



January 28, 2014

Mr. Brandon D. Pobiak, President
EA Education, Inc.
P-Squared, Inc.
3200 North Hayden Road, Suite 140
Scottsdale, AZ 85251

Certified Mail
Return Receipt Requested
#: 70070710000106750528

RE: Final Program Review Determination
Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381

Dear Mr. Pobiak:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report on December 26, 2012 covering Alameda Beauty College's (ABC's) 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 2009-2010 and 2010-2011 (year to the program review date) award years. ABC's final response was received on February 27, 2013. A copy of the program review report (and related attachments) and ABC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by ABC 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 in the program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) notify ABC 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. This FPRD contains one or more findings regarding ABC's failure to comply with

the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (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, 668.46, and 668.49. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed. If an adverse administrative action is initiated, additional information about ABC's appeal rights will be provided under separate cover.

The total liabilities due from the institution from this program review are \$14,684.08.

This FPRD 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 final program review determination with respect to the liabilities identified from the December 26, 2012 program review report. If ABC wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date ABC receives this FPRD. An original and four copies of the information ABC submits must be attached to the request. The request for an appeal must be sent to:

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

ABC'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 final program review determination. 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 ABC'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 Pilar Diaz, Institutional Review Specialist, at 415-486-5368. Questions relating to any appeal of the final program review determination should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Martina Fernandez-Rosario
Division Director
San Francisco/Seattle School Participation Division

cc: Ms. April Montes, Financial Aid Director
National Accrediting Commission of Career Arts and Sciences
California Bureau for Private Postsecondary Education

Enclosures: Protection of Personally Identifiable Information
Final Program Review Determination

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
Alameda Beauty College

OPE ID: 02258600
PRCN: 201110927381

Prepared by:
U.S. Department of Education
Federal Student Aid
San Francisco/Seattle School Participation Division

Final Program Review Determination
January 28, 2014

Table of Contents

	Page
A. Institutional Information.....	3
B. Scope of Review.....	4
C. Findings and Final Determinations.....	4
Resolved Findings.....	4
Findings with Final Determinations.....	5
Finding 2. Failure to Accurately Calculate Returns to Title IV Funds.....	5
Finding 4. Failure to Comply with Verification Requirements.....	7
Finding 5. Annual Security Report (ASR) Not Published and Distributed as a Single Comprehensive Document.....	9
D. Summary of Liabilities.....	13
E. Payment Instructions.....	13
F. Appendices.....	17
Appendix A. Student Sample to the Program Review Report.....	18
Appendix B. Alameda Beauty College's Response to the Program Review Report.....	20
Appendix C. Calculation of Interest Liability.....	41
Appendix D. Program Review Report.....	45
Appendix E. Disbursement Records for Each Student.....	67

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 3

A. Institutional Information

Alameda Beauty College
2318 Central Avenue
Alameda, CA 94501-4569

Type: Proprietary

Highest Level of Offering: Non-Degree 1 year

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 122 (Award Year 2010-11)

Percentage of Students Receiving Title IV Aid: 89% (Award Year 2010-11)

Title IV Participation (Source: National Student Loan Data System):

	<u>Award Year 2009-10</u>	
Pell Grant		\$971,320
Federal Family Education Loan Program (FFEL) Subsidized		\$694,290
Federal Family Education Loan Program (FFEL) Unsubsidized		\$668,644
Federal Family Education Loan Program (FFEL) PLUS		\$ 57,817

Default Rate FFEL/DL:	2007	%	25%
	2006	%	0%
	2005	%	0%

B. Scope of Review

The U.S. Department of Education (Department) conducted a program review at the Alameda Beauty College (ABC) from December 6, 2010 to December 10, 2010. The review was conducted by Shane Dunne, Hyun Jhong Yi, and Pilar M. Diaz.

The focus of the review was to determine ABC'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 ABC'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 2009-2010 and 2010-2011 (year to the program review date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 10 files were selected from the files of students who withdrew from ABC on or after January 1, 2010. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on December 26, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning ABC'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 ABC 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

- Finding 1. Inconsistent Account Records
- Finding 3. Unauthorized Retention of Credit Balances
- Finding 6. Failure to Document Students Met Standards of Satisfactory Academic Progress (SAP)
- Finding 7. Failure to Delay Disbursement of Federal Family Education Loans (FFELs) for Thirty Days
- Finding 8. Failure to Comply with Leave Of Absence (LOA) Requirements
- Finding 9. Exit Counseling Deficiencies
- Finding 10. Inadequate Protection of Students' Personally Identifiable Information (PII)
- Finding 11. Failure to Notify Student Borrowers of their Right to Cancel Loans

- Finding 12. Improper Award Packaging/Calculation of Costs of Attendance (COAs)
Finding 13. Early Federal Pell Grant Disbursements

Findings with Final Determinations

The PRR findings requiring further action are summarized below. At the conclusion of each finding is a summary of ABC's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on December 26, 2012 is attached as Appendix D.

Finding 2. Failure to Accurately Calculate Returns to Title IV Funds

Citation Summary: *When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.*
34 C.F.R. § 668.22(a)(1).

The withdrawal date for a student who ceases attendance at an institution that is required to take attendance is the last date of academic attendance as determined by the institution from its attendance records. 34 C.F.R. § 668.22(b)(1).

Noncompliance Summary: *ABC failed to perform an R2T4 calculation for a student and used the incorrect calculation for other students in the selected sample as follows:*

Student #5: This student enrolled in the Cosmetology program and withdrew on 7/23/10. A withdrawal calculation was performed; however, the calculation was incorrect because ABC used the incorrect number of clock hours the student was scheduled to complete for the payment period.

Student #24: The student withdrew from the program shortly after the second payment period was begun. The file has no evidence that a refund calculation was processed.

Student # 28: This student withdrew from the program on 9/17/10. A withdrawal calculation was performed; however, ABC used the formula for credit hour programs and not the clock hour formula.

Student #31: This student enrolled in the Cosmetology program and withdrew on 10/21/10. A withdrawal calculation was performed; however, the calculation was incorrect because ABC used the wrong total number of hours in the period.

Student # 37: This student withdrew from the program on 8/12/10. A withdrawal calculation was performed; however, ABC used the formula for credit hour programs.

As a result of using the wrong calculation, ABC returned \$3,089 to the Title IV programs. Based on the clock hour calculation, ABC should have returned \$4,405.50

Student # 39 withdrew from the program on 7/10/10; a withdrawal calculation was performed by ABC. The correct calculation was used; however, ABC failed to include aid that could have been disbursed from the student's Pell Grant awards.

Student # 40: This student withdrew from the program on 9/17/10. A withdrawal calculation was performed but ABC used the formula for credit hour programs. Based on the clock hour calculation, the school could have retained more funds.

Required Action Summary: *ABC was required to revise its R2T4 procedures to ensure that it calculated refunds using the accurate percentage of the payment period that the student completed and using the calculation specifically for clock hour schools and not for credit hour schools.*

Due to the fact that this was a systemic error, ABC was required to conduct a file review of all students who were withdrawn, dropped, or otherwise ceased attendance without completing a payment period for the 2010-2011 award year, to identify all Title IV recipients for whom an incorrect R2T4 calculation was made.

File Review Summary Spreadsheet Required: *ABC was required to report the results of its review in an Excel workbook format, setting forth the following data elements for each student who did not complete a payment period during the 2010-2011 award year:*

Student Demographics		DOD / LDA		Payment Period 1		Payment Period 2		Payment Period 3		Payment Period 4		Last Payment Period Attended	
Name	Social Security Number	Date of Determination	Last Date of Attendance	Begin Date	End Date	Total Paymt Period Days	No. of Days Attended						

Disbursements for Payment Period of Withdrawal				R2T4 Due / Paid / Additional Due			
Pell Disbursed	Subsidized Loan Funds Disbursed	Unsubsidized Loan Funds Disbursed	R2T4 Amount	Amount Previously Returned	Additional Pell Due	Additional Subsidized Loan Due	Additional Unsubsidized Loan Due

Supporting Documentation to be Provided:

1. *A copy of the R2T4 calculation ("Refund Policy Calculation Results" document used by ABC) for each student in the report*
2. *Ledger for each student in the report*
3. *Payment transactions/documents to verify refunds paid, if applicable*
4. *Electronic copy of the R2T4 File Review Summary Spreadsheet, completed by ABC*

ABC's Response: ABC provided its revised R2T4 policies and procedures, which indicated that it calculates refunds using the accurate percentage of the payment period that the student completed and using the correct formula or worksheet to calculate R2T4 when the students withdraw from a clock-hour program.

ABC also stated that it completed a file review of all students who were withdrawn, dropped or otherwise ceased attendance without completing the payment period for the 2010-2011 award year, and provided the results of the file review in an Excel spreadsheet format.

Final Determination:

The Department examined the data in the spreadsheet with the supporting documentation provided by ABC. A total liability of \$12,883.00 was identified. Although some refunds were overpaid by ABC, the Department, as a matter of practice, does not take into account these overpayments in order to "net" a liability amount. It is important that each student's refund amount be credited to that individual student and, therefore, the netting of amounts is not a practice the Department undertakes. The specific students for whom refunds are due are noted in Appendix E.

Finding 4. Failure to Comply with Verification Requirements

Citation Summary: *Institutions must require Title IV applicants to verify information used to calculate an applicant's Expected Family Contribution (EFC) in two events:*

1. *When the application is selected by the Secretary to be verified; or*
2. *When an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate. 34 C.F.R. § 668.54(a).*

The regulations in Subpart E of 34 C.F.R. Part 668 govern the verification of information submitted by applicants for student financial assistance in connection with the calculation of their expected family contributions for the financial need-based Title IV, HEA programs. Specifically, federal regulations require an institution to demand an applicant to submit acceptable documentation that will verify or update the following

information (from the applicable year in question) used to determine the applicant's EFC: adjusted gross income; U.S. income tax paid; the aggregate number of family members in the household; the number of family members in the household who are enrolled, as at least half-time students, in postsecondary educational institutions; and certain untaxed income and benefits used in determining eligibility for Title IV aid. 34 C.F.R. §§ 668.56(a) and 668.57

Noncompliance Summary: *ABC failed to comply with the verification requirements for some students in the review sample as follows:*

Student #11: This student was selected for verification for the 2009-10 and 2010-11 award years. For the 2009-10 year, the copy of the income tax return on file does not have a signature, as required by federal regulations. For the 2010-11 year, the 01 Institutional Student Information Report (ISIR) reflects \$0 income from work and an adjusted gross income of \$28,372. A correction was submitted by the school to the CPS, changing the income from work from \$0 to \$28,372. The tax document clearly indicates that \$22,693 of this income was from unemployment benefits. As a result of the change made by the school, the student lost his Pell eligibility for the second award year. In fact, the student would have been eligible for a Pell Grant if the \$28,372 was not reported as income earned from work.

Student #18: This student was selected for verification for the 2010-11 award year. Based on information from the student's verification worksheet and income tax forms submitted by the student, ABC was required to make revisions to the ISIR. The school failed to send changes of the following elements to the Central Processing System: student's income tax paid, student's education credits, parent's income tax paid, mother's income earned from work, and household size. These changes would result in a change to the EFC.

Required Action Summary: *ABC was responsible for ensuring that each student selected for verification had the appropriate documentation on file and that the information was correct, in accordance with the verification requirements. ABC was required to develop policies and procedures to ensure the verification process was properly followed. Such policies and procedures were also required to be included with the response to this Program Review Report.*

For student #11, if the student was entitled to a Pell Grant that the student did not receive, ABC was required to attempt to locate the student and pay the amount the student would have received from institutional funds. In response to this Program Review Report, ABC was required to provide information on the amount of Pell Grant due to this student.

For student #18, ABC was required to determine the amount of Title IV aid the student was disbursed and the amount the student should have been disbursed had the appropriate corrections been made. The difference between these two amounts was a liability due to the Department of Education. In response to this Program Review Report, ABC was required to provide information on the student's original EFC, revised (corrected) EFC, original Title IV disbursements (by Title IV program), and revised (corrected) Title IV disbursements (by Title IV program).

ABC's Response: ABC determined that, based on accurate information provided, student #11 still did not qualify for a Pell Grant. ABC further determined the amount of Title IV aid student #18 was disbursed and the amount the student should have been disbursed using the correct student income tax, household size, parents income tax, and untaxed portions of pensions. The results of the new calculation indicated that \$1,600 in Pell Grant funds were overpaid to the student.

Final Determination:

ABC's revised verification policies and procedures meet the regulatory requirements. ABC is required to return the overpayment of \$1,600 to the Department. Payment instructions are included below.

Finding 5. Annual Security Report (ASR) Not Prepared and Distributed as a Single Comprehensive Document

Citation Summary: *The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) and the Department's regulations require that all institutions participating in Title IV, HEA financial aid programs prepare a comprehensive annual security report 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 distributed as a single document. The only exception to this requirement is that the ASR may cross-reference information regarding the institution's alcohol and other drug abuse prevention programs required by § 120 (a) - (d) of the Higher Education Act. 34 C.F.R. § 668.46(a)(10)*

Federal regulations also require institutions to actively distribute the ASR to all current students and employees through appropriate publications and mailing. Acceptable means of delivery include regular 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)

Noncompliance Summary: *ABC failed to prepare and distribute a comprehensive annual security report by October 1, 2009 and by October 1, 2010. There are three components to this violation. Specifically, 1) no comprehensive ASR was published; and therefore, 2) no comprehensive ASR was actively distributed to current students and employees. Thirdly, no notice regarding the availability of the ASR was provided to prospective students and employees. The review team ascertained that the College did, in fact, provide a link to the Department of Education's "Campus Safety and Security Data Analysis Cutting Tool." However this is not an Annual Security Report.*

Failure to prepare an accurate and complete ASR and to actively distribute it to current students and employees in accordance with federal regulations deprives the campus community of important security information.

Required Action Summary: *As a result of the above violations, ABC must ensure that it produces a 2012 ASR that includes all of the statistical disclosures and policy, procedural, and programmatic information required under 34 C.F.R. § 668.46(b). A draft of the 2012 ASR must accompany the College's response to this Program Review Report. Once the comprehensive ASR is evaluated by the review team for accuracy and completeness, ABC must also ensure that it is actively distributed to all current students and employees in accordance with 34 C.F.R. § 668.41(e). ABC must develop and implement procedures for preparing and distributing the ASR in accordance with federal regulations. The new procedures also must articulate how prospective students and employees will be notified of the report's availability. A copy of these procedures must be included with the Program Review response.*

ABC's Response: In its official response, ABC, now Avalon School of Cosmetology, concurred with the finding and stated that it prepared and published a materially-complete 2012 ASR. The College also submitted a copy of its new and revised internal policies and supporting documentation in appendix #5 A-D. ABC management also stated that it has taken adequate steps to ensure that it publishes and distributes future ASRs in accordance with federal regulations and that it understands its obligations under the Clery Act.

Final Determination:

Finding # 5 of the Program Review Report cited ABC for multiple violations of the Clery Act. Specifically, the College failed to prepare and distribute an annual security report by October 1, 2009 and by October 1, 2010. As a result of these violations, ABC was required to review and enhance its policies and procedures for preparing and distributing the ASR. In its response, the College provided its revised policies and procedures as well as a copy of the 2012 ASR.

The review team examined materials submitted with the response and found them to be at least minimally adequate in several respects; however, during this analysis, the review team also determined that ABC failed to publish and distribute a 2011 ASR as well. As a result, the Department has determined that ABC failed to comply with all requirements of the Clery Act during 2009, 2010, and 2011 with the exception of the requirement to submit statistics to the Department for inclusion in the Campus Safety and Security Data Analysis Cutting Tool.

Nevertheless, on the basis of the Department's analysis of the response and the College's representations that remedial action was taken to address the violations and their underlying causes, this finding is now considered to be conditionally closed, subject to the satisfactory resolution of the remaining compliance concerns set out below.

Although the Department has conditionally closed the finding, ABC must take immediate action to specifically address certain errors, omissions, and unresolved questions noted during the response analysis. These include:

- The ASR currently posted on ABC's website is the 2012 report and includes campus crime statistics for 2011, 2010, 2009. Within 15 days of receipt of this FPRD, ABC must submit a copy of its 2013 ASR to the Department with proof of active distribution to all enrolled students and current employees.
- ABC's Timely Warning (TW) policy as published in the 2012 ASR currently states that, "the Primary CSA will issue a Timely Warning Notice to the school community within 72 hours." A timely warning must be issued any time a Clery-reportable offense that may pose an ongoing threat to students and employees occurs. In addition, TWs must be issued in a manner that will help to prevent the occurrence of similar crimes. If the primary CSA waits up to 72 hours to issue a timely warning while a continuing threat exists, the warning would not be timely. The policy must be revised to reflect these requirements for ABC.
- ABC failed to provide a statement in the 2012 ASR advising the campus community where they can find information concerning registered sex offenders. This omission must be remedied immediately.
- ABC failed to provide a description of programs in the 2012 ASR designed to inform students and employees about the prevention of crime. Instead, ABC merely stated that the information in the ASR would increase awareness of the current programs and procedures that exist. This statement is not sufficient as it

did nothing to state if any specific programming is offered and the frequency of any such programming. This omission must be remedied immediately.

- ABC failed to provide a description of the educational programs in the ASR to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses. This omission must be remedied immediately.

ABC must submit all materials specified above to the Department's Clery Act Compliance Division at: clery@ed.gov within 15 days of the College's receipt of this FPRD. ABC's submission must reference its Program Review Control Number (PRCN) and the finding number in the subject line of its e-mail message. Failure to respond to this request for production may result in the imposition of additional adverse administrative actions.

Although the finding is conditionally closed, ABC 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 Clery Act violation once it occurs. ABC was required to initiate corrective actions and through its attempts to do so, has begun to remediate the conditions that led to these violations. The College has stated that it has brought its overall campus security program into compliance with the Clery Act as required by its Program Participation Agreement. Nevertheless, ABC officials must understand that the Clery Act is first and foremost a consumer protection law that is based on the premise that well-informed students and employees are better able to take an active role in the provision of their own safety and security. Persistent failures of the type documented in this case deprive students and employees of important campus security information and effectively negates the intent of the Clery Act.

For these reasons, the College is advised that such remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose additional administrative and/or corrective actions as a result.

Because of the serious consequences of such violations, the Department strongly recommends that the College re-examine all of its campus security, drug and alcohol, 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 requirements.

As part of its annual policy review, ABC officials may wish to review the Department's "Handbook for Campus Safety and Security Reporting" (2011) for guidance on complying with the *Clery Act*. The handbook is available online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The regulations governing the Clery Act can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

Finally, ABC officials are reminded to review the accuracy and completeness of the College's Drug and Alcohol Abuse Prevention Program (DAAPP) as required by the

Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations. FSA is now responsible for monitoring compliance with the DFSCA. Therefore, it is essential that ABC makes sure that it has developed and implemented a comprehensive DAAPP, has actively distributed a materially-complete annual DAAPP disclosure, and that it has conducted substantive biennial reviews and has completed its biennial review reports on the proper schedule. For assistance or more information on the Clery Act and/or the DFSCA, please contact your program review team or another member of the San Francisco/Seattle School Participation Division.

D. Summary of Liabilities

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

Established Liabilities

	Pell Grant	Sub DL	Unsub DL	PLUS DL	Interest/Cost of Funds
Finding 2	\$2,930.00	\$6,866.00	\$2,973.00	\$114.00	\$177.14
Finding 4	\$1,600.00				\$23.94
Total	\$4,530.00	\$6,866.00	\$2,973.00	\$114.00	\$201.08

E. Payment Instructions

I. Liabilities Owed to the Department

Liabilities Owed to the Department \$1,000 or More but Less Than \$100,000

<u>Program</u>	<u>Amount</u>
Pell Grant	\$4,530.00
Sub DL	\$6,866.00
Unsub DL	\$2,973.00
PLUS DL	\$ 114.00
Interest/Cost of Funds	<u>\$ 201.08</u>
Total	\$14,684.08

ABC owes to the Department \$14,684.08. 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:

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 14

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 findings and Section II – Instructions by Title IV, HEA Program (below – applies to Pell Grants only), 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: \$14,684.08
DUNS: 079085742
TIN: 263315719
Program Review Control Number: 201110927381

Terms of Payment

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

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

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

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

II. Instructions by Title IV, HEA Program

Liabilities Owed to the Department in the case of Direct Loans

Direct Loan - Archived Award Year Payment Instruction

Finding #2

ABC must repay the following Direct Loan liabilities:

DL Archived Award Year			
Amount (Principal)	Amount (Interest)	Award Year	Program Award #
\$9,953.00	\$137.00	2010-2011	P268K114050
Total Principal	Total Interest		
\$9,953.00	\$137.00		

The disbursement record for each student identified in Appendix E must be adjusted in the Common Origination and Disbursement (COD) system. A copy of the adjustment to each student's COD record must be sent to Pilar Diaz **within 45 days of the date of this report.**

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

The Direct Loan records for award years prior to **2010-11** are archived, please contact the Internal Controls Division's School Reconciliation Team, Lisa Howell at (202) 377-3290

Appendix C
Calculation of Interest Liability

Late or Unmade Returns (Query) - Cost of Funds

Name of Institution: Alameda Beauty College

No.	Description/Name	Return Amount	Receipt	W/3 Date	Instn Date	Return Date	Days Impound	To	To														
								ED	Student														
2	R2T4	\$4,066.00	DL Sub	06/20/11	06/30/11	12/26/12	8 14.2011	500	1.00%	\$ 94.00													
2	R2T4	\$2,973.00	DL Unsub	06/20/11	06/30/11	12/26/12	8 14.2011	500	1.00%	\$ 41.00													
2	R2T4	\$114.00	DL PLUS	06/20/11	06/30/11	12/26/12	8 14.2011	500	1.00%	\$ 2.00													
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Total Principal</td> <td style="width: 50%; text-align: right;">\$ 9,953.00</td> </tr> <tr> <td>Total DL Sub</td> <td style="text-align: right;">\$ 6,866.00</td> </tr> <tr> <td>Total DL Unsub</td> <td style="text-align: right;">\$ 2,973.00</td> </tr> <tr> <td>Total PPPL Sub</td> <td style="text-align: right;">\$ -</td> </tr> <tr> <td>Total PPPL Unsub</td> <td style="text-align: right;">\$ -</td> </tr> <tr> <td>Total DL PLUS</td> <td style="text-align: right;">\$ 114.00</td> </tr> <tr> <td>Total PPPL PLUS</td> <td style="text-align: right;">\$ -</td> </tr> </table>										Total Principal	\$ 9,953.00	Total DL Sub	\$ 6,866.00	Total DL Unsub	\$ 2,973.00	Total PPPL Sub	\$ -	Total PPPL Unsub	\$ -	Total DL PLUS	\$ 114.00	Total PPPL PLUS	\$ -
Total Principal	\$ 9,953.00																						
Total DL Sub	\$ 6,866.00																						
Total DL Unsub	\$ 2,973.00																						
Total PPPL Sub	\$ -																						
Total PPPL Unsub	\$ -																						
Total DL PLUS	\$ 114.00																						
Total PPPL PLUS	\$ -																						

Total Principal \$ 9,953.00

Total DL Sub \$ 6,866.00

Total DL Unsub \$ 2,973.00

Total PPPL Sub \$ -

Total PPPL Unsub \$ -

Total DL PLUS \$ 114.00

Total PPPL PLUS \$ -

\$ 137.00 \$ -

Late or Unmade Returns (Non-Loan) - Cost of Funds

complete

Name of Institution: Alameda Beach College

Note: An unreturned title is necessary to determine if an institution has 30 (Federal) or 45 days to return funds

No	Description/Name	Return Amount	Program	W/D Date	Institution Del Date	Return Paid Date	Return Due Date	Late Days	Days Over	Federal	State	To ED	To Instl Accounts
2	RZT4	\$2,930.00	Paul Grant	08/30/11	03/02/11	12/28/2012	08/14/11	500	1.00%	\$ 2,930.00	\$ 40.14	\$ -	-
Totals												\$ 40.14	\$ -

Total Returns
 Total Campus-Based
 Totals By Program

Paul Grant	\$ 2,930.00
FSEOG	-
Perkins	-
ACG	-
SMART	-
TEACH	-
FSEOG-No Match	-
Perkins-No Match	-

Interest Encroachment

Paul Grant	\$ 40.14	\$ -
FSEOG	-	-
Perkins	-	-
ACG	-	-
SMART	-	-
TEACH	-	-
FSEOG-No Match	-	-
Perkins-No Match	-	-

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowances

Name of Institution: _____

No.	Description/Name	Ineligible Disbursement	Program	Disbursement Date	Return Paid Date	No. of Days	Implied O/Y/Yr	Federal Share	To ED	To Inst Account
4	Verification Violation	\$1,600.00	Prof Grant	6/30/2011	12/27/2012	548	1.00%	\$ 1,600.00	\$ 23.94	\$ -

Total Ineligible **\$1,600.00**

Campus-Based Amounts Spent (from FGAAP, Part V, Section B)

Federal FWS	
Federal FSEOG	
Federal Perkins	

Total C-B Spent
 ACA Percentage

\$ -

	Total	Federal Share
Perf	\$ 1,600.00	\$ 1,600.00
ACG		
SMART		
TEACH		
FWS		
FSEOG		
Perkins		
FWS-50% Match		
FWS-No Match		
FSEOG-No Match		
Perkins-No Match		
Total Campus-Based	\$ -	\$ -

Totals
 ACA Liability

\$ 23.94	\$ -
----------	------

Interest Breakdown

Perf Grants	\$ -	\$ -
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -
ACA Breakdown	\$ -	\$ -

FWS	
FSEOG	
Perkins	
FWS-50% Match	
FWS-No Match	
FSEOG-No Match	
Perkins-No Match	



December 26, 2012

Mr. Brandon D. Pobiak, President
3200 North Hayden Road, Suite 140
Scottsdale, AZ 85251

Certified Mail
Return Receipt Requested
7007 0710 0001 0674 5227

RE: **Alameda Beauty College**
Program Review Report
OPE ID: 02258600
PRCN: 201110927381

Dear Mr. Pobiak:

From December 6, 2010 through December 10, 2010, Shane Dunne, Hyun Jhong Yi, and Pilar M. Diaz conducted a review of Alameda Beauty College (ABC)'s 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 ABC. The response should include a brief, written narrative for each finding that clearly states ABC's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, ABC 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 report¹ 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.

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 2 of 2

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 ABC 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 Pilar M. Diaz of this office within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

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

Record Retention:

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Pilar M. Diaz at (415) 486-5368.

Sincerely,

(b)(6)

Gayle E. Palumbo, Ed.D.
Compliance Manager
San Francisco/Seattle School Participation Division

cc: Ms. April Montes, Financial Aid Director

Enclosures:
Protection of Personally Identifiable Information
Program Review Report

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.

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 49

Prepared for

Federal Student Aid PROUD SPONSOR OF
THE AMERICAN MIDD*

**ALAMEDA BEAUTY
COLLEGE**

OPE ID: 02258600
PRCN: 201110927381

Prepared by
U.S. Department of Education
Federal Student Aid
San Francisco/Seattle School Participation Division

Program Review Report
December 26, 2012

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 1

Table of Contents

A. Institutional Information.....	2
B. Scope of Review.....	3
C. Findings.....	3
Finding 1. Inconsistent Account Records.....	3
Finding 2. Failure to Accurately Calculate Returns to Title IV Funds.....	4
Finding 3. Unauthorized Retention of Credit Balances.....	6
Finding 4. Failure to Comply with Verification Requirements.....	8
Finding 5. Annual Security Report (ASR) Not Prepared and Distributed as a Single Comprehensive Document.....	9
Finding 6. Failure to Document Students Met Standards of Satisfactory Academic Progress (SAP).....	11
Finding 7. Failure to Delay Disbursement of Federal Family Education Loans (FFELs) for Thirty Days.....	12
Finding 8. Failure to Comply with Leave Of Absence (LOA) Requirements.....	12
Finding 9. Exit Counseling Deficiencies.....	13
Finding 10. Inadequate Protection of Students' Personally Identifiable Information (PII).....	13
Finding 11. Failure to Notify Student Borrowers of their Right to Cancel Loans.....	14
Finding 12. Improper Award Packaging/Calculation of Costs of Attendance (COAs).....	15
Finding 13. Early Federal Pell Grant Disbursements.....	16
D. Appendix A.....	17

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 2

A. Institutional Information

Alameda Beauty College
2318 Central Avenue
Alameda, CA 94501-4569

Type: Proprietary

Highest Level of Offering: Non-Degree 1 year

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 122 (Award Year 2010-11)

Percentage of Students Receiving Title IV Aid: 89% (Award Year 2010-11)

Title IV Participation (Source: National Student Loan Data System):

	Award Year	2009-10
Pell Grant	\$	971,320
Federal Family Education Loan Program (FFEL) Subsidized	\$	694,290
Federal Family Education Loan Program (FFEL) Unsubsidized	\$	668,644
Federal Family Education Loan Program (FFEL) PLUS	\$	57,817

Default Rate FFEL/DL:	2007	%	25%
	2006	%	0%
	2005	%	0%

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 3

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Alameda Beauty College (ABC) from December 6, 2010 to December 10, 2010. The review was conducted by Shane Dunne, Hyun Zhong Yi, and Pilar M. Diaz.

The focus of the review was to determine ABC'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 ABC'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 2009-2010 and 2010-2011 (Year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 10 files were selected from the files of students who withdrew from ABC on or after January 1, 2010. Appendix A lists the names and 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 ABC'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 ABC 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 (FPRD) 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 ABC to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Inconsistent Account Records

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

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 4

identify each Title IV transaction. The institution is required to maintain records related to the date and the amount of each disbursement or delivery of grant or loan funds; the amount, date, and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student, or the treatment of Title IV funds when the student withdraws; and the payment of any overpayment or the return of any Title IV program funds to any Title IV program fund, a lender, or the Secretary, as appropriate. 34 C.F.R. §§ 668.24(b) and 668.164(d)

Noncompliance: ABC does not have a reliable ledger card system that records Title IV transactions on a regular and timely basis. This presents an unclear audit trail, examples of which follow:

Student #15: This student had two ledger cards. The first ledger card reflects tuition and fee charges in the amount of \$6,700. This ledger card had a negative balance in the amount of \$7,200 created from financial aid disbursements. The second ledger card had two separate tuition charges, one in the amount of \$7,200 and the second for \$5,600 plus fees in the amount of \$1,100. When added together, these tuition and fees match the enrollment agreement for the student (the enrollment agreement reflected total charges in the amount of \$13,900). As of the dates of the review, there is an unpaid balance, on this ledger, in the amount of \$61. These two ledger cards are vastly different and it was difficult to discern the student's true financial transactions with ABC.

Student #20: This student received a post withdrawal disbursement in the amount of \$571.65; this disbursement was not posted to the ledger card.

Required Action: ABC must implement a single ledger card system that reflects all actual charges and disbursements made to the students. ABC is required to develop policies and procedures that clearly demonstrate the process under which ABC maintains records related to the maintenance of student ledger cards, and that the ledgers contain information on the date and the amount of each disbursement or delivery of grant or loan funds; the amount, date, and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student, or the treatment of Title IV funds when the student withdraws; and the payment of any overpayment or the return of any Title IV program funds. Policies and procedures and samples of revised accounting records, as applicable, must be submitted in response to this Program Review Report.

Finding 2. Failure to Accurately Calculate Returns to Title IV Funds

Citation: When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. 34 C.F.R. § 668.22(a)(1).

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 5

The withdrawal date for a student who ceases attendance at an institution that is required to take attendance is the last date of academic attendance as determined by the institution from its attendance records. 34 C.F.R. § 668.22(b)(1).

Noncompliance: ABC failed to perform an R2T4 calculation for a student and used the incorrect calculation for other students in the selected sample as follows:

Student #5: This student enrolled in the Cosmetology program and withdrew on 7/23/10. A withdrawal calculation was performed; however, the calculation was incorrect because ABC used the incorrect number of clock hours the student was scheduled to complete for the payment period.

Student #24: The student withdrew from the program shortly after the second payment period was begun. The file has no evidence that a refund calculation was processed.

Student # 28: This student withdrew from the program on 9/17/10. A withdrawal calculation was performed; however, ABC used the formula for credit hour programs and not the clock hour formula.

Student #31: This student enrolled in the Cosmetology program and withdrew on 10/21/10. A withdrawal calculation was performed; however, the calculation was incorrect because ABC used the wrong total number of hours in the period.

Student # 37: This student withdrew from the program on 8/12/10. A withdrawal calculation was performed; however, ABC used the formula for credit hour programs. As a result of using the wrong calculation, ABC returned \$3,089 to the Title IV programs. Based on the clock hour calculation, ABC should have returned \$4,405.50

Student # 39 withdrew from the program on 7/10/10; a withdrawal calculation was performed by ABC. The correct calculation was used; however, ABC failed to include aid that could have been disbursed from the student's Pell Grant awards.

Student # 40: This student withdrew from the program on 9/17/10. A withdrawal calculation was performed but ABC used the formula for credit hour programs. Based on the clock hour calculation, the school could have retained more funds.

Required Action: ABC must revise its R2T4 procedures to ensure that it calculates refunds using the accurate percentage of the payment period that the student completed and using the calculation specifically for clock hour schools and not for credit hour schools.

Due to the fact that this is a systemic error, ABC must conduct a file review of all students who were withdrawn, dropped, or otherwise ceased attendance without

Alameda Beauty College
 OPE ID: 02258600
 PRCN: 201110927381
 Page 6

completing a payment period for the 2010-2011 award year, to identify all Title IV recipients for whom an incorrect R2T4 calculation was made.

File Review Summary Spreadsheet Required: ABC must report the results of its review in an Excel workbook format, setting forth the following data elements for each student who did not complete a payment period during the 2010-2011 award year:

Student Demographics		DOD / LDA		Payment Period 1		Payment Period 2		Payment Period 3		Payment Period 4		Last Payment Period Attended	
Name	Social Security Number	Date of Determination	Last Date of Attendance	Begin Date	End Date	Total Payment Period Days	No. of Days Attended						

Disbursements for Payment Period of Withdrawal				R2T4 Due / Paid / Additional Due			
Pell Disbursed	Subsidized Loan Funds Disbursed	Unsubsidized Loan Funds Disbursed	R2T4 Amount	Amount Previously Returned	Additional Pell Due	Additional Subsidized Loan Due	Additional Unsubsidized Loan Due

Supporting Documentation to be Provided:

1. A copy of the R2T4 calculation ("Refund Policy Calculation Results" document used by ABC) for each student in the report
2. Ledger for each student in the report
3. Payment transactions/documents to verify refunds paid, if applicable
4. Electronic copy of the R2T4 File Review Summary Spreadsheet, completed by ABC

Instructions for repayment of liabilities, including unpaid Title IV funds, and interest on these funds, will be set forth in the Final Program Review Determination Letter.

Finding 3. Unauthorized Retention of Credit Balances

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 7

period; or no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

In order to retain Title IV funds on behalf of a student, institutions must obtain written authorization from a student or parent, as applicable. The institution may use the student's or parent's Title IV, HEA program funds to pay for allowable charges that are included in that authorization. In obtaining the student's or parent's authorization to retain credit balances, an institution may not coerce the student or the parent to provide that authorization; must allow the student or parent to cancel or modify that authorization at any time; and must clearly explain how it will carry out that activity.

In addition, if an institution holds excess student funds, the institution must:

Identify the amount of funds the institution holds for each student or parent in a subsidiary ledger account designed for that purpose;

Maintain, at all times, cash in its bank account in an amount at least equal to the amount of funds the institution holds for the student; and

Notwithstanding any authorization obtained by the institution under this paragraph, pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. §§ 668.164(e), 668.165(b).

Noncompliance: ABC failed to pay credit balances directly to students or parents within the 14 days after the balances occurred, as required under Title IV regulations. The files did not contain documentation indicating that the institution had authorization from the student or parent to retain those balances. Samples of late credit balances follow:

Student # 7: On 9/21/09, a credit balance in the amount of \$92 was created on the student's account. This credit balance remained on the account until 2/22/10. It was cleared by new tuition charges posted to the account.

Student #8: On 8/3/09, a credit balance in the amount of \$88 was created on the student's account. This credit balance was not paid to the student until 7/1/10.

Student #9: On 5/25/10, a credit balance in the amount of \$120 was created on the student's account. This credit balance was paid to the student on 6/29/10.

Student #14: On 9/30/10, a credit balance in the amount of \$2295.50 was created on the student's account. This credit balance remained on the account until 10/25/10. It was cleared by new tuition charges posted to the account.

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 8

Student #32: On 5/14/10, a credit balance in the amount of \$96 was created on the student's account. This credit balance was paid to the student on 6/30/10.

Student #35: On 12/29/09, a credit balance in the amount of \$92 was created on the student's account. This credit balance was cleared by the posting of new tuition charges on 2/22/10.

Required Action: ABC must establish policies and procedures to ensure credit balances are paid within the required regulatory timeframe. If ABC determines the need to implement a Credit Balance Authorization Form, such forms must be included as part of the policies and procedures. The policies and procedures and any forms developed by ABC as a result of this finding must also be submitted in response to this Program Review Report.

Finding 4. Failure to Comply with Verification Requirements

Citation: Institutions must require Title IV applicants to verify information used to calculate an applicant's Expected Family Contribution (EFC) in two events:

1. When the application is selected by the Secretary to be verified; or
2. When an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate. 34 C.F.R. § 668.54(a).

The regulations in Subpart E of 34 C.F.R. Part 668 govern the verification of information submitted by applicants for student financial assistance in connection with the calculation of their expected family contributions for the financial need-based Title IV, HEA programs. Specifically, federal regulations require an institution to demand an applicant to submit acceptable documentation that will verify or update the following information (from the applicable year in question) used to determine the applicant's EFC: adjusted gross income; U.S. income tax paid; the aggregate number of family members in the household; the number of family members in the household who are enrolled, as at least half-time students, in postsecondary educational institutions; and certain untaxed income and benefits used in determining eligibility for Title IV aid. 34 C.F.R. §§ 668.56(a) and 668.57

Noncompliance: ABC failed to comply with the verification requirements for some students in the review sample as follows:

Student #11: This student was selected for verification for the 2009-10 and 2010-11 award years. For the 2009-10 year, the copy of the income tax return on file does not have a signature, as required by federal regulations. For the 2010-11 year, the 01 Institutional Student Information Report (ISIR) reflects \$0 income from work and an adjusted gross income of \$28,372. A correction was submitted by the school to the CPS, changing the income from work from \$0 to \$28,372. The tax document clearly indicates

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 9

that \$22,693 of this income was from unemployment benefits. As a result of the change made by the school, the student lost his Pell eligibility for the second award year. In fact, the student would have been eligible for a Pell Grant if the \$28,372 was not reported as income earned from work.

Student #18: This student was selected for verification for the 2010-11 award year. Based on information from the student's verification worksheet and income tax forms submitted by the student, ABC was required to make revisions to the ISIR. The school failed to send changes of the following elements to the Central Processing System: student's income tax paid, student's education credits, parent's income tax paid, mother's income earned from work, and household size. These changes would result in a change to the EFC.

Required Action: ABC is responsible for ensuring that each student selected for verification has the appropriate documentation on file and that the information is correct in accordance with the verification requirements. ABC must develop policies and procedures to ensure the verification process is properly followed. Such policies and procedures must also be included with the response to this Program Review Report.

For student #11, if the student was entitled to a Pell Grant that the student did not receive, ABC must attempt to locate the student and pay the amount the student would have received from institutional funds. In response to this Program Review Report, ABC must provide information on the amount of Pell Grant due to this student. Additional instructions will be provided on paying the student.

For student #18, ABC must determine the amount of Title IV aid the student was disbursed and the amount the student should have been disbursed had the appropriate corrections been made. The difference between these two amounts is a liability due to the Department of Education. In response to this Program Review Report, ABC must provide information on the student's original EFC, revised (corrected) EFC, original Title IV disbursements (by Title IV program), and revised (corrected) Title IV disbursements (by Title IV program). Instructions on repaying liabilities will be provided in the FPRD.

Finding 5. Annual Security Report (ASR) Not Prepared and Distributed as a Single Comprehensive Document

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 participating in Title IV, HEA financial aid programs prepare a comprehensive annual security report 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 distributed as a single document. The only exception to this requirement is that the ASR may cross-reference information regarding the institution's alcohol and other drug abuse prevention programs required by § 120 (a) - (d) of the Higher Education Act.

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 10

34 C.F.R. § 668.46(a)(10).

Federal regulations also require institutions to actively distribute the ASR to all current students and employees through appropriate publications and mailing. Acceptable means of delivery include regular 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).

Noncompliance: ABC failed to prepare and distribute a comprehensive annual security report by October 1, 2009 and by October 1, 2010. There are three components to this violation. Specifically, 1) no comprehensive ASR was published; and therefore, 2) no comprehensive ASR was actively distributed to current students and employees. Thirdly, no notice regarding the availability of the ASR was provided to prospective students and employees. The review team ascertained that the College did, in fact, provide a link to the Department of Education's "Campus Safety and Security Data Analysis Cutting Tool." However this is not an Annual Security Report.

Failure to prepare an accurate and complete ASR and to actively distribute it to current students and employees in accordance with federal regulations deprives the campus community of important security information.

Required Action: As a result of the above violations, ABC must ensure that it produces a 2012 ASR that includes all of the statistical disclosures and policy, procedural, and programmatic information required under 34 C.F.R. § 668.46(b). A draft of the 2012 ASR must accompany the College's response to this Program Review Report. Once the comprehensive ASR is evaluated by the review team for accuracy and completeness, ABC must also ensure that it is actively distributed to all current students and employees in accordance with 34 C.F.R. § 668.41(e). ABC must develop and implement procedures for preparing and distributing the ASR in accordance with Federal regulations. The new procedures also must articulate how prospective students and employees will be notified of the report's availability. A copy of these procedures must be included with the Program Review response.

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 11

Based on an evaluation of all available information, including ABC's response, the Department will determine if additional actions will be required and will advise ABC accordingly in its Final Program Review Determination.

Please be advised that the U.S. Department of Education has prepared "The Handbook for Campus Safety and Security Reporting" (2011) to assist institutions in complying with the Clery Act disclosures. The regulations governing the Campus Security Report can be found at 34 C.F.R. § 668.41 and 668.46. The handbook may be found at: <http://www2.ed.gov/admins/lead/safety/handbook-2.pdf>.

Finding 6. Failure to Document Students Met Standards of Satisfactory Academic Progress (SAP)

Citation: Per 34 C.F.R. § 668.16(e), institutions that participate in the Title IV, HEA programs must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. An institution's standards are considered reasonable if the standards conform to the specifications outlined in the regulations. In addition, 34 C.F.R. § 668.32(f) maintains that a student is eligible to receive Title IV, HEA funds if the student maintains satisfactory academic progress in his or her course of study according to the institution's published standards of satisfactory academic progress. The Federal Student Aid Handbook (Handbook) provides additional clarification with respect to elements that must be included in an institution's written standards of satisfactory academic progress.¹

Nonecompliance: ABC does not have records to support that SAP was measured for some students in the sample as follow:

Student #8: This file did not have documentation to indicate that the student's academic progress was measured.

Student #26: This file did not have documentation to indicate that the student's academic progress was measured.

Required Action: ABC must revise its SAP procedures to ensure that SAP is documented for each Title IV recipient. For Students #8 and #26, ABC must review the SAP status of the students in effect during the applicable award year(s) and respond to this Program Review Report with information on whether the students were making SAP. Should ABC determine that the students were ineligible for Title IV funds due to their failure to meet SAP, ABC must identify, by student, amount, and Title IV program, any ineligibly disbursed Title IV funds. Repayment instructions for liabilities will be provided at a later date, in the FPRD, if applicable.

¹ Regulatory citations on SAP have changed since the conduct of the Program Review at ABC. Current SAP standards may be found at 34 C.F.R. § 668.34 (effective July 1, 2011). Prior to July 1, 2011, SAP standards were outlined in 34 C.F.R. § 668.16(e).

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 12

Finding 7. Failure to Delay Disbursement of Federal Family Education Loans (FFELs) for Thirty Days

Citation: A school may not release the first installment of a FFEL or Direct Loan to a student who has not previously received a federal loan until 30 days after the first day of the student's program of study unless the school has a cohort default rate of less than 10% for each of the three most recent fiscal years for which data are available. 34 C.F.R. § 682.604(e)(5)

Noncompliance: ABC failed to delay the disbursement of loans for first time borrowers as indicated by the following:

Student	Start of Program	FFEL Disbursement Date
#6	7/7/09	7/28/09
#8	9/3/08	9/24/08
#9	7/6/09	7/28/09
#30	1/12/10	2/4/10

Required Action: Since the students noted above, who received early disbursements, continued in school, there is no further action required relative to these early disbursements. However, ABC must establish procedures whereby loan funds are not disbursed prior to the 30 days required for first time borrowers. Please submit a copy of the developed procedures in response to this Program Review Report.

Finding 8. Failure to Comply with Leave Of Absence (LOA) Requirements

Citation: An institution's leave of absence policy is an approved policy if the institution has a formal policy regarding leaves of absence; the student follows the institution's policy in requesting a leave of absence; the institution determines that there is a reasonable expectation that the student will return to the school; the institution approves the student's request in accordance with the institution's policy; the LOA does not involve additional charges by the institution; the number of days in the approved LOA, when added to the number of days in all other approved LOAs, does not exceed 180 days in any 12-month period; upon the student's return from the LOA, the student is permitted to complete the course work he or she began prior to the LOA; and, if the student is a Title IV HEA program loan recipient, the institution explains to the student, prior to granting the LOA, the effects that the student's leave may have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period. 34 C.F.R. §§ 668.22(c) and (d).

Noncompliance: ABC does not have appropriate LOA documentation on file to support an LOA for Student # 12. The attendance records indicated that the student was on a

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 13

LOA from 8/6/09 to 8/24/09. However, the file did not have documentation indicating that the student submitted a request for the leave nor was there documentation confirming that the school approved such leave.

Required Action: ABC must revise and enforce the LOA policy and procedures published in the institution's catalog and ensure the LOA policy and procedures meet the requirements cited above. The revised policies and procedures implemented to ensure compliance must be provided in response to this Program Review Report. Since the student noted above did return from the leave of absence, no additional actions are necessary.

Finding 9. Exit Counseling Deficiencies

Citation: A school is required to conduct exit counseling with each Stafford Loan borrower before the student leaves school. Student borrowers should be advised to complete online exit counseling or attend a counseling session shortly before graduating. If the student borrower drops out without notifying the school, the school must confirm that the student has completed online counseling or mail counseling materials to the borrower's last known address. The materials must be mailed within 30 days of learning that the borrower has withdrawn or failed to participate in an exit counseling session. Counseling may be provided in person, by audiovisual presentation, or by interactive electronic means. 34 C.F.R. § 685.304(b).

Noncompliance: ABC does not have documentation to indicate that exit counseling was performed for Students #4, #16, #24, and #26, from among the sampled students, or documentation to indicate that exit counseling packages were mailed, within 30 days of the students' withdrawal or graduation dates, to the most current address in the students' files.

Required Action: ABC must review their policies and procedures to ensure that all students are provided with exit counseling information, per regulatory requirements. Revised policies and procedures and the materials/tools used to counsel students must be provided in response to this Program Review Report.

Finding 10. Inadequate Protection of Students' Personally Identifiable Information (PII)

Citation: Institutions are required to protect personally identifiable information of students in accordance with the Family Educational Rights and Privacy Act of 1974 and implementing regulations at 34 C.F.R. Part 99.

Additionally, the Secretary considers any breach to the security of student records and information as a demonstration of a potential lack of administrative capability with respect to safeguarding customer information.

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 14

34 C.F.R. Part 99

Noncompliance: ABC failed to maintain systems to protect students' personally identifiable information, as reflected in instances where records contain PII as follows:

Student #4: The file contains a Processing Error Report for a different student. This report included the following PII: SAR ID (social security number) and student's name.

Student #12: The file has a Promissory Note Shipping Manifest with data from three additional students including the following PII: names and social security numbers. The institution's staff attempted to cover the PII information for the additional students but did not ensure the information was completely protected.

Student #26: This file contains an award letter for another student including the following PII on the other student: name, social security number, address, and financial aid award amounts.

Required Action: ABC must review its policies, procedures and/or training materials to ensure that ABC staff is aware of and follow through with the proper procedures for maintaining personally identifiable information, including establishing adequate filing systems. In addition, PII must be removed from the cited files. A detailed review should be carried out by the institution to confirm that additional files do not have more instances of other students' PII data. The revised policies, procedures and/or training materials must be submitted in response to this Program Review Report.

Finding 11. Failure to Notify Student Borrowers of their Right to Cancel Loans

Citation: Before an institution disburses Title IV, HEA program funds, the institution must notify a student of the amount of funds that the student can expect to receive under each Title IV, HEA program and how and when those funds will be disbursed. If those funds include Direct Loan or Federal Family Education Loan (FFEL) Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. Except in the case of a post-withdrawal disbursement, if an institution credits a student account at the institution with Direct Loan, or FFEL funds, the institution must notify the student or parent of (i) the date and amount of the disbursement; (ii) the student's right, or parent's right, to cancel all or a portion of the loan disbursement and have the loan proceeds returned to the holder of that loan; and (iii) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan disbursement. Provision (iii) above applies only if the loan funds are paid by a lender through an Electronic Funds Transfer payment or master check. The appropriate disbursement notice must be sent in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution. 34 C.F.R. § 668.165(a).

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 15

Noncompliance: ABC's student records do not include documentation to support that the institution has standard procedures for timely notifying students of their Title IV disbursements and their right to cancel their loans, as required.

Required Action: ABC must establish written policies and procedures for the proper notification of disbursement of Title IV aid and to notify students of their right to cancel their student loans. These written policies and procedures must include the required elements, as indicated in the above regulations, and must include the anticipated date and amount of the disbursement, their right to cancel all or part of the loan, and the procedures and timeframes by which the student or parent must notify ABC that he or she wishes to cancel the loan. Copies of the notices given to students or parents and the revised written policies and procedures must be included in the response to this Program Review Report.

Finding 12. Improper Award Packaging/Calculation of Costs of Attendance (COAs)

Citation: Title IV packaging and awarding procedures require the use of the provisions of the HEA and federal regulations that involve determinations of a student's academic year, program length, period of enrollment, cost of attendance, and expected family contribution. The HEA specifies the elements that are included in the cost of attendance, but the institution must determine the appropriate amount to include for each category for their students.

Costs of attendance are further explained in Volume 3 of the Federal Student Aid Handbook for both the Pell Grant and student loan programs. HEA, Sec 472

Noncompliance: ABC records had two types of award letters, making it difficult to understand a student's award package. The first letter indicated the Pell award and the expected disbursement dates for this award. The second award letter indicated the loan amounts. In comparing the records, the reviewers noted that the COA figures used were not consistent for the same time periods. This may be confusing for the students. The reviewers were unable to determine the students' actual COAs; however, there were no instances of over awards found in the selected sample.

Required Action: ABC must establish written policies and procedures for the proper packaging of Title IV aid to students and develop an award letter that clearly explains the COA for each student. These written policies and procedures must include the use of academic year costs of attendance for Pell Grant purposes and the use of enrollment period costs of attendance for student loan purposes. A copy of these written policies and procedures and a sample of a revised award letter must be submitted in response to this Program Review Report.

Alameda Beauty College
OPE ID: 02258600
PRCN: 201110927381
Page 16

Finding 13. Early Federal Pell Grant Disbursements

Citation: For each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student qualifies as an eligible student, is enrolled in an eligible program as an undergraduate student, and if enrolled in a credit hour program without terms or a clock hour program, has completed the payment period for which he or she has been paid a Federal Pell Grant.

Payment periods for an eligible program that measures progress in credit hours and does not have academic terms or for a program that measures progress in clock hours are defined as follows: (1) For a student enrolled in an eligible program that is one academic year or less in length - (i) the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the program and half of the number of weeks of instructional time in the program; and (ii) the second payment period is the period of time in which the student successfully completes the program or the remainder of the program. (2) For a student enrolled in an eligible program that is more than one academic year in length - (i) for the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year; and the second payment period is the period of time in which the student successfully completes the academic year; (ii) for any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half of the number of weeks of instructional time remaining in the program; and the second payment period is the period of time in which the student successfully completes the remainder of the program; and (iii) for any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program.
34 C.F.R. §§ 668.4(c) and 690.75(a).

Noncompliance: ABC failed to verify attendance records to ensure that students were completing the required number of hours and weeks prior to disbursing funds to one student in the sample as follows:

Student #24 enrolled in the Cosmetology program and was required to complete 1600 clock hours for graduation. The student account ledger shows that the student received a 2nd payment of \$2,775 in Pell funds on 8/5/10, on which date, according to the student's attendance report, the student had only completed 152 clock hours. The second payment should not have been made until the student had completed 450 clock hours and half the number of weeks in the program.