



UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

In the Matter of

Docket No. 06-33-SP

**UNIVERSITY OF SZEGED MEDICAL
& PHARMACEUTICAL FACULTIES,**

Federal Student
Aid Proceeding

Respondent.

PRCN: 200410222445

Appearances: Geri Anne Johnson, Esq., of The Harland Law Firm, Eureka, California, for
University of Szeged Medical & Pharmaceutical Faculties.

Sarah L. Wanner, Esq., of the Office of the General Counsel, United States
Department of Education, Washington, D.C., for Federal Student Aid.

Before: Judge Ernest C. Canellos

DECISION

University of Szeged Medical & Pharmaceutical Faculties (Szeged) is a foreign medical school located in Szeged, Hungary. It is eligible to participate in the Federal Student Aid Programs authorized by Title IV of the Higher Education Act of 1965, as amended (Title IV). 20 U.S.C. § 1070 *et seq.* and 42 U.S.C. § 2751 *et seq.* Within the U. S. Department of Education (ED), the Office of Federal Student Aid (FSA) is the organization that has cognizance over and administers these programs.

On December 9, 2003, the Area Case Director, FSA's New York Case Management Team notified Szeged that, based upon FSA's review of its federal student aid files, it appeared that Szeged had disbursed Title IV funds to a number of its U.S. citizen students in amounts beyond authorized limits. In that notification, FSA required Szeged to review the files of all its students who received Title IV federal student aid and who were enrolled during the 2001/02, 2002/03, and 2003/04 award years and provide FSA a listing of the students whose awards had been overstated. After it received such information, on June 15, 2006, FSA issued a Final Program Review Determination (FPRD) finding that, in violation of 34 C.F.R § 682.200 *et seq.*, Szeged disbursed \$724,365 in Title IV funds to students who were enrolled in its programs in amounts greater than authorized limits. FSA then applied ED's formula for determining its

estimated actual loss that was caused by the violations, resulting in a demand that Szeged return \$62,015.31 to ED. *See generally, in re Christian Brothers University*, Docket No. 96-04-SP, U.S. Dep't of Educ. (January 8, 1997). Szeged's appeal of that determination is the subject of this proceeding.

The pertinent facts of this case contained in the record are not complicated and do not appear to be contested by Szeged. Szeged enrolls students in its six-year medical programs, some of who have not completed an undergraduate course of study. Apparently, this is a common practice in Hungarian medical schools, although it is not so here in the United States. Included in this group of students are a number of U.S. citizens, who are eligible to receive U. S. federal student aid to apply to the cost of their attendance. Under Title IV rules, students who have previously completed at least three academic years of full-time, college-level study are authorized to receive increased student aid as graduate or professional students. Those students who do not possess the requisite three years of previous postsecondary study are only authorized to receive student aid at the lower undergraduate level. *See* 34 C.F.R. § 682.204. Despite this distinction, Szeged erroneously certified all of its medical students as graduate or professional students, resulting in those with less than three years of undergraduate postsecondary training receiving student aid beyond their entitlement. Secondly, FSA found that a number of students received increased student aid as independent students when they were, in actuality, entitled only to the lower aid as dependent students. In a separate finding, FSA determined that Szeged certified federal student aid loans for two students, a husband and wife, over a three-year period despite the fact that these two "students" never attended the school.

In its defense, Szeged asserts that by tradition there is no distinction made between undergraduate and graduate students in the six-year medical programs in Hungary. Also, prior to 2004, Szeged contracted with Worldwide Medical Education Institute (WMEI) to administer the financial aid programs for its U.S. citizen students, to include determining student eligibility, etc. Finally, when the misclassification of students was brought to Szeged's attention, it immediately terminated its arrangement with WMEI, assumed direct oversight over the Title IV programs, and implemented the correct classification of students. As to why it had certified loans for two "students" who never attended the institution, Szeged asserted that when a U.S. student is accepted into its programs, that student must be advanced financial aid funds to travel to the school and secure living accommodations. Since it had no cross-referencing system to verify enrollment/attendance, it did not realize that the students had not attended that year or the succeeding two years. In summary, Szeged asserts that it was merely following Hungarian practice relative to medical school attendees when it labeled all of its medical students as graduate students, and it delegated to WMEI the responsibility to properly administer the Title IV program for its U.S. citizen students. In conclusion, Szeged claims it is a "financially meager institution" and the liability asserted by FSA will inflict major injury on its medical school programs.

For its part, FSA in a succinct brief argued that Szeged's liability is clearly established by the evidence and that Szeged failed to meet its burden of proof that the expenditures were correct and that it met program requirements. Specifically, SFA pointed out that Szeged erroneously certified loans beyond annual loan limits; it failed to substantiate that some students were entitled to be treated as independent students with its incumbent higher loan entitlement, and it

certified loans for two students who never attended the medical school. Finally FSA argues that Szeged's efforts in tightening up its system for administering the Title IV program for the future and its terminating its agreement with WMEI, the servicing agent who apparently made the errors, is laudable but does not excuse the violations.

I begin my consideration of these issues by noting that this proceeding is governed by regulations promulgated under Subpart H of the general provisions. 34 C.F.R. Part 668. It is well established that in a Subpart H -- audit and program review proceeding, the institution carries the burden of proving by a preponderance of the evidence that the Title IV funds in issue were lawfully disbursed. In accordance with 34 C.F.R. § 668.116(d), to sustain its burden, an institution must establish, that (1) the questioned expenditures were proper and (2) the institution complied with program requirements.

After reviewing the evidence and after consideration of the arguments of counsel, I find that Szeged clearly has failed to meet its burden of proof as delineated above. At most, Szeged's presentation and argument raises what can only be described as mitigating circumstances -- they do not, in any way, rise to the level of a defense to any of the claims asserted by FSA. As a consequence, I affirm FSA's demand in the final letter of determination.

ORDER

On the basis of the foregoing findings of fact and conclusions of law, it is hereby ORDERED that the University of Szeged Medical and Pharmaceutical Faculties pay to the United States Department of Education the sum of \$62,015.31 for its Final Program Review Determination Letter demand.

Ernest C. Canellos
Chief Judge

Dated: April 24, 2007

SERVICE

A copy of the attached decision was sent to the following individuals by certified mail:

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