



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

In the Matter of

**KNOXVILLE COLLEGE,
Knoxville, Tennessee,**

Respondent

**Docket Number 94-175-SP
Student Financial Assistance
Proceeding**

DECISION OF THE SECRETARY

This matter comes before the Secretary on appeal by the United States Department of Education (Department), Office of Student Financial Assistance Programs (SFAP) of the initial decision issued by the administrative judge (AJ) on July 31, 1995. Based upon an August 23, 1993, final program review determination (FPRD) issued to Knoxville College (Knoxville) and submissions related thereto, the AJ concluded that two of the three FPRD findings were in fact correct. The AJ Decision (AJ Dec.) at 1. Consequently, the AJ ordered Knoxville to (i) remit \$241,443 in disallowed grants to the Department and (ii) satisfy its liabilities pertaining to improperly disbursed Stafford Loans. *Id.* at 4.

SFAP timely filed an appeal on September 5, 1995, asking the Secretary to reverse the AJ's decision in part. Brief of SFAP (Brief) at 1.¹ On October 5, 1995, Knoxville filed a timely response to SFAP's appeal, asking the Secretary to affirm the initial decision. Respondent's Reply Brief of SFAP (Reply) at 1. For the reasons outlined below, I reverse the AJ's decision in part, and order Knoxville to remit, along with the aforementioned liability, \$14,850 in disallowed grants.

BACKGROUND AND PROCEDURAL HISTORY

Knoxville is a private, four year, historically black college located in Knoxville, Tennessee. AJ Dec. at 1. Knoxville enrolls approximately 725 students. *Id.*

On December 13-17, 1993, SFAP conducted a review of the college's administration of various federal student financial assistance programs, covering award years 1991-92, 1992-93, and 1993-94. *Id.* As a result of the review, SFAP first alleged that Knoxville made invalid Pell Grant disbursements to students who failed to sign Student Aid Reports (SARs). *Id.*

¹ After discovering a typographical error, SFAP re-submitted a corrected Brief on September 22, 1995.

Second, SFAP alleged that Knoxville made invalid federal financial aid disbursements without verifying information on student aid applications. *Id.* Lastly, SFAP alleged that Knoxville failed to apply its satisfactory academic progress policy to two students. *Id.* These allegations amounted to \$488,326.25 in liability.

Knoxville timely appealed the FPRD and, thereafter, the AJ rendered a decision wherein he upheld the second and third allegations, but rejected the first. *See id.* at 1. Now, SFAP appeals the AJ's ruling regarding the first allegation.

DISCUSSION

SFAP argues the AJ's ruling pertaining to SARs is erroneous because students are indeed required to sign these forms in order for them to be deemed valid. Brief at 3. In support of its argument, SFAP sets forth, among other things, the relevant regulation which provides valid SARs are ones:

[o]n which all of the information used in the calculation of the applicant's expected family contribution is accurate and complete as of the date the application is signed; and

[f]or the Electronic Data Exchange, that [are] signed by the applicant and, if corrections are made--

[i]s signed by the applicant's spouse; and
[i]f the applicant is dependent, is signed by one of his or her parents.

34 C.F.R. § 690.2 (1),(2) (1991, 1992, and 1993).²

While discussing the above regulation, SFAP acknowledges that the regulation recognizes two types of SARs, paper SARs and electronic SARs derived through the Electronic Data Exchange. Brief at 3. Despite the different types, SFAP insists that, given the regulation's mandate, both types must be signed by students, otherwise they are invalid. *Id.* at 3-5.

Knoxville does not dispute that it failed to obtain the signatures of certain students. Reply at 1. However, Knoxville agrees with the AJ that there is no actual regulatory or statutory requirement which mandates SARs be signed to be deemed valid. Reply at 2; *see*

² Hereafter, mention of this regulation refers to its 1991, 1992, and 1993 version.

also AJ Dec. at 2. Knoxville believes, as does the AJ, that valid SARs only require that the information used in the calculation of the applicant's expected family contribution be accurate and complete. *Id.*

Knoxville, like SFAP, also acknowledges that there are two types of SARs. Reply at 2. However, in Knoxville's opinion, 34 C.F.R. § 690.2 limits the signature requirement, if any, to the electronic SARs. *Id.*

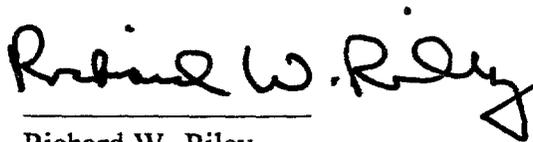
I disagree with both Knoxville and the AJ. The lack of signatures on SARs raises the specter of impropriety, or, at the very least, administrative mishaps. See, e.g., *In the Matter of Romar Beauty Schools*, Docket No. 90-90-ST, U.S. Dept. of Ed., (Secretary's Decision at 8, September 7, 1994) (school administrator forged the signature of a student on an unsigned financial aid form). However, 34 C.F.R. § 690.2(1) seeks to avoid these possibilities by clearly providing that valid SARs are ones "[o]n which all the information used in the calculation of the applicant's expected family contribution is accurate and complete as of the date the application is signed [.]" (emphasis added). Thus, applicants must sign paper SARs.

As for electronic SARs, they too are only valid when signed by applicants. 34 C.F.R. § 690.2(2). Therefore, in light of Knoxville's admitted failure to secure the signatures of certain students, I reverse the AJ's ruling on this matter and rule that the disputed SARs are invalid.

ORDER

Accordingly, in addition to the school's other outstanding liabilities, I order Knoxville to remit \$14,850 in disallowed Pell Grants to the Department.

So ordered this 8th day of February 1996.

A handwritten signature in cursive script that reads "Richard W. Riley". The signature is written in dark ink and is positioned above a horizontal line.

Richard W. Riley

Washington, D.C.

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