



November 14, 2013

Mr. Rafael Gonzalez, President
R. Gonzalez Management, Inc.
3560 S. Cienega Blvd., Suite G
Los Angeles, CA 90016-4400

Certified Mail
Return Receipt Requested
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RE: Expedited Final Program Review Determination Letter

Dear Mr. Gonzalez:

From September 23 through 26, 2013, Marcia Clark, Terri Tom, Angela Beam and Jim Wyant conducted the on-site portion of the Program Review (PR) for R. Gonzalez Management, Inc. (RGM), a third party servicer. The PR was continued off-site, and RGM provided the reviewers with additional required materials on October 18, 2013. Services contracted with RGM by Title IV participating institutions were evaluated pursuant to the requirements of Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The purpose of this Final Program Review Determination Letter is to close the program review.

A. Scope of Review:

The focus of the review was to determine RGM's compliance with the statutes and federal regulations as they pertain to the third party services provided to institutions in their administration of the Title IV programs. The Department selected the following institutions as a sample for the review:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

The review consisted of, but was not limited to, an examination of the policies and procedures regarding institutional and student eligibility, and individual student financial aid, academic, attendance, and other student information contained in RGM's systems. In addition a review of fiscal records including, but not limited to, institutional bank statements, Common Origination and Disbursement (COD) records, the Department's G-5 payment system (G-5), Fiscal

Operations Reports and Applications to Participate (FISAPs), student account ledgers, and other fiscal documentation maintained by RGM. Due to a prior audit issue, the Department reviewed master attendance sheets for

The Department also interviewed RGM senior staff regarding the policies, procedures and operations of the company. RGM staff guided reviewers through the various systems used to provide Title IV services to the client institutions. Although none of the institutions in the sample were on Heightened Cash Monitoring 2, RGM staff also provided an in depth explanation of that process to Department reviewers.

In addition, a sample of 31 student files was identified for review from the 2012-2013 award year. These 31 student files were selected randomly from RGM's client list and student rosters. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. With respect to the individual students, the Department reviewed enrollment agreements, all ISIRs, ledgers as maintained in the RGM master file, academic transcripts, and the Department's payment records.

B. Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. Appendix A was encrypted and sent separately to the institution via e-mail.

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning RGM's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve RGM of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

The San Francisco/Seattle School Participation Division has made a Final Program Review Determination concerning the finding that was identified during the program review. Following is a discussion of the finding identified and the resolution of that finding.

C. Program Review Finding and Final Program Review Determination:

Finding: Incorrectly Prepared FISAP Report

Citation: To participate in the campus-based student aid programs, including the Federal Perkins Loan, Federal Work Study (FWS), or Federal Supplemental Educational Opportunity Grant (FSEOG) programs, an institution must file an application before the deadline date established annually by the Secretary. The application, referred to as a Fiscal Operations Report and Application to Participate (FISAP) is a form approved by the Secretary and must contain the information needed by the Secretary to determine the institution's allocation or reallocation of funds. 34 C.F.R. § 673.3

Noncompliance: Part II of the FISAP prepared by RGM for participation in the campus based programs contained incorrect data for the 2012-2013 award year, which has the potential to affect campus-based funding allocations for the 2014-2015 award year.

Student #16's FISAP Total Income was accurately reported as \$94,975 on page three of the 2012-2013 Institutional Student Information Record (ISIR). However, the student's income was incorrectly reported on FISAP as less than \$1,000. Additionally, this student was enrolled in an undergraduate program, but the student was incorrectly reported on the FISAP as a graduate student.

RGM officials acknowledged these inconsistencies during the on-site portion of program review, and attributed these errors to the new coding of its computer software program.

Servicer Action Taken to Resolve Noncompliance: While on-site, the reviewers were informed that RGM would correct its FISAP coding error, resubmit FISAP, and determine whether other clients' FISAPs were affected.

On October 18, 2013, RGM provided the reviewers with email correspondence which included: confirmation of its corrected FISAP software coding, corrected FISAP pages with documentation of the redistributed income and program enrollment data, notification that FISAP had been resubmitted to the Department on October 1, 2013; and assurance that due to its graduate program, was the only client affected by the coding error.

Final Determination: On November 6, 2013, Marcia Clark, of this office, contacted the Department's E-Campus Based group and confirmed that original September 20, 2013 submission had been resubmitted on October 1, 2013. Therefore, RGM may consider this finding closed, with no further action required.

D. Recommendations:

Strengthen Attendance Monitoring: The reviewers recommended that RGM disable their clients' ability to post attendance on a monthly basis, as more frequent attendance posting would enhance RGM's ability to obtain timely attendance information for purposes of performing Return to Title IV (R2T4) calculations.

RGM concurs with this recommendation, and it is working to implement system programming changes. RGM officials noted that only one institution, , used the system's monthly attendance functionality. has agreed to utilize RGM's weekly posting option until it is able to install a system to electronically transmit information to RGM's system.

Add Entrance Loan Counseling Requirement: The reviewers recommended that RGM implement a system that would require entrance counseling, where appropriate, for Direct Loan borrowers. RGM concurs with this recommendation, and has implemented a system enhancement that will preclude the printing of Direct Loan checks unless the entrance counseling requirements are satisfied in the system.

Add Contract Term Limit: Although not required, the Department believes that it is in the best interest of both the institutions and the servicers to have set time frames identified for the contracts. This provides an opportunity to periodically review the elements in the contract to ensure continued consistency with Title IV requirements and to ensure that each party continues to understand its responsibilities under the contract. A suggested time frame would be 3-5 years.

E. Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. If you have any questions concerning this report, please call Marcia Clark at (415) 486-5602.

Sincerely,

A handwritten signature in black ink, appearing to read 'Martina Fernandez-Rosario', with a long horizontal line extending to the right.

Martina Fernandez-Rosario
Division Director
San Francisco/Seattle School Participation Division

cc: Ms. Leticia Ruelas, Customer Support

Appendix A: Student Sample

2012-2013

Confidential – This document contains Personally Identifiable Information