



January 15, 2013

Ms. Tanya Flock, Owner  
4-States Okmulgee Academy of Cosmetology  
308 East 6th Street  
Okmulgee, OK 74447

**Certified Mail**  
**Return Receipt Requested**  
**7011 2000 0000 8054 3380**

**RE: Final Program Review Determination**  
OPE ID: 04121300  
PRCN: 201140627688

Dear Ms. Flock:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on February 16, 2012, covering 4-States Okmulgee Academy of Cosmetology's (4-States) 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 award year. Attached is a copy of the program review report and related attachments. 4-States failed to respond to the program review report. The Department has made final determinations based on information obtained during the program review. This Final Program Review Determination (FPRD) and related attachments 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, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$48,176.00.

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

## Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

Federal Student Aid, Dallas School Participation Division  
1999 Bryan St., Suite 1410, Dallas TX 75201-6817  
StudentAid.gov

**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 D, Student Sample.

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the February 16, 2012, program review report. If 4-States wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date 4-States receives this FPRD. An original and four copies of the information 4-States 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

4-States' 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.

4-States Okmulgee Academy of Cosmetology

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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 4-States' 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).

If the institution has any questions regarding this letter, please contact Dr. Kimberly D. Walker at (214) 661-9473. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Cynthia Thornton, Director  
Dallas School Participation Division

cc: National Accrediting Commission of Cosmetology Arts and Sciences  
Oklahoma State Board of Cosmetology

## **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 or on media (e.g., CD-ROM, floppy disk, DVD) 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 WinZip 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 files and media 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.

Prepared for

**4-States Okmulgee Academy  
of Cosmetology**

**OPE ID: 04121300  
PRCN: 201140627688**

**Federal Student Aid**  
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Prepared by:  
**U.S. Department of Education  
Federal Student Aid  
Dallas School Participation Division**

**Final Program Review Determination**  
January 15, 2013

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**A. Institutional Information**

4-States Okmulgee Academy of Cosmetology  
308 East 6<sup>th</sup> Street  
Okmulgee, OK 74447

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year (900 – 1799 hours)

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 17 (2010 – 2011)

% of Students Receiving Title IV: 100% (2010 – 2011)

Title IV Participation (PEPS Funding):

2010-2011

Federal Pell Grant Program	\$102,589
William D. Ford Federal Direct Loan Program (DL)	\$173,058
Federal Family Education Loan Program (FFEL)	\$ 6,750

Default Rate FFEL/DL:	2010	17.8%
	2009	0.0%
	2008	0.0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at 4-States Okmulgee Academy of Cosmetology (4-States) from August 15, 2011 - August 19, 2011. The review was conducted by Dr. Kimberly D. Walker and Mrs. Regina Krob.

The focus of the review was to determine 4-States' compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV programs. The review consisted of, but was not limited to, an examination of 4-States' 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 15 files was identified for review from the 2010-2011 award year. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix D lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on February 16, 2012.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning 4-States' specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve 4-States 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 4, 8, 9, 10, 11, 12, 13, and 14**

4-States did not provide any response to the program review report and did not resolve any findings. However, because 4-States is no longer eligible to participate in the Title IV, HEA programs, no further action is required for the above findings, as they do not directly involve the eligibility of Title IV disbursements. However, if 4-States seek reinstatement in the Title IV, HEA programs, the issues identified in these findings must be addressed before the institution will be considered for reinstatement. The consequences of the program violations identified in the remaining finding are discussed below.

### **Findings with Final Determinations**

4-States did not provide any response to the program review report. Below are the Department's final determinations for those findings involving the eligibility of Title IV

disbursements. A copy of the program review report issued on February 16, 2012, is attached as Appendix A.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

**Finding 1: Title IV (R2T4) Calculation Errors**

*Citation: When a recipient of Title IV 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 assistance the recipient earned as of the date he/she withdraws. The institution must determine how much aid a recipient earned by determining how much of the payment period he/she completed and then multiplying that percentage by the amount of Title IV funds the student received or could have received. 34 C.F.R. § 668.22*

*Noncompliance: Student #3 – The Return to Title IV (R2T4) calculation shows October 29, 2010 as the last date of attendance (LDA). However, it is unclear when the student ceased attendance. For example, the student signed a statement indicating that she was dropping on November 4, 2010 and the attendance report shows that the student attended through that date. The monthly student report indicates the student attended through November 8, 2010. The student ledger indicated the LDA as October 26, 2010 and November 8, 2010 as the drop date.*

*Student #9 - The return calculation indicates the student withdrew on July 28, 2011; however, the student signed a statement indicating that she was dropping on July 27, 2011.*

*The R2T4 form states that the student completed 300 hours out of 300 scheduled hours. The student had only completed 882 ½ clock hours as of June 30, 2011. Since the student was in the 451-900 hour payment period, it is unlikely that the student would have been able to complete the remaining 17 ½ clock hours in that payment period and would have had 300 scheduled hours in the next payment period by July 28, 2011.*

*The reviewers could not determine the total number of hours the student actually completed nor the scheduled hours in the payment period, because attendance information was unavailable at the time of the review.*

*Finally, incorrect R2T4 forms were being utilized for the student who withdrew after July 1, 2010. 4-States was using the form stating, "You may use this form when the withdrawal date is on or after 11/01/2007." 4-States should have been using the form*

*stating, "You may use this form when the withdrawal date is on or after 7/1/2010" for accurate return calculations.*

**Required Action:** *4-States must perform a file review of all students who withdrew during the 2010-11 award year. 4-States must determine if the correct LDA and the correct number of scheduled hours were used for each student's R2T4 calculation.*

*For Student #9, the institution must determine how many hours the student was scheduled to attend up to the LDA and divide by the total hours in the payment period to see if the student was eligible for a post-withdrawal disbursement or if a return of funds is required.*

*4-States must provide copies of the revised R2T4 forms, student ledgers and if applicable, any documentation showing returns to appropriate program. 4-States must also provide a policy to ensure accurate data is provided on all forms.*

*Results of this file review must be submitted in an Excel spreadsheet or similar format. The required format for submission of the result of the file review is listed below. If 4-States does not include each of the data elements requested, the response will not be considered complete.*

*Last Name  
First Name  
Last 4 SSN  
Withdrawal Date  
Determination Date  
Return Made Date  
Return Amount, By Title IV program*

*The information may be presented in a format such as the following:*

<i>Last Name</i>	<i>First Name</i>	<i>Last 4 SSN</i>	<i>W/DD ate</i>	<i>Determi nation Date</i>	<i>Return Made Date</i>	<i>Return Amount</i>	<i>Title IV Program</i>
						\$	

**4-States' Response:** 4-States did not provide any response to the program review report.

**Final Determination:** 4-States did not provide a response to the program review report and did not perform a file review of all students who withdrew during the 2010-11 award year. As a result, 4-States failed in its fiduciary responsibilities.

When an institution does not respond to a program review report, the Department is unable to establish exact liabilities or to project estimated liabilities for any of the

findings requiring file reviews or additional documentation. Consequently, the Department establishes liabilities for all funds disbursed during the period in question.

Accordingly, 4-States is liable for all Title IV, HEA program funds it received during the 2010-2011 award year:

Award Year	Pell Grants	FFEL/DL	Total
2010-2011	\$102,589	\$179,808	\$282,397

However, on September 14, 2012, the Department issued a Final Audit Determination (FAD), ACN 06-2011-12001, which established liabilities of \$81,865.23 for the period January 1, 2011 through December 20, 2011.<sup>1</sup> The Payment Instructions in Section E of this report will remove all duplicate liabilities that were established in FAD ACN 06-2011-12001 and will also calculate the estimated loss on the remaining ineligible loan amount.

**Finding 2: Failure to Report/Reconcile/Adjust Direct Loan Disbursements/Adjustments/Cancellations**

*Citation: Federal regulations require that an institution follow certain disbursement rules when certifying and disbursing Federal Direct Loans.*

*If a student transfers from one institution to another institution during the same award year, an institution must check National Student Loan Data System (NSLDS) for any Title IV, HEA aid that may have been disbursed during that academic year. The institution to which the student transfers must request from the Secretary, through NSLDS, updated information about that student so it can make its eligibility determination. The institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS, and the information it receives allows it to make that disbursement. 34 C.F.R. § 668.19*

*For a dependent student to be eligible for additional unsubsidized loan proceeds, a financial aid administrator must determine that the student's parent likely will be precluded from borrowing under the Federal Direct PLUS Program and the student's family is otherwise unable to provide the student's expected family contribution. The financial aid administrator shall base the determination on a review of the family financial information provided by the student and consideration of the student's debt burden and shall document the determination in the school's file.*

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<sup>1</sup> The \$81,865.23 liability included \$59,555 in Pell Grants and an estimated loss liability of \$22,310.32 due from \$130,933 in ineligible loans (\$75,548 subsidized and \$97,510 unsubsidized)

*An undergraduate student who has not successfully completed the first year of a program of undergraduate education may not borrow no more than \$3,500 in unsubsidized Federal Direct Loans and \$6,000 in subsidized Federal Direct Loans for a program study of at least a full academic year in length. 34 C.F.R. § 685.203*

**Noncompliance:** *4-States improperly disbursed loan funds to several of the students in the sample.*

*Student #4 was awarded over the annual loan limits. Transfer monitoring was not completed when the ISIR indicated that the student had used loan funds at another institution during the same award year with overlapping loan periods.*

<i>Annual Loan Amount</i>	<i>\$9,500</i>	<i>Combined Subsidized and Unsubsidized</i>
<i>Less amount disbursed at other institution</i>	<i>-406</i>	<i>Subsidized: Loan Period 9/7/10-3/24/11</i>
	<i>-0</i>	<i>Unsubsidized: Loan Period 9/7/10-3/24/11</i>
<i>Available Amount Remaining</i>	<i>\$9,094</i>	
<i>Less amount disbursed at 4-States</i>	<i>3,500</i>	<i>Subsidized: Loan Period 11/29/10-4/29/11</i>
	<i>6,000</i>	<i>Unsubsidized: Loan Period 11/29/10-4/29/11</i>
<i>Overaward</i>	<i>\$-406</i>	<i>Subsidized</i>

*Student #6 received additional unsubsidized Federal Direct Loan funds for \$4000. The reviewer's interview with the student indicate that the parent(s) did not apply or have a credit check completed to see if the parent(s) would have qualified or been denied a Parent PLUS Direct Loan.*

*Student#11 also received additional unsubsidized Federal Direct Loan funds for \$1,392. The students; files did not contain any documentation of her parents' credit check to determine if the parents qualified or were denied a Parent PLUS Direct Loan.*

*Student #12 was overawarded with \$3,500 in subsidized loan funds and awarded over the annual loan limits. The Expected Family Contribution (EFC) exceeded the Cost of Attendance (COA) leaving \$0 in remaining need. In addition, transfer monitoring was not completed when the ISIR indicated that the student had used loan funds at another institution during the same award year with overlapping loan periods.*

<i>COA</i>	<i>\$15,718</i>
<i>Less EFC</i>	<i>-18,095</i>
<i>Need</i>	<i>\$0</i>

<i>Annual Loan Amount</i>	<i>\$9,500</i>	<i>Combined Subsidized and Unsubsidized</i>
<i>Less amount disbursed at other institution</i>	<i>-1,750</i>	<i>Subsidized: Loan Period 9/7/10-3/24/11</i>
	<i>-467</i>	<i>Unsubsidized: Loan Period 9/7/10-3/24/11</i>

<i>Available Amount Remaining</i>	<i>\$7,283</i>	
<i>Less amount disbursed</i>	<i>-3,500</i>	<i>Subsidized: Loan Period 11/29/10-4/29/11</i>
<i>at 4-States</i>	<i>-6,000</i>	<i>Unsubsidized: Loan Period 11/29/10-4/29/11</i>
<i>Overaward</i>	<i>\$-2,217</i>	<i>Combined Subsidized and Unsubsidized</i>

*Student #8 transferred to 4-States with a total of 1210 clock hours. The cost of attendance calculated was \$3,577. 4-States awarded the student Pell in the amount of \$1,788, Subsidized Direct Loan in the amount of \$1,444, and unsubsidized Direct Loan in the amount of \$1,925. The funding totaled \$5,157. The cost of attendance (\$3,577) less the total funding award (5,157) resulted in an overaward of \$1,580 in unsubsidized Direct Loan funding.*

*Student #13 transferred to 4-States with a total of 681 clock hours. The cost of attendance calculated was \$10,101. 4-States awarded the student Pell in the amount of \$2,526, Subsidized Direct Loan in the amount of \$3,171, and unsubsidized Direct Loan in the amount of \$5,434. The funding totaled \$11,131. The cost of attendance (\$10,101) less the total funding award (\$11,131) resulted in an overaward of \$1,030 in unsubsidized Direct Loan funding.*

***Required Action:*** *4-States must complete a file review to ensure that there are not any additional overawards.*

*Please provide an electronic copy of the results of the file review to this office in the following format:*

- Student name*
- Last 4 SSN*
- COA*
- EFC*
- Need*
- Original Loan Amount*
- Revised Loan Amount, if applicable*
- Date of Return, if applicable*
- Amount of return, if applicable*

*The information may be presented in a format such as the following:*

<i>Student Name</i>	<i>Last 4 SSN</i>	<i>COA</i>	<i>EFC</i>	<i>Need</i>	<i>Original Loan Amount</i>	<i>Revised Loan Amount</i>	<i>Date of Return</i>
				\$	\$	\$	

*Student #9's attendance records for July 2011 must be reviewed to determine if the student earned at least 900 clock hours prior to the date of withdrawal. 4-States must also determine if the student was eligible for the second disbursement prior to calculating the*

*R2T4 in Finding No. 1. 4-States must provide our office a copy of the student ledger and the July 2011 attendance record. The R2T4 form will be returned as part of Finding No. 1.*

**4-States' Response:** 4-States did not provide any response to the program review report.

**Final Determination:** 4-States did not provide a response to the program review report and did not perform a file review to determine overawards for the 2010-11 award year.

In the review sample, 6 of 15 students (40%) were overawarded a total of \$11,908 in Direct Loan funds. However, the Department is unable to establish exact liabilities or to adequately project liabilities for this finding because (1) 4-States failed to respond to the program review report, and (2) many of the Title IV recipients in this finding also appear in other findings.

Although the Department is unable to establish actual or projected liabilities for this finding, this finding is considered closed as any liabilities for this finding are subsumed by the liabilities established in Finding # 1.

### **Finding 3: Verification Violations**

**Citation:** *An institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for Title IV assistance for students who are selected for verification. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. An institution is also required to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV programs. 34 C.F.R. §§ 668.51 through 668.61*

**Noncompliance:** *4-States failed to verify Student #14 accurately. The Institutional Student Information Record (ISIR) transaction #05 indicates four family members while the 2010-11 Verification Worksheet indicates six family members.*

**Required Action:** *The institution must resolve the verification deficiencies and demonstrate that verification has been properly completed for student #14 by providing documentation that resolves the inconsistencies or by providing a copy of the student's recalculated ISIR. If the student's EFC, scheduled award or expected disbursement changes as a result of verification, the institution is liable for the difference between the correct disbursement and the actual disbursement. If 4-States cannot complete the verification process, the institution is liable for the actual disbursement.*

*Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.*

**4-States' Response:** 4-States did not provide any response to the program review report.

**Final Determination:** 4-States did properly verify student #14, who received \$2,775 in Pell Grant funds. Accordingly all \$2,775 in Pell Grant funds disbursed to student #14 are liabilities. This finding is considered closed and the liabilities for this finding are subsumed by the liabilities established in Finding # 1.

**Finding 5: Credit Balances Paid Late**

*Citation: Institutions are required to pay credit balances when the amount of Title IV, HEA funds credited to a student's account exceeds the amount of tuition and fees, room and board, and other authorized charges. Institutions must pay such credit balances directly to the student or parent as soon as possible but no later than 14 days after the credit balance occurred if the credit balance occurred after the first day of class of a payment period, or no later than 14 days after the first day of class if the credit balance occurred on or before the first day of class of a payment period. 34 CFR § 668.164(e)*

*If an institution receives authorization from the student to hold credit balance funds, the institution must pay any remaining balance on loan funds by the end of the loan period and any other remaining Title IV, HEA program funds by the end of the of the last payment period in the award year for which the funds were awarded. 34 CFR § 668.165(b)*

**Noncompliance:** *Students #4's and #12's loan period ended April 29, 2011. As of August 19, 2011, 4-States had not paid credit balances for either student.*

*Student #5 received a Federal Direct Unsubsidized loan on 10/5/2010, which created a credit balance. The student received credit balance disbursements on 11/17/2010 and 12/17/2010 in the amount of \$500 each but still had a credit balance in the amount of \$964. After reaching 901 clock hours, Student#5 received Federal Pell Grant funds on 3/18/2011 in the amount of \$834. A credit balance disbursement was paid on 4/18/2011 in the amount of \$500. After reaching 1201 clock hours, Student #5 received \$833 in Federal Pell Grant funds, which increased the credit balance to \$2,131. A debit for being over contract was applied on 7/22/2011 in the amount of \$950. Student#5 graduated 7/22/2011, but did not receive her credit balance until 8/9/2011 in the amount of \$1,181.*

*Student #13 received a Federal Direct unsubsidized loan in the amount of \$2,717 on 2/28/2011 which created a credit balance in the amount of \$2,479. On 3/18/2011, Student #13 received a credit balance disbursement of \$500. On 5/11/2011, Student #13 received a Federal Direct Subsidized loan disbursement in the amount of \$1,585 and a Federal Direct Unsubsidized loan disbursement in the amount of \$2,717 which generated a credit balance in the amount of \$6,281. Student # 13 received credit balance disbursements of \$500 on 5/20/2011, 6/20/2011, and 8/9/2011. On 7/13/2011, Student #*

*13 was debited \$275 for over contract hours. As of 8/9/2011, Student #13's ledger showed an outstanding credit balance in the amount of \$4,506.*

*Student #15 received a Federal Direct unsubsidized loan in the amount of \$5,970 and a Federal Pell Grant in the amount of \$2,775 which generated a credit balance in the amount of \$4,154 on 6/14/2011. On 6/22/2011, Student #15 submitted a letter to 4-States requesting that the Federal Direct unsubsidized loan in the amount of \$5,970 be cancelled. As of 10/28/2011, the loan had not been returned. As of the close of the on-site portion of the program review, Student #15 had an outstanding credit balance in the amount of \$4,154.*

***Required Action:*** *4-States must complete a file review of all student ledgers to determine if any credit balances exist due to funds received from the Federal Pell Grant program for a prior academic year. In addition, student ledgers must be reviewed to determine if any credit balances exist due to Direct Loan funds received for loan periods that have ended. 4-States must immediately pay any credit balances due directly to the student in accordance with federal regulations, unless the student has authorized funds to be held at the institution or returned to the Direct Loan Program. Please provide a copy of all student ledgers showing:*

- *Ledger balance*
- *Date credit balance paid*

*Please include a copy of the cancelled check(s) as proof of payments to students.*

**4-States' Response:** 4-States did not provide any response to the program review report.

**Final Determination:** 4-States failed to pay credit balances or provide proof that it had paid credit balances. The Department is unable to establish actual credit balance liabilities for this finding because (1) 4-States failed to respond to the program review report, and (2) it is unknown how many student were owed credit balances.

In the review sample, 4-States failed to pay or failed to timely pay credit balances for 5 or 15 students (33.3%). Of the 5 students, 3 were owed credit balances totaling \$9,841. These credit balances were supposed to be paid directly to students.

When an institution cannot pay a credit balance to a student because he or she cannot be located, the institution is required to return the funds to the Department. While the Department could not establish the amount of credit balances due to students for this finding, this finding is considered closed as any liabilities for this finding would be subsumed by the liabilities in Finding # 1.

**Finding 6: Entrance/Exit Counseling Deficiencies**

***Citation:*** *An institution must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized or Federal Stafford, Loan. 34 C.F.R. § 685.304(a)*

*An institution must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower shortly before the student borrowers ceases at least half-time study at the institution. If a student borrower withdraws without the institution's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after the institution learns that the student borrower has withdrawn or failed to complete the exit counseling as required. 34 C.F.R. § 685.304(b)*

***Noncompliance:*** *Several areas of noncompliance were noted with respect to entrance and exit counseling.*

- *For Students #5 and #11, documentation of entrance counseling was provided. However, the statements on the entrance counseling forms for both students were not fully checked or initialed as applicable.*
- *There was no evidence of loan exit counseling for Students #8 and #9. Student #8's LDA was 3/7/11. Student #9's LDA was 7/27/11.*
- *An exit counseling form had already been signed for Student #10, however, the student was still enrolled.*

***Required Action:*** *4-States is required to review students who received Direct Loan funds to determine if entrance and/or exit counseling was conducted for each student as applicable. For those students who did not receive entrance and/or exit counseling, 4-States must either provide entrance and/or exit counseling either in person, by audiovisual presentation, interactive electronic means, or postal mail service.*

*Results of this file review must be submitted in an Excel spreadsheet or similar format. The required format for submission of the results of the file review is listed below. If 4-States does not include each of the data elements requested, the response will not be considered complete:*

<i>Student Name</i>	<i>Student SSN</i>	<i>Direct Loan Entrance Loan Counseling Conducted</i>	<i>Direct Loan Exit Loan Counseling Conducted; Delivery Method, If Applicable</i>	<i>Comments</i>
<i>Last, First</i>	<i>0000*</i>	<i>Yes/No</i>		

**\*List only the last four digits of the students' social security numbers.**

**4-States' Response:** 4-States did not provide any response to the program review report.

**Final Determination:** 4-States failed to complete required entrance and exit loan counseling and did not perform the required file review. In the review sample, 5 of 15 students (33.3%) had loan counseling deficiencies. However, there is no liability for this finding and this finding is considered closed.

**Finding 7: Inaccurate Recordkeeping**

*Citation: An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain, on a current basis, financial records that reflect each Title IV, HEA program transaction and general ledger control accounts and related subsidiary accounts that identify each transaction and separate those transactions from all other institutional financial activity.*

*The records that an institution must maintain in order to comply with the record retention regulations include, but are not limited to:*

- *Documentation relating to each student's or parent borrower's receipt of Title IV, HEA program funds;*
- *The amount of the grant; and*
- *The date and amount of each disbursement or delivery of grant or loan funds and the date and amount of each payment of FWS wages. 34 C.F.R. § 668.24*

*An institution must exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Title IV, HEA program funds. 34 C.F.R. § 668.163*

**Noncompliance:** *Several of the students' files contained inaccurate disbursement information.*

**Student #4**

	<i>Ledger Date</i>	<i>Ledger Amount</i>	<i>COD Date</i>	<i>COD Amount</i>
<i>Subsidized</i>	<i>2/16/2011</i>	<i>\$1,742.00</i>	<i>1/15/2011</i>	<i>\$1,742.00</i>
<i>Unsubsidized</i>	<i>2/16/2011</i>	<i>2,985.00</i>	<i>1/15/2011</i>	<i>2,985.00</i>

*Student #6*

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
<i>Subsidized</i>	12/6/2010	\$1,742.00	12/2/2010	\$1,742.00
<i>Unsubsidized</i>	12/6/2010	2,985.00	12/2/2010	2,985.00
<i>Subsidized</i>	1/7/2011	1,742.00	1/5/2011	1,742.00
<i>Unsubsidized</i>	1/7/2011	2,985.00	1/5/2011	2,985.00

*Student #9*

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
<i>Pell Grant</i>	10/13/2010	\$2,775.00	10/8/2010	\$2,775.00
<i>Pell Grant</i>	3/18/2011	2,775.00	3/16/2011	2,775.00
<i>Subsidized</i>	6/14/2011	3,484.00	6/1/2011	1,742.00
<i>Unsubsidized</i>	6/14/2011	5,970.00	6/1/2011	2,985.00
<i>Subsidized</i>			6/15/2011	1,742.00
<i>Unsubsidized</i>			6/15/2011	2,985.00

*Student #12*

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
<i>Subsidized</i>	2/18/2011	\$1,742.00	2/17/2011	\$1,742.00
<i>Unsubsidized</i>	2/18/2011	2,985.00	2/17/2011	2,985.00
<i>Subsidized</i>	3/1/2011	1,742.00	2/28/2011	1,742.00
<i>Unsubsidized</i>	3/1/2011	2,985.00	2/28/2011	2,985.00

*Student #14*

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
<i>Pell Grant</i>	4/18/2011	\$2,775.00	4/15/2011	\$2,775.00

*In addition, Student #9 withdrew on July 28, 2011. A charge of \$1,950 for 195 over-contract hours was posted to the ledger on July 28, 2011. The student would not have begun to incur over-contract charges until the contract ended on August 8, 2011.*

**Required Action:** *The institution must correct the account ledgers for the students identified in this finding to ensure that the correct dates and amounts are recorded and that the balance on the account, if any, is accurate. Copies of corrected ledgers must be submitted in response to this finding.*

**4-States' Response:** 4-States did not provide any response to the program review report.

**Final Determination:** The Department is unable to establish actual or projected liabilities for this finding because (1) 4-States failed to respond and (2) many of the Title IV recipients in this finding also appear in other findings. 4-States' inability to provide

4-States Okmulgee Academy of Cosmetology

OPE ID: 04121300

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any documentation for the students identified in this finding demonstrates a failure in its fiduciary responsibilities. Although incorrect recordkeeping can result in liabilities, such liabilities would have been included as part of Finding # 1.

**D. Summary of Liabilities**

4-States did not submit a response to the Program Review Report. Consequently, the Department has determined that all funds disbursed for the 2010-2011 award year are liabilities.

**Duplicated Liability:** After it ceased providing instruction, 4-States failed to provide the required close-out audit for the period January 1, 2011 through December 20, 2011. The Department issued a Final Audit Determination (FAD) on September 14, 2012, under ACN 06-2011-12001 for the un-audited period. That FAD established a liability for the Federal Pell Grant Program totaling \$59,555 and a liability for the Direct Loan program totaling \$130,933. The amount of the estimated loss for the Direct Loan program was \$22,310.32. These liabilities will not be duplicated in this FPRD.

The total amount of liabilities from the findings in the program review report is included in the first chart below. A summary of the liabilities established in the final audit determination issued on September 14, 2012 is provided in the second chart. The third chart is the total amount of liabilities remaining for the final program review determination after subtracting the liabilities established in the final audit determination. The payment instructions in Section E have been adjusted to reflect these unduplicated liabilities.

<b>Chart 1. Program Review Liabilities – 2010-2011 Award Year</b>			
<b>Initial Liabilities</b>	<b>Pell (Closed Award Year)</b>	<b>DL/FFEL (Closed Award Year)</b>	<b>EALF DL/FFEL</b>
Finding 1 – Failure to Respond	\$102,589.00	\$179,808.00	N/A
Finding 1	*	*	N/A
Finding 2	*	*	N/A
Finding 3	\$2,775.00 (included above)	\$0.00	N/A
Finding 5	*	*	N/A
Finding 6	*	*	N/A
Finding 7	*	*	N/A
<b>Subtotal</b>	<b>\$102,589.00</b>	<b>\$179,808.00</b>	<b>N/A</b>

\*No response provided. Unable to determine extent of non-compliance.

<b>Chart 2. ACN 06-2011-12001 Final Audit Determination–Close-Out Audit Liabilities</b>			
	<b>Pell (Closed Award Year)</b>	<b>DL/FFEL (Closed Award Year)</b>	<b>EALF DL/FFEL</b>
Pay It All Back	\$59,555	\$130,933	\$22,310
<b>Subtotal</b>	<b>\$59,555</b>	<b>\$130,933</b>	<b>\$22,310</b>

<b>Chart 3. Final Unduplicated Liabilities – Final Program Review Determination</b>			
	Pell (Closed Award Year)	DL/FFEL (Closed Award Year)	EALF DL/FFEL
<b>Subtotal</b>	<b>\$43,034.00</b>	<b>\$48,875.00</b>	<b>\$2,870.07</b>
<b>Interest</b>	<b>\$ 272.38</b>		
<b>Total</b>	<b>\$43,306.38</b>	<b>N/A</b>	<b>\$2,870.07</b>
<b>Payable To: The Department</b>			
			<b>\$46,176.45</b>

**Estimated Actual Loss (EAL):**

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with the respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on 4-States' most recent cohort default rate available.

The total amount of FFEL and Direct Loan (unduplicated from ACN 06-2011-12001) that 4-States improperly disbursed during the 2010-2011 award year is \$48,875. The estimated loss that 4-States must pay to the Department for the ineligible loans is \$2,807.07 (rounded to \$2,807). The liability will be applied to the general Direct Loan fund. A copy of the results of that calculation is included as Appendix B.

**E. Payment Instructions**

**Section I – Liabilities Owed to the Department**

4-States owes to the Department \$46,176.00 (rounded). Payment must be made by forwarding a check made payable to the “U.S. Department of Education” to the following address within 45 days of the date of this letter:

U.S. Department of Education  
P.O. Box 979026  
St. Louis, MO 63197-9000

*Remit checks only. Do not send correspondence to this address.*

**Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).**

The following identification data must be provided with the payment:

Amount: \$46,176.00  
DUNS: 123895641  
TIN: 203411065  
PRCN: 201140627688

**Section II – Instructions by Title IV, HEA Program**

**Grant Closed Award Year - Payment Instruction**

Findings: 1 and 3  
Appendix C – Cost of Funds  
4-States must repay:

<b>Pell Closed Award Year</b>			
<b>Amount (Principal)</b>	<b>Amount (Interest)</b>	<b>Title IV Grant</b>	<b>Award Year</b>
\$43,034.00	\$272.38	Pell	2010-2011
<b>Total Principal</b>	<b>Total Interest</b>		
\$43,034.00	\$272.38		

The disbursement record for the student identified in Finding 3 (\$2,775.00) must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount (principal) identified above. Adjustments in COD must be completed prior to remitting payment to the Department. **Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. Interest will be applied to the general program account.** A copy of the adjustment to each student's COD record must be sent to Dr. Kimberly Walker **within 45 days of the date of this letter.**

### Direct Loan - Estimated Actual Loss

Finding: 1  
Appendix B – Estimated Loss Formula

DL Estimated Actual Loss	
Amount	Award Year
\$2,870.00	2010-2011
Total	
\$2,870.00	

4-States must pay \$2,870.00 in Direct Loan estimated loss liabilities for award year 2010-2011. The liabilities will be applied to the general Direct Loan fund.

### Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of this letter.** If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. 4-States is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to 4-States' account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education  
OCFO Financial Management Operations  
Accounts Receivable Group  
550 12<sup>th</sup> Street, S.W., Room 6111  
Washington, DC 20202-4461  
ATTN: Supervisor

If within 45 days of the date of this letter, 4-States has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payment due 4-States from the Federal Government. 4-States may object to the collection by offset only by challenging the existence or amount of the debt. To challenge the debt, 4-States must timely appeal this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. No separate appeal opportunity will be provided. If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of The Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

#### **F. Appendices**

Appendix A – Program Review Report  
Appendix B – Estimated Loss Formula  
Appendix C – Cost of Funds  
Appendix D – Student Sample

**Final Program Review Determination**  
**PRCN #: 201140627688**

**Appendix A**  
**Program Review Report**



February 16, 2012

Ms. Tanya Flock  
Owner  
4-States Okmulgee Academy of Cosmetology  
308 East 6th Street  
Okmulgee, OK 74447

Certified Mail  
Return Receipt Requested  
7011 2000 0000 8054 4318

RE: Program Review Report  
OPE ID: 04121300  
PRCN: 201140627688

Dear Ms. Flock:

From August 15, 2011 through August 19, 2011, Mrs. Kimberly D. Walker and Mrs. Regina Krob conducted a review of 4-States Okmulgee Academy of Cosmetology's (4-States') 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 4-States. The response should include a brief, written narrative for each finding that clearly states 4-States' position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, 4-States 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<sup>1</sup> 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.

<sup>1</sup> 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 Team - Dallas  
1999 Bryan Street, Suite 1410, Dallas, Texas 75201  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)

4-States Okmulgee Academy of Cosmetology

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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 FPRD. However, it will be retained and available for inspection by 4-States upon request. Copies of the program review report, the institution's response, 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 the FPRD is issued.

The institution's response should be sent directly to Kimberly D. Walker 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. 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 Kimberly D. Walker at (214) 661-9473 or [Kimberly.Walker@ed.gov](mailto:Kimberly.Walker@ed.gov).

Sincerely,

(b)(6)

Jesus Moya  
Team Leader

Enclosure:

Protection of Personally Identifiable Information



**START HERE**  
**GO FURTHER**  
**FEDERAL STUDENT AID**

Prepared for

**4-States Okmulgee Academy  
of Cosmetology**

---

**OPE ID: 04121300**

**PRCN: 201140627688**

Prepared by

**U.S. Department of Education**

**Federal Student Aid**

**School Participation Team – SC, Dallas**

## **Program Review Report**

**February 16, 2012**

1999 Bryan Street, Suite 1410  
Dallas, TX 75201-6817  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)

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**A. Institutional Information**

4-States Okmulgee Academy of Cosmetology

308 East 6<sup>th</sup> Street

Okmulgee, OK 74447

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year (900 – 1799 hours)

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 17 (2010 – 2011)

% of Students Receiving Title IV: 100% (2010 – 2011)

Title IV Participation (PEPS Funding):

	<u>2010-2011</u>
Federal Pell Grant Program	\$102,589
William D. Ford Federal Direct Loan Program (DL)	\$173,058
Federal Family Education Loan Program	\$ 6,750

Default Rate FFEL/DL:	2009	0%
	2008	0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at 4-States Okmulgee Academy of Cosmetology (4-States) from August 15, 2011 to August 19, 2011. The review was conducted by Mrs. Kimberly D. Walker and Mrs. Regina Krob.

The focus of the review was to determine 4-States' compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV programs. The review consisted of, but was not limited to, an examination of 4-States' 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 15 files was identified for review from the 2010-2011 award year. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. Because the list contains personally identifiable information, the information will be sent via e-mail.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning 4-States' specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve 4-States 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 4-States to bring operations of the financial aid programs into compliance with the statutes and regulations.

### **Finding 1: Title IV (R2T4) Calculation Errors**

**Citation:** When a recipient of Title IV 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 assistance the recipient earned as of the date he/she withdraws. The institution must determine how much aid a recipient earned by determining how much of the payment period he/she completed and then multiplying that percentage by the amount of Title IV funds the student received or could have received. 34 C.F.R § 668.22

**Noncompliance:** Student #3 – The Return to Title IV (R2T4) calculation shows October 29, 2010 as the last date of attendance (LDA). However, it is unclear when the student ceased attendance. For example, the student signed a statement indicating that she was dropping on November 4, 2010 and the attendance report shows that the student attended through that date. The monthly student report indicates the student attended through November 8, 2010. The student ledger indicated the LDA as October 26, 2010 and November 8, 2010 as the drop date.

Student #9 - The return calculation indicates the student withdrew on July 28, 2011; however, the student signed a statement indicating that she was dropping on July 27, 2011.

The R2T4 form states that the student completed 300 hours out of 300 scheduled hours. The student had only completed 882 ½ clock hours as of June 30, 2011. Since the student was in the 451-900 hour payment period, it is unlikely that the student would have been able to complete the remaining 17 ½ clock hours in that payment period and would have had 300 scheduled hours in the next payment period by July 28, 2011.

The reviewers could not determine the total number of hours the student actually completed nor the scheduled hours in the payment period, because attendance information was unavailable at the time of the review.

Finally, incorrect R2T4 forms were being utilized for the student who withdrew after July 1, 2010. 4-States was using the form stating, "You may use this form when the withdrawal date is on or after 11/01/2007." 4-States should have been using the form stating, "You may use this form when the withdrawal date is on or after 7/1/2010" for accurate return calculations.

**Required Action:** 4-States must perform a file review of all students who withdrew during the 2010-11 award year. 4-States must determine if the correct LDA and the correct number of scheduled hours were used for each student's R2T4 calculation.

For Student #9, the institution must determine how many hours the student was scheduled to attend up to the LDA and divide by the total hours in the payment period to see if the student was eligible for a post-withdrawal disbursement or if a return of funds is required.

4-States must provide copies of the revised R2T4 forms, student ledgers and if applicable, any documentation showing returns to appropriate program. 4-States must also provide a policy to ensure accurate data is provided on all forms.

Results of this file review must be submitted in an Excel spreadsheet or similar format. The required format for submission of the result of the file review is listed below. If 4-States does not include each of the date elements requested, the response will not be considered complete.

Last Name  
First Name  
Last 4 SSN  
Withdrawal Date  
Determination Date  
Return Made Date  
Return Amount, By Title IV program

The information may be presented in a format such as the following:

Last Name	First Name	Last 4 SSN	W/D Date	Determination Date	Return Made Date	Return Amount	Title IV Program
						\$	

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.

**Finding 2: Failure to Report/Reconcile/Adjust Direct Loan Disbursements/Adjustments/Cancellations**

**Citation:** Federal regulations require that an institution follow certain disbursement rules when certifying and disbursing Federal Direct Loans.

If a student transfers from one institution to another institution during the same award year, an institution must check National Student Loan Data System (NSLDS) for any Title IV, HEA aid that may have been disbursed during that academic year. The institution to which the student transfers must request from the Secretary, through NSLDS, updated information about that student so it can make its eligibility determination. The institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to

its request or obtains that information directly by accessing NSLDS, and the information it receives allows it to make that disbursement. 34 C.F.R. § 668.19

For a dependent student to be eligible for additional unsubsidized loan proceeds, a financial aid administrator must determine that the student's parent likely will be precluded from borrowing under the Federal Direct PLUS Program and the student's family is otherwise unable to provide the student's expected family contribution. The financial aid administrator shall base the determination on a review of the family financial information provided by the student and consideration of the student's debt burden and shall document the determination in the school's file.

An undergraduate student who has not successfully completed the first year of a program of undergraduate education may not borrow no more than \$3,500 in unsubsidized Federal Direct Loans and \$6,000 in subsidized Federal Direct Loans for a program study of at least a full academic year in length. 34 C.F.R. § 685.203

**Noncompliance:** 4-States improperly disbursed loan funds to several of the students in the sample.

Student #4 was awarded over the annual loan limits. Transfer monitoring was not completed when the ISIR indicated that the student had used loan funds at another institution during the same award year with overlapping loan periods.

Annual Loan Amount	\$9,500	Combined Subsidized and Unsubsidized
Less amount disbursed	-406	Subsidized: Loan Period 9/7/10-3/24/11
<u>at other institution</u>	<u>-0</u>	Unsubsidized: Loan Period 9/7/10-3/24/11
Available Amount Remaining	\$9,094	
Less amount disbursed	3,500	Subsidized: Loan Period 11/29/10-4/29/11
<u>at 4-States</u>	<u>6,000</u>	Unsubsidized: Loan Period 11/29/10-4/29/11
Overaward	\$-406	Subsidized

Student #6 received additional unsubsidized Federal Direct Loan funds for \$4000. The reviewer's interview with the student indicate that the parent(s) did not apply or have a credit check completed to see if the parent(s) would have qualified or been denied a Parent PLUS Direct Loan.

Student#11 also received additional unsubsidized Federal Direct Loan funds for \$1,392. The student's files did not contain any documentation of her parents' credit check to determine if the parents qualified or were denied a Parent PLUS Direct Loan.

Student #12 was overawarded with \$3,500 in subsidized loan funds and awarded over the annual loan limits. The Expected Family Contribution (EFC) exceeded the Cost of Attendance (COA) leaving \$0 in remaining need. In addition, transfer monitoring was

not completed when the ISIR indicated that the student had used loan funds at another institution during the same award year with overlapping loan periods.

COA	\$15,718
<u>Less EFC</u>	<u>-18,095</u>
Need	\$0

Annual Loan Amount	\$9,500	Combined Subsidized and Unsubsidized
Less amount disbursed	-1,750	Subsidized: Loan Period 9/7/10-3/24/11
<u>at other institution</u>	<u>-467</u>	Unsubsidized: Loan Period 9/7/10-3/24/11
Available Amount Remaining	\$7,283	
Less amount disbursed	-3,500	Subsidized: Loan Period 11/29/10-4/29/11
<u>at 4-States</u>	<u>-6,000</u>	Unsubsidized: Loan Period 11/29/10-4/29/11
Overaward	\$-2,217	Combined Subsidized and Unsubsidized

Student #8 transferred to 4-States with a total of 1210 clock hours. The cost of attendance calculated was \$3,577. 4-States awarded the student Pell in the amount of \$1,788, Subsidized Direct Loan in the amount of \$1,444, and unsubsidized Direct Loan in the amount of \$1,925. The funding totaled \$5,157. The cost of attendance (\$3,577) less the total funding award (\$5,157) resulted in an overaward of \$1,580 in unsubsidized Direct Loan funding.

Student #13 transferred to 4-States with a total of 681 clock hours. The cost of attendance calculated was \$10,101. 4-States awarded the student Pell in the amount of \$2,526, Subsidized Direct Loan in the amount of \$3,171, and unsubsidized Direct Loan in the amount of \$5,434. The funding totaled \$11,131. The cost of attendance (\$10,101) less the total funding award (\$11,131) resulted in an overaward of \$1,030 in unsubsidized Direct Loan funding.

**Required Action:** 4-States must complete a file review to ensure that there are not any additional overawards.

Please provide an electronic copy of the results of the file review to this office in the following format:

- Student name
- Last 4 SSN
- COA
- EFC
- Need
- Original Loan Amount
- Revised Loan Amount, if applicable
- Date of Return, if applicable
- Amount of return, if applicable

The information may be presented in a format such as the following:

Student Name	Last 4 SSN	COA	EFC	Need	Original Loan Amount	Revised Loan Amount	Date of Return
				\$	\$	\$	

Student #9's attendance records for July 2011 must be reviewed to determine if the student earned at least 900 clock hours prior to the date of withdrawal. 4-States must also determine if the student was eligible for the second disbursement prior to calculating the R2T4 in Finding No. 1. 4-States must provide our office a copy of the student ledger and the July 2011 attendance record. The R2T4 form is required to be included as part of Finding No. 1.

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.

**Finding 3: Verification Violations**

**Citation:** An institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for Title IV assistance for students who are selected for verification. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. An institution is also required to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV programs. 34 C.F.R. §§ 668.51 through 668.61

**Noncompliance:** 4-States failed to verify Student #14 accurately. The Institutional Student Information Record (ISIR) transaction #05 indicates four family members while the 2010-11 Verification Worksheet indicates six family members.

**Required Action:** The institution must resolve the verification deficiencies and demonstrate that verification has been properly completed for student #14 by providing documentation that resolves the inconsistencies or by providing a copy of the student's recalculated ISIR. If the student's EFC, scheduled award or expected disbursement changes as a result of verification, the institution is liable for the difference between the correct disbursement and the actual disbursement. If 4-States cannot complete the verification process, the institution is liable for the actual disbursement.

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.

**Finding 4: Student Credit Balance Deficiencies**

**Citation:** Title IV funds received by an institution must be used for educational costs incurred by the student. If the student's direct charges at the school are paid, excess funds must be promptly delivered to the student for indirect costs. An institution may secure the student's written permission to retain funds for budgeting purposes. However, the student must not be coerced into providing the school permission to retain the funds and the student must be informed of his/her right to rescind the authorization at any time. Funds are held in trust for the intended student beneficiaries and the Secretary. Funds may not be used or hypothecated (i.e., serve as collateral) for any other purpose and must be held in a separate ledger account. 34 C.F.R. §§ 668.164 and 668.165

**Noncompliance:** 4-States' Student Enrollment Contract contains a statement for obtaining a student's authorization to retain credit balance funds. Specifically, the contract states:

*I authorize 4-States Okmulgee Academy of Cosmetology to hold any credit balance I may accrue during my enrollment at 4-States Okmulgee Academy of Cosmetology until I complete my course requirements or formally withdraw. 4-States Okmulgee Academy of Cosmetology may apply these funds to outstanding balances on previous periods or other remaining institutional costs. In the case of withdrawal or termination, 4-States Okmulgee Academy of Cosmetology is authorized to return any excess funds after applying them to outstanding balances on previous periods or other remaining institutional costs to the separate funds in the order of Loan, Pell Grant and then student.*

The statement does not give the student or parent the option to decline or rescind the authorization and request that credit balance funds be paid directly to the student/parent. The statement does not separate authorization for prior year charges from current year charges, nor refer to maximum amount to be credited for prior year charges. In addition, funds cannot be held until the student completes their program or withdraws. The statement does not include information regarding when the institution is required to pay any remaining balance on loan funds or other remaining Title IV, HEA program funds.

**Required Action:** Because the institution is no longer eligible to participate in the Title IV programs, 4-States must disburse all credit balance funds currently held by the end of each student's loan period or the end of the last payment period in the award year for which the funds are intended.

**Finding 5: Credit Balances Paid Late**

**Citation:** Institutions are required to pay credit balances when the amount of Title IV, HEA funds credited to a student's account exceeds the amount of tuition and fees, room and board, and other authorized charges. Institutions must pay such credit balances directly to the student or parent as soon as possible but no later than 14 days after the credit balance occurred if the credit balance occurred after the first day of class of a payment period, or no later than 14 days after the first day of class if the credit balance occurred on or before the first day of class of a payment period. 34 CFR § 668.164(e)

If an institution receives authorization from the student to hold credit balance funds, the institution must pay any remaining balance on loan funds by the end of the loan period and any other remaining Title IV, HEA program funds by the end of the of the last payment period in the award year for which the funds were awarded. 34 CFR § 668.165(b)

**Noncompliance:** Students #4's and #12's loan period ended April 29, 2011. As of August 19, 2011, 4-States had not paid credit balances for either student.

Student #5 received a Federal Direct Unsubsidized loan on 10/5/2010, which created a credit balance. The student received credit balance disbursements on 11/17/2010 and 12/17/2010 in the amount of \$500 each but still had a credit balance in the amount of \$964. After reaching 901 clock hours, Student#5 received Federal Pell Grant funds on 3/18/2011 in the amount of \$834. A credit balance disbursement was paid on 4/18/2011 in the amount of \$500. After reaching 1201 clock hours, Student #5 received \$833 in Federal Pell Grant funds, which increased the credit balance to \$2,131. A debit for being over contract was applied on 7/22/2011 in the amount of \$950. Student#5 graduated 7/22/2011, but did not receive her credit balance until 8/9/2011 in the amount of \$1,181.

Student #13 received a Federal Direct unsubsidized loan in the amount of \$2,717 on 2/28/2011 which created a credit balance in the amount of \$2,479. On 3/18/2011, Student #13 received a credit balance disbursement of \$500. On 5/11/2011, Student #13 received a Federal Direct Subsidized loan disbursement in the amount of \$1,585 and a Federal Direct Unsubsidized loan disbursement in the amount of \$2,717 which generated a credit balance in the amount of \$6,281. Student # 13 received credit balance disbursements of \$500 on 5/20/2011, 6/20/2011, and 8/9/2011. On 7/13/2011, Student # 13 was debited \$275 for over contract hours. As of 8/9/2011, Student #13's ledger showed an outstanding credit balance in the amount of \$4,506.

Student #15 received a Federal Direct unsubsidized loan in the amount of \$5,970 and a Federal Pell Grant in the amount of \$2,775 which generated a credit balance in the amount of \$4,154 on 6/14/2011. On 6/22/2011, Student #15 submitted a letter to 4-States requesting that the Federal Direct unsubsidized loan in the amount of \$5,970 be cancelled. As of 10/28/2011, the loan had not been returned. As of the close of the on-

site portion of the program review, Student #15 had an outstanding credit balance in the amount of \$4,154.

**Required Action:** 4-States must complete a file review of all student ledgers to determine if any credit balances exist due to funds received from the Federal Pell Grant program for a prior academic year. In addition, student ledgers must be reviewed to determine if any credit balances exist due to Direct Loan funds received for loan periods that have ended. 4-States must immediately pay any credit balances due directly to the student in accordance with federal regulations, unless the student has authorized funds to be held at the institution or returned to the Direct Loan Program. Please provide a copy of all student ledgers showing:

- Ledger balance
- Date credit balance paid

Please include a copy of the cancelled check(s) as proof of payments to students.

#### **Finding 6: Entrance/Exit Counseling Deficiencies**

**Citation:** An institution must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized or Federal Stafford, Loan. 34 C.F.R. § 685.304(a)

An institution must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower shortly before the student borrower ceases at least half-time study at the institution. If a student borrower withdraws without the institution's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after the institution learns that the student borrower has withdrawn or failed to complete the exit counseling as required. 34 C.F.R. § 685.304(b)

**Noncompliance:** Several areas of noncompliance were noted with respect to entrance and exit counseling.

- For Students #5 and #11, documentation of entrance counseling was provided. However, the statements on the entrance counseling forms for both students were not fully checked or initialed as applicable.
- There was no evidence of loan exit counseling for Students #8 and #9. Student #8's LDA was 3/7/11. Student #9's LDA was 7/27/11.

- An exit counseling form had already been signed for Student #10, however, the student was still enrolled.

**Required Action:** 4-States is required to review students who received Direct Loan funds to determine if entrance and/or exit counseling was conducted for each student as applicable. For those students who did not receive entrance and/or exit counseling, 4-States must either provide entrance and/or exit counseling either in person, by audiovisual presentation, interactive electronic means, or postal mail service.

Results of this file review must be submitted in an Excel spreadsheet or similar format. The required format for submission of the results of the file review is listed below. If 4-States does not include each of the data elements requested, the response will not be considered complete:

Student Name	Student SSN	Direct Loan Entrance Loan Counseling Conducted	Direct Loan Exit Loan Counseling Conducted; Delivery Method, If Applicable	Comments
Last, First	0000*	Yes/No		

\*List only the last four digits of the students' social security numbers.

#### **Finding 7: Inaccurate Recordkeeping**

**Citation:** An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain, on a current basis, financial records that reflect each Title IV, HEA program transaction and general ledger control accounts and related subsidiary accounts that identify each transaction and separate those transactions from all other institutional financial activity.

The records that an institution must maintain in order to comply with the record retention regulations include, but are not limited to:

- Documentation relating to each student's or parent borrower's receipt of Title IV, HEA program funds;
- The amount of the grant; and
- The date and amount of each disbursement or delivery of grant or loan funds and the date and amount of each payment of FWS wages. 34 C.F.R. § 668.24

An institution must exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Title IV, HEA program funds. 34 C.F.R. § 668.163

**Noncompliance:** Several of the students' files contained inaccurate disbursement information.

**Student #4**

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
Subsidized	2/16/2011	\$1,742.00	1/15/2011	\$1,742.00
Unsubsidized	2/16/2011	2,985.00	1/15/2011	2,985.00

**Student #6**

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
Subsidized	12/6/2010	\$1,742.00	12/2/2010	\$1,742.00
Unsubsidized	12/6/2010	2,985.00	12/2/2010	2,985.00
Subsidized	1/7/2011	1,742.00	1/5/2011	1,742.00
Unsubsidized	1/7/2011	2,985.00	1/5/2011	2,985.00

**Student #9**

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
Pell Grant	10/13/2010	\$2,775.00	10/8/2010	\$2,775.00
Pell Grant	3/18/2011	2,775.00	3/16/2011	2,775.00
Subsidized	6/14/2011	3,484.00	6/1/2011	1,742.00
Unsubsidized	6/14/2011	5,970.00	6/1/2011	2,985.00
Subsidized			6/15/2011	1,742.00
Unsubsidized			6/15/2011	2,985.00

**Student #12**

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
Subsidized	2/18/2011	\$1,742.00	2/17/2011	\$1,742.00
Unsubsidized	2/18/2011	2,985.00	2/17/2011	2,985.00
Subsidized	3/1/2011	1,742.00	2/28/2011	1,742.00
Unsubsidized	3/1/2011	2,985.00	2/28/2011	2,985.00

**Student #14**

	<b>Ledger Date</b>	<b>Ledger Amount</b>	<b>COD Date</b>	<b>COD Amount</b>
Pell Grant	4/18/2011	\$2,775.00	4/15/2011	\$2,775.00

In addition, Student #9 withdrew on July 28, 2011. A charge of \$1,950 for 195 over-contract hours was posted to the ledger on July 28, 2011. The student would not have begun to incur over-contract charges until the contract ended on August 8, 2011.

**Required Action:** The institution must correct the account ledgers for the students identified in this finding to ensure that the correct dates and amounts are recorded and that the balance on the account, if any, is accurate. Copies of corrected ledgers must be submitted in response to this finding.

Liabilities, if any, will be addressed in the final Program Review Determination letter.

**Finding 8: Cash Monitoring Payment Method Requirements Not Followed**

**Citation:** Under the cash monitoring payment method, an institution must first make disbursements to students and parents for the amount of Title IV, HEA program funds that those students and parents are eligible to receive, before the institution submits a request for funds and may not exceed the amount of the actual disbursements the institution made to the students and parents included in that request. 34 C.F.R. § 668.162(e)(1)

**Noncompliance:** 4-States received loan funds prior to disbursing to students accounts in violation of the Heightened Cash Monitoring 1 (HCM1) regulations.

	Student #4	Student #6	Student #12	Student #14
Drawdown	1/15/2011	12/2/2010	2/17/2011	4/15/2011
Posted to ledger	2/16/2011	12/6/2010	2/18/2011	4/18/2011
Drawdown		1/5/2011	2/28/2011	
Posted to ledger		1/7/2011	3/1/2011	

**Required Action:** 4 Because 4-States is no longer eligible to participate in the Title IV, HEA programs, no further action is required. However, if 4-States seek reinstatement in the Title IV, HEA programs in the future, the issues identified must be addressed before the institution will be considered for reinstatement

**Finding 9: Bank Account – Federal Funds Not Identified**

**Citation:** Institutions are required to maintain at least one bank account into which the Department transfers, or the institution deposits, Title IV, HEA program funds. For each bank account that contains Title IV, HEA program funds, an institution must identify that federal funds are maintained in the account by:

- Including the phrase "Federal Funds" in the name of the account, or
- Notifying the bank or investment company that the account contains Title IV, HEA program funds and, except for public institutions, filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds. 34 C.F.R. § 668.163

**Noncompliance:** The name of the bank account into which 4-States deposits its Federal Direct Loan funds is not identified as an account containing federal funds.

**Required Action:** Because 4-States is no longer eligible to participate in the Title IV, HEA programs, no further action is required. However, if 4-States seek reinstatement in the Title IV, HEA programs in the future, the issues identified must be addressed before the institution will be considered for reinstatement

#### **Finding 10: Crime Awareness Requirements Not Met**

**Citation:** Institutions are required to publish and distribute, by October 1 of each year, an annual security report that contains required crime statistics, as well as required statements and policies, to its current students and employees. Institutions must also inform prospective students and employees of the report's availability and provide a copy upon request.

The annual security report must report crime statistics for the three most recent calendar years concerning the occurrence on campus, in or on noncampus buildings or property, and on public property of the following offenses:

- Criminal homicide (murder and nonnegligent manslaughter, negligent manslaughter);
- Sex offenses (forcible sex offenses and nonforcible sex offenses);
- Robbery;
- Aggravated assault;
- Burglary;
- Motor vehicle theft;
- Arson;
- Arrests for liquor law violations, drug law violations, and illegal weapons possession; and
- Persons not included in the above category who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession.

For hate crimes, statistics for the following must be reported:

- Larceny-theft
- Simple assault
- Intimidation
- Destruction, Damage, or Vandalism of Property

The annual security report must also contain a number of statements, including, but not limited to:

- A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus. This statement must include (1) policies for making timely warning reports to members of the campus community regarding the occurrence of crimes required to be reported in the annual security report, (2) policies for preparing the annual disclosure of crime statistics, and (3) a list of the titles of each person or organization to whom students

and employees should report the criminal offenses for the purpose of making timely warning reports and the annual statistical disclosure;

- 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, including student organizations with off-campus housing facilities;
- 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;
- 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;
- A statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14071(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.

The above statements are not comprehensive and are provided for illustrative purposes only. Institutions must comply with the campus security requirements for each separate campus. 34 C.F.R. § 668.46 (the implementing regulations of The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act or Clery Act)

**Noncompliance:** 4-States' campus security report did not report by category of prejudice (actual or perceived race, gender, religion, sexual orientation, ethnicity or disability). 4 States' campus security report did not include a description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses.

**Required Action:** Because 4-States is no longer eligible to participate in the Title IV, HEA programs, no further action is required. However, if 4-States seek reinstatement in the Title IV, HEA programs in the future, the issues identified must be addressed before the institution will be considered for reinstatement

**Finding 11: Drug Abuse Prevention Program Requirements Not Met**

**Citation:** Institutions are required to have a drug prevention program to prevent the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on school premises or as part of any of its activities. 34 C.F.R. § 86.3(a)

An institution must certify that it has adopted and implemented a drug prevention program as described in 34 C.F.R. § 86.100(a)(1)-(5).

**Noncompliance:** 4-States' drug and alcohol prevention program did not provide the following:

- a biennial review document that noted how the institution gathers their information (validate) for the report.
- documentation of the institution measuring the effectiveness of its drug prevention program and any needed implementation changes and how.
- consistency in its enforcement of its disciplinary sanctions and how it is determined, and
- who is responsible for conducting and signing the biennial review.

**Required Action:** Because 4-States is no longer eligible to participate in the Title IV, HEA programs, no further action is required. However, if 4-States seek reinstatement in the Title IV, HEA programs in the future, the issues identified must be addressed before the institution will be considered for reinstatement

**Finding 12: Satisfactory Academic Progress Policy Not Adequately Developed/Monitored**

**Citation:** Institutions must have a satisfactory academic progress (SAP) policy that applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. An acceptable SAP policy for Title IV purposes must be the same or stricter than the institution's standards for a student enrolled in the same educational program who is not receiving Title IV program assistance. An SAP policy must include the following components:

- A qualitative component which consists of grades, work projects completed, or comparable factors that are measurable against a norm; and
- A quantitative component that consists of a maximum timeframe in which a student must complete his or her educational program. The timeframe must:

- Be no longer than 150 percent of the published length of the educational program for undergraduate programs;
- Be divided into increments, not to exceed the lesser of one academic year or one-half the published length of the educational program;
- Include a schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum timeframe; and
- Include specific policies defining the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress;

In addition, an SAP policy must also:

- Provide for consistent application of standards to all students within categories of students;
- Provide for a determination at the end of each increment by the institution as to whether the student has met the qualitative and quantitative components of the standards;
- Provide specific procedures under which a student may appeal a determination that the student is not making satisfactory progress; and
- Provide specific procedures for a student to re-establish that he or she is maintaining satisfactory progress.

34 C.F.R. §§ 668.16(e) and 668.34

**Noncompliance:** 4-States' SAP policy does not include the following required elements:

- The policy must specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum timeframe and must provide for measurement of the student's progress at each evaluation.
- The school must calculate the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted. In making this calculation, the school is not required to include remedial courses.

**Required Action:** Because 4-States is no longer eligible to participate in the Title IV, HEA programs, no further action is required. However, if 4-States seek reinstatement in the Title IV, HEA programs in the future, the issues identified must be addressed before the institution will be considered for reinstatement

**Finding 13: Return To Title IV Policy Not Developed/Inadequate**

**Citation:** An institution's leave of absence policy requires student to provide a written, signed, and dated request that includes the reason for the request, for a leave of absence

prior to the leave of absence. However, if unforeseen circumstances prevent a student from providing a prior written request, the institution may grant the student's request for a leave of absence, if the institution documents its decision and collects the written request at a later date. 34 C.F.R. § 668.22(d)(viii)(3)(iii)(B)

**Noncompliance:** 4-States' leave of absence policy did not contain the following:

- the request must be submitted in writing, dated, and signed by the student,
- the reason for the leave must be included, and
- the request being made in advance (unless unforeseen circumstances prevent the student from doing so)

**Required Action:** Because 4-States is no longer eligible to participate in the Title IV, HEA programs, no further action is required. However, if 4-States seek reinstatement in the Title IV, HEA programs in the future, the issues identified must be addressed before the institution will be considered for reinstatement

#### **Finding 14: Third Party Servicer Contract Missing/Inadequate/Not Signed**

**Citation:** An institution may enter into a written contract with a third-party servicer for the administration of any aspect of the institution's participation in any Title IV, HEA program only to the extent that the servicer's eligibility to contract with the institution has not been limited, suspended, or terminated under subpart G of the General Provisions regulatory criteria. An institution must provide a copy of its contract with a third-party servicer only upon request. 34 C.F.R. § 668.25

**Noncompliance:** 4-States did not provide the reviewers with a copy of their contract with their third-party servicer when requested. A copy was submitted to the reviewers by the third-party servicer. The third-party servicer contract submitted to the reviewers was not signed nor dated.

**Required Action:** Because 4-States is no longer eligible to participate in the Title IV, HEA programs, no further action is required. However, if 4-States seek reinstatement in the Title IV, HEA programs in the future, the issues identified must be addressed before the institution will be considered for reinstatement

#### **D. Appendix**

Appendix A (Student Sample) contain personally identifiable information and will be emailed to 4-States as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

4-States Okmulgee Academy of Cosmetology

OPE ID: 04121300

PRCN: 201140627688

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**Appendix A: Student Sample (To be emailed to the institution)**

[English](#)

[Customer Service](#)

[USPS Mobile](#)

[Register / Sign In](#)



[Search USPS.com or Track Packages](#)

[Quick Tools](#)

[Ship a Package](#)

[Send Mail](#)

[Manage Your Mail](#)

[Shop](#)

[Business Solutions](#)

## Track & Confirm

[GET EMAIL UPDATES](#) 

YOUR LABEL NUMBER	SERVICE	STATUS OF YOUR ITEM	DATE & TIME	LOCATION	FEATURES
7011200000060544318		Arrival at Unit	February 24, 2012, 6:02 am	DALLAS, TX 75201	Certified Mail™
		Undeliverable as Addressed	February 18, 2012, 8:26 am	OKMULGEE, OK 74447	

### Check on Another Item

What's your label (or receipt) number?



#### LEGAL

- [Privacy Policy](#)
- [Terms of Use](#)
- [FOIA](#)
- [No FEAR Act/EEQ Data](#)

#### OTHER USPS SITES

- [Business Customer Gateway](#)
- [Postal Inspectors](#)
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**Final Program Review Determination**  
**PRCN #: 201140627688**

## **Appendix B**

### **Estimated Loss Formula**

4-States Okmulgee Academy of Cosmetology

OPE ID: 04121300

PRCN: 201140627688

**Appendix B -- Estimated Loss Formula**

8/29/2012

Enter Institution Name

4-States Okmulgee Academy of Cosmetology

Select Institution Type

Proprietary 2 Yrs or Less

	Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1	DL Subsidized	2010-2011	\$ 21,000.00	17.80%	13.67%	\$ 2,870.07
2	DL Unsubsidized	2010-2011	\$ 21,125.00	17.80%	-8.62%	\$ -
3						
	Description		\$ 42,125.00			\$ 2,870.07
4	FFEL Subsidized	2010-2011	\$ 1,750.00	17.80%	-19.77%	\$ -
5	FFEL Unsubsidized	2010-2011	\$ 5,000.00	17.80%	-19.77%	\$ -
6						
	Description		\$ 6,750.00			\$ -
7						
8						
9						
	Description		\$ -			\$ -
10						
11						
12						
	Description		\$ -			\$ -
<b>Original Ineligible Loan Liability</b>			<b>\$ 48,875.00</b>	<b>Total Estimated Loss</b>		<b>\$ 2,870.07</b>

4-States Okmulgee Academy of Cosmetology

OPE ID: 04121300

PRCN: 201140627688

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.

The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	17.80%	14.49%	1.23	6.28%	7.72%	5.00%	2018	21.1%	3.19%	1.30%
2	17.80%	14.49%	1.23	8.76%	10.77%	-19.94%	2018	23.0%	3.39%	-1.02%
3										
4	17.80%	14.49%	1.23	5.04%	6.20%	-21.59%	2014	17.0%	2.63%	-28.38%
5	17.80%	14.49%	1.23	5.04%	6.20%	-21.59%	2014	17.0%	2.63%	-28.38%
6										
7										
8										
9										
10										
11										
12										

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C),  $[A/B = C]$  against the Budget Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).

The total subsidy rate for the ineligible Stafford and PLUS Loans is  $((E+F) + ((I+J) \times H))$ .

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

4-States Okmulgee Academy of Cosmetology

OPE ID: 04121300

PRCN: 201140627688

**Final Program Review Determination**  
**PRCN #: 201140627688**

**Appendix C**

**Cost of Funds**



**Final Program Review Determination**  
**PRCN #: 201140627688**

**Appendix D**  
**Student Sample**



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**4-STATES ACADEMY OF COSMETOLOGY**  
28 "D" Street, North East  
Okmulgee, OK  
OPE ID: 04121300

**2010-2011 AWARD YEAR SAMPLE**

**STUDENT NAME**

**SOCIAL SECURITY NUMBER**

(b)(6); (b)(7)(C)

**Federal Student Aid**

An OFFICE of the U.S. DEPARTMENT of EDUCATION  
Federal Student Aid, Dallas School Participation Division  
1999 Bryan St., Suite 1410, Dallas TX 75201-6817  
StudentAid.gov

**Accounting Document – Prior Year Monetary Recovery (AD-PYMR)**

**Institution:** 4-States Okmulgee Academy of Cosmetology

**City, State:** Okmulgee, Oklahoma

**PRCN:** 140627688

**TIN:** 203411065

**DUNS:** 123895641

**Reviewer:** Kimberly Walker

**Region:** Dallas

**Date:** 01/15/2013

**Section A - Use if no adjustments are being made in COD**

Programs	Type	Amount	Funding Code	Object Class
Federal Pell Grant (Closed AY)	Principal	\$43,034	3220RNOYR	69017
	Interest	\$272	1435RNOYR	64020
ACG	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
National SMART	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
FSEOG (No FISAP Corrections)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
FWS (No FISAP Corrections)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
Direct Loan and Direct Loan EAL	Principal		4253XNOYR	53020 or 53010
	Interest		4253XNOYR	53040
FFEL and FFEL EAL	Interest/ SA/EAL		4251XNOYR	53020
Federal Perkins	Principal		2915RNOYR	53054

**Section B: Use if the institution is instructed to make adjustments in COD**

Add rows if necessary			Amount			G5 Program Award # *
Pell, ACG, SMART, TEACH	Program / Award Year 2010- 2011	Principal	\$2775	3875FNOYR	69020	P063P105941
	Program / Award Year	Imputed Interest		1435RNOYR	64020	
Direct Loan (do	Award Year	Principal		3875FNOYR	69020	

not use for estimated loss)	Award Year	Imputed Interest		4253XNOYR	53040	
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Comments:

\* G5 Award # (P063P104306, first 5 digits = program, next 2 digits = award year, next 4 digits = code unique to school). Note: It is important that the year in the G5 award number correspond to the award year for which any adjustments are being made, or for which the balance has been incurred (in the case of an unsubstantiated cash or negative cash balance). If the reviewer is unsure after looking in G5, contact Susan Lewey for Pell or DL, or Tremia Haythe for FWS or FSEOG.

Example of G5 award numbers for a single school for the 2009-2010 award year, Pell vs. DL:

Pell is designated by "P063P" and DL is designated by "P268K"

P063P091445 (Pell 2009-2010 award - Pell uses the final two digits of the leading award year in the award number)

P268K101445 (Direct Loan 2009-2010 award - DL uses the final two digits of the trailing award year in the award number)

Example of G5 award number for FWS and FSEOG:

FWS is designated by "P033A" and FSEOG is designated by "P007A"

P033A092121 (FWS 2009-2010 award - FWS uses the final two digits of the leading award year in the award number)

P007A092121 (FSEOG 2009-2010 award - FSEOG uses the final two digits of the leading award year in the award number)

See FPRD Distribution Form for distribution information for this form and related program review documents.

**Checklist - FPRD Review**

(b)(7)(E)

SCHOOL PARTICIPATION TEAM - SC, DALLAS  
1999 BRYAN ST., SUITE 1410  
DALLAS, TX 75201-6817

7011 2000 0000 8054 3380

Ms. Tanya Flock, Owner  
States Okmulgee Academy  
of Cosmetology  
308 East 6th Street  
mulgee, OK 74447

FIND

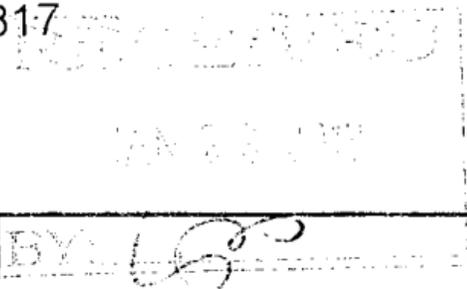
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4-States Okmulgee Academy of Cosmetology  
Dallas School Participation Division  
1999 Bryan Street, Suite 1410  
Dallas, TX 75201-6817



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1. Article Addressed to:

Ms. Tanya Flock, Owner  
 4-States Okmulgee Academy  
 of Cosmetology  
 308 East 6th Street  
 Okmulgee, OK 74447

2. 7011 2000 0000 8054 3380

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