October 20, 2014

Joan Sparks
President
Plaza Beauty School
4682 Spottswood Avenue
Memphis, TN 38117-4822

UPS Tracking # 1ZA879641395154968

RE: **Final Program Review Determination**
OPE ID: 01044700
PRCN: 201220727814

Dear Ms. Sparks:

The U.S. Department of Education's (Department's) School Participation Division – Kansas City issued a program review report on September 19, 2012 covering Plaza Beauty School's (Plaza) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2010-2011 and 2011-2012 award years. Plaza's final response was received on July 16, 2013. A copy of the program review report (and related attachments) and Plaza's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Plaza 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.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

Due to the serious nature of one or more of the enclosed findings, in the normal course, this FPRD would have been referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action (e.g. fine). Since Plaza is no longer participating in the Title IV programs, this FPRD will not be referred at this time; however, should Plaza apply for reinstatement in the future, in addition to meeting all other requirements, this matter will need to be addressed. Please note that the appeal instructions contained herein apply only to the appeal of the financial liabilities established in this final program review determination.

This FPRD contains one or more findings regarding Plaza's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41 and 668.46. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed.

The total liabilities due from the institution from this program review are $2,677.

This final program review determination contains detailed information about the liability determination for all findings.

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, Appendix B also contain PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the September 19, 2012 program review report. If Plaza wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Plaza receives this FPRD. An original and four copies of the information Plaza submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

Plaza's appeal request must:

(1) indicate the findings, issues and facts being disputed;
(2) state the institution's position, together with pertinent facts and reasons supporting its position;
(3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file

review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Plaza's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

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)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact John Nading at 816-268-0414. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

Ralph A. LoBosco
Division Director

Enclosure:
Protection of Personally Identifiable Information
Program Review Report (and appendices)
Final Program Review Determination Report (and appendices)

cc: Ms. Dana Marino, Financial Aid Administrator
National Accrediting Commission of Career Arts and Sciences
TN State Board of Cosmetology

Prepared for

Plaza Beauty School

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

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OPE ID 01044700
PRCN 201220727814

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division – Kansas City

Final Program Review Determination
October 20, 2014

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A. Institutional Information

Plaza Beauty School
4682 Spottswood Avenue
Memphis, TN 38117-4822

Type: Proprietary

Highest Level of Offering: Non-degree, One year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences (NACCAS)

Current Student Enrollment: 161 (2011/12)

% of Students Receiving Title IV, HEA funds: 92 percent (2011/12)

Title IV, HEA Program Participation (G5):

	2011/12 Award Year
Federal Pell Grant Program	$562,842
Federal Direct Loan Program	$867,939

Default Rate FFEL/DL:	2009	13.2 percent
	2008	10.1 percent
	2007	8.5 percent

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Plaza Beauty School (Plaza) from February 27, 2012 to March 1, 2012. The review was conducted by Mr. Roy Chaney and Ms. Jenny Hendrickson.

The focus of the review was to determine Plaza's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of Plaza's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010/11 and 2011/12 (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, 25 files were selected based on the existence of Title IV credit balances or Title IV disbursement issues. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on September 19, 2012.

On September 23, 2014, the Department notified Plaza that the Secretary of Education has determined that Plaza is unable to meet its responsibilities under its provisional program participation agreement. The Department revoked Plaza's provisional certification based on a September 15, 2014 notice from the National Accrediting Commission of Career Arts and Sciences (NACCAS) reporting the withdrawal of Plaza's accredited status, effective September 15, 2014. Accreditation by a nationally recognized accrediting agency, such as NACCAS, is one of the statutory requirements that an institution must meet in order to be eligible to participate in the programs authorized under Title IV of the HEA. 20 U.S.C. §§ 1001(a)(5), 1002(b)(l)(D), (c)(1)(B). When Plaza lost its accreditation, it became ineligible to participate in the Title IV, HEA programs since it no longer met the definition of a Title IV eligible institution.

Disclaimer:

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

C. Findings and Final Determinations

Resolved Findings

Findings 2-8, 10-13, and 15-18

Plaza has taken corrective actions to resolve findings 2-8, 10-13, and 15-18 of the program review report; however, the institution failed to provide a complete response for these findings. However, given that Plaza lost its eligibility to participate in the Title IV, HEA programs effective September 15, 2014; these findings may be considered closed by the Department. A copy of Plaza's response is attached as Appendix C. Findings requiring further action by Plaza are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution, and may be considered closed. These findings are included solely for the purpose of discussing resolution of the finding.

Finding 19. ***Failure to Properly Develop and Distribute Annual Campus Security Report***

Citation Summary: *By October 1 of each year, the institution must publish and distribute its annual campus security report. It must be distributed to all enrolled students and current employees directly by publications and mailings that include: (1) a statement of the report's availability; (2) a list and brief description of the information contained in the report; (3) the exact electronic address (URL) of the Internet or Intranet Web site at which the report is posted, and (4) a statement saying the institution will provide a paper copy upon request. If an institution chooses to fulfill the distribution requirement by posting the crime report on an Internet or Intranet Web site, an individual notice of such posting must be distributed to each student and current employee. Upon request, an institution must provide its annual security report to a prospective student or prospective employee.*

In general, Federal regulations require that an annual security report contain:

- *Crime statistics, as defined in Federal regulations;*
- *A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus;*
- *A statement of current policies concerning security of and access to campus facilities, including campus residences, and security considerations used in the maintenance of campus facilities;*

- *A statement of current policies concerning campus law enforcement that addresses the enforcement authority of security personnel, encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies, and describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics;*
- *A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others;*
- *A description of programs designed to inform students and employees about the prevention of crimes;*
- *A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution;*
- *A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws;*
- *A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws;*
- *A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HEA. For the purpose of meeting this requirement, an institution may cross-reference the materials the institution uses to comply with section 120(a) through (d) of the HEA;*
- *A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.*

When compiling the campus security report an institution must, among other requirements, report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of specific types of crimes that are reported to local police agencies or to a campus security authority. An institution must record a crime statistic in its annual security report for the calendar year in which the crime was reported to a campus security authority. The institution must also, among other factors, provide a geographic breakdown of the crime statistics according to the following categories: (1) On campus; (2) in or on a non-campus building or property; (3) on public property. Further, the required statistics may not include the identification of the victim or the person accused of committing the crime. 34 C.F.R. § 668.46

Noncompliance Summary: *Plaza has not developed procedures for compiling and distributing an annual campus crime report to students, employees, prospective students, and prospective employees.*

As indicated in interviews with institution administrators on 2/28/2012, Plaza lacks standard or procedures for creating and disseminating an annual campus crime report of any type. Institution officials did note that although an annual report is not prepared, pertinent crime statistics are reported to the Department's Integrated Postsecondary Education Data System (IPEDS) website.
It is noted that information concerning crime and security issues appear in Plaza's routine consumer information. For example, a document that Plaza disseminated to all students on October 1, 2011 titled "Students Right to Know" includes the following passage:

> *"There is a security guard on duty within the shopping center. The back and side parking areas are monitored by security cameras as well as the inside of the institution. Should a problem occur please notify Mr. Hearn, School Director, or Mr. Sparks; they will notify the proper authorities. Night students should notify the instructor on duty that evening. (...) Crimes on Plaza's campus for 2010: Rapes 0, Robberies 0, Burglaries 0, Stolen cars 0..."*

However, although the above information is pertinent to an annual security report, the statistics are not complete or correctly defined, there is no reference to 2009 and 2008 crime statistics, and the information is not presented in an overall security report with the other required statements and guidance.

***Required Action Summary:** By October 1, 2012, Plaza must publish a 2012 campus security report that includes all required information, and disseminate the report to all current students and employees. Plaza must also make the report available to all prospective students and employees. A copy of this campus security report, as well as a detailed discussion of how it was disseminated to students and employees, must be included with Plaza's response.*

Additionally, Plaza must develop and implement campus security report dissemination procedures to ensure that all enrolled students and current employees receive copies of campus security reports as they are published. A discussion of these revised procedures should accompany Plaza's response to this report.

Plaza's Response: In its response, Plaza concurred with the finding and stated that it published and distributed a compliant 2012 ASR, as directed in the program review report. Management asserted that campus safety policies as well as an internal procedure for dissemination of the ASR were developed and implemented. In addition, Plaza submitted a copy of the 2012 ASR and a copy of the e-mail showing that the report was distributed to students and employees in support of its claims. Specifically, Plaza stated that "an email system was implemented to ensure that a notification regarding this report is sent to every student and staff member by October 1 of each year."

Final Determination: As a result of the violation referenced above, Plaza would have normally been required to review and revise its policies and procedures for preparing, publishing, and distributing its ASR. In addition, Plaza would have been directed to use those new policies as a guide for developing a complete ASR and to submit it and its policies to the Department for approval. Finally, Plaza would have been required to distribute the new ASR to its current students and employees and provide evidence of that distribution to the Department.

However, as Plaza ceased participation in the Title IV, HEA programs effective September 15, 2014, no policy changes or enhancements to its ASR or its campus security operations will be required by the Department at this time. Notwithstanding this determination, Plaza officials are reminded that the exceptions identified in this finding constitute serious violations of the *Clery Act* that by their nature cannot be cured. As such, Plaza is advised that these violations would have to be addressed to the Department's satisfaction before any future application for reinstatement could be considered for approval.

Finding 20. ***Failure to Comply with Drug and Alcohol Abuse Education and Prevention Program Requirements***

Citation Summary: *The Drug-Free Schools and Communities Act and the Department's regulations requires each institution to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.*

On an annual basis, the institution must provide, at a minimum, the following information in writing to each employee and to each student who is taking one or more classes for any type of academic credit except for continuing education units, regardless of the length of the student's program of study:

- *Standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities;*
- *A description of the applicable legal sanctions under local, state or federal law for the unlawful possession or distribution of illicit drugs and alcohol;*
- *A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;*
- *A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; and,*
- *A clear statement that the institution will impose disciplinary sanctions on students and employees (consistent with local, state, and federal law), and a*

description of these sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct, as defined in federal regulations.

In addition, institutions must conduct a biennial review in order to determine the effectiveness of its drug and alcohol prevention program, and to ensure consistent enforcement of applicable laws, ordinances, and institutional policies for violators. The biennial review materials must be maintained by the institutions and made available to the Department upon request. 34 C.F.R. § 86.100

Noncompliance Summary: Plaza has failed to develop and implement a drug and alcohol abuse education and prevention program.

Required Action Summary: *First, Plaza must develop and implement a drug and alcohol abuse education and prevention program that conforms to federal regulations, including all of the required elements in the Drug-Free Schools and Communities Act. Second, Plaza must conduct a biennial review to measure the program's effectiveness of its drug and alcohol abuse education and prevention program. Third, Plaza must describe the methods and data analysis tools that will be used to determine the effectiveness of the program, and identify the responsible official or office that will conduct the biennial review. Copies of Plaza's drug and alcohol abuse education and prevention program plan, its biennial review, and the policies and procedures it has devised to conduct the review should accompany the institution's response to this report.*

Plaza's Response: In its response, Plaza concurred with the finding and stated that it established a Drug and Alcohol Abuse Prevention Program (DAAPP) and submitted a copy of the program plan. Management conceded that the institution did not have a program in place prior to the site visit and therefore, was unable to conduct any internal reviews. Plaza did submit an internal policy and procedure statement that calls for the conduct of a review of the program's effectiveness every two years going forward. Finally, the institution stated it will use the number of disciplinary actions against students and employees for violations of the drug and alcohol policy as factors to determine the program's effectiveness.

Final Determination: Plaza would have normally been required to develop and implement a substantive drug and alcohol abuse prevention program (DAAPP) that included all of the required elements set forth in the Drug-Free Schools and Communities Act (DFSCA) and the Department's Part 86 regulations. In addition, Plaza would have been required to develop procedures for distributing the DAAPP disclosure to all current students enrolled for academic credit and all current employees. Once the new program materials were complete, Plaza would have been required to submit them to the Department for evaluation and approval and then distribute them in accordance with Part 86 regulations. Finally, Plaza would have been required to conduct a biennial review to

measure the effectiveness of its DAAPP and produce a detailed report of findings and recommendations for improvement.

However, as Plaza ceased participation in the Title IV, HEA programs effective September 15, 2014, no policy changes or enhancements to its drug and alcohol programs will be required by the Department at this time. Notwithstanding this determination, Plaza officials are reminded that the exceptions identified in this finding constitute serious violations of the DFSCA that by their nature cannot be cured. As such, Plaza is advised that these violations would have to be addressed to the Department's satisfaction before any future application for reinstatement could be considered for approval. There is no further action required at this time; however, if the institution were to ever apply for reinstatement, it would have to come into compliance with *Clery Act* and Part 86 provisions as a precondition of regaining eligibility.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Plaza's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on September 19, 2012 is attached as Appendix D.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are included in individual findings, as well as in the summary of liabilities table in Section D of the report.

Finding 1. *Improper Return of Title IV Funds Calculations*

Citation Summary: *Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent Federal regulations. 34 C.F.R. § 668.22*

When an institution chooses to calculate the treatment of Title IV assistance on a payment period basis for a non-term credit-hour or clock-hour program, but the institution charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. (Again, institutional charges incurred by the student are charges for which the student was responsible that were initially assessed by the institution for the payment period or period of enrollment.)

When a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period generally are a pro-rated amount of institutional charges for the longer period. However, if an institution has retained Title IV funds in excess of the pro-rated amount to cover institutional charges, then the institutional charges for the payment period are the amount retained.

An institution that charges by the period of enrollment but performs its Return calculation on a payment period basis must determine whether it must enter (1) the prorated amount of all institutional charges, or (2) the amount the institution retained. To do this, first, the institution prorates all institutional charges. Then, the institution determines the amount actually retained. The institution compares the two results and, for the Return calculation, uses the greater of the two amounts. 2011/12 Federal Student Aid Handbook, Volume 5, Chapter 2

Noncompliance Summary: *In two respects, Plaza improperly performed Return of Title IV Funds calculations.*

Inaccurate determination of scheduled hours: *On a systemic basis, Plaza has incorrectly calculated the numbers of scheduled hours in a payment period.*

For example, the financial aid file of student #2 indicates that the student withdrew on 3/24/11, and that Plaza performed a Return calculation on 4/20/11. The Return worksheet reflects that 277.5 clock hours had been scheduled as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 315 clock hours had been scheduled.

Likewise, the financial aid file of student #4 indicates that the student withdrew on 6/25/11, and that Plaza performed a Return calculation on 10/18/11. The Return worksheet reflects that 24 clock hours had been scheduled in the second payment period as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 172.5 clock hours had been scheduled in the second payment period at the time of the withdrawal.

As a further example, the financial aid file of student #7 indicates that the student withdrew on 6/2/11, and that Plaza performed a Return calculation on 8/16/11. The Return worksheet reflects that 169 clock hours had been scheduled in the second payment period as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 172 clock hours had been scheduled in the second payment period at the time of the withdrawal.

Contributing to the issue of the incorrect calculation of scheduled hours is a systemic problem attributed to software. Plaza uses software provided by a third party servicer—FAME of Ft. Lauderdale, Florida—to perform Return of Title IV Funds calculations. A review of several Return calculations disclosed that the software appears to subtract

from its tally of scheduled hours in a payment period any scheduled hours attributable to a new payment period that occur on a day when a student moves from one payment period to the next.

For example, student #7 completed the 450 clock hours in the first payment period of her program on 3/10/11. The 450th clock hour was completed at a point where there still remained three scheduled clock hours in the day of instruction. The remaining scheduled hours were part of the new payment period and should have been counted as such in a Return calculation. However, the software employed by Plaza began counting the number of scheduled clock hours in the new payment period at the beginning of the next day of instruction. Consequently, three scheduled clock hours were omitted from the tally of scheduled hours for the payment period used in the Return calculation.

A representative of the servicer, contacted by the review team on 3/1/12, confirmed that the software is "day-based," and does not include in its tally of scheduled clock hours any scheduled hours in a new payment period that occur on a day when the student moves from the previous payment period to the new one.

Incorrect amount of institutional charges for the payment period: *On a systemic basis, Plaza has miscalculated the amount of Title IV funds the institution retained for institutional charges.*

For example, the financial aid file of student #4 indicates that the student withdrew on 6/25/11, and that the institution performed a Return calculation on 10/18/11. The Return worksheet reflects that the institutional charges for the period were $7,502—an amount equal to the amount of Title IV aid disbursed to the student during the payment period. Plaza used this figure in the Return calculation with the understanding that it represented the amount of Title IV funds retained for institutional charges.

However, Plaza paid a Title IV credit balance of $4,106 to the student following the posting of the Title IV funds for the payment period. Consequently, in the payment period in question, the institution retained only $3,396 in Title IV funds.

In exactly the same circumstances, the financial aid file of student #16 indicates that the student withdrew on 1/18/12, and that Plaza performed a Return calculation on that same date. The Return worksheet reflects that the institutional charges for the period were $7,502—an amount equal to the amount of Title IV aid disbursed to the student during the payment period. Plaza used this figure in the Return calculation with the understanding that it represented the amount of Title IV funds retained for institutional charges.

However, Plaza paid a Title IV credit balance of $4,106 to student #16 following the posting of the Title IV funds for the payment period. Consequently, in the payment period in question, the institution retained only $3,396 in Title IV funds.

During the on-site portion of the program review, Plaza administrators stated that the systemic use of incorrect institutional charges was the result of a problem with computer software. Plaza uses software provided by FAME, their third party servicer, to perform Return of Title IV Funds calculations. The software appears to automatically equate the amount of Title IV funds drawn down during a payment period with the amount of Title IV funds retained for institutional charges. Although the review team contacted a representative of the servicer on 3/1/12 to further clarify the issue, the representative was unfamiliar with the problem.

Required Action Summary: *In response to this finding, Plaza was required to provide comprehensive information for all Title IV recipients who officially or unofficially withdrew during the 2010/11, 2011/12, and 2012/13 award years.*

Plaza was required to engage an Independent Public Accountant (IPA) to test the completed file review. The IPA was required to develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures were provided to Mr. Chaney for approval. The IPA was to apply the Agreed Upon Procedures to test the file reviews completed by Plaza, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions were reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA prepared the report in accordance with the American Institute of Certified Public Accountants (AICPA) Attestations Standards. The IPA's report was submitted with Plaza's response to this PRR.

Additionally, Plaza was required to review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed properly and in a timely manner in the future. A copy of these procedures was submitted with Plaza's response to this report.

Plaza's Response: As required in the program review report, Plaza indicated to reviewers they had engaged an IPA to complete the comprehensive file reconstruction for all Title IV, HEA recipients identified during the 2010-2011, 2011-2012, and 2012-2013 award years who withdrew and therefore, a Return calculation was required to be performed. Plaza included the results of the file reconstruction as part of its response to this finding.

Additionally, Plaza indicated they had provided copies of the institution's policies and procedures in relation to performing Return of Title IV calculations.

Final Determination: The Department reviewed the file reconstruction results provided by Plaza which detailed all Title IV, HEA recipients for the 2010-2011, 2011-2012, and 2012-2013 award years who were considered to have Return calculations performed due

to their withdrawal from the institution. The review disclosed several incorrect returns; however in all cases except for two returns, Plaza returned too much Title IV, HEA aid. The review also disclosed that most of the returns were late. Interest was not calculated on the late returns where Plaza returned more funds than required.

The Department did not establish liabilities for those students in which Plaza did not return the correct amount of Title IV, HEA funds to the appropriate Title IV, HEA program if the net amount of Title IV, HEA funds Plaza returned to all Title IV, HEA funds was greater than or equal to the amount of funds that should have been returned.

The Department has applied its Cost of Funds Calculation (Attachment A) in order to calculate the amounts owed, including interest, to the Department. The interest charges were computed using the cost of funds for Federal Pell Grants and Federal Direct Subsidized Stafford Program published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about the cost of funds liability determination may be found in Appendix B.

Plaza is liable for the incorrect Return of Title IV Funds calculations identified in the reconstruction of the 2010-2011, 2011-2012, and 2012-2013 award years for those students in which Plaza did not return or returned Title IV, HEA funds less than the amount of funds that should have been returned. The total liability includes **$29.00** to the Direct Subsidized Loan program. Student specific liabilities are outlined in Appendix B.

Plaza must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

Finding 9. ***Conflicting Information***

Citation Summary: *An institution is required to develop adequate systems to ensure the integrity of the information it receives as part of a student's application for federal student aid, regardless of the source of that information. The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. The institution is responsible for reconciling all information received, with one exception: If the applicant dies during the award year, the institution is not required to pursue the resolution of conflicting data. The requirement to resolve discrepant data is separate and distinct from the verification requirements and procedures.*

In determining whether the institution's system for resolving conflicting information is adequate, the Secretary considers whether the institution obtains and reviews:

(1) All student aid applications, need analysis documents, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant;
(2) Any documents, including any copies of state and federal income tax returns, that are normally collected by the institution to verify information received from the student or other sources, and
(3) Any other information normally available to the institution regarding a student's citizenship, previous educational experience, documentation of the student's social security number, or other factors relating to the student's eligibility for funds under the Title IV programs. 34 C.F.R. § 668.16(f)

Noncompliance Summary: *In two instances, Plaza failed to resolve conflicting information relating to a student's enrollment in a Title IV-eligible program.*

Student #6 *The student's financial aid file includes a 2009/10 Institutional Student Information Record (ISIR) indicating that the student was a dependent student with two parents. As of 8/10/09, the date of the ISIR, the student was 21 years of age and did not claim to be an orphan or ward of the court.*

The student's financial aid file also includes a 2010/11 ISIR indicating that as of 6/19/10, the date of the ISIR, the student was 21 years of age and an orphan or ward of the court. Because of the orphan or ward of the court status, the student achieved independent student status and was, therefore, eligible to receive an increased amount of Title IV funds.

However, it is unclear how a student who, at 21 years of age, was not an orphan or ward of the court could less than a year later claim to be an orphan or ward of the court. The financial aid file does not contain any further documentation addressing this instance of conflicting information.

Student #15 *The student's financial aid file includes 2010/11 ISIR dated 7/16/10 indicating that the student had a household size of four. The ISIR also indicates that the student is unmarried and has no dependents other than a child. Meanwhile, the student's admissions file contains an admissions application dated 8/6/10 on which the student has indicated that she has one dependent, a child. It is noted that the Department's definition of a "dependent", as provided on the Free Application for Federal Student Aid (FAFSA), is someone for whom the student provides more than half of their support, and the definition of a "household" includes a student's spouse, a student's children, and any dependents. Consequently, given that the student reported having no dependents other than one child, is unclear how the student could claim achieved a household size of four.*

Required Action Summary: *Plaza was required to review the files of students #3 and #15 and resolve the two instances of conflicting information.*

In the case of student #6, Plaza must either obtain documentation to support the student's claim that she was an orphan or ward of the court, or recalculate the student's Title IV eligibility for the 2010/11 award year using the parent's income figures.

In the case of student #15, Plaza must either obtain documentation to support the student's claim that she had a household size of four in 2010, or recalculate the student's Title IV eligibility for the 2010/11 award year using a household size of two.

If, for either student, the Title IV award changes as a result of the recalculation, Plaza must provide the following information:

(1) Student's EFC's as a result of the dependency override, organized by award year;
(2) Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;
(3) Corrected EFC's, organized by award year;
(4) Corrected Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;
(5) Ineligible award amounts and refunds due the Title IV programs, organized by award year, then Title IV program, then amount;
(6) Amount(s) of Title IV funds returned as a result of Return of Title IV Funds calculations, organized first by award year, then by Title IV program, amount, and date of return.

In the event that Plaza was unable to obtain the necessary supporting calculation and also cannot perform the recalculation of the student's Title IV eligibility because of insufficient information, the institution may be held liable for the full amount of Title IV funds disbursed to the student in the award years in question.

Additionally, Plaza was required to review and, as necessary, revise its internal policies and procedures to ensure that dependency overrides are performed properly and in a timely manner in the future. A copy of these procedures must accompany Plaza's response to this report.

Plaza's Response: Plaza reviewed the files for student #6 and #15. Plaza was able to obtain the information regarding the household size and recalculate the student's EFC, which remained zero. However, Plaza was unable to obtain the information for student #6.

Additionally, Plaza has reviewed and revised its internal policies and procedures to ensure that dependency overrides are performed properly and in a timely manner in the future.

Final Determination: The Department reviewed Plaza's program review response and determined that Plaza failed to provide the required documentation to substantiate the

Title IV, HEA funds provided to student #6. Therefore, Plaza is responsible for returning **$2,431.00** in Federal Pell Grant funds to the Department for this student. Additionally, Plaza is liable for the cost of funds associated with the improper use of Federal Pell Grant funds. The total cost of funds liability due to the Department as a result of the failure to return Federal Pell Grant funds is **$54.00** ($53.69 in Federal Pell Grant interest, *rounded*). The interest charges were computed using the cost of funds for Federal Pell Grants and Federal Direct Subsidized Stafford Program published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about the cost of funds liability determination may be found in Appendix B.

Plaza must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

Finding 14. ***Ineligible Direct Loan Disbursement***

Citation Summary: *A student becomes ineligible to receive Direct Loan funds on the date that the student is no longer enrolled at the institution as at least a half-time student for the period of enrollment for which the loan was intended. 34 C.F.R. § 668.164(g)(1)*

Noncompliance Summary: *In one instance, a student who was no longer enrolled at Plaza received a Subsidized Direct Stafford Loan.*

Student #5 *The financial aid file indicates that the student completed Plaza's 1500-clock hour Cosmetology program on June 29, 2011. Following the student's graduation, a Subsidized Direct Stafford Loan in the amount of $2,366 was originated by the institution on 7/8/11. The student signed the Master Promissory Note on 7/13/11, and the loan was disbursed to the student's account on 7/20/11.*

Required Action Summary: *Plaza was required to return the full amount of the Subsidized Direct Stafford Direct Loan disbursed to student #5. Instructions for repayment of the liability will be included in the Department's FPRD.*

Additionally, Plaza was required to review and, as necessary, revise its internal policies and procedures to ensure that loans are not originated after students have ceased attendance. A copy of these updated policies and procedures should accompany Plaza's response.

Plaza's Response: Plaza agreed with the finding and provided copies of its revised policies and procedures in relation to the origination of student loans.

Final Determination: Plaza incorrectly provided Federal Direct Subsidized Loan funds to the student referenced in the PRR above.

The total amount of Federal Direct Loan funds (subsidized) improperly disbursed to the student during the 2010-2011 award year is $2,366.00. The estimated actual loss to the Department that has resulted or will result from this ineligible loan is based on the most recent sector default rate available for institutions such as Plaza. As a result, the estimated actual loss that Plaza must pay to the Department for the ineligible loan is **$163.00** *($162.62*, rounded). A copy of the results of the calculation is included as Appendix B.