



April 24, 2015

Gerald Yagen, President
Aviation Institute of Maintenance
2725 South US Highway 17/92
Casselberry, FL 32707-2905

UPS Tracking Number:
1ZA879640293223229

RE: **Final Program Review Determination**
OPE ID: 04156400
PRCN: 201430428610

Dear Mr. Yagen:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on October 27, 2014 covering Aviation Institute of Maintenance's (AIM) 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 2012-2013 and 2013-2014 award years. The institution's final response was received on December 30, 2014.

The School Participation Division - Atlanta has reviewed AIM's response to the Program Review Report. A copy of the program review report (and related attachments) and AIM's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by AIM 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.

AIM's response has resolved all findings. However, in reference to finding 2 of the Program Review Report, AIM is required to provide policy and procedures that will ensure that student account ledgers will provide a clear audit trail, showing that funds were received, managed and disbursed in accordance with federal requirements.

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

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION
School Participation Division - Atlanta
61 Forsyth St. SW Suite 1810E Atlanta, GA 30303
Student.Aid.gov

If you have any questions please call Sherry Blackman at 404-974-9287.

Sincerely,



Chris Miller
Division Director

Enclosure:

Program Review Report (with attachments)
AIM's Response to the Program Review Report
Final Program Review Determination Report

cc: Pam Freud, Financial Aid Administrator
FL Commission for Independent Education
FL US Department of Transportation
Accrediting Commission of Career Schools and Colleges
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Prepared for

**Aviation Institute of
Maintenance**

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OPE ID 04156400
PRCN 201430428610

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

**Final Program Review Determination
April 24, 2015**

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A. Institutional Information

Aviation Institute of Maintenance
2725 South US Highway 17/92
Casselberry, FL 32707

Type: Proprietary

Highest Level of Offering: Certificate/Diploma

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: 231 (2013-2014)

% of Students Receiving Title IV: 97% (2013-2014)

Title IV Participation PEPS:

	2012-2013
Pell Grant	\$993,952.00
Federal Direct Loan Program	\$2,609,555.00
Federal Supplemental Educational Opportunity Grant	\$22,364.00

Default Rate FFEL/DL: 2011 25.4%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Aviation Institute of Maintenance (AIM) from May 19, 2014 to May 23, 2014. The review was conducted by Sherry Blackman, Oscar Howard and Lonnie Seal.

The focus of the review was to determine AIM'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 AIM'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 2012-2013 and 2013-2014 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. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning AIM'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 AIM 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(s) 1, 3, 4, 5, 6, 7, and 8

AIM has taken the corrective actions necessary to resolve findings 1, 3, 4, 5, 6, and 8 of the program review report. Therefore, these findings may be considered closed. Please refer to appendix C which contains the institution's written response related to the resolved findings. Findings requiring further action by AIM are discussed below.

Findings with Final Determinations

The program review report finding(s) requiring further action are summarized below. At the conclusion of each finding is a summary of AIM's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on October 27, 2014 is attached as Appendix B.

Finding 2: Falsification Of Records

Citation: 34 C.F.R. § 668.24. *A school must keep comprehensive, accurate program and fiscal records related to its use of FSA program funds. The importance of maintaining complete, accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures. For example, records for each FSA recipient must clearly show that the student was eligible for the funds received and that the funds were disbursed in accordance with program regulations.*

A school must keep fiscal records to demonstrate its proper use of FSA funds. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

The fiscal records that a school must maintain include but are not limited to:

- *records of all FSA program transactions,*
- *bank statements for all accounts containing FSA funds,*
- *records of student accounts, including each student's institutional charges, cash payments, FSA payments, cash disbursements, refunds, returns, and overpayments required for each enrollment period,*
- *general ledger (control accounts) and related subsidiary ledgers that identify each FSA program transaction (FSA transactions must be separate from school's other financial transactions),*
- *Federal Work-Study payroll records, and*
- *FISOP portion of the FISAP.*

Noncompliance: *The institution falsified the student account ledgers for students that received credit balances as a result of their Post 9/11 GI Bill, Chapter 33 funding (VA). Credit balances that were a result of VA funds were labeled Title IV credit balances in order for the school to avoid returning funds to the VA. The Department requested that the school put their policy in writing and submit that policy before the end of the review, which they provided. The schools written statement is as follows:*

Response to the question of why we label a student stipend as coming from a Title IV fund source on student ledger cards:

Title IV regulations define a Title IV credit balance as the result of Title IV funds exceeding allowable charges for a given payment period. VA regulations specify that schools certify tuition and fees for Chapter 33 VA funding paid to the school; the VA does not pay in excess of the certified charges.

In the example of the student below (#662101), payment period 1, the student was charged a total of \$9465. We certified VA allowable tuition and fees and received a total of \$9102 in VA funding. We also awarded the student a total of \$3175 in Title IV funds (\$2775 in Pell and \$400 in FSEOG).

Working with a total of \$9465, we determined that the combined total of VA funding and Title IV created an account credit. In the process of paying any refund or stipend, our software system, CampusVue, forces the user to select a fund source against which to apply the refund or stipend. Neither source (VA or Title IV) alone caused the credit, nor because of direction from the VA regarding labeling of stipends, did we attribute the stipend to the Title IV fund sources. This does not mean that the credit is defined as a Title IV credit; it merely associates the payment with a fund source.

<i>Total Payment Period 1 charges</i>	<i>\$9465</i>	
<i>Total VA Chapter 33</i>	<i>\$9102</i>	<i>Does not exceed charges</i>
<i>Total Title IV</i>	<i>\$3175</i>	<i>Does not exceed charges</i>
<i>Credit balance</i>	<i>(\$2812)</i>	<i>Neither fund source alone can be attributed to the credit, neither exceeds the charges</i>

In summary, neither the VA payments nor the Title IV payments in and of themselves created a credit, nor was there at any time a Title IV credit balance. Our system requires we attribute any payment to a source, and due to VA direction in the past, we used the Title IV fund source(s). This is the procedure we follow in handling all such instances.

In the institution's example above, a credit balance would not have resulted due to Title IV because the amount of Title IV aid did not exceed the charges. When the VA funds were applied, a credit balance occurred. Please see the example below.

Tuition and fees: \$9,465.00
Title IV aid: -\$3,175.00
Balance: \$6,290.00
VA funds: -\$9,102.00
Credit Balance: -\$2,812.00

An institution knowingly labeling a credit balance as Title IV, when the credit balance is a result of another source, is considered falsifying a record. The student account ledgers for the following students indicate that the institution labeled VA credit balance as a Title IV credit balance.

Student Number	Award Year	Payment Period	Charges	Title IV Aid Disbursed	Credit Balance Due to Title IV Aid Award	VA Funds Disbursed	Credit Balance Due to VA Funds Award
1	2011-2012	1	\$5,936	\$6,437	-\$501	\$5,530	-\$5,029
1	2012-2013	1	\$8,880	\$7,478	0	\$8,880	-\$7,478
		2	\$5,550	\$1,734	0	\$5,550	-\$1,734
13	2012-2013	1	\$9,465	\$2,925	0	\$8,547	-\$2,007
		2	\$9,435	\$2,925	0	\$8,880	-\$2,370
13	2013-2014	1	\$8,880	\$8,017	0	\$8,880	-\$8,017
14	2012-2013	1	\$9,465	\$3,175	0	\$9,102	-\$2,812
14	2013-2014	1	\$8,880	\$2,047	0	\$8,880	-\$2,047
		2	\$8,880	\$4,274	0	\$8,880	-\$4,274
27	2013-2014	1	\$8,880	\$2,823	0	\$8,880	-\$2,823
		2	\$8,880	\$2,822	0	\$6,660	-\$602
28	2013-2014	1	\$8,880	\$2,398	0	\$8,880	-\$2,398
		2	\$7,770	\$2,097	0	\$5,550	-\$123

In addition, the institution labeled a credit balance that was due to Workforce Investment Act (WIA) funds as a Title IV credit balance on the student's account ledger for the following student:

Student Number	Award Year	Payment Period	Charges	Title IV Aid Disbursed	Credit Balance Due to Title IV Aid Disbursed	WIA Funds Disbursed	Credit Balance Due to WIA Funds Disbursed
26	2013-2014	1	\$8,880	\$8,883	-\$3	\$3,500	-\$3,503
		2	\$11,811	\$8,882	0	\$3,500	-\$571

Required Action: *In response to this finding, the institution was required to provide the Department with procedures to ensure that student account ledgers accurately reflect the source of student credit balances. In addition, the institution was required to reconstruct the student account ledgers for all Title IV recipients in the 2012-2013 and 2013-2014 award years that received VA and WIA funds. The student account ledgers should have*

provided a clear audit trail that showed funds were received, managed and disbursed in accordance with federal requirements.

Also, the institution was required to provide the following information in an electronic spreadsheet format to help identify students in the 2012-2013 and 2013-2014 award years that received Title IV aid, VA and WIA funds:

- *student name,*
- *social security number,*
- *award year*
- *Payment Period*
- *Tuition Charges*
- *the amount, and date the student received the Title IV disbursements*
- *Title IV credit balance (if applicable)*
- *The amount and date the student received VA or WIA disbursements*
- *VA or WIA credit balance (if applicable)*

AIM's Response: According to AIM, its Financial Aid Management System (FAMS), CampusVue, is hard coded to require the institution to attribute each ledger activity to a fund source, including payment to students (see attachment 2.1). By definition, "the Post 9/11 GI Bill (Chapter 33) is intended to pay for tuition and fees; this funding can never exceed those costs for the in-state tuition and fees assessed by the institution for the program of education after the application of any waiver of, or reduction in, tuition and fees and any scholarship, or other Federal, State, institutional or employer-based aid or assistance (excluding Title IV funds) that is provided directly to the institution and specifically designated for the sole purpose of defraying tuition and fees" (see attachment 2.2).

AIM uses CampusVue in the administration of financial aid. CampusVue forces the institution to designate a fund source for all payments made to the student. In the past, AIM has been admonished by the VA not to attribute the credit balances to Chapter 33 funds. To do so would imply receipt of an overage. That leaves Title IV. CampusVue's system configuration requires that designation of a funding source. It was not AIM's purpose to create false records or improperly retain student funds.

Just as with Chapter 33 funding, the WIA funding is specifically intended to defray tuition and fees. Under normal circumstances, WIA is awarded before a student begins school. However, the Florida WIA office approached AIM because they had funding they needed to award. AIM could not award WIA funds to a student if it would result in a credit balance. WIA specified that the funds must be used to pay tuition or reduce federal or private loan debt (see attachment 2.4).

Final Determination: The Department is satisfied with AIM's response to the finding of Falsification of Records. However, the school failed to provide procedures that would

ensure that, in the future, student account ledgers will provide a clear audit trail, showing that funds were received, managed and disbursed in accordance with federal requirements.

In response to this finding, the institution is required to provide the Department with procedures to ensure that student account ledgers will reflect a clear audit trail.

Final Program Review Determination
PRCN #: 201430428610

Appendix A
Program Review Report



F Y I

October 27, 2014

Gerald Yagen, President
Aviation Institute of Maintenance
2725 South US Highway 17/92
Casselberry, FL 32707-2905

UPS Tracking Number:
1ZA879640293771217

RE: Program Review Report
OPE ID: 04156400
PRCN: 201430428610

Dear Mr. Yagen:

From May 19, 2013 through May 23, 2014, Sherry Blackman, Oscar Howard and Lonnie Seal, as representatives of the U.S. Department of Education, conducted a review of Aviation Institute of Maintenance's (AIM) 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 AIM. The response should include a brief, written narrative for each finding that clearly states AIM's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, AIM 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.

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 AIM upon request. Copies of the program review report, the institution's

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).

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 Sherry Blackman of this office within 90 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

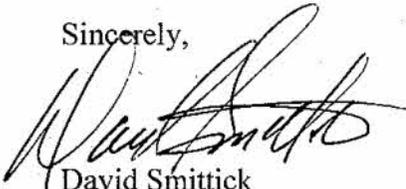
PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendix A does contain PII. 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 Sherry Blackman at 404-974-9287 or Sherry.Blackman@ed.gov.

Sincerely,



David Smittick
Compliance Manager

cc: Pam E. Freund, Financial Aid Administrator

Enclosure:

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

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
Aviation Institute of Maintenance

Federal Student Aid
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OPE ID 0415600
PRCN 201430428610

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

Program Review Report

October 27, 2014

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A. Institutional Information

Aviation Institute of Maintenance
2725 South US Highway 17/92
Casselberry, FL 32707

Type: Proprietary

Highest Level of Offering: Certificate/Diploma

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: 231 (2013-2014)

% of Students Receiving Title IV: 97% (2013-2014)

Title IV Participation PEPS:

	2012-2013
Pell Grant	\$993,952.00
Federal Direct Loan Program	\$2,609,555.00
Federal Supplemental Educational Opportunity Grant	\$22,364.00

Default Rate FFEL/DL: 2011 25.4%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Aviation Institute of Maintenance (AIM) from May 19, 2014 to May 23, 2014. The review was conducted by Sherry Blackman, Oscar Howard and Lonnie Seal.

The focus of the review was to determine AIM'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 AIM'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 2012-2013 and 2013-2014 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. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter (FPRD).

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 AIM to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Possible Invalid High School Diploma/Missing High School Diploma or GED

Citation: 34 C.F.R. § 668.32(e). To receive FSA funds, a student must be qualified to study at the postsecondary level. A student qualifies if she:

- has a high school diploma (this can be from a foreign school if it is equivalent to a U.S. high school diploma);

- has the recognized equivalent of a high school diploma, such as a general educational development or GED certificate;
- has completed homeschooling at the secondary level as defined by state law; or
- has completed secondary school education in a homeschool setting which qualifies for an exemption from compulsory attendance requirements under state law, if state law does not require a homeschooled student to receive a credential for their education.

A student may self-certify on the FAFSA that he has received a high school diploma or GED or that he has completed secondary school through homeschooling as defined by state law. If a student indicates that he has a diploma or GED, your school isn't required to ask for a copy (except as noted below), but if your school requires a diploma for admission, then you must rely on that copy of the diploma or GED and not on the student's certification alone.

The Department recognizes several equivalents to a high school diploma:

- A GED;
- A certificate demonstrating that the student has passed a state-authorized examination (for example, the California High School Proficiency Exam) that the state recognizes as the equivalent of a high school diploma (note that certificates of attendance and/or completion are **not** included in this qualifying category);
- An academic transcript of a student who has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree; or
- For a student who enrolls before completing high school, a transcript indicating the student has excelled in high school. The student must no longer be enrolled in high school, must satisfy your school's written policy for admitting such students, and must be starting a program that leads at least to an associate's degree or its equivalent.

Noncompliance: The institution is required by its accrediting agency to obtain and maintain a copy of the student's high school diploma. The institution failed to obtain the high school diploma and investigate the validity of the high school diploma of the following student(s):

Student #8– The school could not provide the reviewers with a copy of the student's high school diploma.

Student #16 – The student's file contained a high school diploma from Aviation High School in New York, NY. The diploma did not give a date of graduation and it appears that a seal is missing.

Required Action: In response to this finding, the institution must provide the Department with the high school diploma for student #8 and the high school transcript for student #16. The institution must also provide assurances that, in the future, students will not receive Title IV funds unless they have a valid High School Diploma, or its equivalent, a GED, or completed home schooling. The institution must develop and submit in its response, policies and procedures for identifying possible invalid high school diplomas.

If applicable, instructions regarding repayment of ineligible disbursements will be provided in the FPRD.

Finding 2: Falsification Of Records

Citation: 34 C.F.R. § 668.24. A school must keep comprehensive, accurate program and fiscal records related to its use of FSA program funds. The importance of maintaining complete, accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures. For example, records for each FSA recipient must clearly show that the student was eligible for the funds received and that the funds were disbursed in accordance with program regulations.

A school must keep fiscal records to demonstrate its proper use of FSA funds. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

The fiscal records that a school must maintain include but are not limited to:

- records of all FSA program transactions,
- bank statements for all accounts containing FSA funds,
- records of student accounts, including each student's institutional charges, cash payments, FSA payments, cash disbursements, refunds, returns, and overpayments required for each enrollment period,
- general ledger (control accounts) and related subsidiary ledgers that identify each FSA program transaction (FSA transactions must be separate from school's other financial transactions),
- Federal Work-Study payroll records, and
- FISOP portion of the FISAP.

Noncompliance: The institution falsified the student account ledgers for students that received credit balances as a result of their Post 9/11 GI Bill, Chapter 33 funding (VA). Credit balances that were a result of VA funds were labeled Title IV credit balances in order for the school to avoid returning funds to the VA. The Department requested that the school put their policy in writing and submit that policy before the end of the review, which they provided. The schools written statement is as follows:

Response to the question of why we label a student stipend as coming from a Title IV fund source on student ledger cards:

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In the example of the student below (#662101), payment period 1, the student was charged a total of \$9465. We certified VA allowable tuition and fees and received a total of \$9102 in VA funding. We also awarded the student a total of \$3175 in Title IV funds (\$2775 in Pell and \$400 in FSEOG).

Working with a total of \$9465, we determined that the combined total of VA funding and Title IV created an account credit. In the process of paying any refund or stipend, our software system, CampusVue, forces the user to select a fund source against which to apply the refund or stipend. Neither source (VA or Title IV) alone caused the credit, nor because of direction from the VA regarding labeling of stipends, did we attribute the stipend to the Title IV fund sources. This does not mean that the credit is defined as a Title IV credit; it merely associates the payment with a fund source.

Total Payment Period 1 charges	\$9465	
Total VA Chapter 33	\$9102	Does not exceed charges
Total Title IV	\$3175	Does not exceed charges
Credit balance	(\$2812)	Neither fund source alone can be attributed to the credit, neither exceeds the charges

In summary, neither the VA payments nor the Title IV payments in and of themselves created a credit, nor was there at any time a Title IV credit balance. Our system requires we attribute any payment to a source, and due to VA direction in the past, we used the Title IV fund source(s). This is the procedure we follow in handling all such instances.

In the institution's example above, a credit balance would not have resulted due to Title IV because the amount of Title IV aid did not exceed the charges. When the VA funds were applied, a credit balance occurred. Please see the example below.

Tuition and fees: \$9,465.00
Title IV aid: - \$3,175.00
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An institution knowingly labeling a credit balance as Title IV, when the credit balance is a result of another source, is considered falsifying a record. The student account ledgers for the following students indicate that the institution labeled VA credit balance as a Title IV credit balance.

Student Number	Award Year	Payment Period	Charges	Title IV Aid Disbursed	Credit Balance Due to Title IV Aid Award	VA Funds Disbursed	Credit Balance Due to VA Funds Award
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1	2012-2013	1	\$8,880	\$7,478	0	\$8,880	-\$7,478
		2	\$5,550	\$1,734	0	\$5,550	-\$1,734
13	2012-2013	1	\$9,465	\$2,925	0	\$8,547	-\$2,007

		2	\$9,435	\$2,925	0	\$8,880	-\$2,370
13	2013-2014	1	\$8,880	\$8,017	0	\$8,880	-\$8,017
14	2012-2013	1	\$9,465	\$3,175	0	\$9,102	-\$2,812
14	2013-2014	1	\$8,880	\$2,047	0	\$8,880	-\$2,047
		2	\$8,880	\$4,274	0	\$8,880	-\$4,274
27	2013-2014	1	\$8,880	\$2,823	0	\$8,880	-\$2,823
		2	\$8,880	\$2,822	0	\$6,660	-\$602
28	2013-2014	1	\$8,880	\$2,398	0	\$8,880	-\$2,398
		2	\$7,770	\$2,097	0	\$5,550	-\$123

In addition, the institution labeled a credit balance that was due to Workforce Investment Act (WIA) funds as a Title IV credit balance on the student's account ledger for the following student:

Student Number	Award Year	Payment Period	Charges	Title IV Aid Disbursed	Credit Balance Due to Title IV Aid Disbursed	WIA Funds Disbursed	Credit Balance Due to WIA Funds Disbursed
26	2013-2014	1	\$8,880	\$8,883	-\$3	\$3,500	-\$3,503
		2	\$11,811	\$8,882	0	\$3,500	-\$571

Required Action: In response to this finding, the institution must provide the Department with procedures to ensure that student account ledgers accurately reflect the source of student credit balances. In addition, the institution will be required to reconstruct the student account ledgers for all Title IV recipients in the 2012-2013 and 2013-2014 award years who received VA and WIA funds. The student account ledgers must provide a clear audit trail that shows funds were received, managed and disbursed in accordance with federal requirements.

Also, the institution must provide the following information in an electronic spreadsheet format to help identify students in the 2012-2013 and 2013-2014 award years that received Title IV aid, VA and WIA funds:

- student name,
- social security number,
- award year
- Payment Period
- Tuition Charges
- the amount, and date the student received the Title IV disbursements
- Title IV credit balance (if applicable)
- The amount and date the student received VA or WIA disbursements
- VA or WIA credit balance (if applicable)

Finding 3: Satisfactory Academic Progress (SAP) Policy Inadequate

Citation: 34 C.F.R. § 668.34 Satisfactory academic progress.

(a) Satisfactory academic progress policy. An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if—

(5)(i) The policy specifies the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum timeframe, as defined in paragraph (b) of this section, and provides for measurement of the student's progress at each evaluation; and

(ii) An institution calculates the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted. In making this calculation, the institution is not required to include remedial courses;

34 C.F.R. § 668.34 (b) Maximum timeframe. Maximum timeframe means—

(1) For an undergraduate program measured in credit hours, a period that is no longer than 150 percent of the published length of the educational program, as measured in credit hours;

(2) For an undergraduate program measured in clock hours, a period that is no longer than 150 percent of the published length of the educational program, as measured by the cumulative number of clock hours the student is required to complete and expressed in calendar time.

Noncompliance: AIM's current Satisfactory Academic Progress (SAP) policy is not strict enough to ensure that eligible students receive Title IV aid within the course of the maximum time-frame permitted by 34 C.F.R. § 668.34(a)(5)(i). A student meeting qualitative standards is not required to complete a sufficient number of clock hours per payment period (quantitative standard) in order to graduate from his or her program within the 150% maximum timeframe. Specifically, AIM's SAP policy¹ only requires the student to complete 60% for the first payment period, 65% for the second payment, and 67% for all subsequent payment periods.

Example: A student enrolled in the Aviation Maintenance Technician Program at AIM must complete, at a minimum, 1,920 clock hours for graduation. The maximum time-frame for Title IV purposes is 129 weeks ($1.5 \times 86 = 129$). A student completing only 60% for the first payment period, 65% for the second, and 67% for all subsequent payment periods would not be able to complete the program within the 150% maximum time-frame. Specifically, a student who attempts 2,880 scheduled clock hours (1.5×1920) and uses the rate of completion prescribed in AIM's school catalog (page 18), would earn 1,886.4 clock hours which would fall short of the minimum graduation requirements for the maximum allowable timeframe of 129 weeks. In

¹ AIM uses the graduated completion rate only for programs greater than an academic year. Programs less than academic year, require a 67% completion rate.

conclusion, to meet graduation requirements within the 150% time-frame, a student would have to complete at least 67% of his/her attempted hours to have 1,920 clock hours for graduation.

The following example is based on the requirements for completing the Aviation Maintenance Technician Program.

Clock Hours	1920
Weeks	86

	1st Payment Period	2nd Payment Period	3rd Payment Period	4th Payment Period	5th Payment Period	6th Payment Period	Totals at 150%
	<u>21.5 weeks</u>	<u>129 weeks</u>					
	480 SAP Review	960 SAP Review	1440 SAP Review	1920 SAP Review	2400 SAP Review	2880 SAP Review	
Scheduled Hours for SAP Purposes	480	480	480	480	480	480	
Minimum Pace	60%	65%	67%	67%	67%	67%	
Earned Hours Per Term	288	312	321.6	321.6	321.6	321.6	1886.4
If Calculated Cumulatively Per Term	288	624	964.8	1286.4	1608	<u>1929.6</u>	

According to AIM's quantitative SAP policy on page 18 (Maximum Time Frame) of the institution's academic Catalog, it appears that the rate of progression (pace) is measured per term; however, if the institution's intent is for this measurement to be interpreted as a cumulative measurement, it must state that the rate of progression is cumulative per term.

****Note:**

In order for the student to be eligible for the next payment under 34 CFR 668.4, the institution must determine that the student has successfully completed both the clock hours and weeks of instructional time required for that period.

Required Action: In response to this finding, the institution must provide the Department with a revised copy of their SAP policy. The policy must be strict enough that eligible students receive Title IV aid within the course of the maximum time-frame permitted by 34 C.F.R. § 668.34(a)(5)(i).

A copy of the policy must be submitted to this office with the institution's response.

Finding 4: Inadequate Award Notification Letters

Citations: 34 C.F.R. § 668.165(a)(1), General Provisions. Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent 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 Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

Noncompliance: The institution disbursed \$400 of Federal Supplemental Educational Opportunity Grant (FSEOG) funds to student #14 on 3/19/2013. The institution failed to include the award on the student's award notification letter.

Required Action: In response to this finding, the institution must develop policies and procedures to ensure that each student is counseled and notified of the amount of Title IV aid he or she is eligible to receive and when those funds will be disbursed.

A copy of the policy and procedures must be submitted to this office with the institution's response.

Finding 5: Independent Status Not Documented

Citations: HEA Sec. 480 (d). The law governing the FSA programs is based on the premise that the family is the first source of the student's support, and the law provides several criteria that decide if the student is considered independent of her parents for aid eligibility.

For the 2013–2014 year, a student who meets any of the following criteria from HEA Sec. 480(d) is independent; he

- was born before January 1, 1990
- is married as of the date he applies
- will be a graduate or professional student at the start of the award year
- is currently serving on active duty for purposes other than training
- is a veteran of the U.S. Armed Forces
- has dependents other than a spouse
- was an orphan, foster child, or ward/ dependent of the court at any time since the age of 13
- is an emancipated minor or in legal guardianship or was when he reached the age of majority in his state
- was determined at any time since July 1, 2012, to be an unaccompanied youth who was homeless or self-supporting and at risk of being homeless

Veterans and persons on active duty in the U.S. Armed Forces (the Army, Navy, Air Force, Marines, or Coast Guard) for purposes other than training are independent.

Veterans are those who were in active service (which includes basic training) and were released under a condition other than "dishonorable." This includes those who fraudulently entered the service, as long as their entire period of service was not voided. There is no minimum amount of time the student has to have served to be a veteran, but it does have to be active service. This is less stringent than the VA's definition of a veteran for receiving certain VA benefits.

The application also tells students to answer "Yes" to the question about veteran status if they aren't yet a veteran but will be by June 30, 2014. Students who attended a U.S. service academy or preparatory school (see margin note) for at least one day and were released under conditions other than "dishonorable" count as veterans for Title IV purposes. Students serving in ROTC or currently attending a U.S. military academy are not veterans.

Members of the National Guard or Reserves are only considered veterans if they were called up to active federal duty by presidential order for a purpose other than training. It does not matter how long the active duty lasted or if the student returned to reserve status afterward, but, as with the other qualifying veterans, the student must have had a character of service that was not "dishonorable."

Noncompliance: The institution classified student #30 as an independent student based on the student's National Guard DD-214. The student's National Guard DD-214 specifies that the student was released from active duty training. This does not qualify the student as a veteran; therefore, the student is considered to be a dependent student.

Required Action: In response to this finding, the institution must develop policies and procedures to ensure that students meet the criteria for an independent student outlined in HEA Sec. 480(d).

A copy of the policy and procedures must be submitted to this office with the institution's response.

If applicable, instructions regarding repayment of ineligible disbursements will be provided in the Final Program Review Determination letter.

Finding 6: Verification Violations

Citations: (34 C.F.R. §§ 668.16 [f], 668.51 through 668.61, and the U.S. Department of Education's Application and Verification Guide.) The purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount.

Students are selected for verification on the basis of application edits specified by the Secretary. An institution must establish procedures to request, receive, and verify applicant data for each award

year. Institutions are also responsible for resolving conflicting information related to a student's application for federal student aid. There are five required data elements that must be verified. These five items are:

- Household size (HHS);
- Number enrolled in college;
- Adjusted Gross Income (AGI);
- U.S. income tax paid; and,
- Other untaxed income and benefits.

Supporting documentation collected from the student (and parents or spouse) is compared to the information reported on the student's Institutional Student Information Record (ISIR). Verification documentation collected must be retained in the student's file as evidence that the process was completed.

Noncompliance: The institution failed to accurately verify and complete verification for the following student(s):

Student #25 – According to the student's 2011 W-2, \$70 was paid in taxes; however the institution failed to update the student's ISIR to reflect the taxes paid.

Required Action: The institution must resolve the verification deficiencies and demonstrate that verification has been properly completed for the student referenced above. If the student's EFC, scheduled award and expected disbursements changes as a result of verification, the institution is liable for the difference between the correct disbursement and the actual disbursement.

The institution must also develop and submit with its response, procedures which will ensure that all students selected for verification will be verified accurately and in accordance with Title IV policies.

Finding 7: Student Credit Balance Deficiencies

Citations: 34 C.F.R. § 668.165(b), A school must obtain authorization from a student (or parent borrower), before it can perform any of the following activities:

- use FSA funds to pay for allowable educationally related charges **other than** tuition, fees, and room and board (if the student contracts with the school);
- credit FWS wages to a student's account to pay any educationally related charges;
- disburse FWS wages by Electronic Funds Transfer (EFT) to a bank account designated by the student or parent;
- hold an FSA credit balance;
- apply FSA funds (including FWS) to prior-year charges other than for tuition, fees, room, and board.

An authorization must explain what FSA funds are covered by the document and it must specify the time period covered by the authorization. Unless otherwise specified, a student or parent may authorize a school to carry out the allowable activities for a specific period of time such as an academic year or for the entire period the student is enrolled, including multiple academic years.

A school may not require or coerce the student or parent to provide an authorization and it must clearly explain to the student or parent how to cancel or modify the authorization. The school must also explain that a cancellation is not retroactive.

A student or parent may cancel or modify an authorization at any time. A cancellation or modification is not retroactive—it takes effect on the date that the school receives it from the student or parent. If a student or parent cancels an authorization to use FSA funds to pay for other allowable charges, the school may use FSA funds to pay any authorized charges incurred by the student before the notice was received by the school. If a student or parent cancels an authorization to hold excess funds, the funds must be paid directly to the student or parent as soon as possible but no later than 14 days after the school receives the notice.

However, regardless of any authorization obtained by a school, the school must pay any remaining balance on FSA loan funds by the end of the loan period and any other remaining FSA program funds by the end of the last payment period in the award year for which they were awarded.

A school may include two or more of the items that require authorization in one statement. Each component and term in the authorization must be conspicuous to the reader, and a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

An authorization must clearly explain how the school will carry out an activity, but it does not need to detail every aspect pertaining to the activity. However, a blanket authorization that only identifies the activities to be performed is not acceptable. For instance, an authorization permitting a school to use an FSA credit balance must provide detail that is sufficient to give the student or parent a general idea of what charges the credit balance would be used to pay. A blanket statement that the credit balance would cover any charges is not acceptable.

Noncompliance: Student # 15 signed a credit balance statement authorizing their Title IV credit balance to be returned to the appropriate lender to reduce their Direct Loan debt. A credit balance of \$2,943 resulted from the disbursement of Federal Direct Loan funds. Instead of sending the funds to Direct Loans, the school sent the credit balance to the American Student Financial Group (ASFG), a private lender.

Required Action: The institution is required to submit procedures for the payment of and authorization to retain student credit balance funds. The policy must be in compliance with the above requirements, and, it must take effect immediately.

Please provide a copy of your revised policy in response to this finding.