



COMPLIANCE REPORT

**GEMCOR, INC.
BOLINGBROOK, ILLINOIS**

TIN NUMBER:

COMPLIANCE EXAMINATION
OF THE TITLE IV PROGRAMS

at 400 Quadrangle Drive
Bolingbrook, Illinois 60440

FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY
GRANT PROGRAM (84.007)
FEDERAL WORK STUDY PROGRAM (84.033)
FEDERAL PELL GRANT PROGRAM (84.063)
FEDERAL DIRECT LOAN PROGRAM (84.268)

For the Fiscal Year Ended December 31, 2019

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GEMCOR, INC.
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**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE FOR
STUDENT FINANCIAL ASSISTANCE PROGRAMS AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE *GUIDE FOR AUDITS OF PROPRIETARY SCHOOLS AND FOR
COMPLIANCE ATTESTATION ENGAGEMENTS OF THIRD-PARTY
SERVICERS ADMINISTERING TITLE IV PROGRAMS***

To the Stockholders
Gemcor, Inc.
Bolingbrook, Illinois

Report on Compliance for Student Financial Assistance Programs

We have examined Gemcor, Inc.’s compliance with the compliance requirements regarding:

- Servicer Eligibility
- Servicer’s Systems and Internal Control
- Institutional Eligibility and Participation
- Reporting
- Student Eligibility
- Disbursements
- Return of Title IV Funds
- G5 and Cash Management
- Perkins Loan Program
- Administrative Requirements
- Close Out Audit Requirements

described in Chapter 3 of the 2016 edition of the U.S. Department of Education’s *Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs* (Guide) relative to Gemcor, Inc.’s Student Financial Assistance (SFA) programs, for the year ended December 31, 2019.

The management of Gemcor, Inc. is responsible for compliance with these requirements. Our responsibility is to express an opinion on Gemcor, Inc.’s compliance based on our examination.

We conducted our examination of compliance in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the examination to obtain reasonable assurance about whether Gemcor, Inc. complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether Gemcor, Inc. complied with the specified requirements listed above. The nature, timing, and extent of procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide reasonable basis for our opinion. Our examination does not provide a legal determination of Gemcor, Inc.'s compliance with the specified requirements

In our opinion, Gemcor, Inc. complied, in all material respects, with the compliance requirements referred to above for the year ended December 31, 2019.

Gemcor, Inc.'s response to our examination is described in the accompanying Corrective Action Plan. Gemcor, Inc.'s response was not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the response.

Internal Control

Management of Gemcor, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our examination, we considered Gemcor, Inc.'s internal control over compliance with the requirements listed above to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of Gemcor, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gemcor, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the compliance requirements listed above on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement listed above will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Sikich LLP

Naperville, Illinois
March 23, 2020

GEMCOR, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

There are no findings in the current examination period.

Total number of institutions 141

Total number of students and dollar amounts by SFA Programs serviced by Gemcor, Inc.:

| <u>SFA Program</u> | <u>Number of Students</u> | <u>Dollar Value</u> |
|--------------------|-------------------------------|------------------------------|
| FPELL | 15,569 | \$ 52,975,529 |
| FDLP | 16,489 | 91,064,121 |
| FSEOG | 1,389 | 337,215 |
| FWS | 48 | <u>111,516</u> |
| TOTAL | | <u><u>\$ 144,488,381</u></u> |

Sample

We selected 15 institutions for our sample and tested various numbers of students for each specific compliance requirement.

Findings in the sample resulting from an inadequate internal control system would be considered material instances of noncompliance.

GEMCOR, INC.

**ACCOUNTANT'S COMMENTS ON THE RESOLUTION
OF PRIOR ATTESTATION FINDINGS**

For the Year Ended December 31, 2019

Independent Accountant's Comments on Resolution of Prior Attestation Findings

There were no findings in the prior examination period.

SERVICER INFORMATION SHEET

GEMCOR, INC.
400 QUADRANGLE DRIVE
BOLINGBROOK, ILLINOIS 60440

Servicer Information

| | |
|--------------------------|-----------------------------|
| President | Donald R. Grybas |
| Contact Person and Title | Donald R. Grybas, President |
| Telephone Number | (888) 436-2678 |
| Fax Number | (888) 943-6267 |

Servicer Accountant Information

| | |
|-----------------------------|---------------------------------|
| Accounting Firm | Sikich LLP |
| Partner in Charge | Ray Krouse, CPA |
| Firm Address | 1415 West Diehl Road, Suite 400 |
| City, State | Naperville, Illinois 60563 |
| Lead Accountant | Ryan McDonald |
| Email Address | ryan.mcdonald@sikich.com |
| Telephone Number | (630) 566-8400 |
| Fax Number | (630) 566-8401 |
| Last Compliance Attestation | 12/31/2018 |
| Engagement Period | 1/1/2019 - 12/31/2019 |
| Dates of Field Work | 2/28/2020 |

DIVISION OF DUTIES FOR COMPLIANCE REQUIREMENTS

| Compliance Requirement | | Performed by School | Performed by Gemcor, Inc. | Explanation of Divided Performance |
|------------------------|--|---------------------|---------------------------|------------------------------------|
| 1. | Institutional Eligibility and Participation | | | |
| | A. Participation agreement/ECAR | X | | |
| | B. Legal authorization | X | | |
| | C. Approved locations | | | 1 |
| | D. Eligible programs | | | 1 |
| | E. Accreditation | X | | |
| | F. Bonuses, commissions and other incentives payments | X | | |
| | G. Student recruiting and admissions | X | | |
| | H. Zone alternative | | | 2 |
| | I. TEACH grant eligibility and administration | | | 3 |
| | J. Calculation of 90/10 ratio | X | | |
| | K. Calculation of other institutional eligibility ratios | X | | |

SERVICER INFORMATION SHEET (Continued)

| Compliance Requirement | | Performed by School | Performed by Gemcor, Inc. | Explanation of Divided Performance |
|------------------------|--|---------------------|---------------------------|------------------------------------|
| 2. | Reporting | | | |
| | A. Enrollment reporting roster file | | | 4 |
| | i. Completion | X | | |
| | ii. Changes in enrollment status | X | | |
| | B. FISAP | | X | |
| | C. Gainful Employment Reporting | | | 5 |
| 3. | Student Eligibility | | | |
| | A. Determining eligibility | | | 6 |
| | B. Regular student | X | | |
| | C. Enrolled in eligible program | X | | |
| | D. Citizenship | | | 7 |
| | E. Social security number | X | | |
| | F. Not in overpayment or default status | | X | |
| | G. Selective service | | | 8 |
| | H. Academic credentials | X | | |
| | I. SAR/ISIR | | X | |
| | J. Verification | | | 9 |
| | K. Prior degrees | X | | |
| | L. Incarcerated students | X | | |
| | M. Maintaining satisfactory academic progress | X | | |
| | N. Professional judgment decisions | | | 10 |
| | O. Dependency overrides | | | 10 |
| | P. Financial need | | X | |
| | Q. Calculating the Pell | | X | |
| | R. Calculating loan amounts | | X | |
| | S. Master promissory note confirmation process | | X | |
| | T. PLUS loan amounts and confirmation process | | X | |
| | U. TEACH grant | X | | 11 |
| | V. IASG | X | | 11 |
| | W. Attendance in distance education program | X | | |
| | X. Student Confirmations | X | | |
| 4. | Disbursements | | | |
| | A. Confirming student eligible for each disbursement | | | 12 |
| | B. Valid ISIR/SAR on file | | X | |
| | C. Determining payment period | | X | |
| | D. Entering COD data | | X | |
| | E. Early disbursements | | X | |
| | F. Verification is complete | | X | |
| | G. Notices | X | | |
| | H. Transfer students | X | | |
| | I. FWS | | | 13 |
| | J. Initial counseling | X | | |
| | K. Exit counseling | X | | |
| | L. Delivering credit balances and authorizations | X | | |
| | M. If applicable, maintaining subsidiary ledger for students with credit balance | X | | |

SERVICER INFORMATION SHEET (Continued)

| Compliance Requirement | | Performed by School | Performed by Gemcor, Inc. | Explanation of Divided Performance |
|------------------------|--|---------------------|---------------------------|------------------------------------|
| 5. | Return of Title IV Funds | | | |
| | A. Policy | | X | |
| | B. Determining date of withdrawal | X | | |
| | C. Post-withdrawal disbursements | | | 14 |
| | D. Return calculations | | | 14 |
| | E. Overpayment calculations | | | 14 |
| | F. Allocation of return of Title VI funds | | X | |
| | G. Timing of return of Title IV funds | | | 14 |
| | H. Notifying borrowers of returns of loan proceeds | X | | |
| | | | | |
| 6. | G5 and Cash Management | | | |
| | A. Forecasting cash needs | | X | |
| | B. Withdrawing Federal funds | X | | |
| | C. Disbursing funds | X | | |
| | i. Posting credits to student accounts | X | | |
| | ii. Making the funds available to the student | X | | |
| | D. Returning excess funds | | X | |
| | E. Accounting for and returning interest earnings | | X | |
| | F. Performing monthly Direct Loan reconciliations | | X | |
| | | | | |
| 7. | Perkins Loan Program | | | |
| | A. Approving and maintaining deferment, loan cancellation, and discharge for death or disability documentation | N/A | | |
| | B. Perkins master promissory notes | N/A | | |
| | C. Loan status and loan balances in NSLDS | N/A | | |
| | D. Deferment of loan payments | N/A | | |
| | E. Billing and collections | N/A | | |
| | F. Liquidation | N/A | | |
| | | | | |
| 8. | Administrative Requirements | | | |
| | A. Written procedures | | | 15 |
| | B. Direct Loan quality assurance system | | | 15 |
| | C. Satisfactory academic progress measurements | X | | |
| | D. Reporting change in ownership | X | | |
| | E. Reporting possible illegal conduct | | | 16 |
| | F. Perkins Loan and grant overpayments | X | | |
| | G. Annual security and fire safety reports | X | | |
| | H. Completion, graduation, and transfer-out rates | X | | |
| | I. Prospective student disclosures for gainful employment programs | X | | |
| | J. Student Warnings for gainful employment program eligibility | X | | |
| | | | | |
| 9. | Close Out Audit (If Applicable) | | | |
| | A. Retaining and storing of records | X | | |
| | B. Collection of outstanding Perkins Loans | X | | |
| | C. Continuing to comply with withdrawal calculations during “teach-out”, if applicable | X | | |
| | D. Returning unexpended Title IV funds to ED | | X | |
| | E. Returning to Direct loan proceeds received but not delivered or credited to student accounts | | X | |
| | F. Disbursements after participation ends | X | | |

EXPLANATION OF DIVIDED PERFORMANCE

1. The institution is responsible for securing the approvals from its accrediting agency and state licensing agency (if applicable) for all locations in operation and for all programs offered at such locations. GEMCOR is responsible for confirming the approvals of such locations and programs prior to allowing the institution to disburse federal student financial aid awards to students attending those locations and programs. GEMCOR estimates that our responsibility in this area is 5%.
2. The institution is responsible for compliance with all directives of continuing its eligibility through the zone alternative option. GEMCOR is responsible for ensuring that its cash management policy in effect for the institution is compliant with the terms of any heightened cash monitoring limitation to which the institution may be subjected. GEMCOR estimates that our responsibility in this area is 5%.
3. The institution is responsible for all on-campus administrative functions regarding TEACH grant eligibility and administration and GEMCOR is responsible for all TEACH grant eligibility and administrative functions it handles in accordance with the terms of its Service Agreement. GEMCOR estimates that our responsibility in this area is 10%.
4. GEMCOR shall advise the institution of its bi-monthly NSLDS Enrollment Roster filing obligations and shall provide any training or consulting assistance regarding same. The institution shall be responsible for the timely submission of all enrollment status updates to the NSLDS. GEMCOR estimates that our responsibility in this area is 5%.
5. GEMCOR shall initiate the annual gainful employment reporting requirement and shall submit the population of reportable records to the institution for additional information. Upon completion of the additional data requirements, the institution shall submit its annual gainful employment file to the NSLDS directly. GEMCOR estimates that our responsibility in this area is 25%.
6. The institution is responsible for the on-campus determination of student eligibility regarding areas including but not limited to, enrollment, attendance, satisfactory progress, etc. GEMCOR is responsible for determining the type and amount of FSA awards for which the student is eligible. GEMCOR estimates that our responsibility in this area is 5%.
7. The institution is responsible for confirming the student's eligibility based on citizenship prior to disbursing funds to the student. GEMCOR shall assist the institution in such citizenship determinations involving any analysis and resolution of C codes or other USDE exception criteria. GEMCOR estimates that our responsibility in this area is 25%.
8. The institution is responsible for ensuring that the student is properly registered with Selective Service prior to disbursing funds to the student. GEMCOR shall assist the institution with such review or examination of the student's selective service status with respect to ISIRs involving any Selective Service C code exceptions. GEMCOR estimates that our responsibility in this area is 25%.
9. The institution is responsible for collecting and reviewing verification material on all ISIRs selected for verification. GEMCOR shall also assist the institution with such verification. Both GEMCOR and any duly authorized institutional administrator may complete and approve verification for FSA recipients. GEMCOR estimates that our responsibility in this area is 25%.
10. Only the institution can authorize the use of professional judgment on a student's file including the application of dependency overrides. GEMCOR shall serve as a consultant and shall provide guidance regarding the limited application of professional judgment. GEMCOR estimates that our responsibility in this area is 5%.

EXPLANATION OF DIVIDED PERFORMANCE (Continued)

11. In accordance with its other Title IV administrative responsibilities, GEMCOR will process and report TEACH and IASG awards to COD on the institution's behalf. The institution shall remain responsible for on-campus eligibility determinations and confirmations. GEMCOR estimates that our responsibility in this area is 5%.
12. For each disbursement of Title IV funds intended to be made by the institution, it must confirm that the student remains eligible for the disbursement by responding to a series of eligibility questions presented to the user by the TEAM System. This confirmation of eligibility occurs on all intended disbursements of Title IV funds. As a supplement to this confirmation of eligibility process, GEMCOR conducts periodic, sampled file reviews to test the accuracy of the institution's responses in accordance with federal regulations. GEMCOR estimates that our responsibility in this area is 10%.
13. Students receiving eligible FWS awards are selected by the institution. The institution determines the award amount and is responsible for supervision and confirmation of the student's employment duties. The institution remits payment to FWS recipients as it would for other institutional employees and periodically submits a FWS reimbursement request to GEMCOR. GEMCOR processes the reimbursement request and initiates a transfer of funds through GS for reimbursement to the institution of the federal share of program expenditures. GEMCOR estimates that our responsibility in this area is 10%.
14. The institution is responsible for identifying when a student has withdrawn from the institution and for calculation of appropriate institutional refund and federal Return of Unearned Funds (aka R2T4) calculations. GEMCOR offers training and calculation review support services to institutions upon request by the institution. Institutions shall deposit the appropriate R2T4 refund amounts into its federal funds bank account and shall report refund amounts to GEMCOR for each student. GEMCOR shall report the disbursement adjustments to student records in COD and shall initiate an electronic return of federal cash on behalf of the institution in accordance with federal excess cash requirements. GEMCOR estimates that our responsibility in this area is 10%.
15. The institution and GEMCOR are each responsible for the creation and maintenance of policies and procedures regarding each agency's specific duties regarding the administration of Title IV program funds. GEMCOR estimates that our responsibility in this area is 25%.
16. The institution, to the extent it is aware, is responsible for referring cases of suspected fraud, abuse, or illegal conduct to the USDE regarding any conduct involving federal fund activity. GEMCOR is also responsible to report such suspicions or violations if it is aware of such illegal conduct. GEMCOR estimates that our responsibility in this area is 25%.



400 Quadrangle Drive Bolingbrook, Illinois 60440

Corrective Action Plan

There are no findings in the current or prior examination period. Therefore, no corrective action is necessary.

GEMCOR, Inc.

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