



September 28, 2015

Mr. Gary Carroll
President
American Academy of Cosmetology
1330 Blanding Boulevard, Suite 125
Orange Park, Florida 32065-8026

UPS Tracking Number
1ZA87964NY99898925

RE: **Final Program Review Determination**
OPE ID: 04151500
PRCN: 201420428503

Dear Mr. Carroll:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a Program Review Report on October 20, 2014 covering American Academy of Cosmetology's (ACC) 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 2012-2013 and 2013-2014 award years. AAC's final response was received on March 20, 2015. A copy of the program review report (and related attachments) and AAC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by AAC upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal, (4) close the review and (5) notify AAC of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, 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.

This FPRD contains one or more findings regarding AAC's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime

Statistics Act (the Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41 and 668.46. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed.

The total liabilities due from the institution from this program review are \$15,812.

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

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the October 20, 2014 program review report. If AAC wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date AAC receives this FPRD. An original and four copies of the information AAC submits must be attached to the request. The request for an appeal must be sent to:

Susan Crim
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

AAC's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his /

her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and

(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

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

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Jon Finkelstein at 404-974-9341. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Chris Miller
Division Director

Enclosure:

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

cc: Ms. Chenel Bendolph, Financial Aid Administrator
Florida Commission for Independent Education - Florida Department of Education
National Accrediting Commission of Career Arts and Sciences
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Prepared for

American Academy of
Cosmetology

OPE ID 04151500
PRCN 201420428503

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

Final Program Review Determination September 28, 2015

Federal Student Aid, Atlanta School Participation Division
61 Forsyth Street Room 18T40
Atlanta, Georgia 30303-8918
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A. Institutional Information

American Academy of Cosmetology
1330 Blanding Boulevard, Suite 125
Orange Park, Florida 32065-8026

Type: Proprietary

Highest Level of Offering: Certificate

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 67 (2014)

% of Students Receiving Title IV, HEA funds: 88.83% (2014)

Title IV, HEA Program Participation Postsecondary Education Participants System (PEPS):

	2013-2014
Federal Direct Loan Program (FDLP)	\$723,740
Federal Pell Grant Program	\$373,585
Total:	\$1,097,325

Three Year Default Rate FDLP: 2011 38.8%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at American Academy of Cosmetology (AAC) from February 3, 2014 through February 7, 2014. The review was conducted by Jon Finkelstein and Alicia Scott.

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

A sample of 30 files was identified for review from the 2013 and 2014 (year to date). 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 of the students whose files were examined during the program review. A program review report was issued on October 20, 2014.

Disclaimer:

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

C. Findings and Final Determinations

Resolved Findings

Findings 2, 3, 6 – 19 and 22

AAC has taken the corrective actions necessary to resolve findings 2, 3, 6 – 19 and 22 of the program review report. Therefore, these findings may be considered closed. AAC's program review report response is included in Appendix C. Findings requiring further action by AAC are discussed below.

Resolved Findings with Comments:

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

Finding 20: Crime Awareness Requirements Not Met - Multiple Violations

Citation: The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) and the Department's regulations require that all institutions that receive Title IV, HEA funds must, by October 1 of each year, publish and distribute to its current students and employees through appropriate publications and mailing, a comprehensive Annual Security Report (ASR) that contains, at a minimum, all of the statistical and policy elements described in 34 C.F.R. §668.46(b).

The ASR must be prepared and actively distributed as a single document. Acceptable means of delivery include U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. §668.41(e)(1). The Department's regulations also require participating institutions to provide a notice to all prospective students and employees that includes a statement about the ASR's availability, its contents, and its exact electronic address if posted to a website. This notice must also advise interested parties of their right to request a paper copy of the ASR and to have it furnished upon request. 34 C.F.R. §668.41(e)(4).

The Clery Act and the Department's regulations require institutions to include statistics for incidents of crimes reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assaults, burglary, motor vehicle theft, and arson. Statistics for certain hate crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs, illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2) on-campus student residential facilities; 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property. 34 C.F.R. §668.46(c)(1). When applicable, an institution must also compile and publish crime statistic disclosures for each of its campuses. 34 C.F.R. §668.41(e)(4).

Several policy statements must be included in the ASR. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of programs and resources as well as channels for victims of crime to seek recourse. In general, these policies include topics such as the law enforcement authority and practices of campus police and security forces, incident reporting procedures for students and employees, and policies that govern the preparation of the report itself. Institutions are required to disclose alcohol and drug policies and educational programs, as well as policies pertaining to sexual assault education, prevention, and adjudication. Institutions must also provide detailed policies of the issuance of timely warnings,

emergency notifications, and evacuation procedures. All required statistics and policies must be included in a single comprehensive document, known as an ASR. With the exception of certain drug and alcohol program information, cross-referencing to other publications is not sufficient to meet the publication and distribution requirements of the Act. § 485(f) of the HEA; 34 C.F.R. §668.46(b). Finally, each institution must also submit its crime statistics to the Department for inclusion in the Office of Postsecondary Education's (OPE) "Campus Safety and Security Data Analysis Cutting Tool." 34 C.F.R. §668.41(e)(5).

Noncompliance Summary: During the program review, AAC was unable to produce a copy of the Academy's ASR. The ASR was subsequently found and forwarded to the Department after the issuance of the Program Review Report. Institution officials subsequently submitted a revised ASR to the Department for review. The noncompliance issues discussed below are a result of the ASR that was originally in place.

AAC failed to publish and distribute an accurate and complete ASR. Specifically, the Academy's ASR did not include the following required disclosures:

(c)1) An institution must report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following that are reported to local police agencies or to a campus security authority:

- (i) Criminal homicide
- (A) Non-negligent manslaughter
- (B) Negligent manslaughter.
- (vii) Arson.
- (viii) (A) Arrests for liquor law violations, drug law violations, and illegal weapons possession.
- (B) Persons not included in paragraph (c)(1)(viii)(A) of this section, who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession.

Disclose information informing the community of, by category of prejudice, the following crimes reported to local police agencies or to a campus security authority that manifest evidence that the victim was intentionally selected because of the victim's actual or perceived race, gender, religion, sexual orientation, ethnicity, or disability:

- (i) Any crime it reports pursuant to paragraph (c)(1)(i) through (vii) of this section.
- (ii) The crimes of larceny-theft, simple assault, intimidation, and destruction/damage/vandalism of property.
- (iii) Any other crime involving bodily injury.

The Academy must include policy statements regarding its emergency response and evacuation procedures in the Annual Security Report. The following are statements that must be included:

- (i) The Academy's procedures to test the emergency response and evacuation procedures on at least an annual basis, including—
 - (1) The procedures the Academy will use to immediately notify the campus community upon the confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees occurring on the campus;
 - (2) A description of the process the Academy will use to—
 - (i) Confirm that there is a significant emergency or dangerous situation as described in paragraph (g)(1) of this section;
 - (ii) Determine the appropriate segment or segments of the campus community to receive a notification;
 - (iii) Determine the content of the notification; and
 - (iv) Initiate the notification system.
 - (3) A statement that the Academy will, without delay, and taking into account the safety of the community, determine the content of the notification and initiate the notification system, unless issuing a notification will, in the professional judgment of responsible authorities, compromise efforts to assist a victim or to contain, respond to, or otherwise mitigate the emergency;
 - (4) A list of the titles of the person or persons or organization or organizations responsible for carrying out the actions described in paragraph (g)(2) of this section;
 - (5) The Academy's procedures for disseminating emergency information to the larger community; and
 - (6) The Academy's procedures to test the emergency response and evacuation procedures on at least an annual basis, including –
 - (i) Tests that may be announced or unannounced;
 - (ii) Publicizing its emergency response and evacuation procedures in conjunction with at least one test per calendar year; and
 - (iii) Documenting, for each test, a description of the exercise, the date, time, and whether it was announced or unannounced.

The Academy failed to list the titles of each person or organization to whom students and employees should report the criminal offenses described in paragraph (c)(1) of this section for the purpose of making timely warning reports and the annual statistical disclosure. This statement must also disclose whether the Academy has any policies or procedures that allow victims or witnesses to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics, and, if so, a description of those policies and procedures.

The Academy failed to describe procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they

are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.

A statement of policy regarding the Academy's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include—

- (i) A description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses;
- (ii) Procedures students should follow if a sex offense occurs, including procedures concerning who should be contacted, the importance of preserving evidence for the proof of a criminal offense, and to whom the alleged offense should be reported;
- (iii) Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that AAC personnel will provide personnel to assist the student in notifying these authorities, if the student requests the assistance of these personnel;
- (v) Notification to students that the Academy will change a victim's academic and living situations after an alleged sex offense and of the options for those changes, if those changes are requested by the victim and are reasonably available;
- (vi) Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that—
 - (A) The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
 - (B) Both the accuser and the accused must be informed of the outcome of any disciplinary proceeding brought forth by ACC alleging a sex offense. Compliance with this paragraph does not constitute a violation of the Family Educational Rights and Privacy Act (20 U.S.C. 1232g). For the purpose of this paragraph, the outcome of a disciplinary proceeding means only the Academy's final determination with respect to the alleged sex offense and any sanction that is imposed against the accused; and
- (vii) Sanctions the Academy may impose following a final determination of the Academy's disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.

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.

Policies for making timely warning reports to members of the campus community regarding the occurrence of crimes described in paragraph (c)(1) of this section;

By October 1 of each year, an institution must distribute to all enrolled students and current employees its annual security report described in §668.46(b), and, if the institution maintains an on-campus student housing facility, its annual fire safety report described in §668.49(b), through appropriate publications and mailings, including –

- (i) Direct mailing to each individual through the U.S. Postal Service, campus mail, or electronic mail;
- (ii) A publication or publications provided directly to each individual; or
- (iii) Posting on an Internet Web site or an Intranet Web site, subject to paragraph (e)(2) and (3) of this section.

Required Action Summary: As a result of this finding, AAC was required to review and revise its existing policies and procedures that govern the preparation, publication, and distribution of its ASR. The institution was also required to develop and implement new policies and procedures in order to ensure that these violations do not recur, and that going forward, all campus security operations are carried out in accordance with the Clery Act.

Using its new and revised policies and procedures as a guide, AAC was required to prepare and publish a 2014 ASR that includes all of the statistical disclosures and policy, procedure and programmatic information required under 34 C.F.R. §668.46(b). Once the ASR was evaluated by the Department for accuracy and completeness, AAC was required to actively distribute the ASR to all current students and employees in accordance with 34 C.F.R. §668.41(e). Finally, AAC was required to provide documentation to the Department evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed in accordance with the Clery Act. This certification must also affirm that the AAC understands its Clery Act obligations, and that it has taken all necessary actions to ensure that this violation does not recur.

As noted above, the exceptions identified in this finding constitute serious violations of the Clery Act that by their nature cannot be cured. AAC was given an opportunity to bring its campus security operations into compliance with the Clery Act as required by its Program Participation Agreement (PPA). However, AAC is advised that these remedial measures 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 corrective measures as a result.

AAC Response: In its official response, ACC concurred with the finding and stated that remedial action was taken as directed in the program review report. In summary, AAC management asserted that they reviewed and revised its policies and procedures regarding the production and distribution of its ASRs to ensure that all aspects of the process are carried out in accordance with Federal regulations. Per the response, a compliant 2014 ASR was prepared and distributed to all enrolled students and current employees on October 1, 2014. Finally, Academy management claimed that they also developed a

process and timeline for developing new campus safety information and ensuring that required content is included in the ASR.

Final Determination: Finding 20 of the program review report cited AAC for its failure to produce a complete 2012 ASR. Although the Academy eventually provided some rudimentary campus safety information to the review team, it is clear that no actual 2012 ASR was in place at the time of the site visit. As noted in the Noncompliance section above, AAC's 2012 ASR did not include all the mandatory policies, procedures, and programs. These infractions also caused the Academy to violate the ASR active distribution and notification requirements. As noted in the Citation section above, an institution must actively deliver these required reports to all enrolled students and current employees and actively notify prospective students and employees about their availability and advise them how to obtain copies. As a result of these violations, AAC was required to review and revise its existing policies and procedures regarding the production and distribution of the ASR and to develop and implement any new internal guidance as needed to ensure that these violations do not recur. Then, in accordance with the *Clery Act* and its new and revised policies and procedures, the Academy was required to produce an accurate and complete 2014 ASR and AFSR. Finally, AAC was required to provide these reports directly to all required recipients and to fully document its remedial efforts. In its response, the Academy concurred with the finding, asserted that adequate corrective action was taken, and submitted documents in support of its claims.

The Department carefully examined all available information including AAC's narrative response and supporting documentation. Based on that review and the Academy's admissions, each of the violations noted in the noncompliance section of the initial finding are sustained. The review team's examination also showed that the identified violations were, for the most part, satisfactorily addressed by AAC's 2014 ASR, its first such report and its new and revised internal policies and procedures. As such, the Department has determined that the Academy's remedial action plan meets minimum requirements. For these reasons, the Department has accepted the response and considers this finding closed for purposes of this program review. Nevertheless, the directors and officials of AAC are put on notice that they must take any additional actions that may be needed to address the deficiencies identified by the Department, as well as any other deficiencies or weaknesses that were detected by the institution during the preparation of its response, and/or as may otherwise be needed to ensure that these violations do not recur.

Although the finding is closed for the purposes of this program review, AAC is reminded that the exceptions identified above constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. Basic compliance with the *Clery Act* starts with the production and distribution of an accurate and complete ASR. AAC asserted that it has taken adequate remedial actions and that by doing so, that it is now in compliance with the *Clery Act* as required by its Program Participation Agreement (PPA). Nevertheless, AAC's management must understand that the violations documented by the program review

deprived students and employees of important campus safety and crime prevention information to which they are entitled. For these reasons, AAC is advised that its remedial actions 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 corrective actions as a result.

The Department strongly recommends that AAC re-examine its campus security and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with Federal regulations. AAC officials are encouraged to consult the Department's "Handbook for Campus Safety and Security Reporting" (2011) as a reference guide on *Clery Act* compliance. The Handbook is online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The Department also provides a number of other *Clery Act* training resources. Academy officials can access these materials at: www2.ed.gov/admins/lead/safety/campus.html. The regulations governing the *Clery Act* can be found at 34 C.F.R. §§668.14, 668.41, 668.46, and 668.49.

Finally, AAC management is reminded that Section 304 of the Violence Against Women Reauthorization Act of 2013 (VAWA) amended the *Clery Act* to require institutions to compile and disclose statistics for incidents of sexual assault, dating violence, domestic violence, and stalking. VAWA also requires institutions to include new policy, procedural, and programmatic disclosures regarding sexual assault prevention, response, and adjudication in their ASRs. All institutions were already obligated to make a documented good-faith effort to comply with the statutory requirements of VAWA and to include all new required content in the 2014 ASR. Because the Department issued Final Rules on the VAWA amendments on October 20, 2014, the new regulations went into effect on July 1, 2015, per the Department's Master Calendar. AAC officials may view the Final Rule at: <http://ifap.ed.gov/fregisters/attachments/FR102014FinalRuleViolenceAgainstWomenAct.pdf>.

Finding 21: Drug and Alcohol Abuse Prevention Program Requirements Not Met - Multiple Violations

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.

The DAAPP disclosure must include all of the following elements:

- A written statement about an institution's standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;

- 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;
- A description of the health risks associated with the use of illicit drugs and alcohol abuse;
- A description of any drug or alcohol counseling, treatment, and rehabilitation/re-entry programs that are available to students and employees; and,
- 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 DAAPP disclosure must be actively distributed to all employees and students enrolled for academic credit (except for continuing education credits) on an annual basis. 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 IHE must also produce a report of findings, maintain its supporting materials, and provide them to the Department upon request. 34 C.F.R. §§86.3 and 86.100.

Noncompliance Summary: AAC violated multiple provisions of the DFSCA. First, the Academy failed to implement a comprehensive DAAPP. Specifically, AAC's program information did not include the following required components:

- A detailed description of the health risks associated with the use of illicit drugs and the abuse of alcohol; and,
- A description of any drug or alcohol counseling, treatment, rehabilitation, and re-entry programs that are available to students and employees.

The review team identified these deficiencies based on a detailed examination of the Academy's publications. Although some drug and alcohol policy information was found in these publications, none of these documents included a materially-complete DAAPP that met Federal requirements. In addition, the Academy was not unable to demonstrate compliance with the requirement to actively distribute DAAPP program information on an annual basis to all enrolled students and current employees nor did AAC have a policy for ensuring such distribution.

Furthermore, AAC failed to conduct a biennial review to: 1) assess the effectiveness of the Academy's drug and alcohol programs; 2) evaluate the consistency of sanctions imposed for drug and alcohol violations under its codes of conduct; and, 3) identify areas requiring improvement or modification. As a result, AAC also failed to produce a biennial review report and supporting documentation.

Based on these violations, the Department's review indicates that AAC has persistently failed to comply with the DFSCA during its participation in the Title IV, FSA programs.

Failure to comply with the DFSCA's DAAPP requirements deprives students and employees of important information regarding the educational, disciplinary, health, and legal consequences of illegal drug use and alcohol abuse. Failure to comply with the biennial review requirements also deprives the institution of important information about the effectiveness of its own drug and alcohol programs. Such failures may contribute to increased drug and alcohol abuse as well as an increase in drug and alcohol-related violent crime at AAC.

Required Action Summary: As a result of these violations, AAC was required to take all necessary corrective actions to address the violations and to otherwise insure that they do not recur. At a minimum, AAC was required to perform the following:

- Develop and implement a comprehensive DAAPP that includes all of the required elements found in the DFSCA and the Department's Part 86 regulations and publish a materially-complete disclosure that summarizes the program;
- Develop procedures to ensure that the DAAPP disclosure is distributed on an annual basis to every current student who is enrolled for academic credit as well as every employee. Once the new DAAPP disclosure and distribution policy are finalized, AAC must distribute program information in accordance with Federal requirements and its new policy. As part of its response to the program review report, the Academy must provide documentation evidencing the distribution as well as a certification statement attesting to the fact that the materials were distributed in accordance with the DFSCA. This certification statement must also affirm that AAC understands its DFSCA obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur;
- Conduct a biennial review to measure the effectiveness of AAC's enhanced DAAPP. The biennial review report must describe the research methods and data analysis tools that were used to determine the effectiveness of the program. In addition, the report must identify the responsible official(s) who conducted the review. Finally, the report must be presented to and approved by the Academy's President and/or its Board;

- Submit copies of the two most-recent biennial review reports that AAC has produced (if any) with its official response. If no such reports were ever produced, that fact must be stated clearly in the response. In this context, Academy officials are advised that no new documents are to be created for the purpose of demonstrating compliance with the biennial review report requirement for past periods; and,
- Establish policies and procedures to ensure that all subsequent biennial reviews are conducted in a timely manner and are fully documented. A copy of these policies and procedures must also accompany the Academy's submission of its biennial review report.

As noted above, the exceptions identified in this finding constitute very serious and persistent violations of the DFSCA that by their nature cannot be cured. AAC will be given an opportunity to take remedial action and in doing so, finally begin to bring its drug and alcohol programs into compliance with the DFSCA as required by its Program Participation Agreement. Nevertheless, AAC is advised that these remedial measures 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 corrective measures as a result.

AAC's Response: In its official response, AAC concurred with the finding and stated that remedial action was taken as directed in the program review report. In summary, AAC officials claimed that the Academy developed an enhanced DAAPP. In support of its corrective action claims, the Academy submitted a copy of its new DAAPP and program materials, its new distribution procedure, and other new and revised internal policies and procedures. The Department notes; however, that AAC did not address the failure to conduct biennial reviews nor did it submit a copy of a biennial review report.

Final Determination: Finding #21 of the program review report cited AAC for multiple violations of the DFSCA and the Department's Part 86 regulations. Firstly, AAC failed to develop and implement a comprehensive DAAPP that included all required components. Specifically, the DAAPP did not include any information about the health risks associated with substance abuse or a description of drug and alcohol counseling and/or treatment programs that are available at AAC or in the near-campus community. In addition, the Academy did not produce a DAAPP disclosure that summarized its program and as a result, was unable to distribute the required program materials to enrolled students and current employees. As a consequence of these failures, AAC was also unable to conduct a biennial review and to produce the required report of findings, recommendations, and supporting documentation.

These separate and distinct violations necessarily follow from each other because the biennial review is primarily a study of the DAAPP's effectiveness. Therefore, the institution cannot conduct a proper biennial review until it has a fully-functional DAAPP in

place and program requirements are adequately and consistently communicated to members of the campus community. As a result of these violations, AAC was required to enhance its DAAPP, produce and distribute an accurate and complete annual disclosure, and conduct a substantive biennial review as soon as initial program data was available. In its response, the Academy concurred with the finding, described its remedial actions, and submitted documents in support of its claims.

The Department carefully examined all available information including AAC's narrative response and supporting documentation. Based on the Department's review and the Academy's admissions, each of the violations identified in the noncompliance section of the initial finding are sustained. The review team's examination also showed that the identified violations were, for the most part, satisfactorily addressed by AAC's new DAAPP, new annual disclosure, biennial review plan, and new internal policies and procedures. As such, the Department determined that the Academy's remedial action plan meets minimum requirements. For these reasons, the Department has accepted the response and considers this finding to be closed for purposes of this program review¹. Nevertheless, the officials and directors of AAC are put on notice that the Academy must take all other action that may be necessary to address the deficiencies identified by the Department as well as any additional deficiencies and weaknesses those that were detected during the preparation of the response, and/or as may be needed to otherwise ensure that these violations do not recur.

In this regard, AAC is advised that it must continue to develop its DAAPP. The Academy must also ensure that it distributes accurate and complete DAAPP materials to all students and employees on an annual basis in accordance with the Department's regulations and its own procedures. The Department notes that although AAC developed a biennial review plan, the Academy did not actually conduct a review. The review team attributed the Academy's failure to conduct a review as part of initial remedial actions to the fact that the DAAPP has only been in place for a relatively short time at the time that the response was filed. Now, AAC must immediately commence a review and produce its first report. This review must explore and the report must document the goals and objectives of the Academy's DAAPP and describe the component parts of the programs. In addition, AAC must examine the strengths and weaknesses of the program as well as the efficacy of the policies and procedures that underlie it. Furthermore, AAC officials must take care to ensure that each review is a probative inquiry into the program's effectiveness. The review process must not merely be or become a conclusory ratification of existing policy. Each report must also be approved by AAC's President and/or its board. Finally, AAC is

¹ As noted in the Final Determination, AAC must immediately commence a substantive review of the effectiveness of its new DAAPP and produce a detailed report as described above. This report must be submitted via electronic mail to Mr. Jon Finkelstein at jon.finkelstein@ed.gov and to the Department's Clery Act Compliance Team at clery@ed.gov within 90 days of the Academy's receipt of this FPRD. AAC is advised that a failure to submit the requested documentation will result in a referral for the imposition of administrative actions in addition to any such referral that may be made to address the original violations identified in the program review report.

admonished to implement procedures and provide sufficient oversight that will ensure that going forward, substantive reviews are conducted on the required schedule.

Although the finding is now closed for program review purposes, AAC is reminded that the exceptions identified above constitute serious and persistent violations of the *DFSCA* that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. AAC asserted that it has taken adequate remedial actions and is now in compliance with the *DFSCA* as required by its PPA. Nevertheless, AAC officials must understand that the Department deems compliance with the *DFSCA* is essential to maintaining a safe and healthy learning environment. This is true for all institutions regardless of their size, location, or organizational structure. Data compiled by the Department shows that the use of illicit drugs and alcohol abuse is highly correlated to increased incidents of violent crime on campus. AAC's failure to conduct the required examinations deprived the institution and its officials of important information about the effectiveness of any drug and alcohol programs that were in place during the Department's review period. Such failures may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime and constitute a violation of Federal law. For these reasons, the AAC is reminded that corrective measures 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 corrective measures as a result.

In light of the serious consequences associated with compliance failures of this type, the Department strongly recommends that AAC re-examine its DAAPP policies and procedures on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with the *DFSCA*. Please be advised that the Department may request information on a periodic basis to test the effectiveness of the Academy's new policies and procedures.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of AAC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on October 20, 2014 is attached as Appendix B.

Finding 1: Title IV Aid Used to Pay Application Fee

Citation Summary: The 2012-2013 Federal Student Aid Handbook, Volume 3, Chapter 2, page 33 states the cost of attendance (COA) is the cornerstone of establishing a student's financial need, as it sets a limit on the total aid that a student may receive for purposes of the TEACH Grant, Campus-Based programs, and Stafford/PLUS loans, and is one of the basic components of the Pell Grant calculation.

A student's cost of attendance is the sum of the following. If a cost is not mentioned in these categories (which are derived from the only source on COA components, Section 472 of the HEA), it is not to be included as COA:

- The tuition and fees normally assessed for a student carrying the same academic workload
- An allowance for books, supplies, transportation and miscellaneous personal expenses
- An allowance for Room and Board
- For a student with dependents, an allowance for costs expected to be incurred for dependent care
- An allowance for the one-time direct costs of obtaining a first professional license or certificate for students who are enrolled in a program that requires such professional licensure or certification
- For a student with a disability, an allowance for expenses related to the student's disability
- For students engaged in work experience through a cooperative education program, an allowance for reasonable costs associated with such employment
- For students receiving loans, the fees required to receive them (for example, the loan fee for a Direct Loan)
- For less than half time students, room and board for a limited duration
- For students living in housing located on a military base or housing for which they receive a military housing allowance (Basic Allowance for Housing, or BAH), the room and board COA component shall include an allowance for board only

Noncompliance Summary: During the 2012-2013 award year, AAC was systematically paying a student's application fee with Title IV funds. The application fee is not an academically related expense that is included in a student's COA. During the course of the program review, students 1, 2, 4, 5, 8, 9, 10, 11, 12, 13, 14, 15, 17 and 24 were charged a \$50 application fee that was paid by Title IV funds.

Required Action Summary: Based upon the error rate of this finding, AAC was required to conduct a 100% file review of students who attended AAC during the 2012-2013 and 2013-2014 award years (including students identified in program review sample). AAC was

required to identify any students that were charged a \$50 admissions fee that was subsequently paid with Title IV funds and report the outcome to the Department as part of AAC's Program Review Report response.

AAC's Response: AAC's response stated, "AAC mistakenly separated their admissions fee from \$150 to \$50 application fee and \$100 admissions fee. The change to the admissions fee schedule happened in late 2012 and was not consistent with federal regulations. Upon the hire of Ms. Bendolph, she changed the admissions fee to reflect \$150 as it had been in the past at ACC thus alleviating the noncompliance identified in this finding."

AAC agreed with the reviewer's finding and completed the required file review for the 2012-2013 and 2013-2014 award years.

Final Determination: The Department reviewed the results of the file review conducted by AAC in response to this finding. A full listing of the students that were determined to have been charged an application fee that was paid by Title IV funds is found in Appendix G. In each instance, this resulted in an unauthorized use of Title IV funds. A breakdown of the total liability is presented in the following table.

Title IV Program	Fund Liability	Cost of Funds	Total
Pell 2012-2013	\$7,825.00	\$102.27	\$7,927.27
Pell 2013-2014	\$125.00	\$.38	\$125.38

Total \$8,052.65

As noted in the before mentioned tables, AAC is also required to repay the Cost of Funds (COF) on the ineligible Federal Pell Grant funds. The COF is the expense the Department incurred as a result of AAC retaining ineligible funds. The rate of interest is based on when the funds should have been returned to the Department. A copy of the COF calculation is included in Appendix D of this report.

AAC will be liable for any additional Title IV, HEA funds owed as a result of ineligible Title IV aid funds used to pay a student's application fee. A full accounting of the total liability will be discussed in the Summary of Liabilities section of this report. Instructions for repayment of this liability are included in the Repayment section of this report.

Finding 4: R2T4 Calculation Errors

Citation Summary: 34 C.F.R. § 668.22 (a) (f) states when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period of enrollment in

which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.

34 C.F.R. § 668.22 (e)(2) states the percentage of Title IV grant or loan assistance that has been earned by the student is equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date.

34 C.F.R. § 668.22 (f) (ii) states for purposes of paragraph (e)(2)(i) of this section, the percentage of the payment period or period of enrollment completed is determined—

In the case of a program that is measured in clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date.

(B) The scheduled clock hours used must be those established by the institution prior to the student's beginning class date for the payment period or period of enrollment and must be consistent with the published materials describing the institution's programs, unless the schedule was modified prior to the student's withdrawal.

34 C.F.R. § 668.22 (i) states the total amount of unearned Title IV assistance to be returned is equal to the total amount of institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.

34 C.F.R. § 668.22 (g) states that the institution must return, in the order specified in paragraph (i) of this section, the lesser of—

(i) The total amount of unearned title IV assistance to be returned as calculated under paragraph (e)(4) of this section; or

(ii) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of title IV grant or loan assistance that has not been earned by the student, as described in paragraph (e)(3) of this section.

(2) For purposes of this section, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution.

The 2012-2013 Student Aid Handbook, Volume 5, Chapter 1, page 15 (sidebar) states That application fees are excluded from institutional charges because they are not an educational cost (Federal Register, Vol. 59, No. 82, April 29, 1994, page 22356).

The 2012-2013 Student Aid Handbook, Volume 5, Chapter 1, page 30 states that an institution may not delay its Return of Title IV funds. An institution is expected to begin the Return of Funds process immediately upon its determination that a student has withdrawn. The institution may not delay returning Title IV funds because it believes a student might return.

34 C.F.R. 668.22(b) states that for purposes of this section, for a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, as defined in paragraph (d) of this section, or a student who takes a leave of absence that does not meet the requirements of paragraph (d) of this section, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records.

(2) An institution must document a student's withdrawal date determined in accordance with paragraph (b)(1) of this section and maintain the documentation as of the date of the institution's determination that the student withdrew, as defined in paragraph (l)(3) of this section.

(3)(i) An institution is required to take attendance if—

(A) An outside entity (such as the institution's accrediting agency or a State agency) has a requirement that the institution take attendance;

(B) The institution itself has a requirement that its instructors take attendance; or

(C) The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program, or a portion of that program.

The 2013-2014 Student Aid Handbook, Volume 5, Chapter 1, page 22 states that institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records.

The 2013-2014 Student Aid Handbook, Volume 5, Chapter 1, page 16 states when a school chooses to calculate the treatment of Title IV, HEA program assistance on a payment period basis for a non-term credit-hour or clock-hour program but the school charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. (Again, institutional charges incurred by the student are charges for which

the student was responsible that were initially assessed by the institution for the payment period or period of enrollment.)

When a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period generally are a prorated amount of institutional charges for the longer period. However, if a school has retained federal student aid funds in excess of the prorated amount to cover institutional charges, then the institutional charges for the payment period are the amount retained for the period.

If a school charges by the period of enrollment but performs its Return calculation on a payment period basis, before entering data in Step 5, Part L of the Return calculation, the school must determine whether to enter: (a) the prorated amount of all institutional charges, or (b) the amount the school retained. To do this, first, the school prorates all institutional charges. Then, the school must determine the amount actually retained. The school compares the two results and enters in Step 5, Part L the greater of the two amounts.

For example, institutional charges are \$8,000 for a non-term-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of federal student aid funds on a payment period basis. A student withdraws in the first payment period. The prorated amount of institutional charges for each payment period is \$4,000. However, the school has retained \$5,000 of the federal student aid funds for institutional charges (\$4,000 for the prorated portion of the tuition and \$1,000 for books and supplies for the entire period of enrollment) for the payment period. Therefore, the institutional charges the school must use in the Return calculation for the payment period are \$5,000.

Noncompliance Summary: During the course of the review, seven students were identified with R2T4 calculation errors. Detailed information regarding each student is presented below.

Student 1: This student was enrolled in the Cosmetology program (1200 clock hours). The student withdrew on 4/19/2013. The student was full time and was scheduled to attend 6 hours a day – 30 hours a week. The school performed an R2T4 calculation on 5/21/2013 using incorrect scheduled hours (150). The correct number of scheduled hours was 144. On 1/31/2014, a second R2T4 calculation was performed using the correct scheduled hours. AAC charges the full cost of the Cosmetology program in the beginning of a student's enrollment. The up-front costs charged to this student were as follows:

School Application Fee	\$ 50
School Registration Fee	\$ 100
Supplies/Books	\$ 965
Sales Tax on Supplies/Books	\$ 67.55
Tuition/Fees	\$12,475

The student withdrew during the first payment period. As such, the only charge that is pro-rated is the tuition and fee charge. The Cosmetology Program is 1200 clock hours in length and the first payment period is 450 clock hours. The pro-rated tuition and fee amount is calculated as follows:

Total tuition - $\$12,475/1200$ clock hours = $\$10.40$ per clock hour. The tuition fee amount for the first payment period is $450 \times \$10.40 = \$4,678$ (not rounded).

The total institutional charges for the first payment period are as follows:

Tuition/Fees	\$ 4,678
Books/Supplies	\$ 965
Sales tax on books/Supplies	\$ 67.55
School Registration Fee	\$ 100
Total	\$5,810.55

The institutional charges used in the second R2T4 calculation was \$6,170.05. The application fee was included in the total institutional charges. The application fee is not considered an institutional charge. Discussions with current AAC staff did not result in a clear determination of how AAC's institutional charge amount was derived.

Student 6: This student was enrolled in the Cosmetology program (1200 clock hours). The student submitted multiple leave of absence (LOA) requests due to illness. The final LOA request expired on 10/22/2013. AAC staff attempted to contact the student to determine if the student planned to return. Contact with the student was not made and an LOA form was mailed to the student for signature and return on 11/1/2013. The LOA form was not returned. The date of determination for the Return to Title IV calculation was 12/30/2013. The correct date of determination should have been no later than 14 days after AAC determined that the student was not going to return (11/15/2013).

Student 11: This student was enrolled in the Cosmetology program (1200 clock hours). The student withdrew on 11/29/2012. The student was in the first payment period at the time of withdrawal. The student was full time and was scheduled to attend 7 hours a day – 35 hours a week. AAC performed an R2T4 calculation on 1/2/2013 using incorrect scheduled hours (196). The correct number of scheduled hours was 175.

AAC charges the full cost of the Cosmetology program in the beginning of a student's enrollment. The costs charged to this student were as follows:

School Application Fee	\$ 50
School Registration Fee	\$ 100
Supplies/Books	\$ 965
Sales Tax on Supplies/Books	\$ 67.55

Tuition/Fees \$12,475

The student withdrew during the first payment period. As such, the only charge that is pro-rated is the tuition and fee charge. The Cosmetology Program is 1200 clock hours in length and the first payment period is 450 clock hours. The pro-rated tuition and fee amount is calculated as follows:

Total tuition/fees = $\$12,475/1200$ clock hours = $\$10.40$ per clock hour. The pro-rated tuition/fee for the first payment period is $450 \times \$10.40 = \$4,678$.

The total institutional charges for the first payment period are as follows:

Tuition/Fees	\$ 4,678
Books/Supplies	\$ 965
Sales tax on books/Supplies	\$ 67.55
School Registration Fee	\$ 100
Total	\$5,810.55

The institutional charges used in the R2T4 calculation was \$6,102.75. The application fee was included in AAC's calculation of the total institutional charges. The application fee is not considered an institutional charge. Discussions with current AAC staff did not result in a clear determination of how AAC's institutional charge amount was derived.

ACC did not return the Pell portion of funds required to be returned by the school (\$269.74). This issue is discussed in a separate finding.

Student 12: This student was enrolled in the Cosmetology program (1200 clock hours). The student withdrew on 10/18//2013. The student was part time and was scheduled to attend 4 hours a day – 20 hours a week. The student withdrew in the third payment period (900-1200 clock hours). Attendance records indicated that the student reached the 900 earned clock hour mark on 9/21/2013. Attendance records also indicated that the student was scheduled to attend 60 scheduled hours during the third payment period. AAC performed an R2T4 calculation on 11/12/2013 using incorrect scheduled hours (52) and a second R2T4 calculation on 1/31/2014 using incorrect scheduled hours (144).

The institutional charges during the third payment period (900 – 1200 clock hours) is limited to the tuition charges and is calculated as follows:

Total tuition – 300 clock hours \times $\$10.40$ per clock hour. The tuition fee amount for the third payment period is $300 \times \$10.40 = \$3,119$ (rounded).

The institutional charges used in the first R2T4 calculation (11/12/2013) was \$3,217.85. The institutional charges used in the second R2T4 calculation (1/31/2014) was \$3,150.30.

Discussions with current AAC staff did not result in a clear determination of how the institutional charge amounts were determined.

The school returned funds timely in response to the first R2T4 calculation (11/12/2013). The second R2T4 calculation (1/31/2014) resulted in a change to the required return amounts. There was no adjustment in return amounts made by AAC.

Student 13: This student was enrolled in the Cosmetology program (1200 clock hours). The student submitted several LOA requests effective between 12/13/2012 through 4/22/2013. The student did not return from the final LOA. AAC used a date within the student's last LOA request as the student's withdrawal date (3/27/2013). The student's accurate last day of attendance was 12/12/2012.

The attendance records indicated that the student earned 451.73 hours as of the last date of attendance (12/12/2012). Despite the error in recording the withdrawal date, the R2T4 calculation was performed correctly.

A portion of the return, however, was applied to an incorrect award year (Pell) and the return was late. These issues are discussed in separate findings.

Student 25: This student was enrolled in the Full Specialist program (600 clock hours). The student submitted a LOA request effective 8/30/2013 to 11/28/2013. The student did not return from the LOA. The student's last day of attendance was 8/28/2013. AAC completed two R2T4 calculations for this student. The first R2T4 calculation (1/22/2014) used an incorrect institutional charge (\$5,100). The second R2T4 calculation was correct (institutional charges = \$4,157.50). The funds returned to the Department mirror the first R2T4 calculation. The return was not adjusted to reflect the correct R2T4 calculation.

Student 26: This student was enrolled in the Cosmetology program (1200 clock hours). The student withdrew on 9/18//2013. The student was part time and was scheduled to attend 4 hours a day – 20 hours a week. AAC performed an R2T4 calculation on 10/9/2013 using incorrect institution charges.

AAC charges the full cost of the Cosmetology program in the beginning of a student's enrollment. The costs charged to this student were as follows:

School Registration Fee	\$ 100
Supplies/Books	\$ 1,750
Tuition/Fees	\$12,475

The student withdrew during the first payment period. As such, the only charge that is pro-rated is the tuition and fee charge. The Cosmetology Program is 1200 clock hours in length and the first payment period is 450 clock hours. The pro-rated tuition and fee amount is calculated as follows:

Total tuition - \$12,475/1200 clock hours = \$10.40 per clock hour. The tuition fee amount for the first payment period is 450 X \$10.40 = \$4,678 (not rounded). The total institutional charges for the first payment period are as follows:

Tuition/Fees	\$4,678
Books/Supplies	\$1,750
School Registration Fee	\$ 150
 Total	 \$6,578

The institutional charges used in the R2T4 calculation was \$6,495. Discussions with AAC Staff did not result in a clear determination of how AAC's institutional charge amount was derived.

Required Action Summary: Based upon the error rate of this finding, AAC was required to conduct a 100% file review of students who withdrew during the 2012-2013 and 2013-2014 award years (including students included in the program review sample) to identify additional incorrect R2T4 calculations and report the outcome to the Department as part of AAC's Program Review Report response.

AAC's Response: ACC agreed with the finding. The Academy's response stated, "AAC worked with FAS and Jon Finkelstein to fully comprehend the procedures used to calculate institutional charges and after some long calls and discussions, AAC was provided with a solid answer on how the procedural part of the R2T4's should be done. Upon this conclusion, the full file review was done for the two award years and the outcome of the finding was sent to the auditor for review."

Final Determination: The Department reviewed the results of the file review conducted by AAC in response to this finding. A full listing of the students that were determined to have withdrawn from the Academy with an incorrect R2T4 calculation is found in Appendix H. In each instance, the error resulted in an incorrect return of funds (under return). A breakdown of the total liability is presented in the following tables.

2012-2013

Title IV Program	Fund Liability	COF by Program	Total
Pell	\$413.69	\$6.92	\$420.61
Subsidized/ Unsubsidized Direct Loan	\$3,108.43	\$51.00	\$3,159.43
Total	\$3,522.12	\$57.92	\$3,580.04

2013-2014

Title IV Program	Fund Liability	COF by Program	Total
Pell	\$336.35	\$1.67	\$338.02
Subsidized Direct Loan	\$538.24	\$2.00	\$540.24
Unsubsidized Direct Loan	\$242.88	\$0	\$242.88
Total	\$1,117.47	\$3.67	\$1,121.14

As noted in the before mentioned tables, AAC is also required to repay the Cost of Funds (COF) on the ineligible Pell Grant and Direct Loan funds. The COF is the expense the Department incurred as a result of AAC retaining ineligible funds. The rate of interest is based on when the funds should have been returned to the Department. A copy of the COF calculation is included in Appendix E.

Adjustments in COD (Pell and Direct Loans) must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account. Further instructions are provided in the Payment Section of this report.

AAC will be liable for any additional Title IV, HEA funds owed to the Department as a result of inaccurate R2T4 calculations. A full accounting of the total liability will be discussed in the Summary of Liabilities section of this report. Instructions for repayment of this liability are included in the Repayment section of this report.

Finding 5: R2T4 Not Made

Citation Summary : 34 C.F.R. § 668.22 (a) (f) states when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.

34 C.F.R. § 668.22 (e)(2) states the percentage of Title IV grant or loan assistance that has been earned by the student is equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date.

34 C.F.R. § 668.22 (f) (ii) states for purposes of paragraph (e)(2)(i) of this section, the percentage of the payment period or period of enrollment completed is determined—

In the case of a program that is measured in clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date.

(B) The scheduled clock hours used must be those established by the institution prior to the student's beginning class date for the payment period or period of enrollment and must be consistent with the published materials describing the institution's programs, unless the schedule was modified prior to the student's withdrawal.

34 C.F.R. § 668.22 (i) states the total amount of unearned Title IV assistance to be returned is equal to the total amount of institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.

34 C.F.R. § 668.22 (g) states that the institution must return, in the order specified in paragraph (i) of this section, the lesser of—

(i) The total amount of unearned title IV assistance to be returned as calculated under paragraph (e)(4) of this section; or

(ii) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of title IV grant or loan assistance that has not been earned by the student, as described in paragraph (e)(3) of this section.

(2) For purposes of this section, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution.

Noncompliance Summary: During the course of the review, two instances were identified where AAC failed to perform an R2T4 calculation and/or return the required funds to the Department. Detailed information regarding each student is included below.

Student 8: This student was enrolled in the Cosmetology program with a start date of 4/26/2013. The student submitted multiple LOA Request forms beginning 8/6/2013. The student did not return at the end date of the final LOA (1/31/2014). The student's last day of attendance (withdrawal date) was 8/3/2013. A total of 288 scheduled hours had elapsed during the student's enrollment (first payment period).

AAC did not complete a R2T4 calculation. Institutions are required to complete a R2T4 calculation regardless of whether or not the student completed 60% of the payment period.

Student 11: This student was enrolled in the Cosmetology program. The student began the program on 10/22/2012. The student's last day of attendance was 11/29/2012. The R2T4

calculation resulted in both Pell and Loan funds being required to be returned to the Department. The Pell funds (\$269.74) were never returned.

Required Action Summary: Based upon the error rate of this finding, AAC was required to conduct a 100% file review of students who withdrew during the 2012-2013 and 2013-2014 award years (including students included in the Program Review Sample) to identify additional unmade R2T4 calculations and report the outcome to the Department as part of AAC's Program Review Report response.

AAC's Response: ACC agreed with the finding. The Academy's response stated, "AAC completed a 100% file review of the 2012-2013 and 2013-2014 award years of students receiving Title IV Funds. AAC worked with their 3rd party servicer, FAS, in this process and submitted their findings to the auditor."

Final Determination: The Department reviewed the results of the file review conducted by AAC in response to this finding. A full listing of the students that were determined to have withdrawn from the Academy without an accompanying R2T4 calculation is found in Appendix I. A breakdown of the total liability is presented in the following tables.

2012-2013

Title IV Program	Fund Liability	COF by Program	Total
Pell	\$104.29	\$1.78	\$106.07
Total	\$104.29	\$1.78	\$106.07

2013-2014

Title IV Program	Fund Liability	COF by Program	Total
Pell	\$1,214.75	\$2.51	\$1,217.26
Subsidized/	\$742.00	\$1.00	\$743.00
Unsubsidized	\$990.00	\$2.00	\$992.00
Direct Loan			
Total	\$2946.75	\$5.51	\$2,952.26

As noted in the before mentioned tables, AAC is also required to repay the Cost of Funds (COF) on the ineligible Pell Grant and Direct Loan funds. The COF is the expense the Department incurred as a result of AAC retaining ineligible funds. The rate of interest is based on when the funds should have been returned to the Department. A copy of the COF calculation is included in Appendix F of this report

Adjustments in COD (Pell and Direct Loans) must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account. Further instructions are provided in the Payment Section of this report.

AAC will be liable for any additional Title IV, HEA funds owed to the Department as a result of R2T4 calculations not made. A full accounting of the total liability will be discussed in the Summary of Liabilities section of this report. Instructions for repayment of this liability are included in the Repayment section of this report.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows.

Liabilities	Pell (Closed Award Year)	Subsidized Direct Loans	Unsubsidized Direct Loans	Cost of Funds
Finding 1				
2012-2013	\$7,825.00	\$0	\$0	\$102.27
2013-2014	\$125.00	\$0	\$0	\$0.38
Finding 4				
2012-2013	\$413.69	\$138.43	\$2,970.00	\$6.92 - Pell \$2.00 - Subsidized \$49.00 - Unsubsidized
2013-2014	\$336.35	\$538.24	\$242.88	\$1.67 - Pell \$2.00 - Subsidized \$0 - Unsubsidized
Finding 5				
2012-2013	\$104.29	\$0	\$0	\$1.78
2013-2014	\$1,214.75	\$742.00	\$990.00	\$2.51 - Pell \$1.00 - Subsidized \$2.00 - Unsubsidized
TOTAL	\$10,019.08	\$1,418.67	\$4,202.88	\$171.53

Total: \$15,812

E. Payment Instructions

Terms of Payment

AAC owes to the Department **\$15,812**. *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: \$15,812
DUNS: 603687299
TIN: 200922098
Program Review Control Number: 201420428503

Section II: Instructions by Title IV, HEA program

Grant Closed AY - Payment Instruction

Findings: 4 and 5

AAC must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
Finding 4 \$413.69	\$6.92	Pell	2012 - 2013
Finding 4 \$336.35	\$1.67	Pell	2013 - 2014
Finding 5 \$104.29	\$1.78	Pell	2012 - 2013
Finding 5 \$1,214.75	\$2.51		2013-2014
Total Principal	Total Interest		
\$2,069.08	\$12.88		

Direct Loan Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Fund	Award Year
Finding 4 \$138.43 -Subsidized \$2,970.00 - Unsubsidized	\$2.00 \$49.00	Direct Loan	2012 - 2013
Finding 4 \$538.24 - Subsidized \$242.88 - Unsubsidized	\$2.00 \$0	Direct Loan	2013 - 2014
Finding 5 \$742.00 - Subsidized \$990.00 - Unsubsidized	\$1.00 \$2.00	Direct Loan	2013 -2014
Total Principal	Total Interest		
\$1,418.67- Subsidized	\$5.00 - Subsidized		

\$4,202.88 – Unsubsidized	\$51.00 - Unsubsidized		
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The disbursement record for each student identified in the Finding 4 and 5 (Pell and Direct Loan), must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount (principal) identified in the applicable appendix.

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 FEDWIRE, 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 Jon Finkelstein within 45 days of the date of this letter.

Request Extended Processing

The DL program year closes 13 months after the award year ends (on the last business day in July of the following year). For example 2011-2012 will close July 31, 2013. COD adjustments are necessary for the closed award year(s) listed above. Before any student level adjustments can be processed, AAC must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

If you have any questions regarding interest accruals or payment credits, you may telephone 202-245-8080 and ask to speak to your institution's account representative.

If full payment cannot be made within 45 days of the date of this letter, contact the Debt Management Group at (202) 245-8080 to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
Office of the Chief Financial Officer
Accounts Receivable Group
550 12th Street, SW, Room 6114
Washington, DC 20202-4461

If within forty-five days of the date of this letter, your institution has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the U.S. Department of Education, the Department intends to collect the amount due and payable by administrative offset against payments due to your organization from the Federal Government. Your institution may object to the collection by offset only by challenging the existence or amount of the debt.

Your institution makes this challenge by timely appealing this determination under the procedures described in the "Appeal Procedures" section of this 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 in 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.