17 confirmations are provided below:

1. The University was unable to obtain confirmations for 9 students. The University disbursed \$346,105 in subsidized and unsubsidized loans for these ineligible students for the 2005-2006 through 2007-2008 award years. Using NSLDS, we confirmed that the University subsequently canceled or repaid loan holders \$320,845 of loan principal for

these students, leaving \$25,260, of which \$5,000 was paid off by the Department under the Teacher Loan Forgiveness program.

2. Confirmations were received in late 2007 indicating that 3 students were then eligible because they had become citizens. However, the confirmations did not identify the dates that the students became citizens, so they do not provide any assurance that the students were eligible at the time they received their disbursements. These three students received \$144,000 in Title IV, HEA program loans during the 2003-2004 through 2006-2007 award years.
3. The University received confirmations that 5 students were eligible non-citizens. The documents submitted with the confirmation appeared to include the period covered by the loans received. However, the 5 students had received subsidized, unsubsidized, and graduate PLUS loan disbursements totaling \$188,604 before the date the University received the confirmations and would have been able to confirm the students' eligibility for Title IV, HEA assistance.

Inadequate Documentation of Student Citizenship Status When CPS Match with SSA Was Unsuccessful

The University did not provide evidence that it obtained proof of citizenship status for all students. We randomly selected 100 (of 392) students with a citizenship comment code that required the University to obtain proof of citizenship. The Department's *ISIR Guide* provides examples of documents that may be used to support a student's citizenship status. Acceptable documentation includes, but is not limited to, copies of a United States of America Certificate of Naturalization, certificate of live birth issued by a state or the United States, United States of America passport, or secondary confirmation from DHS.

We reviewed 99 students' files (the University could not locate 1 student's file while we were on site) and concluded that 96 files contained adequate documentation to support the students' citizenship status. However, 3 of the students' files did not contain documentation proving United States citizenship. One student's file had no documentation to support citizenship. A second student's file contained a copy of a United States of America passport, but the name on the passport did not match the name on the loan documentation. A third student's file contained a copy of a certificate of live birth in the United States, a copy of a marriage record, and a copy of a Social Security card; however, the name on the marriage record did not match the name on the live birth certificate, and the name on the Social Security card did not match the name on the live birth certificate or the name on the loan documentation.

According to 34 C.F.R. § 668.24(a)(3), "An institution shall establish and maintain, on a current basis, any application for title IV, HEA program funds and program records that document . . . [i]ts administration of the title IV, HEA programs in accordance with all applicable requirements" According to 34 C.F.R § 668.24(c)(1)(iii), "The records that an institution must maintain in order to comply with the provisions of this section include but are not limited to . . . [d]ocumentation of each student's or parent borrower's eligibility for title IV, HEA program funds"

The University did not follow its own policy to ensure that proof of citizenship was received, reviewed, and maintained prior to awarding Title IV, HEA program funds. A University official stated that the University makes an effort to record student information in its electronic financial aid system. University quality control procedures state that, on a regular basis, the financial aid director or designee randomly selects 10 to 20 file folders to review for accuracy and compliance. A University official informed us that, during the 2005-2006 award year, this procedure was not followed.

The 4 students for whom the University could not provide adequate documentation of citizenship status while we were on site received payments of \$55,503 in Title IV, HEA program funds during the 2005-2006 award year.¹ The University subsequently located the one missing file and was able to locate the documentation it used to make the eligibility determinations of citizenship status for two of the other students. However, it was not able to produce sufficient documentation for the student with differing names on the birth record, marriage license, and social security card, and who received \$6,168.

Recommendations

We recommend that the Acting Chief Operating Officer (COO) for Federal Student Aid (FSA) require the University to

- 1.1 Return to lenders and the Department the outstanding amounts improperly paid to the 18 ineligible 2005-2006 award year students:
 - a Return to lenders \$144,000 for the three students confirmed as U.S. citizens after our audit but who were not confirmed as eligible prior to the period for which they were awarded Title IV, HEA program funds;
 - b Return to lenders \$20,260 not confirmed by NSLDS as canceled or repaid;
 - c Return to the Department the \$5,000 Teacher Loan Forgiveness payment paid to the lender for a student who was not an eligible non-citizen; and
 - d Return \$6,168 to the lender for the one student without sufficient evidence of citizenship;
- 1.2 Review its files for the 2004-2005 and 2006-2007 award years to the present (during the audit, we reviewed all 2005-2006 students requiring secondary confirmations) to ensure that any and all secondary confirmations have been obtained, and, if not, determine the amount of improper payments and return to the lender and/or Department any Title IV, HEA program funds (gross amount) that were improperly paid to ineligible students;
- 1.3 Continue to strengthen and follow existing policies and procedures to obtain and maintain adequate proof of citizenship and support for students' citizenship status, including secondary confirmations of noncitizen eligibility; and
- 1.4 Continue to provide training to financial aid staff responsible for the resolution of comment codes identified during the student financial assistance application process.

¹ Our sample size was not sufficient to project the results of our sample to the remaining 292 students.

We also recommend that the Acting COO for FSA

- 1.5 Consider fine proceedings under 34 C.F.R. § 668.84 for the University's failure to perform secondary confirmations of noncitizen student immigration status.

University Comments

The University concurred, in part, and disagreed, in part, with our finding and recommendations.

Secondary Confirmation of Non-Citizen Student Immigration Status

The University concurred that secondary confirmation of noncitizen student immigration status with DHS was not performed prior to disbursement for 17 students during the 2005-2006 award year. Subsequent to the initiation of the audit, it submitted Document Verification Request Forms (G-845s) and the required documentation to DHS for each of the 17 students identified during the audit. From that submission, the University obtained positive confirmation of student eligibility from DHS for 8 students and did not obtain positive confirmation for 9 students.

- The University provided a list of the 8 students with positive confirmations, the type of confirmation response, and the date confirmation was received by the University and asserted that a return of funds for those students was unwarranted.
- The University attempted to return all Title IV, HEA program funds disbursed by the University for the 2004-2005 through the 2007-2008 award years for the remaining 9 students. A total of \$307,404.98 (net loan proceeds) was returned to the appropriate lenders. For 1 of the 9 students, the University was unable to return loan funds because the loan had been repaid in full by the borrower.

The University reported corrective action taken, including the implementation of enhanced policies and procedures, to ensure that the secondary confirmation of citizenship/eligible non-citizenship (G-845) is completed within 10 days as required by applicable regulations. In addition, the University hired a Compliance Manager in September 2007 to oversee all database match processes. University officials also stated that all financial aid staff responsible for the resolution of CPS comment codes have received a considerable amount of training regarding the enhanced policies and procedures.

Citizenship Status Documentation When SSA Match Was Unsuccessful

The University stated that it obtained required proof of citizenship before disbursing funds but misfiled the documents so they were not available for our review. Of the 100 files reviewed, only 4 instances were noted by the auditors where sufficient documentation of citizenship was not present. The University submitted documentation of the eligibility of the 4 questioned students. Also, the Financial Aid Office created and implemented a "Name Confirmation Form" to resolve possible name and/or date of birth discrepancies in the future.

Recommendations to Expand the Review and Fine

The University asked us to revise our recommendations to address only its failure to resolve certain CPS comments codes:

- Only 9 of the students identified in the audit report were ineligible for the funds they received, and the University has returned those funds;
- A broader review of files is unwarranted because the error rate “is well below the Department’s standard compliance review threshold,” and
- Because there were only isolated instances of ineligible disbursements and the University has returned those disbursements, fine proceedings are “uncalled for and excessively punitive.”

Office of Inspector General (OIG) Response

We did not alter our findings that the University had awarded funds to noncitizens without obtaining required secondary confirmations and had not maintained (at the time of our on-site fieldwork) proof of the citizenship status of 4 of 100 sampled students. However, we did reduce the recommended return of funds for those students for whom the University was able to obtain evidence of eligibility after our field work and for funds already returned. We modified draft report Recommendation 1.1 to show the revised amount of loan funds to return to lenders and the Department and the number of ineligible students as specified in the above sections. We changed draft report Recommendation 1.4 to stress that the University needs to continue to strengthen and follow existing policies and procedures and Recommendation 1.5 to acknowledge that the University provided training to financial aid staff responsible for the resolution of comment codes identified during the student financial assistance application process.

In addition to reviewing the supplemental documentation provided by the University, we also queried NSLDS (in October 2008) to determine whether the University canceled or otherwise paid the entire amount or a portion of the amount awarded for the students the University agreed were never eligible. The schedule in the University’s response reflected a slightly lower amount than the amount we calculated, because the schedule provided the net amount returned, not the total amount awarded/canceled. The University’s lender allowed the University to cancel loans after the loan period ended and only required a return of the net proceeds received by the school. The University paid the net amount of the loan proceeds for two loans which could no longer be canceled because they had been consolidated. This resulted in recovery of less than the original loan amounts.

Secondary Confirmation of Non-citizen Student Immigration Status

We disagree with the University’s assertion that, because the University returned funds for certain limited instances of noncompliance, the matter is now fully resolved. Students should not have received any Title IV, HEA program funds prior to the University’s receiving confirmation of their status as eligible non-citizens. Such confirmation is the final step to establish the student’s basic eligibility. To protect federal funds, it is the responsibility of the University to

ensure that students are eligible before Title IV, HEA program funds are disbursed. Furthermore, we do not agree that the supplemental documentation the University provided was acceptable in all cases. Finally, for those students the University concurred were ineligible, the amounts returned did not always refund the entire amount of the loans disbursed.

We reviewed the supplemental information provided for the 17 students in our sample:

- For 8 of the 17 students
 - Five students were confirmed by DHS, after the fact, as eligible non-citizens, consistent with the documentation provided, and there was evidence that the documentation covered the loan periods. Without the confirmations, the University awarded and disbursed \$188,604 of loans during the 2005-2006 and 2006-2007 for these individuals (one Graduate PLUS loan disbursement was dated during the period between submitting the confirmation form and receiving the reply) before their eligibility was established. Because the students were confirmed by DHS, we removed the recommended recoveries for these five students.
 - Three students' G-845s were obtained by the University but did not provide evidence that the students' were eligible non-citizens during the period for which they received loans. DHS did not confirm the validity of the non-citizen documentation the University had submitted. The checkbox on the form returned by DHS indicated that the students were eligible on the date the form was processed (that is, they had become U.S. citizens), but the form did not include any certification sufficient to establish their eligibility during the period for which they received their loans. The form did not provide information about the students' eligibility before naturalization or even the dates they became citizens. According to NSLDS, as of October 2008, these three students had received \$144,000 in FFEL loans prior to the University's receiving confirmations that they were eligible citizens. Without additional documentation, we were unable to determine whether the students were eligible for the following loans:

Table 1. Not Documented as Eligible Non-Citizen During Loan Periods.				
Student	Confirmation Date	Loan Period	Disbursed	Total
2	11/20/2007	9/6/05 - 5/28/06	\$ 18,500	
		6/5/06 - 2/25/07	\$ 18,500	
		3/5/07 - 11/25/07	\$ 18,500	\$ 55,500
3	11/20/2007	9/1/03 – 5/31/04	\$ 17,500	
		9/7/04 – 5/29/05	\$ 14,000	
		6/6/05 – 8/28/05	\$ 2,000	\$ 33,500
6	11/19/2007	9/6/05 – 5/28/06	\$ 18,500	
		6/5/06 – 2/25/07	\$ 18,500	
		3/5/07 – 11/25/07	\$ 18,000	\$ 55,000
Total				\$144,000

- For 9 of the 17 students
 - Five students' loans, totaling \$216,000, were completely refunded or canceled by the University.
 - Four students still had an outstanding balance totaling \$25,260. (See notes 1, 2, and 3 in **Table 2** for further explanation.)

Table 2. Verification of Cancellations and Payments Using NSLDS						
Student	Prior Amount Outstanding	2005-2006 Paid/Canceled	2006-2007 Paid/Canceled	2007-2008 Paid/Canceled	Total Paid/Canceled	Total Still Outstanding
1	\$ 8,500	\$ 8,500			\$ 8,500	\$ 0
2	\$ 18,437 (1)		\$ 13,437		\$ 13,437	\$ 5,000 (1)
3	\$ 76,000	\$ 37,000	\$ 18,500	\$20,500	\$ 76,000	\$ 0
4	\$ 37,000	\$ 18,500	\$ 18,500		\$ 37,000	\$ 0
5	\$ 57,500	\$ 18,500	\$ 18,500	\$20,500	\$ 57,500	\$ 0
6	\$ 37,000		\$ 18,500		\$ 18,500	\$ 18,500 (2)
7	\$ 56,168	\$ 30,169	\$ 18,500	\$ 6,834	\$ 55,503	\$ 665 (3)
8	\$ 18,500	\$ 17,405			\$ 17,405	\$ 1,095 (3)
9	\$ 37,000		\$ 18,500	\$18,500	\$ 37,000	\$ 0
Total	<u>\$346,105</u>	<u>\$130,074</u>	<u>\$124,437</u>	<u>\$66,334</u>	<u>\$320,845</u>	<u>\$ 25,260</u>
(1) The student's 2006-2007 loan already had been reduced by a \$5,000 Teacher Loan Forgiveness payment from the Department of Education in November 2007, prior to the University's refund as a result of the audit. We have added the amount to the outstanding principal amount. The Department should be reimbursed the \$5,000. (2) The 2005-2006 loans had not been canceled as indicated in the response. Both loans, totaling \$18,500, were still outstanding according to NSLDS. (3) For both students 7 and 8, two 2005-2006 loans totaling \$18,500 were consolidated. However, the University remitted only the amount received by the school (less fees). After paying down the loan and interest, there were \$665 and \$1,095 of principal from the original loans (excluding capitalized interest) remaining, respectively.						

Citizen Status Documentation When SSA Match Was Unsuccessful

Although not provided during the course of our audit, we accepted the supplemental documentation provided for three of the four students in the original sample. However, the documentation provided for one of the two students with questions about marital status and name change still was insufficient to establish eligibility. The University provided a narrative to explain the name change, but the document was not signed or dated. Furthermore, additional documents submitted did not support the student's name as it appears on the birth certificate. The total amount that remains unsupported is \$6,168.

Recommendations for Enhanced Policies and Procedures

We neither reviewed nor confirmed the University's assertions that corrective action, including the implementation of enhanced policies and procedures, the hiring of a Compliance Manager in September 2007, and the training provided to all financial aid staff responsible for the resolution of CPS comment codes, has been taken. However, we have modified our report to recommend "continued" implementation of those actions.

Recommendations to Expand the Review and Fine

Because the University was able to resolve the majority of the cases (99 of 100) involving citizenship documentation, we removed draft report Recommendation 1.3, in which we recommended that the University review its files for citizens failing the SSA match for the 2004-2005 and 2006-2007 award years. This resulted in a renumbering of the remaining recommendations.

The University's comments did not demonstrate that its practices in other years were any different than they were during our audit period. The University failed to conduct required secondary confirmations for 100 percent (17 of 17) of the students to whom it awarded Title IV, HEA program funds during 2005-2006 award year, and we have no evidence showing that it performed secondary confirmations for students in other years. Therefore, we continue to recommend that FSA require the University to review its files for the 2004-2005 and 2006-2007 award years to the present to ensure that all required secondary confirmations have been obtained. We also continue to recommend that FSA consider fine proceedings. The University's non-compliance with the requirements resulted in the University concurring that more than half the students (9 of 17) received Title IV, HEA program funds to which they were not entitled. We were not able to accept after-the-fact confirmations for another 3 students (a total of 12 ineligible students).

FINDING NO. 2 – The University Did Not Adequately Resolve Comment Codes after a Match with NSLDS Indicated That Students Were Approaching or Had Exceeded Aggregate Loan Limits

The University did not adequately resolve all comment codes related to aggregate loan limits, and, as a result, awarded or disbursed \$448,759 of FFEL and \$2,502 of FWS program funds to students who had exceeded their aggregate subsidized loan limit and/or aggregate total (subsidized and unsubsidized) loan limit.²

The University did not properly consider loan balances included on students' ISIRs or resolve ISIR comment codes that indicated the students were approaching or had exceeded aggregate loan limits. CPS performs a database match with NSLDS to obtain an estimate of the student's outstanding principle balances of subsidized and total (subsidized and unsubsidized) loans for each application. That information is provided on a financial aid history report with the ISIR to assist the institution in determining a student's remaining eligibility under the loan limits. NSLDS also monitors loan limits and generates a new ISIR and financial aid history report, including new or repeated comment codes about whether loan limits are close or have been exceeded, if subsequent loans are posted with scheduled disbursements which will cause the student to approach or exceed the aggregate loan limits.

² Aggregate loan limits are established in 34 C.F.R. § 682.204. During the audit period, the maximum aggregate unpaid principal amount of all Federal Stafford Loan Program loans and Federal Direct Stafford/Ford Loan Program loans was \$23,000 for a student who had not successfully completed a program of study at the undergraduate level, and \$65,500, including loans for undergraduate study, for a graduate or professional student. The combined Federal Stafford, SLS, and Federal Unsubsidized Stafford Loan Program aggregate limits were \$46,000 for an undergraduate student and \$138,500 for a graduate or professional student.

Using NSLDS loan histories, we identified 200 students (of the 531 students at the University with comment codes on at least one 2005-2006 ISIR that indicated they were close to and/or had exceeded their loan limits) whose loan histories indicated they may have received loans in excess of the limits. Next, we judgmentally selected the 75 students with the largest amounts in excess of loan limits. We then determined (1) whether any of the 75 students' loans had been paid off or discharged and (2) whether the University should have been able to determine that a student's loan limits were exceeded before disbursing additional loan funds to the student.

Our analysis determined that the University disbursed loans for 40 of the 75 students when it should have been able to determine that the students had already exceeded their aggregate loan limits. We did not include overawards if the NSLDS Financial Aid History provided with the latest ISIR the school had received before disbursement (1) did not include loans awarded by another institution, (2) indicated remaining eligibility if the unallocated balance of consolidated loans was excluded, or (3) the NSLDS had made an error and understated the total loan balance even though a review of the underlying loans would have yielded a larger outstanding loan balance.

An institution must identify and resolve discrepancies in the information it receives with respect to a student's application for Title IV, HEA program funds (34 C.F.R. § 668.16(f)). Also, in accordance with 34 C.F.R. § 682.603(d)(1), "A school may not certify a Stafford or PLUS loan application, or combination of loan applications, for a loan amount that . . . [t]he school has reason to know would result in the borrower exceeding the annual or maximum loan amounts in § 682.204"

Pursuant to 34 C.F.R. § 668.32(g)(2), "A student is eligible to receive title IV, HEA program assistance if the student . . . [h]as not obtained loan amounts that exceed annual or aggregate loan limits made under any title IV, HEA loan program"

Pursuant to 34 C.F.R. § 668.35(d)—

A student who is not in default on a loan made under a title IV, HEA loan program, but has inadvertently obtained loan funds under a title IV, HEA loan program in an amount that exceeds the annual or aggregate loan limits under that program, may nevertheless be eligible to receive title IV, HEA program assistance if the student—

- (1) Repays in full the excess loan amount; or
- (2) Makes arrangements, satisfactory to the holder of the loan, to repay that excess loan amount.

The *2005-2006 Federal Student Aid Handbook* states that the institution is "responsible for knowing the student's prior Title IV loans before disbursing additional loan funds to the student." (*2005-2006 Federal Student Aid Handbook*, pages 5-7)

The University's financial aid staff made notes in electronic comment files for 17 (of the 40) students, indicating that those students were approaching or had exceeded aggregate loan limits. Despite these notes, the University disbursed additional FFEL funds to the students, resulting in overawards. In some cases, the outstanding loan balances reported on the ISIR clearly showed that students were at or over the loan limits, but the University certified additional loans. For at

least 2 of those students, comments in the file indicated that balances for the students' consolidation loans should be subtracted from the ISIR totals; however, when we reviewed the consolidation loans' underlying loan balances, we determined that the amount on the ISIR was correct. For other students, files did not identify the reason that the University did not use the outstanding balances on the ISIR.

The University's staff did not update the total subsidized and unsubsidized loan balances reported on the ISIR with all loans disbursed by the University after the ISIR was generated. The circumstances at the University make this kind of update essential. Students often complete the academic requirements for one loan year in approximately nine months and are then awarded a second loan from the same ISIR. The student's third loan, awarded from the next year's ISIR, may be disbursed as late as December or January, in the following award year. If the University obtained the student's second ISIR before the second loan was disbursed, the University's electronic financial aid system would only use the outdated information from that ISIR to determine loan limit eligibility. It would not consider any subsequent awards and disbursements made by the University.

For some students, the University acknowledged the comment code indicating that the student had exceeded Stafford subsidized loan limits by canceling subsequent disbursements of the subsidized loan. However, 34 C.F.R. § 668.35(d) provides that a student who has borrowed more than the annual or aggregate Stafford loan limits cannot be awarded any additional Title IV, HEA program funds until arrangements are made to repay the overaward. Even though there was no indication the student had made arrangements to repay the overaward, the University reclassified scheduled subsidized disbursements to unsubsidized loans, continued to make new unsubsidized loan awards, and, in some cases, awarded other Title IV, HEA program funds to the student.

As a result of not adequately resolving comment codes related to loan limits, the University awarded or disbursed Title IV, HEA program funds for students who had exceeded their aggregate subsidized loan limit and/or aggregate total (subsidized and unsubsidized) loan limit.

The University improperly disbursed \$448,759 in FFEL Program funds to the 40 students who were identified by 2005-2006 CPS comment codes as approaching or exceeding aggregate loan limits. One student was improperly disbursed FWS funds in the amount of \$2,502. The chart below shows the amount of FFEL and FWS program funds improperly disbursed during the 2005-2006, 2006-2007, and 2007-2008 award years.

Table 3. Improper FFEL and FWS Program Funds Disbursed				
	2005-2006	2006-2007	2007-2008	Total
Stafford Subsidized Loans	\$ 77,728	\$ 47,005	\$ 4,236	\$128,969
Stafford Unsubsidized Loans	\$175,656	\$ 97,275	\$16,342	\$289,273
Stafford Graduate PLUS	\$0	\$ 30, 517	\$0	\$ 30,517
Total FFEL	\$253,384	\$174,797	\$20,578	\$448,759
Federal Work Study Funds	\$ 2,502	\$0	\$0	\$ 2,502

Improperly disbursed subsidized loans might have caused the Department to make improper special allowance payments or payments for other benefits and increased the Department's

potential liability for default claims. One student already has defaulted on the loans and another student's loans were discharged through bankruptcy.

After we informed University officials of the overawards but before we issued this final report, the University canceled, refunded, or made payments on loans totaling \$173,245 included above. In addition, the University reclassified \$73,514 of subsidized loan disbursements as unsubsidized loan disbursements. The reclassification effectively restored students' eligibility for \$104,385 of previously improper unsubsidized loan disbursements and the \$2,502 FWS award. The removal of the subsidized overaward retroactively restored the students' eligibility because the students' loans no longer exceeded the total aggregate loan limit. If the lender allowed retroactive reclassification or cancellation of the disbursements that exceeded the subsidized loan limits (with an effective date the same as the original disbursement), the student's loan history no longer showed any period of overaward or ineligibility. Therefore, the previously improper disbursements of subsidized loans and other Title IV, HEA assistance between the date of original overaward and the retroactive reclassification or cancellation were now proper. The remaining improper disbursements total \$97,615, as detailed in Table 4.

Table 4. FFEL and FWS Program Funds Outstanding After Recoveries				
	2005-2006	2006-2007	2007-2008	Total
Stafford Subsidized Loans	\$ 9,494	\$ 4,961	\$ 1,402	\$15,857
Stafford Unsubsidized Loans	\$50,326	\$ 29,569	\$1,863	\$81,758
Stafford Graduate PLUS	\$0	\$ 0	\$0	\$ 0
Total FFEL	\$59,820	\$34,530	\$3,265	\$97,615
Federal Work Study Funds	\$ 0	\$0	\$0	\$ 0

Recommendations

We recommend that the Acting COO for FSA require the University to

- 2.1 Return to lenders \$97,615 of FFEL program funds improperly paid to 15 students in excess of loan limits;
- 2.2 Continue to strengthen and follow existing policies and procedures to resolve comment codes related to a student's aggregate loan limits;
- 2.3 Continue to provide training to financial aid staff responsible for the resolution of comment codes identified during the student financial assistance application process, to ensure that the resolution of comment codes, including comment codes on aggregate loan limits, is accurate, adequate, and documented; and
- 2.4 Review its files for the 2004-2005 award year to the present (excluding the 75 students we reviewed) to identify other borrowers who received loan amounts in excess of their aggregate limits and return to lenders any FFEL Program funds delivered to ineligible borrowers or paid in excess of loan limits.

We also recommend the Acting COO for FSA

- 2.5 Consider fine proceedings under 34 C.F.R. § 668.84 for the University's delivery of loan funds to borrowers in excess of aggregate limits.

University Comments

The University agreed, in part, with our finding and recommendations but disagreed with most of the questioned disbursements. Additional documentation and a detailed discussion were provided on a student-by-student basis. The University also listed circumstances pertaining to ISIR and NSLDS processing during the 2005-2006 award year that it felt should have been considered when reviewing comment code resolution related to aggregate loan limits. The University enumerated that (1) prior to March 2005, historical Outstanding Principal Balance and Outstanding Interest Balance amounts were not available through NSLDS; (2) NSLDS Newsletter No. 11 (February 2006) instructed financial aid administrators to change the methodology for calculating aggregate loan totals to eliminate "unallocated amounts when calculating aggregate subsidized, unsubsidized, and combined outstanding principal balances;" (3) it "relied heavily on ISIRs in reconstructing loan histories for students at issue in this audit" due to the dynamic nature of the NSLDS website; and (4) the Department identified, on October 20, 2006, an NSLDS post-screening system error that affected aid overpayment and ISIRs during the summer of 2006.

The University divided the 40 students that we determined to have exceeded aggregate loan limits into three groups.

- Group 1 – For 15 students, the University disputed the draft audit report's conclusions in their entirety. It asserted that the students were eligible at the time of their 2005-2006 disbursement and/or that a post-screened ISIR arrived after the 2005-2006 awards had been fully or partially disbursed.
- Group 2 – For 16 students, the University concurred that it did not adequately resolve 2005-2006 aggregate loan limits. It determined that each of the students had exceeded their loan limits. However, it disputed the specific amount of Title IV, HEA program funds needing to be returned to lenders. The disputed amounts were primarily disbursements for 2006-2007 and 2007-2008.
- Group 3 – For 9 students, the University concurred and returned the pertinent 2005-2006 award year Title IV, HEA program loan funds to the appropriate lenders.

The University disagreed that it improperly disbursed \$2,502 in FWS program funds to one student, stating that its recent return of the loan funds made the student eligible for the FWS disbursement.

Comments on Recommendations

The University also provided comments regarding draft audit report Recommendations 2.2 through 2.5. The University disagreed that any other 2005-2006 awards were inappropriate

based on information that was available at the time of the 2005-2006 disbursements. Therefore, the University asserted that no further returns of funds are required with respect to the 2005-2006 award year. The University further stated that additional supporting documentation was provided, and it has returned all Title IV, HEA program funds that it determined were overpayments for the 2005-2006 award year.

The University asserted that, in the years following the period covered by the audit, it has revised and strengthened its policies and procedures for reviewing and resolving CPS comment codes. In August 2007, the University provided training to all staff on its revised procedure for documenting NSLDS values when reviewing aggregate totals directly from the NSLDS website. In January 2008, its financial aid awarding team was restructured to include a new manager and additional staff. At the same time, the University strengthened its NSLDS review and coding for students who receive “renewal loans” (two loan years from one ISIR), and financial aid staff received special training to review NSLDS for renewal students. Most recently, in March 2008, the University adopted significant changes to the coding and quality control features of the PowerFAIDS software and trained all staff responsible for resolving comment codes. The software was designed to prevent manual errors pertaining to NSLDS and to correct errors before funds are disbursed.

The University disagreed with the draft audit report’s recommendation that FSA require a broader review of files from the 2004-2005 award year to the present. The University asserted that, because the OIG reached incorrect conclusions regarding students’ eligibility for loan disbursements during the 2005-2006 award year, and because the Department has acknowledged weaknesses and problems with NSLDS during that award year, a broader file review is excessive and unwarranted. The University claimed to have (1) examined all of the students questioned by the audit, (2) returned appropriate funds to lenders, and (3) previously implemented enhanced policies and procedures to prevent future similar occurrences. Therefore, the University considered fine proceedings regarding this matter both uncalled for and excessively punitive.

OIG Response

We did not change the finding other than by adjusting the report to reflect actions taken by the University subsequent to our audit and by making a net adjustment of \$3,411³ to the amount originally questioned. Though the University’s subsequent actions restored some students’ eligibility for certain disbursements, its failure to properly determine students’ eligibility at the time disbursements were made put Title IV, HEA program funds at risk and delivered Title IV, HEA program funds to students who were, and remain, ineligible.

During our audit, we only used information that was available to the University at the time it made the disbursements. We fully considered the circumstances pertaining to ISIRs and NSLDS processing regarding loan limits during 2005-2006 and the discontinuation of the requirement to review unallocated loan amounts in January 2006. The methodology we used, described in the bullets below, was simplified to provide a conservative method to identify loans made to ineligible students. Some of the loans that our audit did not identify as being made to ineligible students might be improper if additional information were obtained.

³ We discovered that we originally overlooked improper disbursements made for one student, overstated aggregate balances for two students, and allowed for minor reductions for subsequent loan payments for four others.

- Our original analysis did not include any unallocated amounts reported on an ISIR, even before January 2006, in calculating and determining if a student exceeded his/her loan limit.
- In addition to reviewing NSLDS loan histories, we reviewed data, including ISIRs, notes, and comments to electronic student files made by University staff, provided by the University to determine what was known in determining the amount of program funds improperly paid to ineligible students in excess of loan limits. We used only the aggregate balances of subsidized and unsubsidized loans calculated on the ISIR in the University's files and subsequent disbursements the University made.
- We did not calculate an overaward if an ISIR were incomplete or in error. For four sampled students, we did not question the overaward that occurred because the NSLDS balances were understated, even though an examination of all the loans on NSLDS showed that they should have been included. For another sampled student, we reduced the amount for which we held the University responsible by the amount of loans omitted from the NSLDS total.
- If overawards were caused by the University's unknowingly relying on an understated ISIR aggregate loan balance, we did not question disbursements made prior to receiving the corrected ISIR. We held the University responsible only for disbursements after the later ISIR date.
- We reduced any overaward calculation based on any corrections made on the NSLDS loan history subsequent to the awards that reduced the amount of aggregate loan balances at the time of disbursement. Any uncertainties were resolved in favor of the University.

None of the documentation provided with the University's comments caused us to change our determination. We also do not agree that only disbursements in excess of the aggregate loan limits during the 2005-2006 award year were improper. The requirement to monitor the students' aggregate loan limits continued during the 2006-2007 and 2007-2008 award years. If a student exceeded the aggregate loan limits during 2005-2006, the student remained ineligible for disbursements of Title IV, HEA program funds in subsequent years. In addition, when determining whether a student exceeded loan limits, the University was responsible for including the amounts of the subsequent disbursements that it made itself, even if the student's ISIR did not yet include those loans. The notes made by its financial aid staff for the students should have resulted in extra care being taken by the University when aid for those students was packaged and disbursed. At the time the University made the loan disbursements, all 40 students were ineligible to receive Title IV, HEA program disbursements due to exceeding aggregate loan limits.

Attachment 2 to this report includes a table that shows the remaining questioned costs for each of the three groups. We determined that the University's refunds, cancellations, and reclassifications, made after our audit, cleared all questioned costs for 25 of the 40 students who had received improper disbursements. The University's actions also reduced the questioned

costs for some of the remaining 15 students. We calculated the remaining questioned costs for the 15 students to be \$97,615.⁴

In its response, the University divided the 40 students into three groups:

- Group 1 - The University Did Not Concur. We reviewed the University's response, along with the additional documentation, and disagree with the University for all 15 students. The University made disbursements totaling \$117,510 to these students when their borrowing exceeded their aggregate loan limits. We agree that, in many instances, the disbursements were proper during the 2005-2006 award year. However, improper disbursements were made during the 2006-2007 and 2007-2008 award years. Regardless of its non-concurrence, NSLDS records reflect that the University has refunded or cancelled \$55,777 of the loans for Group 1. The amount that remains in question is \$44,109. (See Attachment 2, Group 1)
- Group 2 - The University Concurred but Disputed the Amount Calculated. We analyzed the University's response, along with the additional documentation submitted by the University. We disagreed with the University's exclusion of disbursements made during the 2006-2007 and 2007-2008 award years, because the 16 students were ineligible during those years and their excess borrowing was not resolved before we performed our audit work. The University refunded, canceled, or reallocated loans for these students, including amounts with which the University did not agree, totaling \$102,227. An additional, \$99,407 in improper disbursements was resolved when eligibility was retroactively restored by cancellations or reclassifications. The amount that remains in question is \$43,724. (See Attachment 2, Group 2)
- Group 3 - The University Concurred. We reviewed the University's response and documentation it provided for its subsequent actions. We accepted the support for 7 of the 9 students. For the remaining 2 students, the University stated that it had made a check request for the net amount, but it did not provide support that the funds were returned to the lender. As of October 2008, NSLDS records for the 2 students did not reflect that Title IV, HEA program funds had been returned. Therefore, we do not agree with the amount of Title IV, HEA program loan funds that were returned. The amount that remains in question is \$9,782. (See Attachment 2, Group 3)

FWS

We agree that the \$2,502 of FWS disbursed to one student is no longer in question. At the time FWS funds were disbursed, the student was ineligible. However, the University has since returned and canceled subsidized and unsubsidized loan funds, thereby eliminating the overaward of loan funds and making the FWS disbursement proper.

Comments on Recommendations

We modified Recommendation 2.1 to show the revised amount of loan funds to return to lenders and the number of students who received an improper payment. We revised Recommendation

⁴ \$44,109 for Group 1 plus \$43,724 for Group 2 plus \$9,782 for Group 3

2.2 to stress that the University needs to continue to strengthen and follow existing policies and procedures. We revised Recommendation 2.3 to acknowledge the University's assertion that it provided training to staff to ensure that the resolution of comment codes is accurate, adequate, and documented. However, we do not agree with the University's assertion that further return of funds are not required or that additional file reviews are unwarranted and excessive.

We did not remove our recommendation that the Department consider fine proceedings under 34 C.F.R. § 668.84 for the University's delivery of loan funds to borrowers in excess of aggregate limits. The additional documentation provided by the University did not cause us to revise our analysis of the initial overawards. Fifty-three percent (40 of 75) of the students we reviewed received a loan that exceeded their aggregate loan limit.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if the University resolved comment codes in compliance with regulations and Department guidance. Our audit covered the 2005-2006 award year.

To accomplish our objective, we

1. Reviewed selected provisions of the HEA, regulations, and FSA guidance applicable to the audit objective.
2. Reviewed (a) *Walden University's Compliance Attestation Examination of the Title IV Student Financial Assistance Programs For The Year Ending December 31, 2004*; (b) *Walden E-Learning, Inc. (A Subsidiary of Laureate Education, Inc.) Consolidated Financial Statements for the year ended December 31, 2004 with Report of Independent Auditors*; (c) *Compliance Attestation Examination of the Title IV Student Financial Assistance Programs For The Year Ending December 31, 2005*; (d) *Walden E-Learning, Inc. (A Wholly Owned Subsidiary of Laureate Education, Inc.) Consolidated Financial Statements and Supplementary Information for the year ended December 31, 2005 with Report of Independent Auditors*; (e) *Compliance Attestation Examination of the Title IV Student Financial Assistance Programs For The Year Ending December 31, 2006*; and (f) *Walden E-Learning, Inc. (A Wholly Owned Subsidiary of Laureate Education, Inc.) Consolidated Financial Statements and Supplementary Information for the year ended December 31, 2006 with Report of Independent Auditors*.
3. Reviewed reports prepared by FSA and the Higher Learning Commission.
4. Reviewed the University's program participation agreement.
5. Reviewed written policies and procedures and interviewed University officials to gain an understanding of the University's internal control structure, policies, procedures, and practices applicable to resolving comment codes returned during student financial assistance application processing.
6. Reviewed the University's web site, organizational chart, and financial aid staff directory to gain an understanding of the University's history and organization.

7. Reviewed the records of 30 students randomly selected from a universe of 2,712 students who received Title IV, HEA program funds and whose 2005-2006 SAR/ISIR contained a comment code returned during the student financial assistance application process.⁵
8. Queried the universe of 2,708 students⁶ to identify students who received Title IV, HEA program funds and whose final 2005-2006 CPS record contained a citizenship status comment code returned during the student financial assistance application process. The query identified 412 students with a comment code specific to citizenship status. We stratified the 412 students into three populations. The first population contained 18 students for whom the University was required to confirm citizenship status.⁷ We reviewed all 18 students' records. The second population contained 2 students who had multiple citizenship comment codes, requiring the University to obtain proof of citizenship. We reviewed the records for both students. The third population consisted of 392 students who had a single citizenship comment code, requiring the University to obtain proof of citizenship. We randomly selected 100 of the 392 students and reviewed 99 student files (the University was unable to locate 1 student file).
9. Queried the universe of 2,708 students to identify students who received Title IV, HEA program funds and whose SAR/ISIR contained an aggregate loan limits comment code. The query identified 531 students with a comment code specific to aggregate loan limit. We judgmentally selected and reviewed the records for 75 (of 531) students who were awarded the largest amounts in excess of loan limits.
10. Reviewed additional documentation provided by the University in response to the findings presented in the draft report to determine whether the additional documentation was sufficient to reduce the instances of noncompliance for each of the findings.

We relied, in part, on data provided to us by University officials. We compared the University's data to data we obtained from CPS and NSLDS to ensure we had a complete universe from which to select our samples for reviewing student records and determining the University's compliance with regulations and Department guidance. University officials provided us a listing that identified 2,708 students who received Title IV, HEA program funds during the 2005-2006 award year and whose 2005-2006 SAR/ISIR contained a comment code. To ensure completeness and accuracy of the University data, we reviewed the query the University used to extract the names of students who received Title IV, HEA program funds during the 2005-2006 award year and whose 2005-2006 SAR/ISIR contained comment codes. We also confirmed the reasonableness and completeness of disbursement and ISIR data in the University's electronic system during our review of sample items. Based on our comparisons and reviews, we concluded the data the University provided to us were sufficiently reliable for our purposes. We conducted our audit from July through December 2007 at the University's office in Baltimore, Maryland, and at our offices. We discussed the results of our audit with University officials on December 12, 2007 and on May 21, 2008. We performed our work in accordance

⁵ A secondary confirmation for citizenship was not obtained for one student, and one student was disbursed Title IV, HEA program funds over the student's aggregate loan limit. Based on our initial tests of 30 students, we narrowed the universe to include only comment codes related to the two issues found.

⁶ We used the information contained in CPS to perform our queries and narrow our student listing to include only comment codes specific to citizenship status (8 comment codes) and aggregate loan limits (4 comment codes).

⁷ The University was required to begin a secondary confirmation with DHS to confirm eligibility of citizenship status for 17 (of 18) students. The remaining student had a missing or invalid Alien Registration Number requiring the student to submit proof of noncitizen eligibility to the University.

with generally accepted government auditing standards (2003 Revision) appropriate to the scope of our audit.

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, including the recovery of funds, 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 Department of Education official, who will consider them before taking final Departmental action on this audit:

James Manning
Acting Chief Operating Officer
Federal Student Aid
U. S. Department of Education
Union Center Plaza, Room 112E1
830 First Street, N. E.
Washington, D.C. 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/

Gary D. Whitman
Regional Inspector General
for Audit

Attachments

ATTACHMENT 1: University Comments on the Draft Audit Report

(The University provided several attachments with its letter. All personally identifiable information mentioned in the University's comments was replaced with bracketed text. Because of the voluminous nature of the attachments to the University's comments and the personally identifiable information within, we have not included them in Attachment 1. Copies of the attachments to the University's comments, less the personally identifiable information, are available on request.)

Via E-Mail (PDF) and Overnight Delivery

July 11, 2008

Mr. Gary D. Whitman
Regional Inspector General for Audit
Office of the Inspector General
U.S. Department of Education
500 West Madison Street, Suite 1414
Chicago, IL 60661

**Re: Response and Comments to Draft Audit Report
(Control Number ED-OIG/A05H0018)**

Dear Mr. Whitman:

The materials accompanying this letter comprise Walden University's response and comments to the June 2, 2008 Draft Audit Report entitled *Walden University's Compliance with Selected Regulations and U.S. Department of Education Guidance*. In order to meet the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended, we have also enclosed a CD-ROM containing the narrative portion of this response in electronic (Microsoft Word) format.

As described in the attached comments, Walden University concurs in part and disagrees in part with the Findings and Recommendations set forth in the Draft Audit Report. We appreciate the opportunity to comment on the Draft Audit Report, and we reserve the right and opportunity to respond further to any final report as may be issued.

Respectfully submitted,

/s/

Jonathan A. Kaplan, J.D.
President

FINDING NO. 1 – The University Did Not Resolve All Comment Codes Generated after Unsuccessful Database Matches with Other Federal Agencies

The Draft Audit Report alleges that Walden University (“Walden” or “the University”) did not always resolve comment codes generated (1) when students claiming to be eligible noncitizens failed the CPS match with the Department of Homeland Security (“DHS”) or (2) when students claiming to be citizens failed the match with the Social Security Administration (“SSA”). As a result of these findings, with which Walden concurs in part and disagrees in part, the Draft Audit Report claims that the University improperly disbursed \$313,273 in Title IV, HEA funds to ineligible students. As described in more detail below, however, and supported by enclosed documentation, the University is able to demonstrate that a significant majority of the questioned students were in fact eligible to receive Title IV, HEA funds. As a result, Walden respectfully asserts that its return of funds for certain limited instances of noncompliance should fully resolve this matter, that no further file review is necessary, and that a fine proceeding would be excessively punitive.

Secondary Confirmation of Non-citizen Student Immigration Status When CPS Match with DHS Was Unsuccessful

The University concurs with the Draft Audit Report’s finding that secondary confirmation of non-citizen student immigration status with DHS was not performed in a timely fashion for 17 students during the 2005-06 award year. Subsequent to the initiation of the audit, Walden submitted Document Verification Request Forms G-845s and the required proof of citizenship documentation to DHS for each of the 17 students identified during the audit. The following eight students were consequently determined to be eligible for Title IV, HEA funds (see Appendix A for supporting documentation):

*Last Name	*First Name	Gross Amount Disbursed	G-845 Sent	G-845 Received	Comments	G-845 Result
		\$ 16,252.82	10.26.07	12.12.07	Received G-845 from DHS 12.12.07. USCIS response is #4 Asylee.	Eligible for federal financial aid
		\$ 48,779.00	10.26.07	11.20.07	Received G-845 from DHS 11.20.07. USCIS response is #10 U.S. Citizen.	Eligible for federal financial aid
		\$ 15,449.00	10.26.07	11.20.07	Received G-845 from DHS 11.20.07. USCIS response is #10 U.S. Citizen.	Eligible for federal financial aid
		\$ 15,975.38	10.26.07	11.16.07	Received G-845 from DHS 11.16.07. USCIS response is #1 Lawful Permanent Resident.	Eligible for federal financial aid
		\$ 33,920.38	10.26.07	11.20.07	Received G-845 from DHS 11.20.07. USCIS response is #1 Lawful Permanent Resident.	Eligible for federal financial aid

		\$ 53,905.00	10.26.07	11.19.07	Received G-845 from DHS 11.20.07. USCIS response is #10 U.S. Citizen.	Eligible for federal financial aid
		\$ 17,945.00	10.26.07	11.20.07	Received G-845 from DHS 11.20.07. USCIS response is #2 Conditional Resident.	Eligible for federal financial aid
		\$ 16,497.76	10.26.07	11.20.07	Received G-845 from DHS 11.20.07. USCIS response is #1 Lawful Permanent Resident.	Eligible for federal financial aid

* [Student Name Deleted]

As each of the above students was in fact eligible to receive Title IV, HEA funds, a return of funds is not warranted notwithstanding the fact that secondary confirmation did not occur prior to disbursement. Requiring a return of funds to lenders for these students, based solely on a documentation error rather than the student's actual eligibility to receive such funds, would be an unjustified and unsupportable result. Walden therefore disagrees with the Draft Audit Report's recommendation that funds be returned with respect to the above eight students.

With respect to the remaining nine students, the University has reviewed the files and determined that secondary confirmation of citizenship was not obtained from DHS during the 2004-05, 2005-06, 2006-07 or 2007-08 award years. We thus concur with the Draft Audit Report's recommendation that loan proceeds for these students be returned to appropriate lenders, and we have processed such returns in a total amount of \$307,404.98 as set forth below (see supporting documentation in Appendix B):

*Last Name	*First Name	Net loan amount returned: 2004-05	Net loan amount returned: 2005-06	Net loan amount returned: 2006-07	Net loan amount returned: 2007-08	Net loan amount returned: all years
		\$ -	\$ 8,245.00	\$ -		\$ 8,245.00
		\$ -	\$ 0 ⁸	\$ 18,300.00		\$ 18,300.00
		\$ -	\$ 35,890.00	\$ 18,500.00	\$ 6,834.00	\$ 61,224.00
		\$ -	\$ 17,945.00	\$ 18,500.00		\$ 36,445.00
		\$ -	\$ 17,945.00	\$ 18,500.00	\$ 6,834.00	\$ 43,279.00
		\$ -	\$ 17,945.00	\$ 18,500.00		\$ 36,445.00
		\$ -	\$ 29,908.98	\$ 18,500.00	\$ 6,834.00	\$ 55,242.98
		\$ -	\$ 17,945.00	\$ -		\$ 17,945.00
		\$ -	\$ 17,945.00	\$ 12,334.00		\$ 30,279.00
TOTALS		\$ -	\$ 163,768.98	\$ 123,134.00	\$ 20,502.00	\$ 307,404.98

* [Student Name Deleted]

⁸ The University is unable to return loan funds to the lender in this instance, as the loan has been repaid in full by the borrower.

Walden University has taken corrective action, including the implementation of enhanced policies and procedures, to ensure that the secondary confirmation of citizenship/eligible non-citizenship (G-845) is completed within 10 days as required by applicable regulations (see Appendix C). In September 2007, Walden University created and filled a Compliance Manager position to oversee all database match processes. We have further provided considerable training regarding these enhanced policies and procedures to all financial aid staff members responsible for the resolution of CPS comment codes.

Documentation of Student Citizenship Status When CPS with SSA Was Unsuccessful

Walden disputes this portion of the Draft Audit Report finding, in its entirety, as we have been and remain in material compliance with the requirements of 34 C.F.R. § 668.24(a)(3) pertaining to U.S. citizenship documentation prior to the awarding of Title IV, HEA funds. As noted in the Draft Audit Report, the OIG field auditors noted only four instances – out of one-hundred files reviewed – where sufficient documentation of citizenship was not present. The University has since adequately documented the eligibility of the four questioned students (see supporting documentation at Appendix D):

[Student Name Deleted] – Although the student’s file could not be located at the time of the audit, both the file and citizenship documentation have since been located. According to PowerFAIDS system records, the information for this student was received on 7/23/2004.

[Student Name Deleted] – The citizenship documentation had been originally misfiled and was not in the correct student folder at the time of the audit. It has since been located. According to PowerFAIDS system records the information for this student was received on 10/20/05.

[Student Name Deleted] – The University had previously obtained documentation of citizenship, but the student’s records were unclear due to a change in marital status and name. Such name discrepancies and records have subsequently been clarified.

[Student Name Deleted] – The University had previously obtained documentation of citizenship, but the student’s records were unclear due to a change in marital status and name. Such name discrepancies and records have subsequently been clarified.

The University has thus demonstrated that 100 percent of the student files contained in the audit sample contain adequate documentation of citizenship. Consequently, the Draft Audit Report’s statement that \$55,503 in Title IV, HEA funds were improperly disbursed to the above students is incorrect. Additionally, based on some of the issues identified in the audit, the Financial Aid Office has created and implemented a “Name Confirmation Form” to resolve possible name and/or date of birth discrepancies in the future (see sample at Appendix C).

Comments Regarding Recommendations under Finding No. 1

As set forth above, the University concurs with Finding No. 1 only to the limited extent that it did not resolve certain CPS comment codes generated after unsuccessful database matches.

However, as demonstrated by the enclosed supporting materials, in the vast majority of instances identified by the audit the failure to resolve CPS comment codes did not cause disbursements of Title IV, HEA funds to ineligible students. Specifically, from among the 117 students noted in this finding, the University has demonstrated that 108 were in fact eligible to receive such funds. Funds that were disbursed to the nine remaining students have already been returned. We therefore request that the Draft Audit Report's recommendations regarding this matter be revised accordingly.

The Draft Audit Report's recommendation that Federal Student Aid ("FSA") require a broader review of files from the 2004-05 award year to the present – based on what are isolated instances of noncompliance within the audit sample – is simply unwarranted. The above discussion regarding Walden's compliance, supported by accompanying documentation, reveals an error rate that is well below the Department's standard compliance review threshold for requiring a full file review, let alone a full file review spanning multiple award years.

Additionally, the Draft Audit Report's recommendation that FSA consider fine proceedings regarding this matter is both uncalled for and excessively punitive. As noted previously, as a percentage of total files reviewed, the audit revealed only isolated instances of ineligible disbursements, and such disbursements have since been returned by Walden to the appropriate lenders. Such return of funds is the appropriate remedial action, and the University has further implemented corrective action to better ensure that CPS comment codes are appropriately resolved in the future.

FINDING NO. 2 – The University Did Not Adequately Resolve Comment Codes after a Match with NSLDS Indicated That Students Were Approaching or Had Exceeded Aggregate Loan Limits

The Draft Audit Report alleges that Walden did not properly consider students' loan balances or adequately resolve comment codes regarding aggregate loan limits and, as a result, awarded or disbursed \$445,184 of Federal Family Education Loan ("FFEL") and \$2,502 of Federal Work Study ("FWS") program funds to students who had exceeded their aggregate subsidized loan limit and/or aggregate total loan limit as established by 34 C.F.R. § 682.204. As set forth in detail below, on a student-by-student basis, the University disagrees with the OIG regarding a majority of the questioned disbursements underlying this finding.⁹

Walden follows the Department's guidance regarding FFEL program limits as set forth in Dear Colleague Letter GEN-97-3 (May 1997), which includes the following relevant instructions:

⁹ During the performance of the audit and in conjunction with the Draft Audit Report, the auditors provided Walden with various work papers and spreadsheets purporting to support Finding No. 2. These comments and the accompanying supporting documents therefore respond to the student-specific information provided by the OIG in its disclosed work papers. If Finding No. 2 is based, in any part, on data or work papers not previously shared with the University, we respectfully request that it be promptly provided for our review and comment prior to the issuance of any Final Audit Report.

Example 5b: Determining a Graduate Borrower's Remaining Aggregate Unsubsidized Loan Eligibility	
Aggregate graduate loan limit for Unsubsidized Loans	\$138,500
minus amount of Subsidized Loans received	- 65,500
minus amount of Unsubsidized Loan received	- 0
remaining aggregate Unsubsidized Loan eligibility	73,000

A graduate borrower who has received a **combined** amount of Subsidized and Unsubsidized Loans that equals or exceeds the \$65,500 **aggregate** Subsidized limit continues to be eligible for Subsidized Loans until the borrower reaches the \$65,500 Subsidized limit. In addition, the borrower continues to qualify for Unsubsidized Loans until the borrower reaches the combined \$138,500 Subsidized/Unsubsidized **aggregate** limit.

Additionally, any audit focused on ISIR and NSLDS processing during the 2005-06 award year must fairly consider the following circumstances:

- Prior to March 2005, historical data on Outstanding Principal Balance (“OPB”) and Outstanding Interest Balance (“OIB”) amounts were not stored or displayed in NSLDS. Only in late March 2005 did NSLDS *begin the process* of storing and displaying such information. Thus, historical OPB and OIB data was simply not available through NSDLS to Walden at the time we awarded and disbursed many of the loans questioned by this audit.
- In February 2006, NSLDS Newsletter No. 11 instructed financial aid administrators to change the methodology for calculating aggregate loan totals, specifically stating the following: *“For all of the reasons discussed here, as of January 2006, NSLDS, while continuing to report (on web pages and on ISIRs) unallocated amounts, does not use unallocated amounts when calculating aggregate subsidized, unsubsidized, and combined outstanding principal balances. Nor are FAAs required to investigate whether an unallocated amount might impact a student’s eligibility for additional aid. This change to the FAA requirement is effective immediately. For system reasons, NSLDS did not make this change to 2005-2006 ISIRs.”*
- Because data provided on the NSLDS website is dynamic rather than static, it is impossible at any given point in time to determine what data was provided for a particular student on the site at any prior point in time. It is for this reason that Walden has relied heavily on ISIRs in reconstructing loan histories for students at issue in this audit. The NSLDS website may have information now available regarding those students that simply was not available at the time their loans were awarded and disbursed.
- On October 20, 2006, the Department of Education identified an NSLDS post-screening system error that affected Aid Overpayment and ISIRs during the summer of 2006. The affected records contained incorrect overpayment information until corrected ISIRs were reprocessed by CPS. For nearly everyone involved in the administration of the Title IV programs, the 2005-06 award year was unusually confusing insofar as the accuracy and consistency of NSLDS historical loan data was concerned.

With the above as background, the University disputes the Draft Audit Report's conclusions, in their entirety, with respect to the following students (supporting documentation provided at Appendix E):

[Student Name Deleted] – At the time of her 2005-06 loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. The underlying loans for this student at the time her loans were disbursed totaled \$104,315, of which \$55,375 were Subsidized loans. She was therefore eligible for the \$8,500 Subsidized and \$10,000 Unsubsidized loans disbursed.

[Student Name Deleted] – At the time of her 2005-06 loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. An ISIR processed on 10/18/05 showed combined loans of \$137,058, of which \$20,000 were Subsidized loans. The student was thus eligible for the \$1,442 Subsidized loan disbursed ($\$138,500 - \$137,058 = \$1,442$). A subsequent ISIR processed on 01/05/06 confirms this eligibility.

[Student Name Deleted] – At the time of her 2005-2006 loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. An ISIR processed on 2/09/05 showed combined loans of \$103,505, of which \$36,199 were Subsidized loans. The student was thus eligible for the \$8,500 Subsidized loan disbursed and the \$10,000 Unsubsidized loan disbursed by 6/16/06 ($\$138,500 - \$103,505 = \$34,995$). When the post-screened ISIR dated 7/11/06 arrived after the 2005-06 loans had fully disbursed.

[Student Name Deleted] – This student was awarded and disbursed an \$11,334 Unsubsidized loan for the 2005-06 award year. Based upon an ISIR processed on 10/18/05, the student's Subsidized loans totaled \$5,108 with combined loans of \$37,000. The student was thus eligible for her \$11,334 Unsubsidized award.

[Student Name Deleted] – At the time of his 2005-06 loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. At the time of awarding, his underlying Subsidized loans totaled \$35,999 and aggregate combined \$107,595. Upon receipt of the post-screened ISIR dated 11/01/05 a determination was made that the student was not exceeding the aggregate limit, and the student is not presently exceeding aggregate loan limits. Therefore, he was eligible for his 2005-06 loan disbursements of \$8,500 Subsidized and \$10,000 Unsubsidized.

[Student Name Deleted] – At the time of her 2005-06 loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. As of 10/27/05 her underlying loan totals were \$53,459 Subsidized and \$113,364 combined. She was eligible for her \$12,334 in 2005-06 loan disbursements (\$2,296 Subsidized loan and \$9,338 Unsubsidized loan).

[Student Name Deleted] – At the time of 2005-06 loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limits of \$65,500 or the combined aggregate loan limit of \$138,500. An ISIR processed on 3/24/05 shows \$59,946 in total Subsidized and \$114,697 combined FFELP loans. The student was eligible for her \$5,554 Subsidized (\$65,500 - \$59,946 = \$5,554) and her \$12,946 Unsubsidized loan. She was also eligible for the renewal Unsubsidized Stafford Loan of \$5,303. This is confirmed by the ISIR processed 2/1/06.

[Student Name Deleted] – At the time of 2005-06 loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limits of \$65,500 or the combined aggregate loan limit of \$138,500. The calculated underlying loans for this student following her 2005-06 loan disbursements totaled \$114,906. She was eligible for both the \$8,500 subsidized and \$10,000 Unsubsidized loans awarded and disbursed.

[Student Name Deleted] – At the time of loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. Her Subsidized and Unsubsidized loans had disbursements on 11/1/05 and 12/16/05. When her post-screen ISIR subsequently arrived on 1/10/06, her remaining 2005-06 loan disbursements were canceled.

[Student Name Deleted] – At the time of her 2005-06 loan disbursements, this student did not exceed either the graduate-level Subsidized limit of \$65,500 or the combined limit of \$138,500 based on a calculation of her underlying loans.

[Student Name Deleted] – At the time of 2005-06 loan disbursements, this student did not exceed the graduate-level Subsidized aggregate limit of \$65,500. An ISIR processed on 3/28/05 shows total Subsidized loans of \$40,511 and a combined aggregate total of \$72,008. Her \$5,067 Subsidized Stafford loans had disbursements on 12/16/05 and 3/17/06. It was not until 4/11/06, following two 2005-06 disbursements, that a post-screen ISIR provided any indication that the student was nearing her aggregate Subsidized limits. At that point, the student's two remaining 2005-06 Subsidized loan disbursements were canceled in order to prevent overpayment.

[Student Name Deleted] – At the time of her 2005-06 loan disbursements, this student did not exceed either the graduate-level subsidized aggregate limit of \$65,500 or the combined aggregated limit of \$138,500. An ISIR received on 1/3/05 showed total subsidized loans of \$42,500 and a combined aggregate total of \$92,500. When her ISIR contained a post-screen message that she was about to exceed her combined loan levels, her Unsubsidized Stafford was reduced to \$6,200. When a subsequent ISIR transaction arrived on 3/21/06, it reconfirmed that (including pending disbursements) she was no longer in danger of exceeding her combined loan limits.

[Student Name Deleted] – At the time of her 2005-06 loan disbursements, this student did not exceed either the graduate-level Subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. An ISIR received on 2/14/05 showed total Subsidized loans of \$59,328 and a combined aggregate total of \$133,931. Her \$4,569 Unsubsidized Stafford loans had disbursements on 6/17/05 and 7/22/05. It was not until

1/31/06, following all 2005-06 disbursements, that an ISIR post-screen transaction provided any indication that the student was nearing her aggregate loan limits.

[Student Name Deleted] – At the time of her 2005-06 loan disbursements, this student did not exceed either the graduate-level subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. An ISIR processed on 3/22/05 showed total Subsidized loans of \$20,162 and a combined total of \$96,806 ($\$138,500 - \$96,806 = \$41,694$ remaining Unsubsidized eligibility). The post-screen ISIR was not received until July 12, 2006, nearly four months following the student's final 2005-06 loan disbursement (and that post-screen ISIR further contained suspect information, counting \$91,503 of the student's consolidation loans toward the student's aggregate loan totals). The questionable information was later corrected. As of 2/13/07, this student's total unallocated consolidation loans totaled \$107,129 per the student's ISIR for 2006-07. The latter ISIR is further evidence that the student had not exceeded her FFEL program aggregate loan limits as of March 15, 2006.

[Student Name Deleted] – At the time of 2005-06 loan disbursements, this student did not exceed either the graduate-level subsidized aggregate limit of \$65,500 or the combined aggregate limit of \$138,500. The underlying loans for this student at the time his loans were disbursed totaled \$72,068, of which \$48,100 were Subsidized Stafford loans.

With respect to the following students, the University concurs that it did not adequately resolve 2005-06 aggregate loan limits, but disputes the specific amount of Title IV, HEA program funds claimed by the OIG as needing to be returned to lenders (supporting documentation provided at Appendix F):

[Student Name Deleted] – The University has determined that a loan overpayment of \$9,763, rather than \$22,202 as indicated on the OIG work papers, had occurred during 2005-06. The net loan amount of \$9,470.11 has been returned to the lender.

[Student Name Deleted] – We have calculated a \$6,335 overpayment of Subsidized loans in 2005-06, and requested reallocation of \$2,462 of this student's 2005-06 Subsidized Stafford loan to her Unsubsidized Stafford loan. Therefore, the net amount returned to the lender was \$3,756.81.

[Student Name Deleted] – An overpayment of \$6,125 occurred, and we have subsequently reallocated all \$6,125 of this student's Subsidized Stafford loan to an Unsubsidized Stafford loan. The amount to be returned to the lender is therefore \$0.

[Student Name Deleted] – The University's calculations indicate that there was an overpayment of \$13,756 in 2005-06 rather than \$15,935 as indicated on the OIG work papers. A net loan amount of \$13,328.55 has been returned to the lender.

[Student Name Deleted] – An overpayment of \$1,276 occurred, and we have subsequently reallocated \$1,276 of the student's Subsidized loan to her Unsubsidized loan. Therefore, the amount to be returned to the lender is \$0.

[Student Name Deleted] – We have determined there was an \$8,500 overpayment of Subsidized loans, and have subsequently reallocated the entire amount to his Unsubsidized loan. Therefore, the amount to be returned to the lender is \$0.

[Student Name Deleted] – We have calculated a \$1,734 overpayment of Subsidized loans, which have been subsequently reallocated to the student's Unsubsidized loan. Therefore, the amount to be returned to the lender is \$0.

[Student Name Deleted] – At the time of loan disbursements, this student did exceed the graduate-level Subsidized aggregate limit of \$65,500. The funds cannot be reallocated because the underlying loan has been consolidated, and the holder of the consolidated loan has denied our request to reallocate the funds. Therefore, we consider the consolidation to be reaffirmation of the debt and correction of the overpayment.

[Student Name Deleted] – At the time of loan disbursements, this student did exceed the graduate-level Subsidized aggregate limit of \$65,500. The underlying loans for this student at the time her loans were disbursed totaled \$116,345, which is below the combined aggregate limit of \$138,500. We have subsequently reallocated \$7,519 of the 2005-06 subsidized loan overpayments to her 2005-06 unsubsidized loans. Therefore, the amount to be returned to the lender is \$0.

[Student Name Deleted] – At the time of loan disbursements, this student did exceed the graduate-level Subsidized aggregate limit of \$65,500. The underlying loans for this student at the time of her loan disbursements totaled \$101,726, which is below the combined aggregate limit of \$138,500. We have subsequently reallocated \$6,646 of the 2005-06 Subsidized loan overpayments to her 2005-06 Unsubsidized loans. Therefore, the amount to be returned to the lender is \$0.

[Student Name Deleted] – At the time of loan disbursements, this student did exceed the graduate-level subsidized aggregate limit of \$65,500. The underlying subsidized loans for this student at the time her loans were disbursed totaled \$58,416 and her combined aggregate total was \$112,322, which is below the combined aggregate limit of \$138,500. We have subsequently reallocated \$1,416 of 2005-06 Subsidized loan overpayments to her 2005-06 Unsubsidized loans. Therefore, the amount to be returned to the lender is \$0.

[Student Name Deleted] – We have determined there was a \$12,886 overpayment of Subsidized loans and reallocated the entire amount to the student's Unsubsidized loan. Therefore, the amount to be returned to the lender is \$0.

[Student Name Deleted] – We have reallocated \$8,500 from Subsidized to Unsubsidized and returned an overpayment of Unsubsidized loan funds in the net amount of \$3,993.49.

[Student Name Deleted] – Based on a calculation of underlying loans, we have determined there was a \$2,008 overpayment of Subsidized loan and \$5,696 Unsubsidized loan. We have returned a net loan amount of \$7,472.88.

[Student Name Deleted] – The University has calculated an overpayment of \$6,146 rather than \$18,500, and returned such amount to the lender.

[Student Name Deleted] – We have determined an overpayment of \$1,636 of Subsidized loans and reallocated the entire amount to an Unsubsidized loan. Therefore, the amount to be returned to the lender is \$0.

The University concurs with the OIG concerning the following students and has returned pertinent Title IV loan funds to the appropriate lenders for the 2005-06 aid year (supporting documentation provided at Appendix G):

[Student Name Deleted] – We have returned a net loan amount of \$8,302.23.

[Student Name Deleted] – We have returned a net loan amount of \$9,879.45.

[Student Name Deleted] – We have returned \$4,448 to the lender (\$2,596 Subsidized and \$1,852 Unsubsidized).

[Student Name Deleted] – We have returned a net loan amount of \$17,945.00.

[Student Name Deleted] – We have requested a check to return a net loan amount of \$5,981.99.

[Student Name Deleted] – We have returned \$3,880 as the net amount of the loan overpayment.

[Student Name Deleted] – We have requested a check to return a net loan amount of \$3,233.98.

[Student Name Deleted] – We have returned a net loan amount of \$5,577.50.

[Student Name Deleted] – We have requested a check to return a net loan amount of \$6,254.56.

The Draft Audit Report further alleges that because of its failure to resolve FFEL loan limits, Walden also improperly disbursed \$2,502 of FWS program funds to one student. We disagree. Assuming that the student received an overpayment of loan funds, the return of which has been documented herein, the student was then eligible for the FWS disbursement (see supporting documentation provided at Appendix G).

Comments Regarding Recommendations under Finding No. 2

As described above and evidenced by the supporting documents, the University has returned all Title IV, HEA funds that it has determined were overpayments for the 2005-06 award year. We disagree with the OIG that any other 2005-06 awards were inappropriate, based on information that was available at the time of 2005-06 disbursements. Walden therefore asserts that no further returns of funds are required with respect to the 2005-06 award year.

With respect to the University's policies and procedures for reviewing and resolving CPS comment codes, we have already revised and strengthened such policies and procedures in the years following the period covered by the audit. Specifically, in August 2007, the University revised its procedure for documenting NSLDS values when reviewing aggregate totals directly from the NSLDS website, and provided training to all staff on the revised procedures and NSLDS review. In January 2008, we restructured the financial aid awarding team, including the hiring of a new manager and additional staff. At the same time, the University strengthened its NSLDS review and coding for students who receive "renewal loans" (two loan years from one ISIR), and financial aid staff received special training to review NSLDS for renewal students. Also, our internal reporting system was modified to separate renewal students who were close to aggregate loan limits from those who were not. Most recently, in March 2008, we adopted significant changes to the coding and quality control features of the PowerFAIDS software, which are designed to prevent manual errors pertaining to NSLDS and to correct errors before funds are disbursed. All staff responsible for resolving comment codes have been trained or retrained, as appropriate, as have staff responsible for packaging and disbursing FFELP loans (see supporting documentation at Appendix H).

Walden further disagrees with the Draft Audit Report's recommendation that FSA require a broader review of files from the 2004-05 award year to the present. As set forth above and supported by the accompanying materials, Finding No. 2 is significantly based on what the University asserts are incorrect conclusions by the OIG regarding students' eligibility for loan disbursements during the 2005-06 award year. This, combined with the NSLDS weaknesses and problems acknowledged by the Department during that same award year, render a broader file review as excessive and unwarranted.

Additionally, as with the previous finding, the Draft Audit Report's recommendation that FSA consider fine proceedings regarding this matter is both uncalled for and excessively punitive. The University has examined all of the students questioned by the audit, returned appropriate funds to lenders, and previously implemented enhanced policies and procedures to prevent future similar occurrences. To initiate any fine proceeding regarding this matter would also be inequitable, as the Department itself acknowledged various problems in NSLDS during the 2005-06 award year that affected not only Walden, but all institutions participating in the Title IV loan programs.

Attachment 2: Detailed Tables Documenting Finding No. 2 Questioned Costs and OIG Comments on the University's Response

Group 1: The University Did Not Concur (15 of the 40 Students Questioned)

The University disagreed entirely with the OIG's conclusion that 15 (of 40) students had exceeded their aggregate loan limits and received improper disbursements totaling \$117,510. We reviewed the University's response, along with the additional documentation, and disagree with the University for all 15 students.

The University's primary argument was that the students did not exceed the aggregate limits during the 2005-2006 award year. We agree that, in many instances, there were not improper disbursements during that year. However, improper disbursements were made during the 2006-2007 and 2007-2008 award years.

As part of our analysis, we reviewed the student loan activity using NSLDS as of October 2008. Even though the University disagreed with this finding, it has refunded or canceled \$55,777 and reclassified \$12,646 of subsidized loan disbursements, which restored students' eligibility for \$4,978 of the previously improper unsubsidized loan disbursements. Disbursements for 6 of the originally disputed 15 students have not been fully resolved, and \$44,109 remains in question.

Table 5. The University Did Not Concur					
Student	Questioned In Draft Report	Amount University Actually		Restored Eligibility	Remaining Questioned Costs
		Refunded/ Canceled	Reallocated		
1.	\$7,105	\$7,105	\$0		\$0
2.	\$6,167	\$6,167	\$0		\$0
3.	\$13,415	\$13,415	\$0		\$0
4.	* \$13,987	\$0	\$0		\$13,987
5.	* \$1,243	\$0	\$1,243		\$0
6.	* \$3,265	\$0	\$0		\$3,265
7.	\$5,303	\$5,303	\$0		\$0
8.	\$11,442	\$0	\$0		\$11,442
9.	\$1,395	\$0	\$0		\$1,395
10.	*\$17,593	\$17,593	\$0		\$0
11.	\$8,500	\$0	\$8,500		\$0
12.	\$6,194	\$6,194	\$0		\$0
13.	Not included in the questioned costs. Probably confused her with the student below. The student was not on any list and had same first name.				
13x.	** \$8,711				\$8,711
14.	* \$5,309	\$0	\$0		\$5,309
15.	\$7,881	\$0	\$2,903	\$ 4,978	\$0
Total	\$117,510	\$55,777	\$12,646	\$ 4,978	\$44,109
* Questioned amount had been adjusted up or down from draft report amount.					
** Student not addressed (has the same first name as Student No. 13x).					

Group 2: The University Concurred that An Overaward Existed but Disputed the Amount (16 of the 40 Students Questioned)

The University concurred that it did not adequately resolve 2005-2006 aggregate loan limits for the second group of students. However, the University disputed the amount of Title IV, HEA program funds that should be returned to lenders.

We analyzed the University's response, the additional documentation submitted by the University, and recent NSLDS data (as of October 2008). We noted that the amounts disputed by the University were, generally, for improper disbursements made during the 2006-2007 and 2007-2008 award years. We questioned the loan amounts for these subsequent years because the University had been put on notice in 2005-2006 that these students were in danger of exceeding aggregate loan limits. Also, as we noted for Group 1, regardless of its stated non-concurrence, the University made refunds and cancellations and reclassified subsidized amounts as unsubsidized for these students, fully clearing all improper loan disbursements for 9 of the 16 loans. These actions also restored students' eligibility for \$99,407 in loan funds. However, \$43,724 remains in question.

Table 6. University Concurred Partially (There Was An Overaward but Disputed Amount)					
Student	Questioned In Draft Report	Amount University Actually		Eligibility Restored	Remaining Questioned Costs
		Refunded/ Canceled	Reallocated		
1	\$22,202	\$9,763	\$3,756	\$8,683	\$0
2	\$6,335	\$3,757	\$0	\$0	\$2,578
3	\$23,208	\$0	\$6,125	\$17,083	\$0
4	*\$13,756	\$13,329	\$0	\$0	\$427
5	\$12,019	\$471	\$1,276	\$10,272	\$0
6	\$8,500	\$0	\$8,500	\$0	\$0
7	\$1,734	\$0	\$1,734	\$0	\$0
8	\$9,516	\$0	\$0	\$0	\$9,516
9	\$48,785	\$428	\$7,519	\$40,838	\$0
10	\$12,332	\$0	\$7,520	\$4,812	\$0
11	\$3,583	\$0	\$1,416	\$2,167	\$0
12	\$22,555	\$0	\$12,886	\$9,669	\$0
13	\$18,500	\$0	\$8,500	\$5,883	\$4,117
14	\$14,340	\$7,473	\$0	\$0	\$6,867
15	\$18,500	\$6,138	\$0	\$0	\$12,362
16	\$9,493	\$0	\$1,636	\$0	\$7,857
Total	\$245,358	\$41,359	\$60,868	\$99,407	\$43,724
* Questioned amount had been adjusted down from draft report amount					

Group 3 - The University Concurred and Returned the Pertinent 2005-2006 Award Year Title IV, HEA Program Loan Funds (9 of the 40 Students Questioned)

The University concurred with the OIG concerning the third group of students and indicated it returned Title IV, HEA program funds to the appropriate lenders for the 2005-2006 award year. We reviewed the University's response and the supporting documentation. We accepted the support for 7 of the 9 students. For the remaining 2 students, the University stated that a check request was made for the net amount but did not provide support that the funds were returned to the lender. As of October 2008, NSLDS records for the 2 students did not reflect that Title IV, HEA program funds had been returned. Therefore, the OIG does not agree with the amount of Title IV, HEA program funds that were returned, and \$9,782 remains in question.

Table 7. Improper Disbursements with Which the University Concurred and Claimed to Have Refunded					
Student	Questioned in Draft Report	Amount University Actually		Eligibility Restored	Remaining Questioned Costs
		Refunded/ Canceled	Reallocated		
1	\$27,059	\$27,059	\$0	\$0	\$0
2	\$10,185	\$10,185	\$0	\$0	\$0
3	\$4,448	\$4,448	\$0	\$0	\$0
4	\$18,500	\$18,500	\$0	\$0	\$0
5	\$6,167	\$6,167	\$0	\$0	\$0
6	\$4,000	\$4,000	\$0	\$0	\$0
7	\$3,334	\$0	\$0	\$0	\$3,334
8	\$5,750	\$5,750	\$0	\$0	\$0
9	\$6,448	\$0	\$0	\$0	\$6,448
Total	\$85,891	\$76,109	\$0	\$0	\$9,782