September 4, 2019

Thomas Rametta, President
Ultimate Medical Academy
1255 Cleveland Street
Clearwater, FL 33756-4917

UPS Tracking # 1ZA87964NY94374768

RE: Final Program Review Determination
OPE ID: 03549300
PRCN: 201730429627

Dear President Rametta:

The U.S. Department of Education’s (Department’s) School Participation Division - Atlanta issued a program review report on March 29, 2018 covering Ultimate Medical Academy’s (UMA’s) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2015/2016 and 2016/2017 award years. The institution’s final response was received on June 13, 2019.

The School Participation Division - Atlanta has reviewed UMA’s responses to the Program Review Report. A copy of the program review report (and related attachments) and UMA’s response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by UMA upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

In response to the PRR, UMA provided a response and additional documentation needed to resolve the following findings.

Finding 1: Unclear Audit Trail - 90/10 Calculation
Finding 2: Return To Title IV (R2T4) Calculation Errors - Inaccurate Record Keeping
Finding 3: Federal Pell Grant (Pell) Overpayment
Finding 4: Title IV Funds Disbursed to Students with Invalid High School Diplomas

Additional information was requested and provided by UMA for the following finding:

Finding 5: Incentive Compensation Violation
In the PRR, the Department questioned whether certain payments made to employees violated the Title IV incentive compensation ban. UMA provided additional documentation and responses that resolved the Department’s concerns. This finding is considered closed.

In addition, UMA has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, UMA may consider the program review closed with no further action required.

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

We appreciate the patience and cooperation provided during this review. If you have any questions, please call Vinita Simpson at (404) 974-9260.

Sincerely,

Chris Miller
Division Director

Enclosure: Program Review Report (with attachments)
UMA’s Response to the Program Review Report

cc: Nadine Bailey, Financial Aid Administrator
Accrediting Bureau of Health Education Schools
FL Commission for Independent Education - Florida Department of Education
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau
March 29, 2018

Derek Apanovitch, President  
Ultimate Medical Academy  
1255 Cleveland Street  
Clearwater, FL 33756-4917

RE: Program Review Report  
OPE ID: 03549300  
PRCN: 201730429627

Dear President Apanovitch:

From June 19, 2017 through June 23, 2017, Vinita Simpson, Tracy Simmonds, and Lonnie Seal conducted a review of Ultimate Medical Academy’s (UMA’s) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by UMA. The response should include a brief, written narrative for each finding that clearly states UMA’s position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, UMA must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

(1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report\(^1\) and relevant materials related to the report before any final program review report is issued;

(2) review and take into consideration an institution’s response in any final program review report or audit determination, and include in the report or determination —
   a. A written statement addressing the institution’s response;
   b. A written statement of the basis for such report or determination; and
   c. A copy of the institution’s response.

The Department considers the institution’s response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution’s written response will not be attached to the Final Program Review Determination (FPRD). However, it will be retained and available for inspection by UMA upon request. Copies of the program review report, the institution’s response, and any supporting documentation may be subject to

\(^1\) A “preliminary” program review report is the program review report. The Department’s final program review report is the Final Program Review Determination (FPRD).

Federal Student Aid  
School Participation Division – Atlanta  
61 Forsyth Street, Room 18T40, Atlanta, GA 30303  
StudentAid.gov
release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution’s response should be sent directly to Vinita Simpson of this office within 60 calendar days of receipt of this letter.

**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. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendices C and D also contain PII. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

**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. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Vinita Simpson at 404-974-9260 or Vinita.Simpson@ed.gov.

Sincerely,

[Redacted]

Chris Miller
Compliance Manager

cc: Nadine Bailey, Financial Aid Administrator

Enclosure:
Program Review Report (and appendices)
Protection of Personally Identifiable Information
PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. 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).

PII being submitted electronically must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip, however, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using Win Zip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy and electronic files containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.
Program Review Report
March 29, 2018
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A. Institutional Information

Ultimate Medical Academy
1255 Cleveland Street
Clearwater, FL 33756-4917

Type: Private, Nonprofit

Highest Level of Offering: Associate's Degree

Accrediting Agency: Accrediting Bureau of Health Education Schools

Current Student Enrollment: 14289 (Current 2017)

% of Students Receiving Title IV: 94.53% (Current 2017)

Title IV Participation (PCNet):

\[
\begin{array}{l|c}
\text{Program} & \text{2015/2016} \\
\hline
\text{William D. Ford Federal Direct Loan Program (Direct Loan)} & 153,627,974 \\
\text{Federal Pell Grant (Pell)} & 92,252,852 \\
\text{Federal Supplemental Educational Opportunity Grant (FSEOG)} & 130,300 \\
\text{Federal Work Study (FWS)} & 153,062 \\
\end{array}
\]

Default Rate FFEL/DL:

\[
\begin{array}{l|c}
\text{FY} & \text{Rate} \\
\hline
\text{FY2014} & 12.7\% \\
\text{FY2013} & 12.4\% \\
\text{FY2012} & 13.8\% \\
\text{FY2011} & 12.8\% \\
\end{array}
\]
B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Ultimate Medical Academy (UMA) from June 19-23, 2017. The review was conducted by Vinita Simpson, Tracy Simmonds, and Lonnie Seal.

The focus of the review was UMA’s administrative capability in processing and determining student eligibility for Title IV aid, credit balances, and Return of Title IV funds. The review consisted of an examination of UMA’s policies and procedures, as well as student academic and financial aid files.

A sample of 30 files was identified for review from the 2015/2016 and 2016/2017 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, additional student information was selected based on documents reviewed and interviews with students and staff.

Appendix A lists the names of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning UMA’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 UMA of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.
C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by UMA to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Unclear Audit Trail - 90/10 Calculation

Noncompliance:

To be eligible for FSA participation, a proprietary school must derive at least 10% of its revenues for each fiscal year from sources other than the FSA programs, or be subject to sanctions. The calculation of this percentage and the funds included must be arrived at using the cash basis of accounting.

A school that converts from a for-profit to a nonprofit status must report its compliance with the 90/10 revenue test for the first year after its conversion. A school changing from for-profit to nonprofit must continue to file this report for the first year of its nonprofit status. See Federal Student Aid Handbook, Volume 2, Chapter 4, Page 2-65

If a school fails to satisfy the 90/10 rule for two consecutive fiscal years, it loses its eligibility to participate in the FSA programs for at least two fiscal years.

Section 668.28(a) of the Student Assistance General Provisions provides the following explanation of how to count revenue from FSA vs. non-FSA sources.

The institution must include the following institutional aid as revenue:

(i) For loans made to students and credited in full to the students’ accounts at the institution on or after July 1, 2008, and prior to July 1, 2012, include as revenue the net present value of the loans made to students during the fiscal year, as calculated under paragraph (b) of this section, if the loans—
   (A) Are bona fide as evidenced by standalone repayment agreements between the students and the institution that are enforceable promissory notes;
   (B) Are issued at intervals related to the institution’s enrollment periods;
   (C) Are subject to regular loan repayments and collections by the institution; and
   (D) Are separate from the enrollment contracts signed by the students.

(ii) For loans made to students before July 1, 2008, include as revenue only the amount of payments made on those loans that the institution received during the fiscal year.
(iii) For loans made to students on or after July 1, 2012, include as revenue only the amount of payments made on those loans that the institution received during the fiscal year.

(iv) For scholarships provided by the institution in the form of monetary aid or tuition discount and based on the academic achievement or financial need of its students, include as revenue the amount disbursed to students during the fiscal year. The scholarships must be disbursed from an established restricted account and only to the extent that the funds in that account represent designated funds from an outside source or income earned on those funds.

The following program funds reduce student tuition, fees and necessary activity charges before Title IV funds are applied:
- Grant funds from non-Federal public agencies or private sources
- Funds from contracts to provide training to low-income individuals
- Funds from savings plans that qualify for special tax treatment (529 plans)
- Institutional scholarships

The institution went through a Change in Ownership (CIO) on March 9, 2015. The institution was a proprietary school before the CIO and as a result of the CIO, the academy is now a private non-profit. The 90/10 Revenue attestation Percentage Calculation for the 2015 year, which was the first reportable year as a Private Non-Profit, was reported as 86.48%.

The reviewers were made aware of 15 different institutional scholarships that were provided to students over the 2014/2015 and 2015/2016 award years. These scholarships range in amounts from $750 to the cost of full tuition, per term. These scholarships were posted to the student accounts. However, there was no accounting transaction available for these funds.

It was also noted that after UMA converted to a non-profit status, institutional scholarship award amounts, particularly for the Successful Completion Grant, have been reduced by as much as $3,900, per student.

UMA also provides students the option of the interest free UMA Loan. This is an institutional loan which students must pay. Students are required to sign agreements for these loans and the amounts they commit to pay.

When the staff was interviewed regarding the handling and reporting of the institutional scholarships, the Department was provided a memo that states that the institution will include institutional grants in the cash flow and income statement projections going forward. (See Enclosure A)

It is not clear how the institution reports the various institutional scholarships or institutional loans in their financial statements submitted to the Department, since there are no supporting accounting transactions. Furthermore, it cannot be determined whether the institution reports the various institutional scholarships as revenue in the 90/10 calculation. After further review, if
these amounts are not reported as revenue, they are also not properly listed as a deduction in tuition revenue on the financial statements.

**Required Action:**

#1. In order to determine the accuracy of the financial statements provided by UMA, UMA must provide information that will clearly show –

- the detail for the funds reported in the non-Title IV amount of the 90/10 calculation;
- the students that received institutional grants and total amount of grants provided for the last 3 fiscal years (2014, 2015, 2016);
- the detail for how the institution reports the institutional loans on its financial statements.

This information should be provided in spreadsheet (i.e. Excel) format. UMA must complete the spreadsheet, protect all PII data, and include it in response to the PRR.

#2. Based on the information provided, UMA may be required to reconstruct its 90/10 revenue attestation for the fiscal years ending 2014, 2015, and 2016.

#3. In addition, UMA must submit a copy of the student account ledger for each student identified on the spreadsheet. A detailed explanation of the documents provided, the reporting of the institutional loans and scholarships on the submitted financials for the last 3 years, and any changes or recalculations that are needed must also be included in the response.

**Finding 2: Return To Title IV (R2T4) Calculation Errors - Inaccurate Record Keeping**

**Noncompliance:**

34 C.F.R. § 668.24 states that a school must keep comprehensive, accurate program and fiscal records related to its use of FSA program funds. The importance of maintaining complete, accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures.

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student’s withdrawal date. 34 C.F.R. § 668.22(a). The amount of assistance that was earned by the student is based on the percentage of the payment period or period of enrollment that the student completed as of the student’s withdrawal date if that date occurs prior to 60% of the clock hours scheduled to be completed for the payment period or period of enrollment. 34 C.F.R. § 668.22(e)(2). For a clock hour institution, the percentage of a payment period or period of enrollment completed is determined by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be
completed as of the student's withdrawal date. 34 C.F.R. § 668.22(f)(1)(ii). An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew. 34 C.F.R. § 668.22(j).

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the college has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records.

If a student provides notification to the college of his or her withdrawal prior to the date that the college normally would determine that the student withdrew, the date of determination is the date of the student's notification. The college is NOT required to administratively withdraw a student who has been absent for 14 days (or less if applicable).

However, after 14 days, it is expected to have determined whether the student intends to return to classes or to withdraw. If the student is eventually determined to be a withdrawal, the end of the 14-day period begins the time frame for completing a Return of Title IV Funds calculation. If a college has a policy that states the maximum number of excused absences that can occur after which a student will be administratively withdrawn, it may delay contacting the student until that date. However, if the student eventually is determined to be withdrawn, the date of determination of the student's withdrawal remains 14 days from the student's last day of attendance. If the number of days in the college's policy is less than 14 days, then the date of the college's determination that the student withdrew is the date the college's policy indicates that the student will be administratively withdrawn. A college must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after it determines or should have determined that the student withdrew. See 34 C.F.R 668.22(b)(1), DCL GEN-04-03, February 2004, DCL GEN-04-12, November 2004, DCL GEN-11-14, July 2011.

The Last Date of Attendance (LDA) used was not correct or within the timeframe stated in the regulations for the following student.

Student #2: The student had a LDA of May 2, 2016, per the online records provided by UMA. However, the system used to track the LDA and process drops and refunds showed a LDA of May 11, 2016. This student withdrew beyond the 60% point; therefore, fully earning the Title IV disbursed. However, this conflict could result in an accurate R2T4 calculation or late return of funds for other withdrawn students.

Required Action:

UMA is responsible for the timely return of unearned Title IV funds.
#1. UMA must provide hard copies of both the original and updated R2T4 calculation(s)
performed for the above student, the student account card, and transcript.

#2. Further, UMA must review its internal procedures to ensure that all future R2T4 calculations
are properly calculated.

Finding 3:  Federal Pell Grant (Pell) Overpayment

Noncompliance:

34 C.F.R. § 690.62 states that the amount of a student's Pell Grant for an academic year is based
upon the payment and disbursement schedules published by the Secretary for each award year.

The 2015/2016 Federal Student Aid Handbook, Volume 4, Chapter 2, states that before an
institution awards funds to a student, the institution confirms that he or she is an eligible student
and is making satisfactory academic progress. However, before disbursing FSA funds, you must
determine and document that a student remains eligible to receive them. A college must have a
process (consistent with the requirements in 34 C.F.R. § 668.164(b)(3)) for determining that a
student is eligible to receive a Title IV disbursement. A college must confirm the following:

- the student is enrolled in classes for the period;
- for a student otherwise eligible for a Pell Grant, the scheduled disbursement will not
  cause the student to exceeded his or her Lifetime Eligibility (see Volume 3);
- a student enrolled in a non-term program or nonstandard term program with terms that
  are not substantially equal in length has completed the previous period (credits and
  weeks or clock-hours and weeks of instruction);
- except for Direct Loans, if the disbursement occurs on or after the first day of classes,
  that the student has begun attendance in the classes on which his or her eligibility was
  based;
- for Direct Loans, the student is enrolled at least half time;
- first-time FSA borrowers have completed entrance counseling, received the required
  loan disclosures, and have completed the first 30 days of their academic program (See
  Volume 3).

Based on the information found in the student file, UMA overpaid Pell for one student.

Student #2:  The transcript and award letter provided by UMA both show the student to be
three-quarter time for the term that began on January 25, 2016. The Pell payment
dischursed to the student was a full time amount. The student was overpaid by
$721 in Pell funds. On April 12, 2016, UMA refunded the $721 to the
Department.
Required Action:

UMA must develop a written procedure that will prevent this error from creating additional over/under awards to students in the future and ensure a more timely return of funds. This information and policy must be submitted in response to this report.

Finding 4:  Title IV Funds Disbursed to Students with Invalid High School Diplomas

Noncompliance:

Only eligible students may receive Title IV program funds. 20 U.S.C. § 1091; 34 C.F.R. § 668.32. To be eligible, students must be academically qualified to study at a postsecondary level. In this regard, a student must have a high school diploma or its equivalent or be beyond the age of compulsory school attendance and have the ability to benefit from the program of instruction that is being provided. See 20 U.S.C. § 1091; 34 C.F.R. § 668.32(e).

Prior to July 1, 2012, a student who did not have a high school diploma or its equivalent could meet this requirement by passing an independently administered ability to benefit (ATB) test prior to receiving Title IV funds. 34 C.F.R.§ 668.32(e)(2) (2011). A student could also meet this eligibility criterion if he/she satisfactorily completed 6 credits or equivalent coursework applicable toward a degree or certificate offered by the institution. 20 U.S.C. § 1091(d)(2008). If a student did not meet one of these criteria, he/she was ineligible to receive Title IV funds. As relevant here, subsequent to July 1, 2012, a student must have a high school diploma or its equivalent to be eligible for Title IV funds. 34 C.F.R. § 668.32(e)(2).

During the course of its review, the Department uncovered an arrangement created by UMA to fill the void in student enrollment left when the ATB alternative for student’s basis of admission was eliminated.

UMA partnered with Education To Go, a division of Smart Horizons Career Online Education in Temecula, California, to offer Career Online High School (COHS), a high school completion program for students wishing to enroll at the institution.

UMA heavily advertised the COHS program in its marketing materials and encouraged students inquiring about UMA programs to sign up for the COHS program, if they did not have a high school diploma. UMA officials assured the Department that the COHS program was legitimate and independent from UMA.

UMA provided information regarding the COHS program to the Department during the program review. The documentation describes this program as a mechanism for adults to take the remaining coursework needed to reach the required 18 credits necessary to earn a high school
diploma. The length of time for completing the program varies depending on the student and the transfer credit accepted.

Students completed the program in as little as the same day in some cases.

During the review, UMA officials were questioned about the administration of the COHS program. Although some staff at UMA was initially evasive regarding the specifics of the program, the Department was able to obtain information from [name redacted] who was the COHS High School Proctor and is now an Admissions Representative for UMA. [name redacted] acknowledged that UMA established this relationship so that students wishing to attend the school could obtain the required high school diplomas. [name redacted] stated that students who wished to take advantage of the program were asked to pay about $75 for the program, and UMA would provide a scholarship for the remaining cost. With respect to the process, [name redacted] stated that UMA collects the application, high school transcript, and payments from the COHS students.

The representations made by UMA officials to the Department with regard to the administration of the COHS program at the institution were incomplete and, in some cases, patently false. Although told that all students paid $75 for the program and then made monthly payments, further interviewing revealed that students were not required to make any payments. In fact, at one point of the program UMA covered all fees for students to attend the COHS fees. Some students did not have to pay any fees for the program despite the fact that UMA staff had stated that all students were required to pay a portion.

COHS students were not provided access to online courses and were required to come to the Clearwater UMA campus computer lab, where they could be proctored by the UMA employee, [name redacted].

Facts that were obtained regarding the physical diploma also call into question the validity of the entire process. For the vast majority of students, COHS and Smart Horizons sent the students’ diplomas to UMA and the student for distribution. There have been student and employee complaints that UMA would instruct students that the diplomas would be held until after the student enrolled in a UMA course.

The administration, oversight, and delivery of the COHS program cause raise the Department to question the validity of the high school diploma of the current 250 COHS graduates.

UMA provided the Department a detailed explanation of the program. (See Enclosure B) In this explanation it is noted that as of November 4, 2016, UMA no longer hosts new COHS student at any UMA locations. At the time of the on-site review, there were 10 students completing the COHS program. The latest these 10 students would complete the program was August 2017. UMA states that going forward COHS will be a resource to students, but will be independent of UMA. This indicates an uncertain level of involvement in the past.
While the Department has read the mission of UMA and the reason for the start of such a program, the inconsistencies in proctoring and payments of the program, as well as the overall involvement of UMA in the program, increase the questions that the Department cannot answer.

**Required Action:**

To assist in providing clarification, UMA must provide detailed statements and contact information from the staff and students listed in Enclosure C. These statements will provide the following:

1. Dates of involvement with COHS
2. Duties related to COHS
3. Experience with enrollment, classes, graduation, and payments of the COHS
4. Experience with any UMA employee regarding the enrollment into any UMA program
5. Any additional information regarding COHS

These statements must be included with the response to the PRR. The Department may continue with interviews of students and staff as stated during the on-site visit.

**Finding 5: Incentive Compensation Violation**

**Noncompliance:**

In order to participate in the Title IV programs, an institution must agree to abide by numerous requirements regarding its administration of the programs. The institution agrees to these requirements by signing a Program Participation Agreement (PPA) with the Department. 20 U.S.C. § 1094; 34 C.F.R. § 668.14. Among these requirements is the guarantee that it will not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any individual or entity engaged in recruiting or admission activities or in making decisions regarding the awarding of FSA program funds. 20 U.S.C. § 1094(a)(20); 34 C.F.R. § 668.14(b)(22).

A recent review of UMA’s compliance with the provisions regarding incentive compensation indicates that the institution failed to comply with the regulation by awarding incentive payments in the form of bonuses to some of its employees, based directly on the success in securing and maintain enrollments. The payroll documentation provided during the review shows substantial increases in salaries paid to individuals in positions responsible for the recruiting/admissions or financial assistance activities for students.

UMA staff proclaimed that there was no incentive compensation being provided by the institution. However, when asked to provide a statement acknowledging that fact more than once, the institution failed to clearly state this. Instead, the institution provided the documented policy that can be found in Enclosure D.
While the policy is detailed, the review of UMA’s payroll records list several questionable payments entitled to bonus, severance pay, and other compensation to what the institution defines as covered staff and other employees that are responsible for securing enrollments and financial aid.

**Required Action:**

In response to this finding, UMA is required to perform a full file review including the employee/student/alumni name, position title, and amount of incentive compensation received during the period July 1, 2015 through June 30, 2017. In addition, the full file review must identify all students who were enrolled as a result of the incentive compensation paid to the respective employee/student/alumni, and the amount of Title IV aid (by program and amount) disbursed to each student who enrolled as a result. UMA must submit the results of the file review in spreadsheet format with the following information:

1. Employee/Student/Alumni’s Name
2. Employee’s Title
3. Calendar Year
4. Monthly Salary Amount
5. Month and Year of Increase
6. Amount of incentive compensation paid by award year
7. Names of students who enrolled as result of faculty/student/alumni recruitment
8. Amount of Title IV Aid disbursed to students identified in column 7 during period July 1, 2015 through June 30, 2017