



December 12, 2014

Hank Coates, President  
Aerosim Flight Academy  
2700 Flightline Avenue  
Sanford, FL 32773-9683

UPS# 1ZA879640297707360

RE: **Final Program Review Determination**  
OPE ID: 041571  
PRCN: 2012-4-04-28060

Dear Mr. Coates:

The U.S. Department of Education's (Department's) School Participation Division – Atlanta issued a program review report on February 25, 2014 covering Aerosim Flight Academy's (AFA) administration of 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), for the 2010/2011 and 2011/2012 award years. The institution's final response was received on April 4, 2014.

The School Participation Division - Atlanta has reviewed AFA's response to the Program Review Report. A copy of the program review report (and related attachments) and AFA's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by AFA upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Final determinations have been made concerning the outstanding finding of the program review report. This FPRD contains one or more findings regarding AFA's failure to comply with the Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations. Because this *DFSCA* finding will not result in the assessment of financial liabilities, such a finding may not be appealed. Due to the serious nature of the enclosed finding, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action.

Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

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Federal Student Aid, School Participation Division - Atlanta  
61 Forsyth Street SW, Room 1814B, Atlanta, GA 30303  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)

**Federal Student Aid**  
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**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.

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

If you have any questions please call Angelique James at 404-974-9441.

Sincerely,

(b)(6)

Chris Miller  
Division Director

Enclosure: Protection of Personally Identifiable Information  
Final Program Review Determination Report

cc: Jennifer Barnett, Financial Aid Administrator  
Accrediting Commission of Career Schools and Colleges  
FL Commission for Independent Education - Florida Department of Education  
US Department of Transportation

## 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

**Aerosim Flight Academy**

**Federal Student Aid**  
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OPE ID 041571  
PRCN 2012-4-04-28060

Prepared by  
U.S. Department of Education  
Federal Student Aid  
School Participation Division - Atlanta

# Final Program Review Determination December 12, 2014

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Federal Student Aid, School Participation Division - Atlanta  
61 Forsyth Street SW, Room 18T40, Atlanta, GA 30303  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)

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## Table of Contents

	Page
A. Institutional Information.....	3
B. Scope of Review.....	4
C. Findings and Final Determinations.....	4
Resolved Findings	
Finding #8: Drug & Alcohol Abuse Prevention Program Requirements Not Met	
D. Appendices	10
Appendix A: Student Sample	
Appendix B: Program Review Report	
Appendix C: Institution's Written Response	

**A. Institutional Information**

Aerosim Flight Academy  
2700 Flight Line Avenue  
Sanford, FL 32773-9683

Type: Proprietary

Highest Level of Offering: Certificate

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: 67 (2012-2013)

% of Students Receiving Title IV: 30% (2012-2013)

Title IV Participation: Postsecondary Education Participants System (PEPS):

	2011
Federal Pell Grant (Pell)	\$ 28,397.00
William D. Ford Direct Loan	\$ 92,619.00

*Default Rate FFEL/DL:	2011	0.0%
	2010	0.0%
	2009	0.0%

*\*Note: 2010/2011 was the first award year of participating in Direct Loans*

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Aerosim Flight Academy (Aerosim) from July 30, 2012 to August 3, 2012. The review was conducted by Brian Huckaby and Robert Scott.

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

A sample of 24 files was identified for review from the 2010-2011 and 2011-2012 award years. The files were selected from the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and numbers of the students whose files were examined during the program review.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Aerosim's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Aerosim of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

## **C. Findings and Final Determinations**

### **Resolved Findings**

Findings 1, 2, 3, 4, 5, 6, and 7

AFA has taken the corrective actions necessary to resolve findings 1, 2, 3, 4, 5, 6, and 7 of the program review report. Therefore, these findings may be considered closed (Appendix C). Findings requiring further action by AFA are discussed below.

### **Findings with Final Determinations**

The program review report finding requiring further action is summarized below. At the conclusion of each finding is a summary of AFA's response to the finding and the Department's final determination for that finding. A copy of the program review report issued on February 25, 2014 is attached as Appendix B.

***Finding #8: Drug and Alcohol Abuse Prevention Program Requirements Not Met***

**Citation:**

*The Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations require each Institution of Higher Education (IHE) to certify that it has developed and implemented a Drug and Alcohol Abuse Prevention Program (DAAPP). The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.*

*On an annual basis, each IHE must provide the following information in writing to all current students (enrolled for any type of academic credit except for continuing education units) and all current employees:*

- 1) A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;*
- 2) A written description of legal sanctions imposed under Federal, state, and local laws and ordinances for unlawful possession or distribution of illicit drugs and alcohol;*
- 3) A description of the health risks associated with the use of illicit drugs and alcohol abuse;*
- 4) A description of any drug or alcohol counseling, treatment, and rehabilitation/re-entry programs that are available to students and employees; and,*
- 5) A statement that the IHE will impose disciplinary sanctions on students and employees for violations of the institution's codes of conduct and a description of such sanctions.*

*The distribution plan must make provisions for providing the DAAPP disclosure annually to students who enroll at a date after the initial distribution and for employees who are hired at different points throughout the year.*

*In addition, each IHE must conduct a biennial review to determine the effectiveness of its DAAPP and to ensure consistent enforcement of applicable drug and alcohol-related statutes, ordinances, and institutional policies against students and employees found to be in violation. The biennial review materials must be maintained by the IHE and made available to the Department upon request. 34 C.F.R. §§ 86.3 and 86.100*

**Noncompliance:**

*AFA violated multiple requirements of the DFSCA. Specifically, the institution failed to develop and implement a comprehensive drug and alcohol abuse prevention program (DAAPP) and to publish a materially-complete disclosure that summarizes the plan. As a*

*result of these failures, AFA also violated DFSCA's annual DAAPP disclosure distribution requirement by failing to deliver program information to all employees and students who are enrolled for any academic credit each year.*

*As a direct consequence of the violations described above, the Academy also failed to conduct a biennial review of the effectiveness of its DAAPP and of the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct and by logical extension therefore, also failed to produce a biennial review report of findings and recommendations for improvement.*

**Required Action:**

*AFA was required to take all necessary corrective actions to resolve these violations. At a minimum, these actions included:*

- *Developing and implementing a comprehensive DAAPP that included all of the required elements found in the DFSCA and the Department's Part 86 regulations and publishing a materially-complete disclosure that summarized the program;*
- *Developing procedures for ensuring that the DAAPP program disclosure was distributed to all employees and all students enrolled for academic credit on an annual basis. AFA was required to provide a draft copy of its DAAPP disclosure and new distribution policy with its response to this program review report. Once the materials were approved by the Department, the Academy was required to distribute them in accordance with the Part 86 regulations and its new policy and provide documentation evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed as required. This certification was also required to affirm that AFA understood all of its DFSCA obligations and that it had taken all necessary corrective actions to ensure that these violations did not recur;*
- *Conducting a substantive biennial review to assess the effectiveness of its DAAPP. AFA was required to describe the research methods and data analysis tools that it used to determine the effectiveness of the program and identify the responsible official(s) and office(s) that conducted the biennial review. Finally, the biennial review report was required to be approved by the Academy's chief executive and/or its board. The biennial review was to be completed by March 31, 2014. AFA's report was to be submitted to the review team by April 15 2014; and,*
- *AFA was required to establish policies and procedures to ensure that all subsequent biennial reviews were conducted in a timely manner and were fully*

*documented. The Academy was also required to take all other necessary action to ensure that these violations did not recur.*

*As noted above, the exceptions identified in this finding constituted serious violations of the DFSCA that by their nature could not be cured. There was no way to truly "correct" a violation of this type once it occurred. The institution was given an opportunity to implement a substantive DAAPP, publish and distribute an accurate and complete DAAPP disclosure, conduct a biennial review and to otherwise bring operations into compliance with the DFSCA, as required by its PPA. However, AFA's was advised that these remedial measures could not and did not diminish the seriousness of these violations nor did they eliminate the possibility that the Department would impose an adverse administrative action and/or require additional corrective measures as a result.*

#### **AFA's Response:**

In its official response, AFA concurred with the finding and stated that the institution developed and implemented a DAAPP in June 2012. In addition, the Academy asserted that program materials are now distributed to each newly-enrolled student and that each student signs a statement attesting to the fact that he or she received the materials and understands the program policies. AFA stated that the signed statements are maintained in each student's file. Finally, the Academy stated that an initial biennial review was conducted and the new policies and procedures were created to ensure reviews are conducted at least every two years. AFA also submitted documents in support of its claims including its DAAPP program materials and its biennial review report.

#### **Final Determination:**

The program review report cited AFA for multiple violations of the DFSCA and Part 86 of the Department's General Administrative Regulations. During the program review, there was no DAAPP in place. In response to the Program Review Report, AFA developed a DAAPP, however; AFA failed to develop and implement an acceptable DAAPP and also failed to produce and distribute an acceptable DAAPP disclosure that summarized the program to all current employees and students enrolled for academic credit. As a consequence of these failures, AFA was not able to conduct a biennial review of the DAAPP's effectiveness. These separate and distinct violations necessarily follow from each other because the biennial review is primarily a study of the DAAPP's effectiveness. Therefore, an institution cannot conduct a proper biennial review until it has a fully-functional DAAPP in place. As a result of these violations, AFA was required to develop and implement a comprehensive DAAPP and to conduct a substantive review of its effectiveness. As with all findings of violation, AFA also was directed to take any other remedial action that may be necessary to ensure that the DFSCA deficiencies identified during the program review do not recur.

In its response, AFA stated its concurrence with the violations identified in the finding. The AFA submitted a report entitled "AFA Drug & Alcohol Abuse Prevention Program Biennial Review." In addition, AFA stated that the newly-created DAAPP was summarized in a disclosure that was distributed to all enrolled students. The Department notes that the response did not specifically address if or how DAAPP materials are distributed to employees. AFA must take immediate action to ensure that program materials are actively distributed to all current employees as well. Finally, the Department reminds the Academy that DAAPP must be distributed to all mandatory recipients annually and that all institutions must maintain credible evidence showing that the annual distribution requirement was met.

The review team conducted a careful examination of AFA's response and supporting documents. Several improvements were noted; however, significant deficiencies remain. For example, the Academy's DAAPP disclosure does not list the actual legal sanctions that may be imposed for the unlawful possession, use, and/or distribution of illicit drugs and alcohol under Federal and state statutes and local laws and ordinances. In addition, the DAAPP documents do not identify any specific institutional or community resources that may be able to assist students and employees in need information or treatment for drug and/or alcohol abuse. It is not adequate to simply refer persons in need of this information to the Office of Student Services.

Finally, the Department notes that the initial biennial review did not indicate that any research was conducted to objectively evaluate the effectiveness of the DAAPP. Some of the lack of research is directly attributable to the fact that the DAAPP has only been in place for a relatively short period of time. Nevertheless, AFA is advised that its next biennial review report must document the specific research steps taken and the findings identified during the review. AFA's continued failure to comply is a matter of serious concern and may indicate an inability and/or unwillingness to properly administer the Title IV, Federal Student Aid programs in accordance with its Program Participation Agreement.

The Atlanta School Participation Division has made a concerted, good-faith effort to assist AFA toward full compliance with the *DFSCA*; however, the record demonstrates that these efforts were not successful. For these reasons, the Department has determined that this program review finding is now considered to be closed and this matter will be referred to the Clery Act Compliance Team (CACT) for additional action. As part of that referral, the Academy is required to immediately take all action that may be needed to finally and fully address the deficiencies in its DAAPP materials. AFA must then distribute the new program materials to enrolled students and current employees in the required manner.

Within 30 days of AFA's receipt of this FPRD, the Academy must submit a copy of the revised DAAPP disclosure and credible proof of distribution (such as a copy of an e-mail

to required recipients or similar document) to the CACT via electronic mail at [clery@ed.gov](mailto:clery@ed.gov).

As noted above, the Department considers this finding to be closed for purposes of this program review, subject to the Academy's satisfactory completion of the additional requirements outlined above. Nevertheless, AFA is reminded that the exceptions identified in this finding constitute serious and persistent violations of the *DFSCA* that by their nature cannot be cured. AFA will be required to finally take substantive action to remediate these conditions.

The compliance failures identified during the program review deprived students, parents, employees, and other stakeholders of important information about AFA's approach to drug and alcohol abuse prevention to which they are entitled. These failures may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime. For these reasons, AFA is advised that its remedial actions, whether already completed or planned for the future, cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional remedial measures as a result.

In closing, the Department strongly recommends that AFA officials review the institution's campus safety, drug and alcohol abuse prevention, and general Title IV policies, procedures, and programs on at least an annual basis to ensure that they accurately reflect institutional policy and are compliant with Federal requirements.

**Appendix A: Student Sample**

2010-2011

<u>Student #</u>	<u>Last Name</u>	<u>First Name</u>
1		
2		
3		
4		
5		
6		
7		
8		
9		

2011-2012

<u>Student #</u>	<u>Last Name</u>	<u>First Name</u>
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		

**Appendix B: Program Review Report**



**FYI**

February 25, 2014

Hank Coates  
Vice President/Campus Director  
Acrosim Flight Academy  
2700 Flight Line Avenue  
Sanford, FL 32773-9683

UPS Tracking #: 1ZA879640294285125

RE: **Program Review Report**  
OPE ID: 04157100  
PRCN: 201240428060

Dear Mr. Coates:

From July 30, 2012 through August 3, 2012, Brian Huckaby and Robert Scott as representatives of the U.S. Department of Education conducted a review of Aerosim Flight Academy's (Aerosim) 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 Aerosim. The response should include a brief, written narrative for each finding that clearly states Aerosim's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Aerosim 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**

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

School Participation Division – Atlanta

61 Forsyth St., Ste. 12T40, Atlanta, GA 30303

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 Aerosim 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 Brian Huckaby of this office within 30 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. In addition, Appendices A: Student Sample also contain PII. The appendices was encrypted and sent separately to the institution via e-mail. 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 Brian Huckaby at (404) 974-9420 or [brian.huckaby@ed.gov](mailto:brian.huckaby@ed.gov).

Sincerely,

(b)(6)

Christopher Miller  
Compliance Manager

cc: Jennifer Barnett, Financial Aid Administrator

Enclosure:  
Protection of Personally Identifiable Information

Prepared for  
Aerosim Flight Academy

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OPE ID: 04157100  
PRCN: 201240428060

Prepared by  
U.S. Department of Education  
Federal Student Aid  
School Participation Division-Atlanta

## Program Review Report

February 25, 2014

Table of Contents

	Page
A. Institutional Information .....	3
C. Findings .....	4
Finding 1: Entrance or Exit Counseling Not Documented .....	4
Finding 2: Invalid High School Diploma .....	5
Finding 3: Inaccurate Student Ledger .....	6
Finding 4: Incorrect Return to Title IV Calculation .....	8
Finding 5: Return to Title IV Calculation Not Completed Timely .....	9
Finding 6: Credit Balance Deficiencies .....	10
Finding 7: Conflicting Information .....	11
Finding 8: Drug and Alcohol Abuse Prevention Program Requirements Not Met .....	12
D. Recommendations .....	14
E. Appendices .....	14

**A. Institutional Information**

Aerosim Flight Academy  
2700 Flight Line Avenue  
Sanford, FL 32773-9683

Type: Proprietary

Highest Level of Offering: Certificate

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: 67 (2012-2013)

% of Students Receiving Title IV: 30% (2012-2013)

Title IV Participation:

	2011
Federal Pell Grant (Pell)	\$ 28,397.00
William D. Ford Direct Loan	\$ 92,619.00

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

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Aerosim Flight Academy (Aerosim) from July 30, 2012 to August 3, 2012. The review was conducted by Brian Huckaby and Robert Scott.

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

A sample of 26 files was identified for review from the 2010-2011 and 2011-2012 award years. The files were selected from 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.

### **Disclaimer:**

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

### **Finding 1: Entrance or Exit Counseling Not Documented**

#### **Citation:**

Pursuant to 34 C.F.R. § 685.304, Direct Loan (DL) program regulations, the institution must conduct an in-person exit interview or by audiovisual presentation, or by interactive electronic means with each Direct Loan and FFEL Loan borrower shortly before the student ceases enrollment on at least a half-time basis in order to emphasize the obligation and consequences of

default. General information such as repayment options, consolidation, and debt management strategies must also be provided to the borrower. If the borrower withdraws/graduates without the institution's prior knowledge and did not attend an exit interview, the institution must ensure exit counseling is provided through either interactive electronic means or by mailing written exit counseling materials to the borrower within 30 days after learning the borrower has withdrawn/graduated.

**Area of Noncompliance:**

For Students 3, 7, 8, and 32, the institution did not have proper documentation to support exit loan counseling provided within 30 days after the borrower withdrew.

**Required Action:**

The institution must develop procedures to provide exit counseling to students in a timely manner. Please provide a copy of those procedures with the response to this report. The institution must also provide its assurances that exit loan counseling will be performed in a timely manner for all Loan borrowers.

**Finding 2: Invalid High School Diploma**

**Citation:**

Pursuant to 34 C.F.R. § 668.32, a student who is eligible to receive Title IV funds is a regularly enrolled student, or one who is accepted for enrollment in an eligible program at an eligible institution. Among other criteria, the student must have a valid high school diploma or its recognized equivalent, or have a passing score on a specified, Department approved, independently administered test, in accordance with 34 C.F.R. § 668, Subpart J.

34 C.F.R. § 668.16(p) states that institutions are required to develop and apply procedures to evaluate the validity of a student's high school diploma if the institution or the Department has reason to believe that the diploma is not valid or was not obtained from an entity that provides secondary school education.

**Area of Noncompliance:**

The institution admitted Student 27 as a regular student based on a high school diploma received from EDU High School Inc. The high school transcript shows four academic years of courses. However, the student's admission for application to Aerosim indicates that the student attended Timber Creek high school and has a diploma from there.

**Required Action:**

Aerosim must provide evidence that the student has a valid high school diploma, and if so, from where.

Aerosim must implement procedures to ensure the validity of high school diplomas before students are admitted and disbursed Title IV funds. A copy of your procedures must be submitted in response to this report.

**Finding 3: Inaccurate Student Ledger**

**Citation:**

34 C.F.R. § 668.24(c), Student Assistance General Provisions, states the records that an institution must maintain in order to comply with the provisions of this section include, but are not limited to, the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages.

34 C.F.R. § 668.24(d), Student Assistance General Provisions, states an institution shall maintain required records in a systematically organized manner. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

34 C.F.R. § 690.75, Determination of Eligibility for Payment, states that for each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student—

- (1) Qualifies as an eligible student under 34 CFR Part 668, Subpart C;
- (2) Is enrolled in an eligible program as an undergraduate student; and
- (3) If enrolled in a credit hour program without terms or a clock hour program, has completed the payment period as defined in §668.4 for which he or she has been paid a Federal Pell Grant.

34 C.F.R. § 685.303, Processing of the Proceeds of a Direct Loan, states that schools shall follow the procedures for disbursing funds in 34 C.F.R. § 668.164.

A electronic announcement dated January 29, 2014 provides further guidance on how to accurately report Direct Loan actual disbursement dates to COD. The letter can be located at <http://www.ifap.ed.gov/eannouncements/012914DLoanProcessInfoAccurateReportDI.DisburseDates.html>.

**Noncompliance:**

The reviewers found that the disbursement dates in the Common Origination and Disbursement System (COD) did not match the disbursement dates on the student ledgers at the school. For example:

Student #1: COD shows a Direct Loan - Subsidized disbursement for the student on 04/11/2011 for \$1,596.00, but the disbursement was not posted on the student's ledger until 05/18/2011.

COD shows a Direct Loan - Unsubsidized disbursement for the student on 04/11/2011 for \$913.00, but the disbursement was not posted on the student's ledger until 05/18/2011.

COD shows a Grad PLUS Loan disbursement for the student on 03/24/2011 for \$40,309.00, but the disbursement was not posted on the student's ledger until 05/18/2011.

Student #8: COD shows two Direct Loan - Subsidized disbursements for the student on 03/22/2011 for \$1,596.00 and 03/23/2011 for \$1,596.00. However, these disbursements were combined on the student's ledger into one disbursement on 03/23/2011 for \$3,192.00.

COD shows two Direct Loan - Unsubsidized disbursements for the student on 03/22/2011 for \$2,737.00 and 03/23/2011 for \$2,737.00. However, these disbursements were combined on the student's ledger into one disbursement on 03/23/2011 for \$5,474.00.

**Required Action:**

The institution must reenter the COD system and adjust the COD disbursement dates for any Title IV disbursements made for the 2010-2011 and 2011-2012 award years so that they accurately reflect the actual disbursement dates shown on the student ledgers.

The school must inform the Department of when this corrective action is expected to be resolved and provide written assurance that the adjustments have been made. Going forward, the institution must work diligently to ensure that the COD disbursement dates are correct and in alignment with the student ledger disbursement dates. The institution must update its procedures for processing Title IV funds and provide a copy of the updated procedures to the Department detailing resolution of this issue so that it will not occur in the future.