



June 5, 2014

Mr. Jeffrey J. Meisel, Owner  
Career Colleges of America  
5612 Imperial Highway  
South Gate, CA 90280-7420

Certified Mail  
Return Receipt Requested  
#: 70070710000106763085

**RE: Final Program Review Determination**  
OPE ID: 03427400  
PRCN: 201340928386

Dear Mr. Meisel:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report (PRR) on October 18, 2013 covering Career Colleges of America's (CCA's) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 (Title IV, HEA programs), for the 2011-2012 and 2012-2013 award years. CCA's final response was received on November 15, 2013. A copy of the program review report (and related attachments) and CCA's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by CCA upon request. The Department has made final determinations based on information obtained during the program review and from documentation submitted by CCA. 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, and (3) notify the institution of its right to appeal. Due to the serious nature of one or more of the enclosed findings, this FPRD would normally have been referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Since CCA is no longer participating in the Title IV programs<sup>1</sup>, this FPRD will not be referred at this time; however, should CCA apply for reinstatement in the future, in addition to meeting all other requirements, the findings in this FPRD will need to be addressed.

<sup>1</sup> CCA closed on January 10, 2014.

The total liabilities due from the institution from this program review are **\$9,284,661.10**.

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 to the Program Review Report, Student Sample.

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the October 18, 2013 program review report. If CCA wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date CCA receives this FPRD. An original and four copies of the information CCA 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

CCA's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and

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

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to CCA'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 Donna Wittman at 415-486-5618 or Kimberly Wu at 415-486-5619. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

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

Cc: William V. Larkin, Ed.D, Executive Director, Accrediting Council for Continuing  
Education and Training, via [wvlarkin@accet.org](mailto:wvlarkin@accet.org)  
California Bureau for Private Postsecondary Education, via [bppe@dca.ca.gov](mailto:bppe@dca.ca.gov)

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  
Career Colleges of America

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OPE ID: 03427400  
PRCN: 201340928386

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

Final Program Review Determination  
June 5, 2014

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**A. Institutional Information**

Career Colleges of America  
5612 East Imperial Highway  
South Gate, California 90280

Type: Proprietary

Highest Level of Offering: Non-Degree Two Year

Accrediting Agency: Accrediting Council for Continuing Education & Training

Current Student Enrollment: 919 (as of September 13, 2013)

% of Students Receiving Title IV: 96%

Title IV Participation (as reported in institution's reconciliation records):

	<u>2012-2013</u>
Federal Pell Grant (Pell)	\$4,732,555
Federal Supplemental Education Opportunity Grant (FSEOG)	\$161,850
Federal Work Study (FWS)	\$98,690
William D. Ford Federal Direct Student Loan (FDL)	\$6,919,558
Academic Competitiveness Grant (ACG)	\$0
National Science and Mathematics Access to Retain Talent Grant (SMART)	\$0
Teacher Education Assistance for College and Higher Education Grant (TEACH)	<u>\$0</u>
Total	\$11,912,653

Default Rate FFEL/DL:	2011 / 7.3%
	2010 / 10.4%
	2009 / 9.5%
	2008 / 15.9%

## **B. Scope of Review**

The U.S. Department of Education (Department) conducted a general assessment program review at Career Colleges of America (CCA) from August 26, 2013 to August 29, 2013. The review was conducted by Donna Wittman and Rick Allen, Institutional Review Specialists.

The focus of the review was on fiscal responsibility and fiscal records. The review consisted of an examination of CCA's policies and procedures regarding institutional eligibility, student eligibility, and fiscal records. A program review report was issued on October 18, 2013.

### **Disclaimer:**

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

#### **Finding 3. Lack of Administrative Capability – Security Breach – Failure to Maintain Confidentiality of G5 Username and Password**

CCA has taken the corrective actions necessary to resolve Finding 3 of the Program Review Report (PRR). Therefore, this finding may be considered closed. The PRR may be found at Appendix H to this FPRD and the institution's response to the PRR may be found at Appendix I. Findings requiring further action by CCA are discussed below. Please note, however, that these are serious findings and will be taken into consideration in the event CCA applies for reinstatement into the Title IV, HEA programs.

### **Findings with Final Determinations**

The PRR findings requiring further action are summarized below. At the conclusion of each finding is a summary of CCA's response to the finding, and the Department's final determination for that finding.

#### ***Finding 1. Violation of Fiduciary Duty in Using Advances for Non-Program Purposes***

***Citation Summary:*** *An institution participating in the Title IV, HEA programs acts in the nature of a fiduciary in the administration of those programs. To participate in any Title IV program, the institution must, at all times, act with the competency and integrity necessary to qualify as a fiduciary. In the capacity of a fiduciary, a participating institution is subject to the highest*

*standard of care and diligence in administering the programs and in accounting to the Department for the funds received under those programs. 34 C.F.R. § 668.82.*

*An institution may participate in Title IV, HEA programs only if the institution enters into a written program participation agreement on a form prescribed by the Department. By entering into a program participation agreement, an institution agrees that it will use funds it receives under any Title IV, HEA program and any interest or other earnings thereon, solely for the purposes specified in and in accordance with that program. As a fiduciary responsible for administering Federal funds, if the institution is permitted to request funds under the advance payment method, the institution will time its requests for funds under the program to meet the institution's immediate need for Title IV, HEA program funds. 34 C.F.R. § 668.14(b).*

*When an institution is under the advance payment method:*

- An institution submits a request for funds to the Department's electronic system for grants management and payments (G5). The institution's request for funds may not exceed the amount of funds the institution needs immediately for disbursements the institution has made or will make to eligible students and parents;*
- If the Secretary, through G5, accepts that request, G5 initiates an electronic funds transfer (EFT) of that amount to a bank account designated by the institution; and*
- The institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds.*

*34 C.F.R. § 668.162(b).*

*Any amount of Title IV, HEA program funds, other than Perkins Loan funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds, is considered excess cash. 34 C.F.R. § 668.166(a).*

*An institution must account for the receipt and expenditure of all Title IV, HEA program funds in accordance with generally accepted accounting principles. Further, institutions are required to document each student's or parent borrower's receipt of Title IV, HEA program funds, including the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages. 34 C.F.R. § 668.24(b).*

**Noncompliance Summary:** *The day to day operations of CCA were the responsibility of the Chief Operating Officer (COO) (b)(6); (b)(7)(C) who had worked at CCA for over 14 years. She answered directly to the two owners, Jeffrey Meisel and Ronald Schechter. By the 2010-11 award year (AY), CCA had grown to approximately 1400 students. Subsequently, the owners changed their marketing plan, and students were no longer eligible to receive Title IV funds based on passing an ability to benefit test as of July 2012. Enrollment dropped to 700 during the*

*2011-2012 AY. Adding to the school's financial crunch, CCA opened a new location in Gardena, California on February 13, 2011. By the end of 2011, the loss of cash flow was becoming critical.*

*The COO was the only CCA employee who had a username and password for the school's G5 account. She initiated G5 draws, but admitted to the reviewers that she had shared her username and password with the two owners.<sup>1</sup> The process used by CCA to obtain federal funds was one where the Business Office Manager (BOM), (b)(6); (b)(7) prepared a "G5 Request" email to the COO, advising her of disbursement amounts she would be posting for eligible students. The BOM tracked all Title IV, HEA program transactions in G5 and reconciled those transactions to the Common Origination and Disbursement system (COD) at least weekly. In addition to making G5 draws that were substantiated by the G5 Request emails, the "Accounting Department" (either Mr. Meisel or his assistant, (b)(6); (b)(7)(C)) would also occasionally direct the COO to make unsubstantiated G5 draws. These were verbal directions. For example, Mr. Meisel would call the COO and tell her: "We need \$2.1 million to keep going. You need to draw this from G5." The owners also indicated that the COO would sometimes call them and ask how much was needed prior to determining the total amount to draw from G5.*

*Through January 13, 2012, the BOM had been able to reconcile the Direct Loan COD records to the G5 account. On January 18, 2012, however, CCA drew \$100,000, then again on January 25 (\$100,000), and January 26 (\$100,000), January 31 (\$100,000), and February 3 (\$250,000) – all with no G5 Request email from the BOM. Subsequent to these draws it was impossible for the BOM to reconcile her Direct Loan COD account to the G5 account. Since G5 draws continued to be made in excess of the Direct Loan amounts she specified in her G5 Request emails, on February 24, 2012, the BOM ceased calculating these amounts and ceased sending G5 Direct Loan Request emails, sending only G5 Request emails for Pell Grants and Federal Supplemental Educational Opportunity Grants.*

*The BOM resumed sending G5 Request emails for some of the Direct Loan disbursements in April 2012 when she was directed to do so by the COO. The unsubstantiated G5 draws continued, in varying amounts, usually \$100,000, \$200,000, or \$500,000, from the G5 Direct Loan account – and again, there were no supporting G5 Request emails to substantiate these draws. The COO directed the BOM to discuss these matters only with her and no one else.*

*Each month the amount of unsubstantiated cash grew. Finally, by June 6, 2012, the excess cash had grown to \$312,033. Concerned about whether the owners were aware of this, the BOM sent an email to Mr. Meisel, one of the owners, copying the COO and Mr. Meisel's assistant, alerting them to the current amount of unsubstantiated cash totaling \$312,033.*

*The June 6, 2012 email reports that CCA drew down \$250,000 from the G5 Direct Loan account on June 1, 2012, \$100,000 on June 4, 2012, and \$50,000 on June 6, 2012. Of these three draws, the BOM was only able to substantiate the following disbursement amounts:*

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<sup>1</sup> The reviewers informed the COO that the sharing of access to G5 was illegal and must be immediately corrected. On August 27, 2013, the COO assured the reviewers that she had changed her password in G5. She further provided a memo that she said she distributed to staff advising them that passwords are never to be shared.

<i>Date</i>	<i>Disbursements</i>	<i>G5 Draw</i>
6/1/12	\$37,836	\$250,000
6/5/12	\$23,107 <sup>2</sup>	\$100,000
6/6/12	\$52,526	\$50,000

*Despite the June 6, 2012 email reporting the unsubstantiated cash to the owner, the unsubstantiated G5 draws continued, with 2011-12 Direct Loan funds being drawn through August 7, 2013, and 2012-13 Direct Loan funds being drawn through August 16, 2013, the day the Department placed CCA on the HCM2 method of payment. The detail regarding the accumulation of unsubstantiated cash is set forth in Appendix A (2011-12) and Appendix B (2012-13), comprised of entries maintained in the CCA accounting system. The total unsubstantiated cash reported in COD is, as of September 30, 2013:*

<i>2011-12 Direct Loan Unsubstantiated Cash</i> .....	<i>\$5,079,044</i>
<i>2012-13 Direct Loan Unsubstantiated Cash</i> .....	<i>\$2,994,671</i>
<i>Total</i> .....	<i>\$8,073,715</i>

**Required Action Summary:** *CCA was notified that it is liable for all amounts of unsubstantiated cash.*

**CCA’s Response:** In the response to this finding, CCA stated that “CCA is in the process of seeking to resolve the matter of the repayment required through the sale of the schools.” CCA also stated that it was optimistic that this transaction would take place and anticipated that the full amount requested would be paid at or around the closing by wire transfer.

However, CCA further stated that it could not guarantee with 100% confidence that the transaction would be completed with the buyer with whom CCA was negotiating at the time of CCA’s response. CCA continued to talk with other prospective and interested buyers.

**Final Determination:** CCA never concluded a sale to any prospective buyers, and thus never repaid any of the Title IV funds which it illegally acquired. Rather, CCA continued to make adjustments via COD for the 2012-2013 award year; therefore, the amount of unsubstantiated funds for the Direct Loan program increased from \$2,994,671<sup>3</sup> as indicated above to \$3,076,481 (see Appendix B1). CCA is liable for \$8,155,525 in unsubstantiated funds for the 2011-2012 and 2012-2013 award years, as reflected in COD as of April 3, 2014. CCA is also liable for the interest costs associated with the unsubstantiated funds. The Department has estimated the amount of interest owed to be \$16,400.96. Copies of the interest calculations are included as Appendices A2 and B2. Payment instructions are included in Section D of this FPRD.

<sup>2</sup> This amount was comprised of \$4,727 of disbursements on 6/4/12 and \$18,380 of disbursements on 6/5/12.

<sup>3</sup> This was the amount of unsubstantiated cash as of September 30, 2013, and also the total amount known at the time the PRR was issued (October 18, 2013).

**Finding 2. Disbursement of Title IV Funds to Students Enrolled at an Ineligible Location**

**Citation Summary:** *Eligibility of an institution for participation in the Title IV, HEA programs does not extend to any location that an institution establishes after it receives its eligibility designation if the institution provides at least 50 percent of an educational program at that location, unless—*

- (i) *The Secretary approves the institution's application for approval of that location; or*
- (ii) *The location is licensed and accredited, the institution does not have to apply to the Secretary for approval of that location under 34 C.F.R. § 600.20(c), and the institution has reported to the Secretary that location under 34 C.F.R. § 600.21.*

*Institutions that are participating on a provisional basis or who receive Title IV, HEA program funds under a cash monitoring method, are required to apply for and wait for the Department's approval of an additional location at which the institution offers or will offer 50 percent or more of an educational program. 34 C.F.R. § 600.20(c).*

*When an institution is fully certified and under no cash monitoring method, it need not obtain approval of the Department for the location. It must, however, report the location to the Department within ten days. When an institution must only report an additional location, the institution may not disburse Title IV, HEA program funds to students at that location before it reports that location. Once it reports that location to the Department, the institution may disburse Title IV funds to those students if that location is licensed and accredited. 34 C.F.R. § 600.21(d).*

**Noncompliance Summary:** *On February 13, 2011, CCA opened a new location at Gardena, California and began providing at least 50 percent of offered educational programs at that location. On that day, CCA was provisionally certified and was therefore required to report the additional Gardena location and wait for the Department's approval prior to disbursing any Title IV, HEA program funds to students attending that location. However, CCA failed to report the Gardena location and failed to wait for the Department's approval to disburse Title IV funds. Furthermore, CCA was unable to provide any documentation that either the State of California's licensing agency, the Bureau of Private Postsecondary Education (BPPE), or CCA's accrediting agency, the Accrediting Council for Continuing Education and Training (ACCET), had been notified of, or approved, the location until May 19, 2011, when CCA obtained ACCET approval<sup>4</sup> of the Gardena location. CCA obtained BPPE approval of the Gardena location on December 6, 2012<sup>5</sup>.*

*On September 26, 2011, seven months after CCA opened the Gardena location, CCA submitted a recertification application and was granted full participation in the Title IV, HEA programs on*

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<sup>4</sup> ACCET requires its approval prior to "advertising, enrolling, and teaching classes at a new campus." See <http://www.accet.org/accreditation/maintaining-accreditation>.

<sup>5</sup> The California Private Postsecondary Education Act of 2009 provides for state approval to operate by means of accreditation at § 94890.

*February 16, 2012. However, CCA failed to disclose the existence of its Gardena location during that recertification process.*

*CCA was proscribed by Title IV, HEA program regulations from disbursing Title IV, HEA program funds to students enrolled at Gardena, for it failed to apply for approval and wait for Department approval prior to disbursing Title IV, HEA program funds. The location did not become eligible when the school was recertified, as it was not included in CCA's recertification application.*

*From Gardena's opening on February 13, 2011 through the August 28, 2013 site visit, CCA disbursed a total of \$2,672,438 in Title IV, HEA program funds to students enrolled at the Gardena location. The identification of those disbursements is set forth in Appendix C.*

**Required Action Summary:** *CCA was notified that it is liable for all Title IV, HEA program funds disbursed to students at the ineligible location.*

*During the site visit, CCA submitted an application for approval of the Gardena location. CCA was to wait for approval of the Gardena location prior to awarding or disbursing any Title IV, HEA program funds to students enrolled at the Gardena location. Further, CCA was required to apply and wait for approval prior to disbursing Title IV, HEA program funds to any future location where 50% or more of an educational program would be offered until such time when the Department notified CCA of removal of this condition.*

**CCA's Response:** In the response to this finding, CCA stated the following: (1) The location was opened on or about June 13, 2011, not February 13, 2011; (2) The ACCET letter, dated May 19, 2011, and the BPPE letter, dated September 20, 2011, indicated that the Gardena satellite location was approved; (3) The "extension" facility is in close proximity to the main campus in South Gate, about 8.5 miles away; (4) The location simply provided instruction in classrooms and offered no administrative services; and (5) The existence of Gardena was reported in Note 9 of the Independent Auditors' Report for the year ended June 30, 2011.

Nonetheless, CCA further stated that it agreed with the Department's request to repay funds but stated that the net amount of Title IV funds disbursed to students who attended at least some classes in Gardena during the period of ineligibility was approximately \$2,519,960, not \$2,672,438, as stated in the PRR. Of this net amount, \$373,502 was attributable to students who transferred from Gardena to South Gate. CCA claimed that the net amount disbursed to students who were only in attendance at Gardena was, therefore, \$2,146,458.

**Final Determination:** In response to CCA's arguments, the Department's disbursement records in COD, as well as in the National Student Loan Data System (NSLDS), verify that student disbursements were made to attendees of the additional, unapproved location as early as February, 2011, so CCA's claim that the location opened on June 13, 2011 is incorrect. In addition, while the Department acknowledges that ACCET and the BPPE approved the Gardena location at some point, CCA was still required, as a provisionally certified institution, to apply to the Department for the addition of a location and receive Department approval prior to making any disbursements to students attending there. The proximity of the location to the main school,

at 8.5 miles away, does not negate that requirement and the absence of administrative services likewise has no bearing on the requirement to apply to add a location. Finally, reference to a location in an auditor's footnote does not constitute an application for approval of that location.

CCA failed to report its additional "Gardena" location and wait for the Department's approval prior to disbursing any Title IV funds to students attending the location. Disbursements paid to students at that location totaled \$2,675,213 (see Appendix C1) (\$1,010,074 in Pell Grant funds, \$47,300 in FSEOG, and \$1,617,839 in Direct Loan funds).

However, in lieu of requiring the institution to assume the risk of default by purchasing the \$1,617,839 in ineligible loans from the holder, the Department has asserted a liability not for the loan amounts, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amounts. The estimated actual loss to the federal government for the ineligible loans is based on CCA's most recent cohort default rate available. As a result, the estimated actual loss that CCA must pay to the Department for the ineligible loans is \$47,753.25. A copy of the results of that calculation is included as Appendix D. A description of the estimated loss formula is also included as Appendix E.

CCA is also liable for the interest costs associated with ineligible Pell and FSEOG funds. The Department has estimated the amount of interest to be \$7,607.89. A copy of the calculation is included as Appendix F. Payment instructions are provided in Section D of this FPRD.

***Finding 4. Drug and Alcohol Abuse Education and Prevention Program Requirements Not Met – Multiple Violations***

***Citation Summary:*** *The Drug-Free Schools and Communities Act and 34 C.F.R. Part 86 of the Department's General Administrative Regulations requires each participating institution of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.*

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

- 1) the institution's standards of conduct prohibiting the possession, use, and distribution of drugs and alcohol;*
- 2) possible sanctions for violations of Federal, state, and local drug and alcohol laws as well as sanctions for violation of institutional policies;*
- 3) health risks associated with the use of drugs and alcohol;*
- 4) information on counseling, rehabilitation, and treatment programs; and*
- 5 a clear statement that the institution will impose sanctions on students and employees who violate drug and alcohol laws, ordinances, and/or institutional policies.*

*In addition, each institution must conduct a biennial review to determine the effectiveness of its drug and alcohol abuse education and prevention program and to ensure consistent enforcement of applicable laws, ordinances, and institutional policies against violators. The biennial review materials must be maintained by the institution and made available to the Department upon request. 34 C.F.R. § 86.100.*

**Noncompliance Summary:** *CCA failed to conduct a biennial review of information provided to employees and students in order to determine the effectiveness of its drug abuse prevention program. The effectiveness of a school's drug abuse prevention program may be measured by tracking:*

- *the number of drug- and alcohol-related disciplinary actions;*
- *the number of drug- and alcohol-related treatment referrals;*
- *the number of drug- and alcohol-related incidents recorded by campus police or other law enforcement officials;*
- *the number of drug- and alcohol-related incidents of vandalism;*
- *the number of students or employees attending self-help or other counseling groups related to alcohol or drug abuse; and*
- *student, faculty, and employee attitudes and perceptions about the drug and alcohol problem on campus.*

*Failure to comply with the drug and alcohol abuse education and prevention program requirements deprives students and employees of important information regarding the detrimental health risks and legal and disciplinary consequences of alcohol abuse and illicit drug use. Such a failure may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime.*

**Required Action Summary:** *Upon being advised of the violation, CCA developed new Drug and Alcohol Abuse Prevention Program (DAAPP) policies and procedures and submitted them for review by the Department. In its policies and procedures, CCA set out a basic framework for a DAAPP, the development and distribution of an annual DAAPP disclosure, and the conduct of a biennial review. The package also included a rudimentary initial biennial review report dated August 28, 2013.*

*The policies and procedures were submitted to the review team on August 29, 2013. The review team examined these materials and found them to be at least minimally adequate. Nevertheless, the Department strongly recommended that CCA re-examine its drug and alcohol policies and procedures on an annual basis and revise them as needed to ensure that they continued to reflect current institutional policy and were compliant with the DFSCA. Institutional officials were also reminded to proactively consider any recommendations for improvement that might have been formulated during the biennial review and integrated them into the plan.*

*Based on the violations identified during the program review, CCA would have normally been required to take the following actions:*

- *Conduct a full review of its DAAPP and revised and enhanced it as necessary to ensure that it included all of the required elements enumerated in the DFSCA [spell out first time used] and the Department's 34 C.F.R. Part 86 regulations;*
- *Develop a policy that would ensure that the DAAPP disclosure was actively distributed on an annual basis to every student who was enrolled for academic credit and to all employees regardless of when their period of employment began or ended and submit such policies with its response to this program review report;*
- *Distribute the new DAAPP disclosure in the required manner and provide documentation evidencing the distribution as well as a certification statement attesting to the fact that the materials were distributed in accordance with the DFSCA;*
- *Conduct a biennial review to: 1) evaluate the effectiveness of its existing drug and alcohol programs and its draft DAAPP; 2) identify necessary improvements and modifications; and, 3) assess the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct;*
- *Prepare a detailed report of its findings and incorporate its findings into its new comprehensive DAAPP; and,*
- *Establish policies and procedures to ensure that all subsequent biennial reviews were conducted in a timely manner and were fully documented and to take all other necessary action to ensure that this violation did not recur and submit such policies with its response to this program review report.*

*Notwithstanding the remedial actions described above, CCA was required to ensure that all of the elements noted in the "Required Action" section had been met. CCA was required to take all other actions that might be required to ensure that these violations did not recur and advise the Department of all such actions in its response to this PRR.*

*As noted above, the exceptions identified in this finding constituted serious violations of the DFSCA that by their nature could not be cured. CCA had initiated some remedial measures and would be granted an opportunity to take additional actions that were needed to address the pattern of violation identified in the noncompliance section of this finding and in so doing would begin to bring operations into compliance with the DFSCA as required by its PPA. However, CCA was advised that these remedial measures could not and did not diminish the seriousness of these violations nor did they eliminate the possibility that the Department would impose an adverse administrative action and/or require additional corrective measures as a result. Based on an evaluation of all available information including CCA's response, the Department would determine if additional actions would be required and would advise CCA accordingly in the FPRD.*

**CCA's Response:** In its response to this finding, CCA stated that it would annually distribute the following in writing to all students and employees: (1) Standards of conduct prohibiting

the possession, use or distribution of drugs and alcohol; (2) A description of the legal sanctions for violations; (3) A description of any drug or alcohol counseling, treatment, or rehabilitation programs that are available to employees or students; and (4) A clear statement that it would impose sanctions on students and employees for violations of the standards of conduct. CCA also stated that it would develop and implement a drug and alcohol abuse education and prevention program as well as conduct a biennial review to determine the effectiveness of its drug and alcohol abuse education and prevention program and ensure that the sanctions developed were enforced consistently.

**Final Determination:** As a result of these violations, CCA would have normally been required to develop and implement a substantive DAAPP that included all of the required elements set forth in the DFSCA and the Department's 34 C.F.R. Part 86 regulations. In addition, CCA would have been required to develop procedures for distributing the DAAPP disclosure to all current employees and students enrolled for academic credit. Once the new program materials were complete, CCA would have been required to submit them to the Department for evaluation and approval and then distribute them in accordance with the Part 86 regulations. Finally, CCA would have been required to conduct a biennial review to measure the effectiveness of its DAAPP and produce a detailed report of findings and recommendations for improvement.

However, because the institution has ceased operations and will no longer participate in the Title IV, FSA programs, no policy changes or enhancements to CCA's drug and alcohol programs will be required by the Department at this time. Notwithstanding this determination, CCA officials are reminded that the exceptions identified in this finding constitute serious violations of the DFSCA that by their nature cannot be cured. As such, CCA is advised that these violations would have to be addressed to the Department's satisfaction before any future application for reinstatement could be considered for approval.

**D. Summary of Liabilities**

The total amount calculated as liabilities from Findings 1 and 2 identified above is as follows.

	<b>FPell (current award year)</b>	<b>FPell (closed award year)</b>	<b>FSEOG</b>	<b>FDL</b>	<b>Interest/ Cost of Funds</b>	<b>EALF DL</b>
Finding 1				\$8,155,525	\$16,400.96	
Finding 2	\$96,993	\$913,081	\$47,300		\$ 7,607.89	\$47,753.25
<b>Total</b>	<b>\$96,993</b>	<b>\$913,081</b>	<b>\$47,300</b>	<b>\$8,155,525</b>	<b>\$24,008.85</b>	<b>\$47,753.25</b>

**E. Payment Instructions**

The total amount owed as a result of this program review is **\$9,284,661.10** and must be paid back in accordance with the instructions set forth in Sections I - III

<b>SECTION I -Liabilities of \$100,000 or More Owed to the Department</b>
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<u>Program</u>	<u>Amount</u>
Pell Grant	\$ 913,081.00
FDL (including Estimated Actual Loss)	\$8,203,278.25
Interest/Cost of Funds	<u>\$ 24,008.85</u>
<b>Total</b>	<b>\$9,140,368.10</b>

NOTE: Payment instructions for the remaining amount of the total liabilities owed (**\$144,293**) are described in Section II (Pell – Current Award Year) and Section III (FISAP Corrections).

CCA owes to the Department \$9,140,368.10. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. CCA must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If CCA's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form (Appendix G).

### 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. CCA 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 CCA'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 requests may be sent to:

U.S. Department of Education  
OCFO Financial Management Operations  
Accounts Receivable Group  
550 12th Street, S.W., Room 6111  
Washington, DC 20202-4461

If within 45 days of the date of this letter, CCA 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 CCA from the federal government. **CCA may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, CCA 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.

The following identification data applies to this repayment and must be written on the FED-WIRE form and any other documents submitted related to this liability:

**Amount: \$9,140,368.10**  
**TIN: 201456047**  
**DUNS: 363814336**

**Additional information/steps associated with the FEDWIRE payment are provided below:**

**William D. Ford Federal Direct Loan (Direct Loan) Liabilities**

**1) Direct Loan Excess Cash / Unsubstantiated Cash**

Finding #1  
 Appendix A2 & B2

<b>DL – Unsubstantiated Cash</b>			
Amount (Principal)	Amount (Interest)	Award Year	Program Award #
\$5,079,044	\$ 9,741.61	2011-12	P268K124983
\$3,076,481	\$ 6,659.35	2012-13	P268K134983
<b>Total Principal</b>	<b>Total Interest</b>		
\$8,155,525	\$24,008.85		

Upon issuance of this FPRD, CCA has an existing unsubstantiated Direct Loan cash balance and must repay the amount reflected above. Payment will be applied to the applicable G5 awards.

**2) Direct Loan Estimated Actual Loss**

Finding #2  
 Appendix D

<b>DL Estimated Actual Loss</b>		
Amount	Award Year	Program Award #
\$ 2,505.71	2010-11	P268K114983
\$30,145.32	2011-12	P268K124983
\$15,102.22	2012-13	P268K134983
<b>Total</b>		
\$47,753.25		

CCA must pay the amount reflected above in Direct Loan estimated loss liabilities for the award years reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in Section 1 above.

**Pell or FSEOG - Closed Award Years**

Finding #2

<b>Pell or FSEOG - Closed Award Year</b>				
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year	Award No.
\$ 44,144	\$1,017.23	Pell	2010-11	P063P104983
See Section III	\$ 6.91	FSEOG	2010-11	P007A108676
\$374,521	\$4,874.39	Pell	2011-12	P063P114983
See Section III	\$ 170.82	FSEOG	2011-12	P007A118676
\$494,416	\$1,490.17	Pell	2012-13	P063P124983
See Section III	\$ 48.37	FSEOG	2012-13	P007A128676
Total Principal	Total Interest			
\$913,081	\$7,607.89			

The disbursement record for each student identified in **Appendix C1** to Finding 2 must be adjusted in COD.

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

A copy of the adjustment to each student's COD record must be sent to Kimberly Wu **within 45 days of the date of this letter.**

**SECTION II -Liabilities Owed to the Department for Pell – Current Award Year**

Finding #2

The following amount must be paid in accordance with the instructions detailed below:

<b>Pell - Current Award Year</b>				
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year	Award No.
\$96,993	\$0	Pell	2013-14	P063P134983
Total Principal	Total Interest			
\$96,993	\$0			

The disbursement record for each student identified in Appendix C1 to Finding #2 must be adjusted in COD.

If the adjustments to the disbursement records create a negative balance, the difference (principal) must be returned to G5 electronically. Note that the Department collects a liability from a program review via G5 only for liabilities owed for the Pell currently open award year.

A copy of the adjustment to each student's COD record must be sent to Kimberly Wu **within 45 days of the date of this letter.**

### SECTION III –FISAP Corrections

CCA must return \$47,300 in FSEOG funds (Finding 2) utilizing the FISAP Correction process. The results of the FISAP correction process will result in CCA being required to return all or some of the \$47,300 liability via G5. CCA must make corrections to its Fiscal Operations Report and Application to Participate (FISAP) for award years 2010-11 (FISAP filed in October, 2009), 2011-12 (FISAP filed in October, 2010), and 2012-13 (FISAP filed in October, 2011):

- Log into eCB and make change(s) to the Working Copy, click on Submit and choose "Change Request." Provide the justification for the changes in the comments box, including that the changes are a result of a program review and include the Program Review Control Number.
- Once the request is approved, submit the changes within 5 days.
- Changes to the FISAP may result in changes to subsequent FISAPs. Contact the eCB Call Center at (877) 801-7168 for assistance in making this determination.
- The FISAP corrections will result in an unprocessed deobligation (negative balance), so **CCA must return those funds via G5 in accordance with the automated notification from eCB.**

CCA must submit proof of the FISAP corrections and proof of payment for any unprocessed deobligation to Kimberly Wu **within 45 days of the date of this letter.**

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## F. Appendices

- Appendix A. Unsubstantiated Cash Detail, 2011-12,  
as of September 30, 2013
- Appendix A1. Unsubstantiated Cash Detail, 2011-12,  
as of April 3, 2014
- Appendix A2. Excess Cash Worksheet – Cost of Funds – 2011-12
- Appendix B. Unsubstantiated Cash Detail, 2012-13,  
as of September 30, 2013
- Appendix B1. Unsubstantiated Cash Detail, 2012-13  
as of April 3, 2014
- Appendix B2. Excess Cash Worksheet – Cost of Funds – 2012-13
- Appendix C. Ineligible Location Disbursements, sorted by Disb Date
- Appendix C1. Ineligible Location Disbursements, grouped by Title IV  
Program and Award Year
- Appendix D. Estimated Actual Loss Formula
- Appendix E. Estimated Actual Los Formula Description
- Appendix F. Calculation of Interest Liability
- Appendix G. Fed-Wire EFT Message Format & Instructions
- Appendix H. Program Review Report
- Appendix I. CCA's Response to the Program Review Report



**Appendix A2. Excess Cash – Cost of Funds, 2011-2012**

Appendix A2 - Excess Cash Worksheet - Cost of Funds			
Name	Career College of America (OPEID 03427400) - 2011-12 award year		
Enter Prior-Year Drawdowns			
Federal Pell		Total	\$ 5,079,044.00
Federal SEOG		Tolerance	\$ 50,790.44
ACG			
SMART			
TEACH			
Federal Work Study			
Direct Loans	\$ 5,079,044.00		
FFEL			
Select Enrollment	Non-Peak	Daily Rate	0.0000274
Statement Begin Date	8/6/2013	Annual Rate	1%

**Title IV Draw Amount 1**

Date	Amount	Holiday Days
8/6/2013	\$ 5,079,044.00	3rd Business Day
		8/9/2013
		7th Calendar Day
		8/16/2013

Tuesday

**Disbursements Made On or Before 3rd Business Day**

Disb. Date	Disb. Amount	Balance
		\$ 5,079,044.00

3rd Business Day Balance Exceeds Tolerance

**Disbursements Made After 3rd Business Day**

Disb. Date	Disb. Amount	Balance	Days	Interest Liability
10/18/13	\$ 5,079,044.00	\$ -	70	\$ 9,741.61
				\$ 9,741.61



**Appendix B2. Excess Cash – Cost of Funds, 2012-13**

**Appendix B2 - Excess Cash Worksheet - Cost of Funds**

Name Career College of America (OPEID 03427400) - 2012-13 award year

Enter Prior-Year Drawdowns

Federal Pell		Total	\$ 3,076,481.00
Federal SEOG		Tolerance	\$ 30,764.81
ACG			
SMART			
TEACH			
Federal Work Study			
Direct Loans	\$ 3,076,481.00		
FFEL			

Select Enrollment Non-Peak

Statement Begin Date 7/26/2013

Daily Rate 0.0000274

Annual Rate 1%

**Title IV Draw Amount 1**

Date	Amount	Holiday Days
7/26/2013	\$ 3,076,481.00	3rd Business Day
		Day 7th Calendar
		Day 8/7/2013

**Disbursements Made On or Before 3rd Business Day**

Disb. Date	Disb. Amount	Balance
		\$ 3,076,481.00

3rd Business Day Balance **Exceeds Tolerance**

**Disbursements Made After 3rd Business Day**

Disb. Date	Disb. Amount	Balance	Days	Interest Liability
10/18/13	\$ 3,076,481.00	\$ -	79	\$ 6,659.35
				\$ 6,659.35

**Appendix C: Ineligible Location Disbursements, sorted by Disb Date**  
See Appendix C delivered with Program Review Report.

**Appendix C1: Ineligible Location Disbursements, grouped by Title IV Program and Award Year**

Student	SSNID	SSN	Status	Title IV Program	Disb Date	Amount	Total
(b)(6)			Grad	Direct Sub 10-11	3/2/2011	\$ 1,742	
			Grad	Direct Sub 10-11	3/17/2011	\$ 1,742	
			Grad	Direct Sub 10-11	5/12/2011	\$ 1,742	
			Grad	Direct Sub 10-11	6/8/2011	\$ 1,742	
			Grad	Direct Sub 10-11	6/8/2011	\$ 1,742	
			Grad	Direct Sub 10-11	6/27/2011	\$ 1,742	
			Grad	Direct Sub 10-11	7/13/2011	\$ 1,742	
			Drop	Direct Sub 10-11	7/13/2011	\$ 1,742	
			Drop	Direct Sub 10-11	7/13/2011	\$ 1,742	
			Grad	Direct Sub 10-11	7/13/2011	\$ 1,742	
			Grad	Direct Sub 10-11	7/18/2011	\$ 1,742	
			Drop	Direct Sub 10-11	7/27/2011	\$ 1,742	
			Drop	Direct Sub 10-11	7/27/2011	\$ 1,742	
			Drop	Direct Sub 10-11	7/27/2011	\$ 1,742	
			Grad	Direct Sub 10-11	7/27/2011	\$ 1,742	
			Grad	Direct Sub 10-11	7/27/2011	\$ 1,742	
			Grad	Direct Sub 10-11	7/27/2011	\$ 1,742	
			Grad	Direct Sub 10-11	8/10/2011	\$ 1,742	
			Grad	Direct Sub 10-11	10/13/2011	\$ 1,742	
			Drop	Direct Sub 10-11	10/13/2011	\$ 1,742	
			Grad	Direct Sub 10-11	10/13/2011	\$ 1,742	
			Drop	Direct Sub 10-11	10/19/2011	\$ 1,742	
			Grad	Direct Sub 10-11	10/31/2011	\$ 1,742	
			Drop	Direct Sub 10-11	11/9/2011	\$ 1,742	
			Grad	Direct Sub 10-11	11/9/2011	\$ 1,742	
			Grad	Direct Sub 10-11	11/9/2011	\$ 1,742	
			Grad	Direct Sub 10-11	11/9/2011	\$ 1,742	
			Grad	Direct Sub 10-11	11/9/2011	\$ 1,742	
			Drop	Direct Sub 10-11 Refund	1/11/2012	\$ (1,742)	
			Drop	Direct Sub 10-11 Refund	1/11/2012	\$ (1,742)	
			Drop	Direct Sub 10-11 Refund	3/28/2012	\$ (1,742)	
			Drop	Direct Sub 10-11 Refund	4/20/2012	\$ (1,742)	\$ 41,808
			Drop	DL SUB 11-12	7/18/2011	\$ 1,742	
Grad	DL SUB 11-12	8/11/2011	\$ 1,742				
Drop	DL SUB 11-12	8/17/2011	\$ 1,742				
Grad	DL SUB 11-12	8/17/2011	\$ 1,742				
Grad	DL SUB 11-12	8/17/2011	\$ 1,742				

(b)(6)

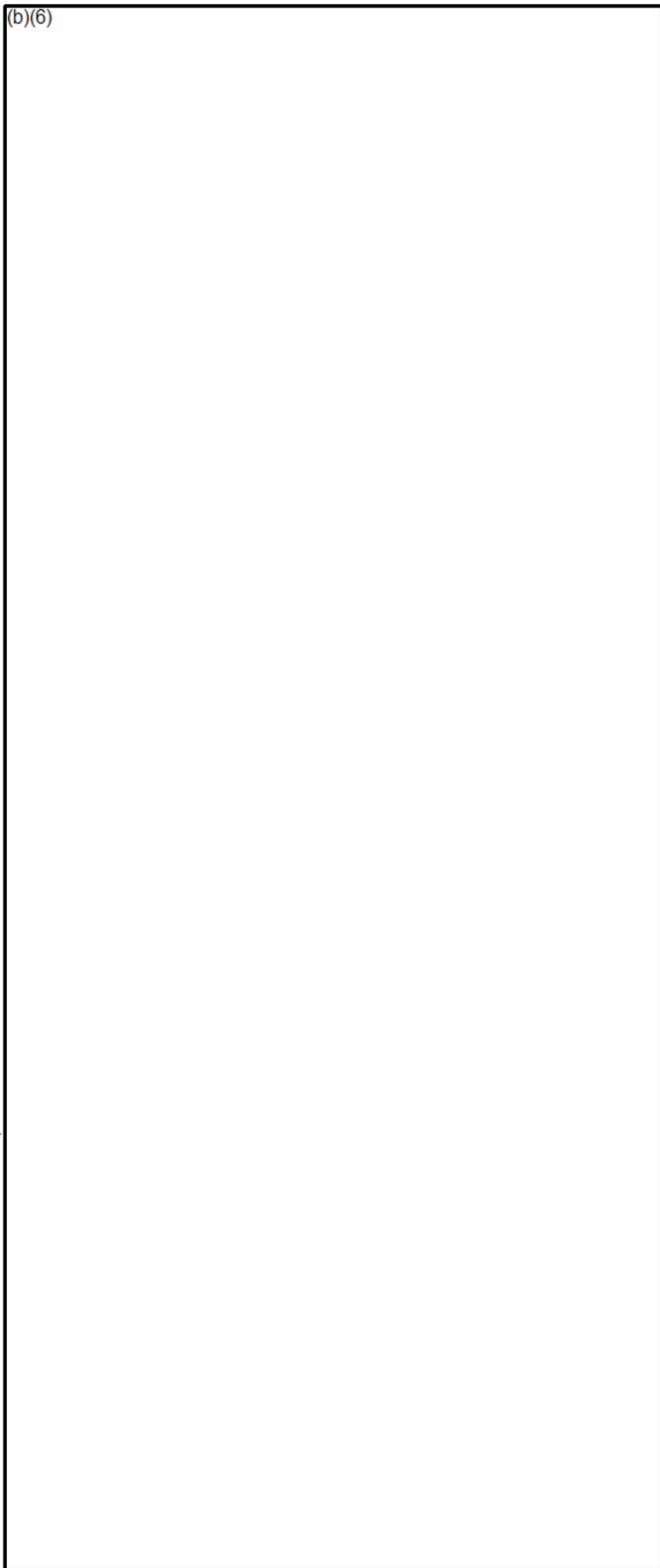
Grad	DL SUB 11-12	8/24/2011	\$	1,742
Grad	DL SUB 11-12	8/24/2011	\$	1,742
Grad	DL SUB 11-12	8/24/2011	\$	1,742
Drop	DL SUB 11-12	8/24/2011	\$	1,742
Grad	DL SUB 11-12	8/24/2011	\$	1,742
Grad	DL SUB 11-12	8/24/2011	\$	1,742
Grad	DL SUB 11-12	8/24/2011	\$	1,742
Grad	DL SUB 11-12	8/24/2011	\$	1,742
Drop	DL SUB 11-12	8/31/2011	\$	1,742
Grad	DL SUB 11-12	8/31/2011	\$	1,742
Grad	DL SUB 11-12	8/31/2011	\$	1,742
Grad	DL SUB 11-12	9/15/2011	\$	1,742
Grad	DL SUB 11-12	9/15/2011	\$	1,742
Drop	DL SUB 11-12	9/22/2011	\$	1,742
Drop	DL SUB 11-12	10/4/2011	\$	1,742
Grad	DL SUB 11-12	10/12/2011	\$	1,742
Grad	DL SUB 11-12	10/12/2011	\$	1,742
Drop	DL SUB 11-12	10/12/2011	\$	1,742
Grad	DL SUB 11-12	10/19/2011	\$	1,742
Grad	DL SUB 11-12	10/27/2011	\$	1,742
Drop	DL SUB 11-12	10/31/2011	\$	1,742
Drop	DL SUB 11-12	10/31/2011	\$	1,742
Drop	DL SUB 11-12	10/31/2011	\$	1,742
Drop	DL SUB 11-12	10/31/2011	\$	1,742
Grad	DL SUB 11-12	11/15/2011	\$	1,742
Drop	DL SUB 11-12	11/23/2011	\$	1,742
Drop	DL SUB 11-12	11/23/2011	\$	1,742
Grad	DL SUB 11-12	11/23/2011	\$	1,742
Grad	DL SUB 11-12	11/23/2011	\$	1,742
Drop	DL SUB 11-12	11/28/2011	\$	1,742
Grad	DL SUB 11-12	12/5/2011	\$	1,742
Grad	DL SUB 11-12	12/5/2011	\$	1,742
Drop	DL SUB 11-12	12/7/2011	\$	1,742
Drop	DL SUB 11-12	12/21/2011	\$	1,742
Drop	DL SUB 11-12	12/21/2011	\$	1,742
Grad	DL SUB 11-12	12/21/2011	\$	1,742
Drop	DL SUB 11-12	12/21/2011	\$	1,742
Grad	DL SUB 11-12	12/22/2011	\$	1,742
Grad	DL SUB 11-12	12/22/2011	\$	1,742
Grad	DL SUB 11-12	12/22/2011	\$	1,742

(b)(6)

Grad	DL SUB 11-12	12/22/2011	\$	1,742
Grad	DL SUB 11-12	12/22/2011	\$	1,742
Grad	DL SUB 11-12	12/22/2011	\$	1,742
Grad	DL SUB 11-12	12/22/2011	\$	1,742
Drop	DL SUB 11-12	12/28/2011	\$	1,742
Grad	DL SUB 11-12	12/28/2011	\$	1,742
Grad	DL SUB 11-12	1/12/2012	\$	1,742
Grad	DL SUB 11-12	1/12/2012	\$	1,742
Grad	DL SUB 11-12	1/12/2012	\$	1,742
Grad	DL SUB 11-12	1/18/2012	\$	1,742
Drop	DL SUB 11-12	1/25/2012	\$	1,742
Grad	DL SUB 11-12	1/25/2012	\$	1,742
Grad	DL SUB 11-12	1/25/2012	\$	1,742
Grad	DL SUB 11-12	1/25/2012	\$	1,742
Grad	DL SUB 11-12	1/25/2012	\$	1,742
Grad	DL SUB 11-12	1/25/2012	\$	1,742
Grad	DL SUB 11-12	1/25/2012	\$	1,742
Grad	DL SUB 11-12	1/25/2012	\$	1,742
Grad	DL SUB 11-12	1/31/2012	\$	1,742
Active	DL SUB 11-12	1/31/2012	\$	1,742
Grad	DL SUB 11-12	2/8/2012	\$	1,742
Grad	DL SUB 11-12	2/13/2012	\$	1,742
Grad	DL SUB 11-12	2/17/2012	\$	1,742
Drop	DL SUB 11-12	2/17/2012	\$	1,742
Grad	DL SUB 11-12	2/17/2012	\$	1,742
Drop	DL SUB 11-12	2/22/2012	\$	1,742
Drop	DL SUB 11-12	2/22/2012	\$	1,742
Drop	DL SUB 11-12	2/28/2012	\$	1,742
Grad	DL SUB 11-12	2/28/2012	\$	1,742
Grad	DL SUB 11-12	3/5/2012	\$	1,742
Grad	DL SUB 11-12	3/7/2012	\$	1,742
Grad	DL SUB 11-12	3/15/2012	\$	1,742
Grad	DL SUB 11-12	3/19/2012	\$	1,742
Grad	DL SUB 11-12	3/22/2012	\$	1,742
Grad	DL SUB 11-12	3/22/2012	\$	1,742
Grad	DL SUB 11-12	3/22/2012	\$	1,742
Drop	DL SUB 11-12	4/2/2012	\$	1,742
Grad	DL SUB 11-12	4/4/2012	\$	1,742
Grad	DL SUB 11-12	4/16/2012	\$	1,742
Grad	DL SUB 11-12	4/16/2012	\$	1,742
Drop	DL SUB 11-12	4/20/2012	\$	1,742
Grad	DL SUB 11-12	4/23/2012	\$	1,742

(b)(6)

Active	DL SUB 11-12	4/25/2012	\$	1,742
Active	DL SUB 11-12	5/1/2012	\$	1,742
Grad	DL SUB 11-12	5/1/2012	\$	706
Grad	DL SUB 11-12	5/1/2012	\$	612
Drop	DL SUB 11-12	5/2/2012	\$	1,742
Grad	DL SUB 11-12	5/2/2012	\$	1,742
Grad	DL SUB 11-12	5/2/2012	\$	1,742
Grad	DL SUB 11-12	5/2/2012	\$	1,742
Grad	DL SUB 11-12	5/4/2012	\$	1,742
Grad	DL SUB 11-12	5/4/2012	\$	1,742
Grad	DL SUB 11-12	5/4/2012	\$	1,742
Grad	DL SUB 11-12	5/4/2012	\$	1,742
Drop	DL SUB 11-12	5/7/2012	\$	1,742
Grad	DL SUB 11-12	5/7/2012	\$	1,742
Drop	DL SUB 11-12	5/7/2012	\$	1,742
Grad	DL SUB 11-12	5/9/2012	\$	1,742
Active	DL SUB 11-12	5/9/2012	\$	1,742
Drop	DL SUB 11-12	5/16/2012	\$	1,742
Grad	DL SUB 11-12	5/22/2012	\$	1,791
Active	DL SUB 11-12	5/22/2012	\$	1,742
Grad	DL SUB 11-12	5/22/2012	\$	1,790
Grad	DL SUB 11-12	5/22/2012	\$	1,791
Grad	DL SUB 11-12	5/22/2012	\$	1,742
Grad	DL SUB 11-12	5/23/2012	\$	1,742
Grad	DL SUB 11-12	5/25/2012	\$	800
Drop	DL SUB 11-12	5/30/2012	\$	1,742
Drop	DL SUB 11-12	5/31/2012	\$	1,742
Grad	DL SUB 11-12	5/31/2012	\$	706
Grad	DL SUB 11-12	5/31/2012	\$	1,791
Drop	DL SUB 11-12	6/6/2012	\$	1,742
Active	DL SUB 11-12	6/6/2012	\$	1,742
LOA	DL SUB 11-12	6/6/2012	\$	1,742
Grad	DL SUB 11-12	6/8/2012	\$	1,742
Active	DL SUB 11-12	6/12/2012	\$	1,396
Grad	DL SUB 11-12	6/13/2012	\$	1,742
Drop	DL SUB 11-12	6/14/2012	\$	1,742
Drop	DL SUB 11-12	6/14/2012	\$	1,742
Grad	DL SUB 11-12	6/14/2012	\$	1,742
Drop	DL SUB 11-12	6/15/2012	\$	1,791
Grad	DL SUB 11-12	6/15/2012	\$	1,742



Active	DL SUB 11-12	6/19/2012	\$	1,742
Drop	DL SUB 11-12	6/19/2012	\$	1,742
Grad	DL SUB 11-12	6/19/2012	\$	1,791
Grad	DL SUB 11-12	6/20/2012	\$	1,742
Drop	DL SUB 11-12	6/25/2012	\$	1,742
Active	DL SUB 11-12	6/25/2012	\$	1,742
Grad	DL SUB 11-12	6/28/2012	\$	1,742
Grad	DL SUB 11-12	6/28/2012	\$	1,742
Grad	DL SUB 11-12	6/28/2012	\$	1,742
Grad	DL SUB 11-12	6/28/2012	\$	1,742
Grad	DL SUB 11-12	7/16/2012	\$	1,742
Grad	DL SUB 11-12	7/20/2012	\$	1,742
Grad	DL SUB 11-12	7/20/2012	\$	1,742
Grad	DL SUB 11-12	7/20/2012	\$	1,742
Grad	DL SUB 11-12	7/20/2012	\$	1,742
Drop	DL SUB 11-12	07/20/2012	\$	1,742
Grad	DL SUB 11-12	7/31/2012	\$	1,742
Grad	DL SUB 11-12	8/13/2012	\$	611
Grad	DL SUB 11-12	8/13/2012	\$	1,742
Grad	DL SUB 11-12	8/15/2012	\$	1,742
Active	DL SUB 11-12	10/5/2012	\$	1,742
Grad	DL SUB 11-12	10/5/2012	\$	1,742
Grad	DL SUB 11-12	10/5/2012	\$	800
Grad	DL SUB 11-12	10/5/2012	\$	1,791
Grad	DL SUB 11-12	10/5/2012	\$	1,742
Grad	DL SUB 11-12	10/5/2012	\$	1,742
Grad	DL SUB 11-12	10/5/2012	\$	1,742
Grad	DL SUB 11-12	10/5/2012	\$	1,742
Active	DL SUB 11-12	10/5/2012	\$	1,742
Grad	DL SUB 11-12	10/5/2012	\$	1,791
Active	DL SUB 11-12	10/15/2012	\$	1,742
Drop	DL SUB 11-12	10/16/2012	\$	(1,742)
Drop	DL SUB 11-12	10/16/2012	\$	1,742
Drop	DL SUB 11-12	10/22/2012	\$	1,742
Drop	DL SUB 11-12	10/22/2012	\$	1,742
Grad	DL SUB 11-12	10/22/2012	\$	1,742
Grad	DL SUB 11-12	10/22/2012	\$	1,791
Grad	DL SUB 11-12	10/29/2012	\$	1,742
LOA	DL SUB 11-12	10/29/2012	\$	1,742
Active	DL SUB 11-12	11/2/2012	\$	1,396



June 5, 2014

Mr. Jeffrey J. Meisel, Owner  
Career Colleges of America  
5612 Imperial Highway  
South Gate, CA 90280-7420

Certified Mail  
Return Receipt Requested  
#: 70070710000106763085

**RE: Final Program Review Determination**  
OPE ID: 03427400  
PRCN: 201340928386

Dear Mr. Meisel:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report (PRR) on October 18, 2013 covering Career Colleges of America's (CCA's) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 (Title IV, HEA programs), for the 2011-2012 and 2012-2013 award years. CCA's final response was received on November 15, 2013. A copy of the program review report (and related attachments) and CCA's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by CCA upon request. The Department has made final determinations based on information obtained during the program review and from documentation submitted by CCA. 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, and (3) notify the institution of its right to appeal. Due to the serious nature of one or more of the enclosed findings, this FPRD would normally have been referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Since CCA is no longer participating in the Title IV programs<sup>1</sup>, this FPRD will not be referred at this time; however, should CCA apply for reinstatement in the future, in addition to meeting all other requirements, the findings in this FPRD will need to be addressed.

<sup>1</sup> CCA closed on January 10, 2014.

The total liabilities due from the institution from this program review are **\$9,284,661.10**.

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 to the Program Review Report, Student Sample.

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the October 18, 2013 program review report. If CCA wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date CCA receives this FPRD. An original and four copies of the information CCA 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

CCA's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and

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

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to CCA'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 Donna Wittman at 415-486-5618 or Kimberly Wu at 415-486-5619. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

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

Cc: William V. Larkin, Ed.D, Executive Director, Accrediting Council for Continuing  
Education and Training, via [wvlarkin@accet.org](mailto:wvlarkin@accet.org)  
California Bureau for Private Postsecondary Education, via [bppe@dca.ca.gov](mailto:bppe@dca.ca.gov)

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  
Career Colleges of America

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OPE ID: 03427400  
PRCN: 201340928386

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

Final Program Review Determination  
June 5, 2014

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**A. Institutional Information**

Career Colleges of America  
5612 East Imperial Highway  
South Gate, California 90280

Type: Proprietary

Highest Level of Offering: Non-Degree Two Year

Accrediting Agency: Accrediting Council for Continuing Education & Training

Current Student Enrollment: 919 (as of September 13, 2013)

% of Students Receiving Title IV: 96%

Title IV Participation (as reported in institution's reconciliation records):

	<u>2012-2013</u>
Federal Pell Grant (Pell)	\$4,732,555
Federal Supplemental Education Opportunity Grant (FSEOG)	\$161,850
Federal Work Study (FWS)	\$98,690
William D. Ford Federal Direct Student Loan (FDL)	\$6,919,558
Academic Competitiveness Grant (ACG)	\$0
National Science and Mathematics Access to Retain Talent Grant (SMART)	\$0
Teacher Education Assistance for College and Higher Education Grant (TEACH)	<u>\$0</u>
Total	\$11,912,653

Default Rate FFEL/DL:	2011 / 7.3%
	2010 / 10.4%
	2009 / 9.5%
	2008 / 15.9%

## **B. Scope of Review**

The U.S. Department of Education (Department) conducted a general assessment program review at Career Colleges of America (CCA) from August 26, 2013 to August 29, 2013. The review was conducted by Donna Wittman and Rick Allen, Institutional Review Specialists.

The focus of the review was on fiscal responsibility and fiscal records. The review consisted of an examination of CCA's policies and procedures regarding institutional eligibility, student eligibility, and fiscal records. A program review report was issued on October 18, 2013.

### **Disclaimer:**

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

#### **Finding 3. Lack of Administrative Capability – Security Breach – Failure to Maintain Confidentiality of G5 Username and Password**

CCA has taken the corrective actions necessary to resolve Finding 3 of the Program Review Report (PRR). Therefore, this finding may be considered closed. The PRR may be found at Appendix H to this FPRD and the institution's response to the PRR may be found at Appendix I. Findings requiring further action by CCA are discussed below. Please note, however, that these are serious findings and will be taken into consideration in the event CCA applies for reinstatement into the Title IV, HEA programs.

### **Findings with Final Determinations**

The PRR findings requiring further action are summarized below. At the conclusion of each finding is a summary of CCA's response to the finding, and the Department's final determination for that finding.

#### ***Finding 1. Violation of Fiduciary Duty in Using Advances for Non-Program Purposes***

***Citation Summary:*** *An institution participating in the Title IV, HEA programs acts in the nature of a fiduciary in the administration of those programs. To participate in any Title IV program, the institution must, at all times, act with the competency and integrity necessary to qualify as a fiduciary. In the capacity of a fiduciary, a participating institution is subject to the highest*

*standard of care and diligence in administering the programs and in accounting to the Department for the funds received under those programs. 34 C.F.R. § 668.82.*

*An institution may participate in Title IV, HEA programs only if the institution enters into a written program participation agreement on a form prescribed by the Department. By entering into a program participation agreement, an institution agrees that it will use funds it receives under any Title IV, HEA program and any interest or other earnings thereon, solely for the purposes specified in and in accordance with that program. As a fiduciary responsible for administering Federal funds, if the institution is permitted to request funds under the advance payment method, the institution will time its requests for funds under the program to meet the institution's immediate need for Title IV, HEA program funds. 34 C.F.R. § 668.14(b).*

*When an institution is under the advance payment method:*

- An institution submits a request for funds to the Department's electronic system for grants management and payments (G5). The institution's request for funds may not exceed the amount of funds the institution needs immediately for disbursements the institution has made or will make to eligible students and parents;*
- If the Secretary, through G5, accepts that request, G5 initiates an electronic funds transfer (EFT) of that amount to a bank account designated by the institution; and*
- The institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds.*

*34 C.F.R. § 668.162(b).*

*Any amount of Title IV, HEA program funds, other than Perkins Loan funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds, is considered excess cash. 34 C.F.R. § 668.166(a).*

*An institution must account for the receipt and expenditure of all Title IV, HEA program funds in accordance with generally accepted accounting principles. Further, institutions are required to document each student's or parent borrower's receipt of Title IV, HEA program funds, including the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages. 34 C.F.R. § 668.24(b).*

**Noncompliance Summary:** *The day to day operations of CCA were the responsibility of the Chief Operating Officer (COO), (b)(6); (b)(7)(C) who had worked at CCA for over 14 years. She answered directly to the two owners, Jeffrey Meisel and Ronald Schechter. By the 2010-11 award year (AY), CCA had grown to approximately 1400 students. Subsequently, the owners changed their marketing plan, and students were no longer eligible to receive Title IV funds based on passing an ability to benefit test as of July 2012. Enrollment dropped to 700 during the*

*2011-2012 AY. Adding to the school's financial crunch, CCA opened a new location in Gardena, California on February 13, 2011. By the end of 2011, the loss of cash flow was becoming critical.*

*The COO was the only CCA employee who had a username and password for the school's G5 account. She initiated G5 draws, but admitted to the reviewers that she had shared her username and password with the two owners.<sup>1</sup> The process used by CCA to obtain federal funds was one where the Business Office Manager (BOM), (b)(6); (b)(7) prepared a "G5 Request" email to the COO, advising her of disbursement amounts she would be posting for eligible students. The BOM tracked all Title IV, HEA program transactions in G5 and reconciled those transactions to the Common Origination and Disbursement system (COD) at least weekly. In addition to making G5 draws that were substantiated by the G5 Request emails, the "Accounting Department" (either Mr. Meisel or his assistant, (b)(6); (b)(7)(C)) would also occasionally direct the COO to make unsubstantiated G5 draws. These were verbal directions. For example, Mr. Meisel would call the COO and tell her: "We need \$2.1 million to keep going. You need to draw this from G5." The owners also indicated that the COO would sometimes call them and ask how much was needed prior to determining the total amount to draw from G5.*

*Through January 13, 2012, the BOM had been able to reconcile the Direct Loan COD records to the G5 account. On January 18, 2012, however, CCA drew \$100,000, then again on January 25 (\$100,000), and January 26 (\$100,000), January 31 (\$100,000), and February 3 (\$250,000) – all with no G5 Request email from the BOM. Subsequent to these draws it was impossible for the BOM to reconcile her Direct Loan COD account to the G5 account. Since G5 draws continued to be made in excess of the Direct Loan amounts she specified in her G5 Request emails, on February 24, 2012, the BOM ceased calculating these amounts and ceased sending G5 Direct Loan Request emails, sending only G5 Request emails for Pell Grants and Federal Supplemental Educational Opportunity Grants.*

*The BOM resumed sending G5 Request emails for some of the Direct Loan disbursements in April 2012 when she was directed to do so by the COO. The unsubstantiated G5 draws continued, in varying amounts, usually \$100,000, \$200,000, or \$500,000, from the G5 Direct Loan account – and again, there were no supporting G5 Request emails to substantiate these draws. The COO directed the BOM to discuss these matters only with her and no one else.*

*Each month the amount of unsubstantiated cash grew. Finally, by June 6, 2012, the excess cash had grown to \$312,033. Concerned about whether the owners were aware of this, the BOM sent an email to Mr. Meisel, one of the owners, copying the COO and Mr. Meisel's assistant, alerting them to the current amount of unsubstantiated cash totaling \$312,033.*

*The June 6, 2012 email reports that CCA drew down \$250,000 from the G5 Direct Loan account on June 1, 2012, \$100,000 on June 4, 2012, and \$50,000 on June 6, 2012. Of these three draws, the BOM was only able to substantiate the following disbursement amounts:*

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<sup>1</sup> The reviewers informed the COO that the sharing of access to G5 was illegal and must be immediately corrected. On August 27, 2013, the COO assured the reviewers that she had changed her password in G5. She further provided a memo that she said she distributed to staff advising them that passwords are never to be shared.

<i>Date</i>	<i>Disbursements</i>	<i>G5 Draw</i>
6/1/12	\$37,836	\$250,000
6/5/12	\$23,107 <sup>2</sup>	\$100,000
6/6/12	\$52,526	\$50,000

*Despite the June 6, 2012 email reporting the unsubstantiated cash to the owner, the unsubstantiated G5 draws continued, with 2011-12 Direct Loan funds being drawn through August 7, 2013, and 2012-13 Direct Loan funds being drawn through August 16, 2013, the day the Department placed CCA on the HCM2 method of payment. The detail regarding the accumulation of unsubstantiated cash is set forth in Appendix A (2011-12) and Appendix B (2012-13), comprised of entries maintained in the CCA accounting system. The total unsubstantiated cash reported in COD is, as of September 30, 2013:*

<i>2011-12 Direct Loan Unsubstantiated Cash</i> .....	<i>\$5,079,044</i>
<i>2012-13 Direct Loan Unsubstantiated Cash</i> .....	<i>\$2,994,671</i>
<i>Total</i> .....	<i>\$8,073,715</i>

**Required Action Summary:** *CCA was notified that it is liable for all amounts of unsubstantiated cash.*

**CCA's Response:** In the response to this finding, CCA stated that "CCA is in the process of seeking to resolve the matter of the repayment required through the sale of the schools." CCA also stated that it was optimistic that this transaction would take place and anticipated that the full amount requested would be paid at or around the closing by wire transfer.

However, CCA further stated that it could not guarantee with 100% confidence that the transaction would be completed with the buyer with whom CCA was negotiating at the time of CCA's response. CCA continued to talk with other prospective and interested buyers.

**Final Determination:** CCA never concluded a sale to any prospective buyers, and thus never repaid any of the Title IV funds which it illegally acquired. Rather, CCA continued to make adjustments via COD for the 2012-2013 award year; therefore, the amount of unsubstantiated funds for the Direct Loan program increased from \$2,994,671<sup>3</sup> as indicated above to \$3,076,481 (see Appendix B1). CCA is liable for \$8,155,525 in unsubstantiated funds for the 2011-2012 and 2012-2013 award years, as reflected in COD as of April 3, 2014. CCA is also liable for the interest costs associated with the unsubstantiated funds. The Department has estimated the amount of interest owed to be \$16,400.96. Copies of the interest calculations are included as Appendices A2 and B2. Payment instructions are included in Section D of this FPRD.

<sup>2</sup> This amount was comprised of \$4,727 of disbursements on 6/4/12 and \$18,380 of disbursements on 6/5/12.

<sup>3</sup> This was the amount of unsubstantiated cash as of September 30, 2013, and also the total amount known at the time the PRR was issued (October 18, 2013).

**Finding 2. Disbursement of Title IV Funds to Students Enrolled at an Ineligible Location**

**Citation Summary:** *Eligibility of an institution for participation in the Title IV, HEA programs does not extend to any location that an institution establishes after it receives its eligibility designation if the institution provides at least 50 percent of an educational program at that location, unless—*

- (i) The Secretary approves the institution's application for approval of that location; or*
- (ii) The location is licensed and accredited, the institution does not have to apply to the Secretary for approval of that location under 34 C.F.R. § 600.20(c), and the institution has reported to the Secretary that location under 34 C.F.R. § 600.21.*

*Institutions that are participating on a provisional basis or who receive Title IV, HEA program funds under a cash monitoring method, are required to apply for and wait for the Department's approval of an additional location at which the institution offers or will offer 50 percent or more of an educational program. 34 C.F.R. § 600.20(c).*

*When an institution is fully certified and under no cash monitoring method, it need not obtain approval of the Department for the location. It must, however, report the location to the Department within ten days. When an institution must only report an additional location, the institution may not disburse Title IV, HEA program funds to students at that location before it reports that location. Once it reports that location to the Department, the institution may disburse Title IV funds to those students if that location is licensed and accredited. 34 C.F.R. § 600.21(d).*

**Noncompliance Summary:** *On February 13, 2011, CCA opened a new location at Gardena, California and began providing at least 50 percent of offered educational programs at that location. On that day, CCA was provisionally certified and was therefore required to report the additional Gardena location and wait for the Department's approval prior to disbursing any Title IV, HEA program funds to students attending that location. However, CCA failed to report the Gardena location and failed to wait for the Department's approval to disburse Title IV funds. Furthermore, CCA was unable to provide any documentation that either the State of California's licensing agency, the Bureau of Private Postsecondary Education (BPPE), or CCA's accrediting agency, the Accrediting Council for Continuing Education and Training (ACCET), had been notified of, or approved, the location until May 19, 2011, when CCA obtained ACCET approval<sup>4</sup> of the Gardena location. CCA obtained BPPE approval of the Gardena location on December 6, 2012<sup>5</sup>.*

*On September 26, 2011, seven months after CCA opened the Gardena location, CCA submitted a recertification application and was granted full participation in the Title IV, HEA programs on*

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<sup>4</sup> ACCET requires its approval prior to "advertising, enrolling, and teaching classes at a new campus." See <http://www.accet.org/accreditation/maintaining-accreditation>.

<sup>5</sup> The California Private Postsecondary Education Act of 2009 provides for state approval to operate by means of accreditation at § 94890.

*February 16, 2012. However, CCA failed to disclose the existence of its Gardena location during that recertification process.*

*CCA was proscribed by Title IV, HEA program regulations from disbursing Title IV, HEA program funds to students enrolled at Gardena, for it failed to apply for approval and wait for Department approval prior to disbursing Title IV, HEA program funds. The location did not become eligible when the school was recertified, as it was not included in CCA's recertification application.*

*From Gardena's opening on February 13, 2011 through the August 28, 2013 site visit, CCA disbursed a total of \$2,672,438 in Title IV, HEA program funds to students enrolled at the Gardena location. The identification of those disbursements is set forth in Appendix C.*

**Required Action Summary:** *CCA was notified that it is liable for all Title IV, HEA program funds disbursed to students at the ineligible location.*

*During the site visit, CCA submitted an application for approval of the Gardena location. CCA was to wait for approval of the Gardena location prior to awarding or disbursing any Title IV, HEA program funds to students enrolled at the Gardena location. Further, CCA was required to apply and wait for approval prior to disbursing Title IV, HEA program funds to any future location where 50% or more of an educational program would be offered until such time when the Department notified CCA of removal of this condition.*

**CCA's Response:** In the response to this finding, CCA stated the following: (1) The location was opened on or about June 13, 2011, not February 13, 2011; (2) The ACCET letter, dated May 19, 2011, and the BPPE letter, dated September 20, 2011, indicated that the Gardena satellite location was approved; (3) The "extension" facility is in close proximity to the main campus in South Gate, about 8.5 miles away; (4) The location simply provided instruction in classrooms and offered no administrative services; and (5) The existence of Gardena was reported in Note 9 of the Independent Auditors' Report for the year ended June 30, 2011.

Nonetheless, CCA further stated that it agreed with the Department's request to repay funds but stated that the net amount of Title IV funds disbursed to students who attended at least some classes in Gardena during the period of ineligibility was approximately \$2,519,960, not \$2,672,438, as stated in the PRR. Of this net amount, \$373,502 was attributable to students who transferred from Gardena to South Gate. CCA claimed that the net amount disbursed to students who were only in attendance at Gardena was, therefore, \$2,146,458.

**Final Determination:** In response to CCA's arguments, the Department's disbursement records in COD, as well as in the National Student Loan Data System (NSLDS), verify that student disbursements were made to attendees of the additional, unapproved location as early as February, 2011, so CCA's claim that the location opened on June 13, 2011 is incorrect. In addition, while the Department acknowledges that ACCET and the BPPE approved the Gardena location at some point, CCA was still required, as a provisionally certified institution, to apply to the Department for the addition of a location and receive Department approval prior to making any disbursements to students attending there. The proximity of the location to the main school,

at 8.5 miles away, does not negate that requirement and the absence of administrative services likewise has no bearing on the requirement to apply to add a location. Finally, reference to a location in an auditor's footnote does not constitute an application for approval of that location.

CCA failed to report its additional "Gardena" location and wait for the Department's approval prior to disbursing any Title IV funds to students attending the location. Disbursements paid to students at that location totaled \$2,675,213 (see Appendix C1) (\$1,010,074 in Pell Grant funds, \$47,300 in FSEOG, and \$1,617,839 in Direct Loan funds).

However, in lieu of requiring the institution to assume the risk of default by purchasing the \$1,617,839 in ineligible loans from the holder, the Department has asserted a liability not for the loan amounts, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amounts. The estimated actual loss to the federal government for the ineligible loans is based on CCA's most recent cohort default rate available. As a result, the estimated actual loss that CCA must pay to the Department for the ineligible loans is \$47,753.25. A copy of the results of that calculation is included as Appendix D. A description of the estimated loss formula is also included as Appendix E.

CCA is also liable for the interest costs associated with ineligible Pell and FSEOG funds. The Department has estimated the amount of interest to be \$7,607.89. A copy of the calculation is included as Appendix F. Payment instructions are provided in Section D of this FPRD.

***Finding 4. Drug and Alcohol Abuse Education and Prevention Program Requirements Not Met – Multiple Violations***

***Citation Summary:*** *The Drug-Free Schools and Communities Act and 34 C.F.R. Part 86 of the Department's General Administrative Regulations requires each participating institution of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.*

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

- 1) the institution's standards of conduct prohibiting the possession, use, and distribution of drugs and alcohol;*
- 2) possible sanctions for violations of Federal, state, and local drug and alcohol laws as well as sanctions for violation of institutional policies;*
- 3) health risks associated with the use of drugs and alcohol;*
- 4) information on counseling, rehabilitation, and treatment programs; and*
- 5 a clear statement that the institution will impose sanctions on students and employees who violate drug and alcohol laws, ordinances, and/or institutional policies.*

*In addition, each institution must conduct a biennial review to determine the effectiveness of its drug and alcohol abuse education and prevention program and to ensure consistent enforcement of applicable laws, ordinances, and institutional policies against violators. The biennial review materials must be maintained by the institution and made available to the Department upon request. 34 C.F.R. § 86.100.*

**Noncompliance Summary:** *CCA failed to conduct a biennial review of information provided to employees and students in order to determine the effectiveness of its drug abuse prevention program. The effectiveness of a school's drug abuse prevention program may be measured by tracking:*

- *the number of drug- and alcohol-related disciplinary actions;*
- *the number of drug- and alcohol-related treatment referrals;*
- *the number of drug- and alcohol-related incidents recorded by campus police or other law enforcement officials;*
- *the number of drug- and alcohol-related incidents of vandalism;*
- *the number of students or employees attending self-help or other counseling groups related to alcohol or drug abuse; and*
- *student, faculty, and employee attitudes and perceptions about the drug and alcohol problem on campus.*

*Failure to comply with the drug and alcohol abuse education and prevention program requirements deprives students and employees of important information regarding the detrimental health risks and legal and disciplinary consequences of alcohol abuse and illicit drug use. Such a failure may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime.*

**Required Action Summary:** *Upon being advised of the violation, CCA developed new Drug and Alcohol Abuse Prevention Program (DAAPP) policies and procedures and submitted them for review by the Department. In its policies and procedures, CCA set out a basic framework for a DAAPP, the development and distribution of an annual DAAPP disclosure, and the conduct of a biennial review. The package also included a rudimentary initial biennial review report dated August 28, 2013.*

*The policies and procedures were submitted to the review team on August 29, 2013. The review team examined these materials and found them to be at least minimally adequate. Nevertheless, the Department strongly recommended that CCA re-examine its drug and alcohol policies and procedures on an annual basis and revise them as needed to ensure that they continued to reflect current institutional policy and were compliant with the DFSCA. Institutional officials were also reminded to proactively consider any recommendations for improvement that might have been formulated during the biennial review and integrated them into the plan.*

*Based on the violations identified during the program review, CCA would have normally been required to take the following actions:*

- *Conduct a full review of its DAAPP and revised and enhanced it as necessary to ensure that it included all of the required elements enumerated in the DFSCA [spell out first time used] and the Department's 34 C.F.R. Part 86 regulations;*
- *Develop a policy that would ensure that the DAAPP disclosure was actively distributed on an annual basis to every student who was enrolled for academic credit and to all employees regardless of when their period of employment began or ended and submit such policies with its response to this program review report;*
- *Distribute the new DAAPP disclosure in the required manner and provide documentation evidencing the distribution as well as a certification statement attesting to the fact that the materials were distributed in accordance with the DFSCA;*
- *Conduct a biennial review to: 1) evaluate the effectiveness of its existing drug and alcohol programs and its draft DAAPP; 2) identify necessary improvements and modifications; and, 3) assess the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct;*
- *Prepare a detailed report of its findings and incorporate its findings into its new comprehensive DAAPP; and,*
- *Establish policies and procedures to ensure that all subsequent biennial reviews were conducted in a timely manner and were fully documented and to take all other necessary action to ensure that this violation did not recur and submit such policies with its response to this program review report.*

*Notwithstanding the remedial actions described above, CCA was required to ensure that all of the elements noted in the "Required Action" section had been met. CCA was required to take all other actions that might be required to ensure that these violations did not recur and advise the Department of all such actions in its response to this PRR.*

*As noted above, the exceptions identified in this finding constituted serious violations of the DFSCA that by their nature could not be cured. CCA had initiated some remedial measures and would be granted an opportunity to take additional actions that were needed to address the pattern of violation identified in the noncompliance section of this finding and in so doing would begin to bring operations into compliance with the DFSCA as required by its PPA. However, CCA was advised that these remedial measures could not and did not diminish the seriousness of these violations nor did they eliminate the possibility that the Department would impose an adverse administrative action and/or require additional corrective measures as a result. Based on an evaluation of all available information including CCA's response, the Department would determine if additional actions would be required and would advise CCA accordingly in the FPRD.*

**CCA's Response:** In its response to this finding, CCA stated that it would annually distribute the following in writing to all students and employees: (1) Standards of conduct prohibiting

the possession, use or distribution of drugs and alcohol; (2) A description of the legal sanctions for violations; (3) A description of any drug or alcohol counseling, treatment, or rehabilitation programs that are available to employees or students; and (4) A clear statement that it would impose sanctions on students and employees for violations of the standards of conduct. CCA also stated that it would develop and implement a drug and alcohol abuse education and prevention program as well as conduct a biennial review to determine the effectiveness of its drug and alcohol abuse education and prevention program and ensure that the sanctions developed were enforced consistently.

**Final Determination:** As a result of these violations, CCA would have normally been required to develop and implement a substantive DAAPP that included all of the required elements set forth in the DFSCA and the Department's 34 C.F.R. Part 86 regulations. In addition, CCA would have been required to develop procedures for distributing the DAAPP disclosure to all current employees and students enrolled for academic credit. Once the new program materials were complete, CCA would have been required to submit them to the Department for evaluation and approval and then distribute them in accordance with the Part 86 regulations. Finally, CCA would have been required to conduct a biennial review to measure the effectiveness of its DAAPP and produce a detailed report of findings and recommendations for improvement.

However, because the institution has ceased operations and will no longer participate in the Title IV, FSA programs, no policy changes or enhancements to CCA's drug and alcohol programs will be required by the Department at this time. Notwithstanding this determination, CCA officials are reminded that the exceptions identified in this finding constitute serious violations of the DFSCA that by their nature cannot be cured. As such, CCA is advised that these violations would have to be addressed to the Department's satisfaction before any future application for reinstatement could be considered for approval.

**D. Summary of Liabilities**

The total amount calculated as liabilities from Findings 1 and 2 identified above is as follows.

	<b>FPell (current award year)</b>	<b>FPell (closed award year)</b>	<b>FSEOG</b>	<b>FDL</b>	<b>Interest/ Cost of Funds</b>	<b>EALF DL</b>
Finding 1				\$8,155,525	\$16,400.96	
Finding 2	\$96,993	\$913,081	\$47,300		\$ 7,607.89	\$47,753.25
<b>Total</b>	<b>\$96,993</b>	<b>\$913,081</b>	<b>\$47,300</b>	<b>\$8,155,525</b>	<b>\$24,008.85</b>	<b>\$47,753.25</b>

**E. Payment Instructions**

The total amount owed as a result of this program review is **\$9,284,661.10** and must be paid back in accordance with the instructions set forth in Sections I - III

<b>SECTION I -Liabilities of \$100,000 or More Owed to the Department</b>
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<u>Program</u>	<u>Amount</u>
Pell Grant	\$ 913,081.00
FDL (including Estimated Actual Loss)	\$8,203,278.25
Interest/Cost of Funds	<u>\$ 24,008.85</u>
<b>Total</b>	<b>\$9,140,368.10</b>

NOTE: Payment instructions for the remaining amount of the total liabilities owed (**\$144,293**) are described in Section II (Pell – Current Award Year) and Section III (FISAP Corrections).

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CCA owes to the Department \$9,140,368.10. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. CCA must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If CCA's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form (Appendix G).