



February 23, 2015

Mr. Mohammad A. Mojadidi, President
David's Academy of Beauty
8652 East Whittier Boulevard
Pico Rivera, CA 90660-1089

Certified Mail
Return Receipt Requested
#: 7007 0710 0001 0675 7022

RE: **Final Program Review Determination**
OPE ID: 03614300
PRCN: 201130927555

Dear Mr. Mojadidi:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report on September 19, 2011 covering David's Academy of Beauty's (DAB's) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2009-2010 and 2010-2011 award years. DAB's final response was received on November 16, 2012. A copy of the program review report (and related attachments) and DAB's responses, dated March 2, 2012 and June 22, 2012, are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by DAB upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings in the program review report, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$110,020.18.

This FPRD contains detailed information about the liability determination for all findings.

In addition, due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

This FPRD contains one or more findings regarding DAB's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41, 668.46, and 668.49. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A: Student Sample to the Program Review Report. In addition, Appendices B and F also contain PII. These appendices were encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's final program review determination with respect to the liabilities identified from the September 19, 2011 program review report. If DAB wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date DAB receives this FPRD. An original and four copies of the information DAB 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

DAB's appeal request must:

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

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

Sincerely,

(b)(6)

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

David's Academy of Beauty
OPE ID Number: 03614300
PRCN: 201130927555
Page 4 of 4

Enclosures:

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

cc: Mr. David Mojadidi, School Director
National Accrediting Commission of Career Arts and Sciences
California Bureau for Private Postsecondary Education
Department of Defense (sent via email)
Department of Veterans Affairs (sent via email)
Consumer Financial Protection Bureau (sent via email)

Prepared for
David's Academy of Beauty

OPE ID: 03614300
PRCN: 201130927555

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

Final Program Review Determination
February 23, 2015

Table of Contents

	Page
A. Institutional Information	3
B. Scope of Review	4
C. Findings and Final Determinations	4
Resolved Findings	4
Findings with Final Determinations	5
Finding 3. Failure to Establish a Clear Audit Trail for Title IV Disbursements/Required Supporting Documentation	5
Finding 5. Federal Pell Grant Underpayments	7
Finding 8. Incorrect/Incomplete Verification	9
Finding 18. Crime Awareness Requirements Not Met	11
D. Summary of Liabilities	16
E. Payment Instructions	16
F. Appendices	21
Appendix A. Student Sample to the Program Review Report	22
Appendix B. David's Academy of Beauty's Response to the Program Review Report	23
Appendix C. Calculation of Interest Liability.	24
Appendix D. Fed-Wire EFT Message Format & Instructions	26
Appendix E. Program Review Report	28
Appendix F. Disbursement Records for Each Student	29

David's Academy of Beauty
OPE ID: 03614300
PRCN: 201130927555
Page 3

A. Institutional Information

David's Academy of Beauty
8652 East Whittier Boulevard
Pico Rivera, CA 90660-1089

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year (900-1799 hours)

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences (NACCAS)

Current Student Enrollment: 61 (as of 6/30/2011)

% of Students Receiving Title IV: 98% (60 students)

Title IV Participation per U. S. Department of Education Records for the 2013-2014 Award Year

Federal Pell Grant (FPell) Program	\$ 847,169
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 28,100
Federal Direct Subsidized Loan	\$ 21,318
Federal Direct Unsubsidized Loan	\$ 3,250

B. Scope of Review

The U.S. Department of Education (Department) conducted a general assessment program review at David's Academy of Beauty (DAB) from June 20, 2011 to June 24, 2011. The review was conducted by DeNise Hill and Kimberly Wu.

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

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 award years. The files were selected from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names of the students whose files were examined during the program review. A program review report was issued on September 19, 2011.

Disclaimer:

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

C. Findings and Final Determinations

Resolved Findings

- Finding 1. Lack of Administrative Capability
- Finding 2. Failure to Implement Adequate Separation of Duties
- Finding 4. Failure to Ensure Accuracy of Records
- Finding 7. Early Federal Pell Grant Disbursements
- Finding 9. Failure to Comply with Leave of Absence (LOA) Requirements
- Finding 10. Credit Balance Not Paid in a Timely Manner
- Finding 11. Inadequate FSEOG Policies and Procedures
- Finding 12. Inaccurate Award Notifications/Missing Award Notifications
- Finding 13. Satisfactory Academy Progress (SAP) Not Monitored/Inaccurately Monitored
- Finding 14. Failure to Maintain Backup Documentation of Fiscal Operations Report and Application to Participate (FISAP)
- Finding 15. Inadequate Protection of Students' Personally Identifiable Information
- Finding 16. Late Return to Title IV (R2T4) Funds

Finding 17. Failure to Provide Adequate/Accurate Student Consumer Information

DAB has taken the corrective actions necessary to resolve Findings 1, 2, 4, 7, and 9-17 of the Program Review Report (PRR). Therefore, these findings may be considered closed. Appendix B contains the institution's written response related to the resolved findings.

However, even though appropriate corrective action has been taken, the Department remains concerned about DAB's overall administrative capability with respect to managing the Title IV, HEA programs. Adequate responses to the PRR were requested on numerous occasions – verbally, by e-mail, and by letter – and responses were provided, at times, in fragmented fashion and inaccurately. In addition, auditor attestations were required in response to certain findings and there were significant errors made on the part of DAB and the auditor on these responses. As a final course of action, it was necessary for the school to hire a different auditor in order to accomplish the required work and provide an accurate response to the PRR. DAB is currently on Heightened Cash Monitoring II (HCM2) in order to further monitor its administrative capability.

With respect to Finding #6, the Department has determined that DAB was in compliance with the requirement to obtain student signatures as electronic signatures were appropriately collected. No further action is required on this finding.

Findings with Final Determinations

The PRR findings requiring further action are summarized below. At the conclusion of each finding is a summary of DAB's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on September 19, 2011 is attached as Appendix E.

Finding 3. Failure to Establish a Clear Audit Trail for Title IV Disbursements/Required Supporting Documentation

***Citation Summary:** An institution shall establish and maintain on a current basis financial records that reflect each HEA, Title IV program transaction; and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. In addition, an institution shall maintain required records in a systematically organized manner; shall make its records readily available for review by the Secretary or the Secretary's authorized representative at an institutional location designated by the Secretary or the Secretary's authorized representative. 34 C.F.R. § 668.24(b) and (d)(1-2).*

***Noncompliance Summary:** An institution shall establish and maintain on a current basis financial records that reflect each HEA, Title IV program transaction; and general ledger*

control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. In addition, an institution shall maintain required records in a systematically organized manner; shall make its records readily available for review by the Secretary or the Secretary's authorized representative at an institutional location designated by the Secretary or the Secretary's authorized representative. 34 C.F.R. § 668.24(b), (d)(1-2).

The Department found that student ledgers failed to establish a clear audit trail. The following are instances that were found in the individual student files:

Student 1- This student's account ledger shows that DAB issued a check of \$11 in FSEOG funds made payable to the student on 5/29/2010. There is no documentation to confirm that the student received the check.

Student 6- This student's account ledger shows that DAB issued a check of \$1,304 in FPell funds made payable to the student on 4/13/2010. There is no documentation to confirm that the student received the check.

Student 8 – This student's account ledger shows that DAB returned \$2,134.37 in FPell funds to the FPell program on 3/14/2011 after the student withdrew. There is no documentation to confirm that the funds were returned.

Student 9 – This student's account ledger shows that DAB issued a check of \$180 in FPell funds made payable to the student on 9/4/2010. There is no documentation to confirm that the student received the check.

Student 13 – This student's account ledger shows that DAB issued a check of \$11 in FSEOG funds made payable to the student on 1/12/2010. There is no documentation to confirm that the student received the check.

Student 16 – This student's account ledger shows that DAB returned \$781 in FPell funds to the FPell program on 9/23/2010 after the student withdrew. There is no documentation to confirm that the funds were returned.

Student 19 – This student's account ledger shows that DAB issued two checks of \$59.25 and \$102.75 in FPell funds made payable to the student on 9/4/2010 and 10/4/2010 respectively. There is no documentation to confirm that the student received these checks.

Student 21- This student's account ledger shows that DAB issued a check of \$162 in FPell funds made payable to the student on 10/4/2010. There is no documentation to confirm that the student received the check.

Student 25- This student's account ledger shows that DAB returned \$1,783 and \$892 in FPell funds to the FPell program on 8/14/2010 after the student graduated. There is no documentation to confirm that the funds were returned.

Directives From Program Review Report: DAB was required to provide evidence of payment of the refunds and credit balances in the form of copies of cancelled checks (front and back) or proof of electronic payment.

DAB's Response: DAB's responses were received on March 2, 2012, and June 22, 2012. The responses provided evidence of payments of refunds and credit balances for some of the students in this finding.

On November 16, 2012, DAB's auditor responded to the Department's "Second Request - Requirement to Resubmit Program Review Response," and indicated that DAB failed to provide documentation supporting paid refunds for Students #16 and #25.

Final Determination: DAB failed to provide documentation to support the return of \$781 to the FPell program for student #16, and two FPell refunds in the amounts of \$1783 and \$892 for student #25. As a result, DAB must pay \$3,456 in FPell refunds, plus interest, to the Department.

A Summary of Liabilities can be found in Section D and Instructions for Repayment in Section E of this FPRD. In addition, individual student liability information is presented in Appendix F, Disbursement Records for Each Student.

Finding 5. Federal Pell Grant Underpayments

Citation Summary: *The Federal Pell Grant for a payment period for a student in a program using credit hours without terms or using clock hours is calculated by determining his or her Scheduled Federal Pell Grant using the Payment Schedule, and multiplying his or her Scheduled Federal Pell Grant award by the lesser of the number of credit or clock hours in the payment period over the number of credit or clock hours in the program's academic year or the number of weeks of instructional time in the payment period over the number of weeks of instructional time in the program's academic year.*
34 C.F.R. § 690.63(e)(1-2).

Noncompliance Summary: *The Federal Pell Grant for a payment period for a student in a program using credit hours without terms or using clock hours is calculated by determining his or her Scheduled Federal Pell Grant using the Payment Schedule, and multiplying his or her Scheduled Federal Pell Grant award by the lesser of the number of credit or clock hours in the payment period over the number of credit or clock hours in the program's academic year or the number of weeks of instructional time in the payment period over the number of weeks of instructional time in the program's academic year.*
34 C.F.R. § 690.63(e)(1-2).

The Department found that DAB failed to pay the following three students the correct FPell award for a payment period.

Student 20 – This student's award letter for the second year includes a \$4,316 FPell award for the completion of 700 clock hours. The student's record shows that \$2,775 in FPell funds were credited to the student account on 8/10/2010, which resulted in a Title IV credit balance of \$2,757.25. On 8/11/2010, DAB debited a tuition charge of \$2,056.25 leaving a credit balance of \$701.00. DAB subsequently credited \$924, \$162, and \$162 in FPell funds on the student account on 8/14/2010, 9/4/2010 and 10/4/2010 respectively. This student was overpaid by \$1,788 in FPell funds, so the credit balance that appeared on the student's account was not a "true" credit balance. The credit balance was not resolved until 10/13/2010. DAB, having realized the student was overpaid, returned \$2,081 in FPell funds to the FPell program after the student graduated. However, this return left the student with an underpayment of \$293 in FPell funds. The student's outstanding balance, due to the school, shows as \$132. However, since the student is owed \$293 in FPell funds, a \$161 credit balance is due to the student.

Student 23 – This student's master sheet shows that the student was awarded \$4,317 in FPell funds for the second award year and the student's expected disbursement for the 4th payment period was \$2,159 in FPell funds, for which there is no evidence that DAB paid the student. The student completed 1250 clock hours on 6/30/2010. DAB recalculated the Title IV funds that were disbursed after the student withdrew on 9/24/2010. The calculation report indicates that the student completed 160 of 350 scheduled hours of classes for the 4th payment period. This resulted in a post-withdrawal disbursement of \$986.66 and the outstanding charges for educationally related expenses remaining on the student's account were \$986.66. The Student Cumulative Hours report provides that the student had completed 1,588 clock hours out of the required 1,600 clock hours. The calculation was based on the student having completed a total of 1410 clock hours, not 1588. Therefore, the student is owed \$2,159 in FPell funds.

Student 25 – This student's master sheet shows that the student's expected disbursement was \$3,700 in FPell funds. DAB believed the student had been given an overaward. The master sheet and the student account ledger indicate that the student received \$3,135 in FPell funds and \$250 in FSEOG funds. An outstanding balance of \$825 remains on the student account. The student is owed an additional \$565 in FPell funds, so the outstanding balance due to the school would only be \$260.

Directives From Program Review Report: *Due to the number of incorrect disbursements from the 2010-11 award year, DAB was required to conduct a full file review of the entire withdrawn (W) and graduated (G) student population for the 2010-11 award year, to ascertain whether each student received the appropriate amount of FPell disbursements. The school was to provide an auditor's attestation regarding the accuracy of all of the information in the file review. In completing the file review, DAB*

was directed to ensure that the number of clock hours completed by each student was accurate and was appropriately reflected in student attendance records.

Additionally, DAB was required to establish policies and procedures to ensure these non-compliance findings do not recur and to submit a copy of the policies and procedures in response to the PRR.

DAB's Response: DAB's response, dated November 16, 2012, included the file review of the withdrawn and graduated students for the 2010-2011 award year. In addition, DAB described its process for calculating FPell for students and provided language from DAB's institutional procedures manual on the process used. DAB's updated policy was provided to ensure that FPell funds are awarded properly, preventing any potential under or overaward in the future.

Final Determination: On the basis of the full file review conducted by DAB, the Department has determined that DAB underpaid six students a total amount of \$2,090.25 in FPell funds. On December 6, 2012, DAB concurred with the Department's determination. Therefore, DAB must pay a total amount of \$2,090.25 in FPell funds to the (underpaid) students identified in Appendix F, Disbursement Records for Each Student. This underpayment amount can be found in the Summary of Liabilities in Section D of this FPRD. Instructions for Repayment to students may be found in Section E.

Finding 8. Incorrect/Incomplete Verification

Citation Summary: *An institution must require each applicant whose application is selected for verification on the basis of edits specified by the Secretary to verify all of the applicable items specified in 34 C.F.R. § 668.56. The institution must require the applicant to submit acceptable documentation as described in 34 C.F.R. § 668.57 that will verify or update the information listed in 34 C.F.R. § 668.56. If an institution has reason to believe that the information included on the application is inaccurate, or if there is discrepant information in a student's file, the institution may not disburse Title IV funds until the applicant verifies or corrects the information included on his or her application. 34 C.F.R. § 668.58(a)(1).*

Noncompliance Summary: *An institution must require each applicant whose application is selected for verification on the basis of edits specified by the Secretary to verify all items identified in the regulations. 34 C.F.R. §§ 668.54, 668.56. The institution must require the applicant to submit acceptable documentation that will verify or update the required information. 34 C.F.R. § 668.57. If an institution has reason to believe that the information included on the application is inaccurate, or if there is discrepant information in a student's file, the institution may not disburse Title IV funds until the applicant verifies or corrects the information included on his or her application. 34 C.F.R. § 668.58(a)(1).*

The Department found that DAB failed to properly complete verification / resolve discrepant information for the following students:

Student 2 - The second 2009-10 ISIR with an EFC of 0 in Student #2's file was selected for verification. This ISIR and the student's 2009-10 Free Application for Federal Student Aid (FAFSA), which was unsigned show that the student had \$6,000 in untaxed income for the 2008 calendar year. A statement from the student in the file states, "...I have lived by working odd jobs for friends and family for some subsistence money approximately \$500.00/month." However, the student's 2009-10 Verification Worksheet was not completed in its entirety nor was it signed. The ISIR and FAFSA reported the number of family members as 2, but the worksheet indicates 1. Despite these discrepancies and issues, DAB disbursed \$5,350 in FPell funds and \$500 in FSEOG funds to the student.

Student 3 - This student's 2009-10 FAFSA states that the student had earned \$23,630 from working in 2008. However, the unsigned 2008 tax return reports that the student's total income in 2008 was \$25,600. There is no evidence in the file resolving the discrepancy. DAB disbursed \$3,700 in FPell funds and \$255 in FSEOG funds to the student.

Student 9 - The 2009-10 ISIR in Student #9's file was selected for verification. This ISIR and the student's 2009-10 FAFSA show that the student had \$3,000 in untaxed income for the 2008 calendar year. The student's 2009-10 Verification Worksheet indicates that the student had \$6,000 in untaxed income in 2008. There was also a hand written document from the student's sister-in-law which states, "...Currently, she's living with me and I'm fully covering her finance. I paid for her rent, foods, clothing and miscellaneous. Monthly I give her \$500 for personal expenses." However, there is no document in the file resolving the discrepancies. DAB disbursed \$5,350 in FPell funds and \$500 in FSEOG funds to the student.

Student 24 - This student's 2010-11 ISIR was selected for verification. The 2010-11 Verification Worksheet was completed, but it indicates that the student and her spouse would attach a signed copy of their tax return even though the student's adjusted gross income was reported as \$0. Since there was no tax return found in the student's file, it is unclear whether the student or the spouse filed a tax return. DAB disbursed \$2,158 in FPell funds to the student for the third payment period.

Student 28 - The 2010-11 ISIR in Student #28's file was selected for verification. The 2010-11 Verification Worksheet contains discrepant information from that shown on the student's ISIR. The worksheet shows that the student reported the number of family members as one, but the ISIR and the FAFSA show two. This discrepancy was not resolved. DAB disbursed \$3,700 in FPell funds and \$300 in FSEOG funds to the student.

Directives From Program Review Report: *DAB was required to conduct a full file review of all students selected by the Secretary for verification in the 2009-10 and 2010-11 award years to determine if students received disbursements of Title IV aid to which they were entitled. DAB was allowed to complete verification for any student included in the file review for which verification was not previously completed, including those students noted above under "Noncompliance."*

The school was required to include an auditor's attestation to the accuracy of the information provided in the file review. DAB was informed that for any students for whom verification were not completed or where disbursements were made to students with incorrect information on their ISIRs, liabilities to the Department would be identified.

DAB's Response: DAB's response, dated November 16, 2012, indicated that it performed a full file review of all students whose ISIRs were marked for verification in the 2009-10 and 2010-11 award years, and reported any ineligible Title IV funds on the accompanying spreadsheet. The spreadsheet indicates that a total of \$93,139.12 in FPell funds and \$6,144.98 in FSEOG funds are due to the Department for failure to complete verification. In addition, DAB's auditor tested the file review and determined that, in addition to the ineligible disbursements noted by the school, one student's income was not verified, resulting in an additional \$620.78 in FPell due to the Department, and two students' files were missing, resulting in an additional \$11,958 in FPell due to the Department. Further, liabilities of \$630.30 in FPell funds and \$500.00 in FSEOG funds were incorrectly reported on DAB's spreadsheet (these amounts should not have been included as liabilities).

Final Determination: The total liabilities for this finding are:

FPell	\$105,087.60
FSEOG	\$ 4,983.74 (federal share only)
Total	\$110,071.34

DAB is required to repay, Title IV funds disbursed to the students for whom verification was not properly completed, plus any interest, to the Department. A Summary of Liabilities may be found in Section D of this FPRD and Instructions for Repayment may be found in Section E. In addition, individual student liability information may be found in Appendix F, Disbursement Records for Each Student.

Finding 18. Crime Awareness Requirements Not Met

Citation Summary: *By October 1 of each year, an institution must distribute to all enrolled students and current employees, its annual security report. [34 C.F.R. § 668.41(e)(1)]*

For prospective students and prospective employees, institutions must provide a notice of the availability of the annual security report, a description of its contents and an opportunity to request a copy. [34 C.F.R. § 668.41(e)(4)]

An institution must provide a geographic breakdown of the crime statistics reported according to the following categories:

- *On campus*
 - *In or on a non-campus building or property*
 - *On public property*
- [34 C.F.R. § 668.46(c)(4)]*

In addition, Section 485(f)(1) of the Higher Education Act (HEA) requires institutions to make certain disclosures involving crime and security to students, employees, prospective students and prospective employees. Institutions are required to make specific disclosures involving crime statistics related to crimes occurring both on campus as well as on property adjacent to the campus.

Further, the Department of Education has prepared "The Handbook for Campus Safety and Security Reporting" (2011) to assist institutions in complying with the disclosures required by the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act). The regulations governing the Campus Security Report can be found at 34 C.F.R. § 668.41 and 668.46. The handbook may be found at <http://www.ed.gov/admins/lead/safety/campus.html>.

Non-Compliance Summary: *DAB's annual report fails to contain the following:*

Crime Statistics Reporting

- *The Annual Crime Report reflects statistics for a category of "sex offenses," but does not break down the offenses as forcible or nonforcible sex offenses.*
- *The Annual Crime Report does not mention whether any of the reported crimes were hate crimes.*
- *The Annual Crime Report does not provide a geographic breakdown of crime statistics according to the required geographic categories.*

Crime Policy Reporting

DAB's Campus Security Report fails to meet the regulatory requirements in the following areas:

- *A statement of campus policies regarding procedures for reporting criminal actions or other emergencies occurring on campus does not include sufficient information regarding timely warning, such as the method of making a timely warning to any perceived threat to students and staff on campus (e.g., posting on the internet, calling student cell phones, posting notices prominently in a specified well-visited location);*

- *A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include:*
 - *Notification to student of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses;*
 - *Notification to students that the institution will change a victim's academic and living situations after an alleged sex offense and of the options for those changes, if those changes are requested by the victim and are reasonably available;*
 - *Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:*
 - i. *The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and*
 - ii. *Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding alleging a sex offense; and*
 - *Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.*
- *A statement advising the campus community where law enforcement agency information concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address;*
- *A statement of policy regarding missing student notification procedures.*

Directives From Program Review Report: *DAB was required to modify its Campus Security Report to comply with the requirements described in the Citation section above. A copy of the modified procedures and an amended Campus Security Report was required to be provided in response to this PRR.*

DAB's Response: In its June 22, 2012 response, DAB concurred with the finding and stated that the Academy "strengthened and updated" its policies and procedures to ensure that campus security operations are compliant with the Clery Act. In addition, DAB management asserted that DAB's servicer is assisting with the implementation of corrective actions and that staff completed relevant training. Finally, a revised copy of the ASR was submitted as part of the response.

Final Determination: This finding cited DAB for its failure to publish an accurate and complete 2010 ASR. Specifically, DAB did not have policy statements regarding the following:

- Notification to student of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses;

- Notification to students that the institution will change a victim's academic and living situations after an alleged sex offense and of the options for those changes, if those changes are requested by the victim and are reasonably available;
- Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:
 - i. The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
 - ii. Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding alleging a sex offense; and
- Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.
- A statement advising the campus community where law enforcement agency information concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.

These violations were not identified on the report that was distributed on 10/1/2011. As noted above, DAB concurred with the finding and asserted that adequate corrective action was taken.

The Department carefully reviewed the narrative response and supporting documents and determined that the materials met minimum requirements. The remedial actions that the DAB has claimed are now in place should result in better Clery Act compliance going forward.

Based on that review, however, DAB is specifically advised of the following: 1) all statistics for incidents of crimes reported in the covered classifications must be disclosed in the ASR by geographical category (on-campus, non-campus buildings and property, and public property as those terms are defined by the Clery Act, and 2) campus crime statistics in the ASR must reflect reports of the Part I Offenses (Murder through Arson), arrests and disciplinary referrals for certain drug, liquor, and weapons offenses, hate crimes. In addition, for the ASR to be distributed no later than October 1, 2014, the institution must also report statistics for acts of dating violence, domestic violence, and stalking (Please see Appendix A to Subpart D of the Part 668 of the Department's regulations and Dear Colleague Letter (DCL-GEN-10-07) for more information on these requirements). Notwithstanding these clarifications, the Department accepts DAB's response and considers this finding to be closed for purposes of the program review.

Notwithstanding management's efforts to address these incidents of noncompliance, DAB is reminded that the exceptions identified above constitute serious violations of the

Clery Act that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. The requirement to develop substantive campus safety policies, procedures, and programs and to disclose them in the ASR is fundamental to the goals of the Clery Act. Access to this information permits campus community members and their families to make well-informed decisions about where to work and study and empowers individuals to play a more active role in their own safety and security. DAB was required to initiate remedial measures and as a result of its efforts, has begun to address the conditions that led to these violations. DAB has stated that it has brought its overall campus security program into compliance with the Clery Act as required by its Program Participation Agreement. Nevertheless, DAB is advised that such actions cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective actions as a result.

Because of the serious consequences of such violations, The Department strongly recommends that DAB officials re-examine its campus security, drug and alcohol, and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with federal requirements. Please be advised that the Department may request information on a periodic basis to ensure that DAB is in full compliance with the Clery Act. As these periodic reviews, DAB officials are encouraged to consult the Department's "Handbook for Campus Safety and Security Reporting" (2011) as a reference guide for Clery Act compliance. The Handbook is online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The Department also provides a number of other Clery Act training resources. DAB can access these materials at: www2.ed.gov/admins/lead/safety/campus.html. The regulations governing the Clery Act can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

Finally, DAB officials are advised to review the accuracy and completeness of its Drug and Alcohol Abuse Prevention Program (DAAPP) as required by the Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations. FSA is now responsible for monitoring compliance with the DFSCA. Therefore, it is essential that DAB makes sure that it has developed and implemented a comprehensive DAAPP and that it conducts substantive biennial reviews and completes its biennial review reports on the proper schedule. For assistance or more information on the Clery Act and/or the DFSCA, please contact a member of the program review team or another member of the San Francisco/Seattle School Participation Division.

D. Summary of Liabilities

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

Established Liabilities

	FPell	FSEOG	Interest/Cost of Funds
Finding 3	\$ 3,456.00		\$ 7.67
Finding 5	\$ 2,090.25		
Finding 8	\$105,087.60	\$4,983.74	\$1,468.91
Total	\$110,633.85	\$4,983.74	\$1,476.58

E. Payment Instructions

I. Liabilities of \$100,000 or More Owed to the Department

<u>Program</u>	<u>Amount</u>
Federal Pell Grant	\$108,543.60
Interest/Cost of Funds	\$ 1,476.58
	<u>\$110,020.18</u>

DAB owes to the Department \$110,020.18. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. DAB 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 DAB'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.

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable findings and Instructions in Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).

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

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. DAB 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 DAB'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, DAB 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 DAB from the Federal Government. **DAB may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, DAB must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

II. Instructions by Title IV, HEA Program

Pell Grant and FSEOG Closed Award Years - Payment Instructions

Findings #3 and #8

DAB must repay:

Pell Grant and FSEOG Closed Award Years			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$58,297.53	\$712.42	Pell Grant	2009-2010
\$ 3,456.00	\$ 7.67	Pell Grant	2010-2011
\$37,328.07	\$ 82.85	Pell Grant	2010-2011
\$40,784.07	\$ 90.52	Total	2010-2011
See FISAP Instructions	\$ 38.95	FSEOG	2009-2010
See FISAP Instructions	\$ 3.99	FSEOG	2010-2011
Total Principal	Total Interest		
\$99,081.60	\$845.88		

The disbursement record for each student identified in Appendix F to the applicable findings must be adjusted in the Common Origination and Disbursement System (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.

Pell Grant Cancelled Award Year - Payment Instructions

Finding #8

DAB must repay:

Pell Grant Cancelled Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$ 9,462.00	\$630.70	Pell Grant	2008-2009
Total Principal	Total Interest		
\$ 9,462.00	\$630.70		

The liability above is for award year 2008-2009 and student adjustments in the COD System are no longer possible. Instead, the funds will be returned to the general program fund for the applicable Title IV program.

FISAP Corrections

DAB must make corrections to its Fiscal Operations Report and Application to Participate (FISAP) for award years 2010-2011, 2011-12 and 2012-13 as follows:

- 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.
- For the FSEOG program, if the recalculation of the school's funding results in an unprocessed deobligation (negative balance) because the school has drawn down its full authorization, the school must return those funds via G5 in accordance with the automated notification from eCB. If the school has not drawn down its full authorization, the authorization will be reduced.

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

Students – Payment Instructions

Finding #5 (for the 2010–2011 award year)

<u>Student #</u>	<u>Pell to be paid to students</u>
1	\$1,097.50
2	\$310.00
3	\$162.00
4	\$182.25
5	\$231.50
6	\$107.00
Total	\$2,090.25

DAB must make a good faith effort to pay the amount listed above to the students listed in Appendix F.

If DAB cannot locate a student, payment must be made to the account of the program from which the award was made.

DAB must provide proof of payment to the student by submitting a copy of the front and back of the canceled check to Kimberly Wu within 45 days of the date of this letter.

In the event the student cannot be located, does not cash a check that has been mailed, and the institution is unable to initiate an electronic funds transfer (EFT) to the student's bank account, DAB must return the funds to the appropriate Title IV program account via G5 and make the corresponding downward adjustments to the applicable disbursements in COD. DAB must document its attempts to contact the student and provide proof of payment and COD adjustments to the applicable Title IV program to Kimberly Wu. The Department will not consider this program review closed until the information requested has been received.

F. Appendices

Appendix A: Student Sample to the Program Review Report

Appendix B: David's Academy of Beauty's Response to the Program
Review Report

Appendix C: Calculation of Interest Liability

Appendix D: Fed-Wire EFT Message Format & Instructions

Appendix E: Program Review Report

Appendix F: Disbursement Records for Each Student

Appendix A- Student Sample to the Program Review Report

2009-2010

2010 - 2011

Confidential – This document contains Personally Identifiable Information
(to be e-mailed to DAB in encrypted format)

David's Academy of Beauty
OPE ID: 03614300
PRCN: 201130927555
Page 23

Appendix B

David's Academy of Beauty's Response to the Program Review Report

Confidential – This document contains Personally Identifiable Information
(to be e-mailed to DAB in encrypted format)

Appendix C

Calculation of Interest Liability

Appendix C: Calculation of Interest Liability

Name of Institution: David's Academy of Beauty

No.	Description/Name	Ineligible Disbursement	Program	Disbursement Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED
1	Finding #3	\$3,456.00	Pell Grant	6/30/2011	9/19/2011	81	1.00%	\$ 3,456.00	\$ 7.67
2	Finding #8	\$9,462.00	Pell Grant	6/30/2009	9/19/2011	811	3.00%	\$ 9,462.00	\$ 630.70
3	Finding #8	\$58,297.53	Pell Grant	6/30/2010	9/19/2011	446	1.00%	\$ 58,297.53	\$ 712.42
4	Finding #8	\$4,250.00	FSEOG	6/30/2010	9/19/2011	446	1.00%	\$ 3,187.50	\$ 38.95
5	Finding #8	\$37,328.07	Pell Grant	6/30/2011	9/19/2011	81	1.00%	\$ 37,328.07	\$ 82.85
6	Finding #8	\$2,394.98	FSEOG	6/30/2011	9/19/2011	81	1.00%	\$ 1,796.24	\$ 3.99

Total Ineligible	\$115,188.58	Totals	\$1,476.58
		ACA Liability	

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS	
Federal SEOG	
Federal Perkins	

Total C-B Spent	\$ -
ACA Percentage	

	Total	Federal Share
Pell	\$ 108,543.60	\$108,543.60
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ 6,644.98	\$ 4,983.74
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

Total Campus-Based	\$ 6,644.98	\$ 4,983.74
--------------------	-------------	-------------

Interest Breakdown

Pell Grants	\$1,433.64
ACG	\$ -
SMART	\$ -
TEACH	\$ -
FWS	\$ -
FSEOG	\$ 42.94
Perkins	\$ -
FWS-50% Match	\$ -
FWS-No Match	\$ -
FSEOG-No Match	\$ -
Perkins-No Match	\$ -

ACA Breakdown

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

David's Academy of Beauty
OPE ID: 03614300
PRCN: 201130927555
Page 26

Appendix D

Fed-Wire EFT Message Format & Instructions

DEPARTMENT OF EDUCATION FED-WIRE EFT MESSAGE FORMAT & INSTRUCTIONS		
ABA Number 021030004	Type/Sub-Type	
Sender No.:	Sender Ref. No.	Amount ①
Sender Name (Automatically inserted by the Federal Reserve Bank)		
Treasury Department Name/CTR/ TREAS NYC / CTR /		
BNF=ED / AC - 91020001 OBI=		
Name / City / State: ②		
DUNS / TIN: ③		
FOR: ④		
INSTRUCTIONS		
A. Complete circled items 1-4 above as follows:		
① Indicate amount including cents digits.		
② Indicate Name, City, and State.		
③ Indicate DUNS Number and Taxpayer Identification Number (TIN).		
④ Enter the reason for the remittance: Bill Number / Document Number / Other.		
B. Provide the sending bank with a copy of the completed form. This form contains other information the bank will need to transmit the FEDWIRE message.		

Appendix E
Program Review Report



September 19, 2011

Mr. Mohammad A. Mojadidi, President
David's Academy of Beauty
10229 Lower Azusa Road
Temple City, CA 91780-1089

Certified Mail
Return Receipt Requested
#7005 1160 0005 1630 1006

RE: Program Review Report
OPE ID: 03614300
PRCN: 201130927555

Dear Mr. Mojadidi:

From June 20, 2011 through June 24, 2011, DeNise Hill and Kimberly Wu conducted a review of David's Academy of Beauty (DAB)'s administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by DAB. The response should include a brief, written narrative for each finding that clearly states DAB's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, DAB must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

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

U.S. Department of Education, Federal Student Aid, School Participation Team - San Francisco/Seattle
50 Beale Street, Suite 9800, San Francisco, CA 94105-1863
www.FederalStudentAid.ed.gov

FEDERAL STUDENT AID  START HERE. GO FURTHER.

David's Academy of Beauty
OPE ID: 03614300
PRCN: 201130927555
Page 2 of 3

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by DAB upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Kimberly Wu of this office within 90 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

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

Record Retention:

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact DeNise Hill at (206) 615-3638 or Kimberly Wu at (415) 486-5619.

Sincerely,

(b)(6)

Erik Fosker
Team Leader

cc: Mr. David Mojadidi, School Director

Enclosure:
Protection of Personally Identifiable Information
Program Review Report

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.



START HERE:
GO FURTHER:
FEDERAL STUDENT AID

Prepared for
David's Academy of Beauty

OPE ID: 03614300
PRCN: 201130927555

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

Program Review Report September 19, 2011

50 Beale Street, Suite 9800, San Francisco, CA 94105-1863
www.FederalStudentAid.ed.gov

FEDERAL STUDENT AID  START HERE. GO FURTHER.

Table of Contents

	Page
A. Institutional Information	2
B. Scope of Review.....	3
C. Findings	3
Finding 1. Lack of Administrative Capability	3
Finding 2. Failure to Implement Adequate Separation of Duties	4
Finding 3. Failure to Establish a Clear Audit Trail for Title IV Disbursements/ Required Supporting Documentation	5
Finding 4. Failure to Ensure Accuracy of Records.....	6
Finding 5. Federal Pell Grant Underpayments	7
Finding 6. Required Signatures Missing.....	9
Finding 7. Early Federal Pell Grant Disbursements	11
Finding 8. Incorrect/Incomplete Verification	12
Finding 9. Failure to Comply with Leave of Absence (LOA) Requirements.....	14
Finding 10. Credit Balances Not Paid In a Timely Manner	15
Finding 11. Inadequate FSEOG Policies and Procedures.....	16
Finding 12. Inaccurate Award Notifications/Missing Award Notifications	17
Finding 13. Satisfactory Academic Progress Not Monitored/Inaccurately Monitored.....	18
Finding 14. Failure to Maintain Backup Documentation of Fiscal Operations Report and Application to Participate (FISAP)	19
Finding 15. Inadequate Protection of Students' Personally Identifiable Information	20
Finding 16. Late Return to Title IV (R2T4) Funds.....	20
Finding 17. Failure to Provide Adequate/Accurate Student Consumer Information	21
Finding 18. Crime Awareness Requirements Not Met	23
D. Recommendations	25
Appendix A: Student Sample.....	26

David's Academy of Beauty
OPE ID: 03614300
PRCN: 201130927555
Page 2

A. Institutional Information

David's Academy of Beauty
10229 Lower Azusa Road
Temple City, CA 91780-1089

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year (900-1799 hours)

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences (NACCAS)

Current Student Enrollment: 61 (as of 6/30/2011)

% of Students Receiving Title IV: 98% (60 students)

Title IV Participation per U.S. Department of Education Records:

	<u>2009-2010</u>	<u>2008-2009</u>
Federal Pell Grant (FPell) Program	\$ 355,929	\$254,896
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 29,114	\$ 27,878

B. Scope of Review

The U.S. Department of Education (Department) conducted a general assessment program review at David's Academy of Beauty (DAB) from June 20, 2011 to June 24, 2011. The review was conducted by DeNise Hill and Kimberly Wu.

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

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 (year to date) award years. The files were selected from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names of the students whose files were examined during the program review.

Disclaimer:

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

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

C. Findings

During the review, areas of noncompliance were noted. The findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by DAB to bring the operation of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Lack of Administrative Capability

Citation: Standards of administrative capability require that "To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section." [34 C.F.R. § 668.16]

The Secretary considers an institution to have such administrative capability if it establishes and maintains required student financial records. [34 C.F.R. § 668.24]

Noncompliance: DAB's failure to comply with various Title IV, HEA federal regulations and requirements is an indication of impaired administrative capability. The following violations are systemic:

- Failure to adhere to Title IV, HEA federal regulations governing the aid programs administered by DAB;
- Failure to implement adequate separation of duties;
- Failure to maintain sufficient supporting documentation of student eligibility for the Title IV funds;
- Inadequate protection of students' Personally Identifiable Information (PII).

Required Action: DAB is required to provide a satisfactory response to the findings in the Program Review Report (PRR), and DAB is required to institute required corrective actions specified in this report. Additionally, DAB must repay any liabilities that are assessed in the Final Program Review Determination (FPRD).

Finding 2. Failure to Implement Adequate Separation of Duties

Citation: To begin and to continue to participate in any Title IV, HEA program, an institution must demonstrate that the institution is capable of adequately administering that program under each of the standards established in 34 C.F.R. § 668.16. The Secretary considers an institution to have that administrative capability if the institution, among other criteria, administers Title IV, HEA programs with adequate checks and balances in its system of internal controls and divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs and the two functions are carried out by at least two organizationally independent individuals who are not members of the same family or who do not together exercise substantial control over the institution. [34 C.F.R. § 668.16(c)]

In addition, 34 C.F.R. § 668.16(b)(4) requires institutions to have written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance.

Noncompliance: At the time of the program review, the reviewers became aware that DAB does not have adequate separation of duties. DAB does not separate the functions of authorizing and disbursing payments. DAB's consultant performed all of the financial aid processes including returning funds to Title IV programs, and disbursing funds to students by crediting student account ledgers and providing checks to students. In addition, DAB does not have written procedures indicating the responsibilities of individuals at the school with respect to the approval, disbursement, and delivery of Title IV funds.

Required Action: DAB must immediately implement an adequate processing system that creates a proper separation of duties. The two functions of authorizing and disbursing payments must be performed by two unrelated staff members/entities. DAB must provide, in writing, a copy of the institution's new policies and procedures that describe the process of authorizing and disbursing aid. A clear separation of duties as described in this finding must be evident.

Finding 3. Failure to Establish a Clear Audit Trail for Title IV Disbursements/Required Supporting Documentation

Citation: An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis financial records that reflect each HEA, Title IV program transaction; and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. In addition, an institution shall maintain required records in a systematically organized manner; shall make its records readily available for review by the Secretary or the Secretary's authorized representative at an institutional location designated by the Secretary or the Secretary's authorized representative. [34 C.F.R. § 668.24(b) and (d)(1-2)]

Noncompliance: Student ledgers failed to establish a clear audit trail. Following are instances that were found in the individual student files:

Student#1's account ledger shows that DAB issued a check of \$11 in FSEOG funds made payable to the student on 5/29/2010. There is no documentation to confirm that the student received the check.

Student#6's account ledger shows that DAB issued a check of \$1,304 in FPell funds made payable to the student on 4/13/2010. There is no documentation to confirm that the student received the check.

Student#8's account ledger shows that DAB returned \$2,134.37 in FPell funds to the FPell program on 3/14/2011 after the student withdrew. There is no documentation to confirm that the funds were returned.

Student#9's account ledger shows that DAB issued a check of \$180 in FPell funds made payable to the student on 9/4/2010. There is no documentation to confirm that the student received the check.

Student#13's account ledger shows that DAB issued a check of \$11 in FSEOG funds made payable to the student on 1/12/2010. There is no documentation to confirm that the student received the check.

Student#16's account ledger shows that DAB returned \$781 in FPell funds to the FPell program on 9/23/2010 after the student withdrew. There is no documentation to confirm that the funds were returned.

Student#19's account ledger shows that DAB issued two checks of \$59.25 and \$102.75 in FPell funds made payable to the student on 9/4/2010 and 10/4/2010 respectively. There is no documentation to confirm that the student received these checks.

Student#21's account ledger shows that DAB issued a check of \$162 in FPell funds made payable to the student on 10/4/2010. There is no documentation to confirm that the student received the check.

Student#25's account ledger shows that DAB returned \$1,783 and \$892 in FPell funds to the FPell program on 8/14/2010 after the student graduated. There is no documentation to confirm that the funds were returned.

Required Action: DAB must provide evidence of payment of the refunds and credit balances in the form of copies of cancelled checks (front and back) or proof of electronic payment.

Finding 4. Failure to Ensure Accuracy of Records

Citation: Federal regulation 34 CFR § 668.16(f), standards of administrative capability, states that an institution must develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs.

Noncompliance: DAB failed to properly record attendance of the following students. In addition, interviewees reported, to the reviewers, that students have been clocking in and out for each other, which seriously calls into question whether any reliance may be placed on the validity of attendance records.

The Enrollment Agreement in Student #19's file shows that the student was expected to attend 32 hours of classes per week while the Student Cumulative Hours report shows that some of the time the student attended more than 32 hours of classes per week. Records show that the student attended 102 hours of classes during the period 1/9/2010 through 1/29/2010. This would indicate that the student attended a total of six extra hours of classes in three weeks, more than the contracted hours per week indicated on the Enrollment Agreement. The student received the following FPell and FSEOG disbursements: \$5,350 in FPell funds and \$250 in FSEOG funds for the first award year, and \$4,317 in FPell funds for the second award year.

The Enrollment Agreement in Student #20's file shows that the student was expected to attend 32 hours of classes per week while the Student Cumulative Hours report shows that the student attended more than 32 hours of classes per week. The student's attendance started Wednesday, 11/4/2009. Since the student was expected to attend Tuesday, Wednesday, and Thursday every week, the student should have only taken 16 hours of classes for the first week of the program. However, the Student Cumulative Hours report shows that the student had attended 27 hours of classes by 11/7/2009, which was 11 hours more than the contracted hours indicated on the Enrollment Agreement. The student received the following FPell and FSEOG disbursements: \$5,350 in FPell funds and \$500 in FSEOG funds for the first award year.

The Enrollment Agreement in Student #24's file shows that the student was expected to attend 34 hours of classes per week; however, the Student Cumulative Hours report shows the student attended more than 34 hours of classes per week. Documentation indicates that the student attended 56 hours of classes during the period of 10/1/2010 to 10/8/2010. This resulted in 22 hours of classes more than was contracted for on the Enrollment Agreement. The student received \$5,550 in FPell funds and \$1,000 in FSEOG funds for the first award year, and \$2,158 in FPell funds in the second award year. The student was still enrolled as of June 10, 2011.

Student #27's Enrollment Agreement shows that the student's attendance start date was 4/20/2011, and the student attended 24 hours of classes on the next day, 4/21/2011, as indicated on the Student Cumulative Hours report. This is clearly an unreasonable number of hours of class attendance in one day. The student received \$1,850 in FPell funds and \$150 in FSEOG funds. The student was still enrolled as of 6/2/2011.

Required Action: DAB must implement policies and procedures to ensure that records in a student's file are accurate prior to disbursement of Title IV funds and regarding whether students are allowed to attend more than the contracted hours per week. A copy of DAB's policies and procedures, including a description of whether contracted hours may be exceeded and any limitations thereon, and the impact of attending more hours on the student's Title IV eligibility are required to be submitted in response to this PRR.

In addition, DAB must develop a system of implementing the clock-in/clock-out process such that reliance may be placed on the records derived from this process. A description of the new implementation process must be submitted in response to this PRR.

For the above students, DAB must determine the cause of the errors in attendance records and whether there are source records available (e.g. individual faculty attendance records, time cards) that would indicate the exact numbers of hours of class attended by the students. Errors on Student Cumulative Hours reports must be corrected and submitted in response to this PRR, in addition to DAB's determination as to the cause of the errors. Any additional explanation as to the reasons for the differences in hours attended may also be submitted. Additional documentation related to attendance hours is required under Finding 5. If there is no documentation supporting the hours attended for the above students for whom the Student Cumulative Hours report is clearly in error, DAB may be required to repay Title IV, HEA assistance disbursed to those students. Liabilities for disbursements to students for whom there are unsupported attendance records will be established in the FPRD.

Finding 5. Federal Pell Grant Underpayments

Citation: 34 C.F.R. § 690.2, Federal Pell Grant Program, states that the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

The Federal Pell Grant for a payment period for a student in a program using credit hours without terms or using clock hours is calculated by determining his or her Scheduled Federal Pell Grant using the Payment Schedule, and multiplying his or her Scheduled Federal Pell Grant award by the lesser of the number of credit or clock hours in the payment period over the number of credit or clock hours in the program's academic year or the number of weeks of instructional time in the payment period over the number of weeks of instructional time in the program's academic year. [34 C.F.R. § 690.63(e)(1-2)]

Noncompliance: DAB failed to pay the following three students the correct FPell award for a payment period.

Student #20's award letter for the second year includes a \$4,316 FPell award for the completion of 700 clock hours. The student's record shows that \$2,775 in FPell funds were credited to the student account on 8/10/2010, which resulted in a Title IV credit balance of \$2,757.25. On 8/11/2010, DAB debited a tuition charge of \$2,056.25 leaving a credit balance of \$701.00. DAB subsequently credited \$924, \$162, and \$162 in FPell funds on the student account on 8/14/2010, 9/4/2010 and 10/4/2010 respectively. This student was overpaid by \$1,788 in FPell funds, so the credit balance that appeared on the student's account was not a "true" credit balance. The credit balance was not resolved until 10/13/2010. DAB, having realized the student was overpaid, returned \$2,081 in FPell funds to the FPell program after the student graduated. However, this return left the student with an underpayment of \$293 in FPell funds. The student's outstanding balance, due to the school, shows as \$132. However, since the student is owed \$293 in FPell funds, a credit balance should be due to the student.

Student #23's master sheet shows that the student was awarded \$4,317 in FPell funds for the second award year and the student's expected disbursement for the 4th payment period was \$2,159 in FPell funds, for which there is no evidence that DAB paid the student. The student completed 1250 clock hours on 6/30/2010. DAB re-calculated the Title IV funds that were disbursed after the student withdrew on 9/24/2010. The calculation report indicates that the student completed 160 of 350 scheduled hours of classes for the 4th payment period. This resulted in a post-withdrawal disbursement of \$986.66 and the outstanding charges for educationally related expenses remaining on the student's account were \$986.66. The Student Cumulative Hours report provides that the student had completed 1,588 clock hours out of the required 1,600 clock hours. The calculation was based on the student having completed a total of 1410 clock hours, not 1588. Therefore, the student is owed \$2,159 in FPell funds.

Student #25's master sheet shows that the student's expected disbursement was \$3,700 in FPell funds. DAB believed the student had been overawarded. The master sheet and the student account ledger indicate that the student received \$3,135 in FPell funds and \$250 in FSEOG funds. An outstanding balance of \$825 remains on the student account. The student is owed an additional \$565 in FPell funds, so the outstanding balance due to the school would be \$260.

Required Action: Due to the number of incorrect disbursements from the 2010-11 award year, DAB is required to conduct a full file review of the entire withdrawn (W) and graduated (G) student population for the 2010-11 award year, to ascertain whether each student received the appropriate amount of FPell disbursements. The alphabetical spreadsheet must include the following information for each student:

- 1) Name
- 2) Last four digits of SSN
- 3) Status (W or G)
- 4) Program of study
- 5) Amt of 2010-11 Title IV aid awarded (use one column for each type of aid)
- 6) Total number of clock hours completed as of last date of attendance (LDA), per institutional attendance records
- 7) Amt of Title IV aid disbursed as of LDA (use one column for each type of aid)
- 8) Title IV, HEA funds returned by Title IV program
- 9) Additional Title IV, HEA funds to be returned by Title IV program
- 10) Any post-withdrawal disbursement or late disbursement due to the student

The spreadsheet must contain an independent auditor's attestation as to the accuracy of the information and be submitted as part of the institution's response to this PRR. With respect to the number of clock hours completed by each student, DAB must ensure the correct number of hours are reflected in student attendance records (and in the spreadsheet submitted in response to this PRR) and the independent auditor must specifically attest to the accuracy of the clock hours presented thereon.

Additionally, DAB must establish policies and procedures to ensure these non-compliance findings do not recur and submit a copy of the policies and procedures in response to this PRR. Repayment instructions, on any established liabilities from the file review, will follow in the FPRD letter.

Finding 6. Required Signatures Missing

Citation: An applicant for Title IV, HEA assistance must request that the Secretary recalculate his or her Expected Family Contribution (EFC) by having the institution transmit that request to the Secretary under Electronic Data Exchange (EDE), or sending to the Secretary an approved form, certified by the student, and one of the student's parents if the student is dependent. If an institution transmits it electronically, the corrected information must be supported by information contained on an approved form, certified by the student and, if dependent, one of the student's parents, or verification documentation provided by a student under 34 C.F.R. § 668.57. [34 C.F.R. §§ 690.14(b) and (c)]

Noncompliance: Corrected Institutional Student Information Reports (ISIRs) were transmitted by the school but were not signed by students. There is no documentation in the students' files to support the corrections made to the students' ISIRs. The following students' ISIRs were changed

without evidence of student and/or parent certification: Students #2, 5, 8, 9, 18, 21, & 28. In addition, ISIRs were corrected for Students #4, 16, 23, 29, & 30 without proper authorization.

Some examples of these corrections made to ISIR information without student authorization, for the identified students, are listed below:

Student #2's second ISIR – The information on registration for Selective Service was changed to 'register me,' without any evidence of student authorization for this action.

Student #4's third ISIR – The information on marital status was changed to 'married/remarried.'

Student #8's second ISIR – The information on the student's adjusted gross income, U.S. income tax paid, and spouse's income earned from work were all changed to '0.'

Student #16's third ISIR – The information on number of family members and number in college were all changed to '1.'

Required Action: Due to a high error rate for this finding, DAB must conduct a full file review of all students whose ISIRs for the 2009-10 and 2010-11 award years were changed and those changes were not signed by the students or for which there is no evidence on file of the corrected information. DAB must contact each student affected by any changes made on an ISIR that is not certified by the student or one of the student's parents if the student is dependent. The alphabetical spreadsheet must include the following information for each student:

- 1) Name
- 2) Last four digits of SSN
- 3) Award Year
- 4) Specific Change(s) made
- 5) Original EFC
- 6) Changed EFC
- 7) Basis for Changes (e.g. verification documents such as a copy of an income tax return)
- 8) Did student attest to changes made or were documents on file attesting to changes? (Yes or no.)
- 9) Title IV, HEA Disbursements, by Title IV program
- 10) Funds due to the Department, if any, by Title IV program, as a result of changes to EFCs

DAB may attempt to obtain attestations from students (the attestations must be freely-given by the students) for whom information was changed if these are not currently on file.

The spreadsheet must contain an independent auditor's attestation as to the accuracy of the information. Copies of the student/parent authorization, or any relevant supporting documentation in the school's possession, must be submitted as part of the institution's response to this PRR. For any students for whom ISIR information is not certified, yet disbursements were made to those students,

liabilities to the Department will be identified. Instructions on the repayment of liabilities will be provided in the FPRD.

DAB must develop and implement policies and procedures to ensure that all changes and/or corrections must be either signed by the student and, if applicable, the parent, prior to transmission to the Central Processing System, or supported by adequate documentation. A copy of these policies and procedures must be submitted with DAB's response to this PRR.

Finding 7. Early Federal Pell Grant Disbursements

Citation: For each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student qualifies as an eligible student, is enrolled in an eligible program as an undergraduate student, and if enrolled in a credit hour program without terms or a clock hour program, has completed the payment period for which he or she has been paid a Federal Pell Grant. [34 C.F.R. § 690.75(a)]

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

Noncompliance: Student #19 enrolled in the Cosmetology program and was required to complete 1600 clock hours for graduation. The student account ledger shows that the student received a 3rd payment of \$2,081 in FPell funds on 5/21/2010. However, the Student Cumulative Hours report indicates that the student had completed only 737.50 clock hours rather than the 900 required for a 3rd payment period. The student did subsequently complete the required hours for the payment, so there is no liability for this violation.

Student #25 enrolled in the Massage Therapy program which required the completion of 600 clock hours. The student account ledger shows that the student received a 2nd payment of \$1,783 in FPell funds on 4/20/2010, on which date, according to the Student Cumulative Hours report, the student had only completed 56 clock hours. The second payment should not have been made until the student had completed 300 clock hours and half the number of weeks in the Massage Therapy program. However, the student did subsequently complete the required number of hours for the payment, so there is no liability for this violation.

Required Action: DAB must develop and implement policies and procedures to ensure that Title IV funds are paid to an eligible student, according to the regulations noted above. A copy of the policies and procedures must be included in response to this PRR.

Finding 8. Incorrect/Incomplete Verification

Citation: 34 C.F.R. Part 668, Subpart E, Verification of student aid application information, specifically §§ 668.53, 668.54, 668.55, 668.56, 668.57, and 668.61, states that in order to be eligible to receive a Federal Pell Grant, one of the requirements is that a student must have a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR). A valid ISIR or SAR is one in which all the information used in calculating the applicant's expected family contribution is accurate and complete as of the date the application is signed.

An institution must require each applicant whose application is selected for verification on the basis of edits specified by the Secretary to verify all of the applicable items specified in 34 C.F.R. § 668.56. The institution must require the applicant to submit acceptable documentation as described in 34 C.F.R. § 668.57 that will verify or update the information listed in 34 C.F.R. § 668.56. Copies of student and parent tax returns, signed by the student and parent, as applicable, must be obtained and reviewed to accurately verify the adjusted gross income, tax payments, and tax filing status. The tax returns may reveal other untaxed items that must appear on the ISIR, such as KEOGH contributions.

Until all information is verified with required documentation, students whose applications are selected for verification:

- (i) may only receive one disbursement of any combination of Federal Pell Grant, ACG, or FSEOG funds for the applicant's first payment period; and
- (ii) may employ or allow an employer to employ an eligible student under the Federal Work-Study Program for the first 60 consecutive days after the student's enrollment in that award year; and
- (iii) may originate the Direct Subsidized Loan provided that the institution does not disburse Direct Subsidized Loan proceeds.

If an institution fails to obtain the necessary verification documentation, any disbursements made to the student must be returned. In this case, the institution is liable for any overpayment to the extent that the overpayment is not recovered from the student.

If an institution has reason to believe that the information included on the application is inaccurate, or if there is discrepant information in a student's file, the institution may not disburse Title IV funds until the applicant verifies or corrects the information included on his or her application. [34 C.F.R. § 668.58(a)(1)]

Noncompliance: DAB failed to properly complete verification / resolve discrepant information for the following students:

The second 2009-10 ISIR with an EFC of 0 in Student #2's file was selected for verification. This ISIR and the student's 2009-10 Free Application for Federal Student Aid (FAFSA), which was unsigned, show that the student had \$6,000 in untaxed income for the 2008 calendar year. A statement from the student in the file states, "...I have lived by working odd jobs for friends and family for some subsistence money approximately \$500.00/month." However, the student's 2009-10 Verification Worksheet was not completed in its entirety nor was it signed. The ISIR and FAFSA reported the number of family members as 2, but the worksheet indicates 1. DAB disbursed \$5,350 in FPell funds and \$500 in FSEOG funds to the student.

Student #3's 2009-10 FAFSA states that the student had earned \$23,630 from working in 2008. However, the unsigned 2008 tax return reports that the student's total income in 2008 was \$25,600. There is no evidence in the file resolving the discrepancy. DAB disbursed \$3,700 in FPell funds and \$255 in FSEOG funds to the student.

The 2009-10 ISIR in Student #9's file was selected for verification. This ISIR and the student's 2009-10 FAFSA show that the student had \$3,000 in untaxed income for the 2008 calendar year. The student's 2009-10 Verification Worksheet indicates that the student had \$6,000 in untaxed income in 2008. There was also a hand written document from the student's sister-in-law which states, "...Currently, she's living with me and I'm fully covering her finance. I paid for her rent, foods, clothing and miscellaneous. Monthly I give her \$500 for personal expenses." However, there is no document in the file resolving the discrepancies. DAB disbursed \$5,350 in FPell funds and \$500 in FSEOG funds to the student.

Student #24's 2010-11 ISIR was selected for verification. The 2010-11 Verification Worksheet was completed, but it indicates that the student and her spouse would attach a signed copy of their tax return even though the student's adjusted gross income was reported as \$0. Since there was no tax return found in the student's file, it is unclear whether the student or the spouse filed a tax return. DAB disbursed \$2,158 in FPell funds to the student for the third payment period.

The 2010-11 ISIR in Student #28's file was selected for verification. The 2010-11 Verification Worksheet contains discrepant information from that shown on the student's ISIR. The worksheet shows that the student reported the number of family members as one, but the ISIR and the FAFSA show two. This discrepancy was not resolved. DAB disbursed \$3,700 in FPell funds and \$300 in FSEOG funds to the student.

Required Action: DAB must conduct a full file review of all students selected by the Secretary for verification in the 2009-10 and 2010-11 award years to determine if students received disbursements of Title IV aid to which they were entitled. DAB may attempt to complete verification for any student included in the file review for which verification was not previously completed, including those students noted above under "Noncompliance." An alphabetic spreadsheet listing all of the students selected for verification must be prepared and include the following information:

- 1) Name
- 2) SSN
- 3) Award Year
- 4) Tax Return on file (Y/N)
- 5) Verification Worksheet on file (Y/N)
- 6) Verification is Complete (Y/N)
- 7) Change in EFC, if any, resulting from Verification
- 8) Title IV, HEA Disbursements, by Title IV Program
- 9) Funds due to the Department, if any, by Title IV program, as a result of changes to EFCs or verification incomplete

The spreadsheet must include an auditor's attestation to the accuracy of the information provided. For any students for whom verification is not completed or where disbursements were made to students with incorrect information on their ISIRs, liabilities to the Department will be identified. Instructions on the repayment of liabilities will be provided in the FPRD.

Finding 9. Failure to Comply with Leave Of Absence (LOA) Requirements

Citation: Federal regulations contain the following requirements for leaves of absence: (1) For Title IV purposes, an institution does not have to treat a leave of absence (LOA) as a withdrawal if it is an approved leave of absence. An LOA is considered an approved LOA if: the institution has a formal policy regarding leaves of absence; the student followed the institution's policy in requesting the leave of absence; the institution determines that there is a reasonable expectation that the student will return to the school; the institution approved the student's request in accordance with the institution's policy; the LOA does not involve additional charges by the institution; the number of days in the approved LOA, when added to the number of days in all other approved leaves of absence, does not exceed 180 days in any 12-month period; except for a clock hour or nonterm credit hour program, upon the student's return from the LOA, the student is permitted to complete the course work he or she began prior to the LOA; and lastly, if the student is a Title IV HEA program loan recipient, the institution explains to the student, prior to granting the LOA, the effects that the student's failure to return from a LOA may have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period. (2) If a student does not resume attendance at the institution at or before the end of a LOA that meets the requirements, the institution must treat the student as a withdrawal. (3) An institution's leave of absence policy is a "formal policy" if the policy is in writing and publicized to students and requires students to provide a written, signed, and dated request, that includes the reason for the LOA request, prior to the LOA. [34 C.F.R. § 668.22(d)]

Noncompliance: Student #2's record indicates that a LOA was requested on 3/27/2010; however the request was not signed by the student.

Student #6's record indicates that the LOAs that were requested on 6/11/10, 8/27/10, 9/29/10, 10/13/10, 11/10/10, and 12/9/10 were not approved/signed by an institutional official. In addition, there is no information completed in the 'Return' area of the form under the 'For School Use Only' section of the form. Other school records indicated the student returned and graduated with the completion of 600 clock hours on 3/17/2011.

Student #7's record indicates that a LOA was requested on 5/13/2010 and the student's expected return date was 9/7/2010. There was no institutional official's signature for the student's leave and return information, provided under the 'For School Use Only' section of the form, was unclear. The student did not return from the LOA and the last date of the student's attendance was 6/18/2010. The student had received \$1,783 in FPell funds for the completion of 216 clock hours. The student was paid only for hours attended.

Required Action: DAB must review its LOA policies and procedures, and revise them as necessary to ensure that the policies and procedures meet the regulatory requirements as cited, including the requirement that a student's signature is obtained and a request must be approved/signed in advance of an LOA. Also, all LOAs must include an institutional official's signature granting the leave. A copy of the revised policies and procedures must be submitted in response to this PRR.

Finding 10. Credit Balances Not Paid in a Timely Manner

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but –

- (1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of classes of a payment period; or
- (2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of classes of that payment period.

[34 C.F.R. § 668.164(e)]

If an institution obtains written authorization from a student or parent, as applicable, the institution may use the student's or parent's Title IV, HEA program funds to pay for charges described in 668.164(d)(2) that are included in that authorization; and if prohibited by the Secretary under the reimbursement or cash monitoring payment method, hold on behalf of the student or parent any Title IV, HEA program, funds that would otherwise be paid directly to the student or parent.

Noncompliance: DAB did not timely make credit balance payments to the following students:

Student #19's record shows that \$2,081 in FPell funds was credited to the student account, resulting in a Title IV credit balance of \$2,038 on 5/21/2010. On 6/29/2010, DAB debited a \$2,056.25 tuition charge on the student account. There was no evidence of an authorization signed by the student that would allow the school to hold credit balance funds.

Student #24's record shows that \$2,158 in FPell funds was credited to the student account, resulting in a Title IV credit balance of \$18 on 4/2/2010. The credit balance remained on the account and had not been disbursed as of 6/20/2011.

Required Action: DAB must review the regulatory requirements governing the retention and payment of credit balances. In response, DAB must review its policies and procedures to ensure that Title IV credit balances are paid to a student within the required timeframes or implement policies and procedures for retention of student/parent credit balances, in accordance with applicable regulations. A copy of the revised policies and procedures as well as evidence of payment of the above credit balances in the form of copies of cancelled checks (front and back) or proof of electronic payment must be submitted in response to this PRR.

Finding 11. Inadequate FSEOG Policies and Procedures

Citation: To participate in the FSEOG Program, an institution of higher education shall enter into a Program Participation Agreement with the Secretary. The agreement provides that, among other things, the institution shall administer the FSEOG program in accordance with the provisions under 34 C.F.R. Part 676. In selecting eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contributions who will also receive Federal Pell Grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Federal Pell Grants. An institution shall pay in each payment period a portion of an FSEOG awarded for a full academic year. An institution shall disburse funds to a student or the student's account in accordance with the provisions in 34 C.F.R. § 668.164.

The federal share of the FSEOG awards made by an institution may not exceed 75 percent of the amount of FSEOG awards made by that institution. The non-federal share of FSEOG awards must be made from the institution's own resources, which includes for this purpose: institutional grants and scholarships; tuition or fee waivers; state scholarships; and foundation or other charitable organization funds. [34 C.F.R. §§ 676.8, 676.10, 676.16, 676.19 and 676.21]

Noncompliance: DAB does not have adequate policies and procedures to properly administer the FSEOG program. DAB's policies and procedures do not comply with the required selection criteria noted above. All students in the reviewers' sample had a 0 EFC, but DAB's packaging process does not coincide with its awarding policy. Not all eligible students with a 0 EFC were considered for a FSEOG award and award amounts were inconsistent.

The accounting records at DAB do not document that the non-federal share portion of the award was paid or credited to the student account. Furthermore, the non-Federal share of FSEOG awards must be made from the institution's own resources, which include institutional grants and scholarships, tuition or fee waivers, state scholarships, and foundation or other charitable organization funds. DAB's records do not identify the source of the non-federal match.

Required Action: DAB must strengthen its policies and procedures to ensure compliance with federal regulations. The awarding and disbursing policies must be consistently applied. DAB must not deviate from its published criteria, except as allowed by federal regulation, and as deemed allowable by institutional policy. These policies and procedures should fully describe how DAB provides the 25% of the non-federal match to FSEOG recipients, together with the federal share. A copy of the revised policies and procedures must be submitted in response to this PRR.

DAB must also provide copies of documentation to support the non-federal match made to the FSEOG account, such that the federal share of FSEOG disbursements does not exceed 75% of FSEOG awards for each of the 2009-2010 and 2010-2011 award years. If such documentation cannot be provided, liabilities to the Department will be identified. Instructions on the repayment of the liabilities will be provided in the FPRD.

Finding 12. Inaccurate Award Notifications/Missing Award Notifications

Citation: Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his/her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. [34 C.F.R. § 668.165(a)(1)]

Noncompliance: Student #16 was packaged with an incorrect EFC indicated on the second year award letter. The EFC on the 2010-11 ISIR shows 0 while the EFCs on the first and second year award letters show 0 and 750 respectively. There is no documentation to indicate that the correction was made to the student's award letter. However, the student was paid based on the correct EFC indicated on the ISIR.

In addition, no award notifications were found in the files for Students #4, #15, #17, #18, and #25.

Required Action: DAB must establish policies and procedures to ensure that accurate award amounts are communicated to its students. Additionally, DAB's policies and procedures must specify how it will notify students of disbursements and when the students can expect to receive such funds. DAB must provide a copy of its revised policies, procedures and forms in response to this PRR.

Finding 13. Satisfactory Academic Progress (SAP) Not Monitored/Inaccurately Monitored

Citation: To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under 34 C.F.R. § 668.16.

For purposes of determining student eligibility for assistance under a Title IV, HEA program, an institution must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. These standards must be consistently applied. An institution's Satisfactory Academic Progress (SAP) policy must address the qualitative and quantitative requirements each student must follow to remain eligible for Title IV aid. [34 C.F.R. § 668.16(e)]

The quantitative measurement includes a maximum time frame within which a student must complete his or her academic program. The timeframe must, among other things, (1) for an undergraduate program, be no longer than 150 percent of the published length of the educational program; and (2) be divided into increments, not to exceed the lesser of one academic year or one-half the published length of the educational program. [34 C.F.R. § 668.16(e)(2)(ii)]

Noncompliance: DAB failed to demonstrate that it properly monitored its students' Satisfactory Academic Progress (SAP).

Student #4's SAP was not monitored according to DAB's policy/procedures for monitoring SAP. The student enrolled in the Massage Therapy program of 600 clock hours. The student's SAP was monitored and certified at 50%, 75% and 100% of the course completion. DAB's SAP policy states that the evaluations for the Esthetician, Massage Therapy and Manicuring programs will be performed at 45% and 90% of the course completion. DAB disbursed \$1,783, \$67, and \$1,850 in FPell funds to the student on 6/19/2010, 8/7/2010, and 9/4/2010 respectively.

Student #5's SAP was not monitored according to DAB's policy/procedures for monitoring SAP. The student enrolled in the Massage Therapy program of 600 clock hours. Based on the documentation in the student's file, the student's SAP was monitored and certified at 50%, 75% and 100% of the course completion, instead of the 45% and 90% of course completion noted in DAB's written policies/procedures. DAB disbursed \$1,783, \$67, and \$1,850 in FPell funds to the student on 6/29/2010, 8/7/2010, and 9/4/2010 respectively.

Student #19's SAP form indicates that the student's SAP was monitored at 50%, 75% and 100% of the course completion. However, DAB failed to certify that the student was making SAP, and the FAO's Certification Signature column was left blank.

Student #20's SAP form indicates that the student's SAP was monitored at 50% and 75% of the course completion. In addition, DAB failed to thoroughly complete documentation reflecting the student met the SAP requirements. Also, the FAO's Certification Signature column was left blank.

Student #23's SAP form indicates that the student's SAP was monitored at 50%, 75% and 100% of the course completion. However, DAB failed to certify that the student was making SAP and the FAO's Certification Signature column was left blank. SAP was monitored again on 10/8/2010, but the student had withdrawn on 9/24/2010.

Student #24's SAP form indicates that the student's SAP was monitored and certified at 50% of the course completion. However, DAB failed to monitor and certify the student's SAP at 75% of the course completion. The student was still enrolled as of June 10, 2011.

Student #25's SAP was not monitored according to DAB's policy/procedures for monitoring SAP. The student enrolled in the Massage Therapy program of 600 clock hours; however, the student's SAP was monitored and certified at 50% of the course completion, instead of the 45% and 90% of course completion noted in DAB's written policies/procedures. DAB disbursed \$1,783, \$892, and \$460 in FPell funds for the second payment period to the student on 4/20/2010, 8/14/2010, and 9/4/2010 respectively, and then returned \$2,675 (\$1,783 and \$892) in FPell funds to the FPell program after the student graduated on 8/13/2010.

Required Action: DAB must implement its policies and procedures related to Satisfactory Academic Progress as written and provided to student consumers. A plan for implementing its written policies and procedures must be submitted in response to this PRR.

Finding 14. Failure to Maintain Backup Documentation of Fiscal Operations Report and Application to Participate (FISAP)

Citation: To participate in the campus-based student aid programs, including the Federal Perkins Loan, FWS, or FSEOG programs, an institution must file an application before the deadline date established annually by the Secretary. The application, referred to as a Fiscal Operations Report and Application to Participate (FISAP), is a form approved by the Secretary and contains the information needed by the Secretary to determine the institution's allocation or reallocation of funds. Except as specifically provided in 34 C.F.R. § 668.164(g), an institution shall not use funds allocated or reallocated for an award year to make FSEOG disbursements to students in any other award year; or to satisfy any other obligation incurred after the end of the designated award year. [34 C.F.R. § 673.3]

Noncompliance: DAB failed to maintain backup documentation regarding the FISAP report for the 2009-2010 award year.

Required Action: DAB must adhere to the regulations governing the completion and filing of the application for Campus-Based Program funding as well as ensuring that backup documentation is retained and available. DAB must now reconstruct backup documentation of the FISAP report for the 2009-2010 award year, and submit that documentation in response to the PRR. A lack of documentation to verify information provided on the FISAP may result in the loss of campus-based funding and/or in a liability of campus-based funding for the appropriate year. DAB must also provide an assurance that the school will adhere to regulations and record retention requirements.

Finding 15. Inadequate Protection of Students' Personally Identifiable Information

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

Additionally, the Secretary considers any breach to the security of student records and information as a potential lack of administrative capability with respect to safeguarding and protecting the confidentiality of customer information. [34 C.F.R. § 668.16(a)]

Noncompliance: The reviewers on-site noted that DAB uses students' Social Security Numbers (SSNs) in order to retrieve its students' files. The label tabs of the exterior file folders for the 30 students' files that the reviewers examined were labeled with students' SSNs and names. These file labels could have been seen by individuals who should not have access to students' personally identifiable information. This security issue was brought to the attention of the School Director.

Required Action: DAB must review its policies and procedures for the handling of personally identifiable information. DAB must update its policies and procedures to ensure that DAB staff is aware of the proper procedures for maintaining personally identifiable information. DAB must provide a description of actions taken in this regard, and a copy of the revised policies and procedures in response to this PRR.

Finding 16. Late Return to Title IV (R2T4) Funds

Citation: Federal regulations on the treatment of Title IV funds when a student withdraws state that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.

An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew. [34 C.F.R. § 668.22(a)(1)]

Noncompliance: The Student Cumulative Hours report in Student #2's file shows that the student's last date of attendance was 3/26/2010. DAB determined on 4/9/2010 that the student was no longer in attendance and needed to be withdrawn. Therefore, the R2T4 was due no later than May 24, 2010. The Student's Account Receivables report indicates that DAB did not return the funds in the amount of \$1,425.48 to the FPell Program until 7/31/2010. The refund was made 68 days late. There is no documentation in the file to support whether the funds were returned.

Required Action: DAB must establish and implement policies and procedures to ensure that any funds due are paid in a timely manner. In response to this PRR, DAB must submit copies of the revised R2T4 policies and procedures, and backup documentation to confirm that the funds were

returned to the FPell program.

Finding 17. Failure to Provide Adequate/Accurate Student Consumer Information

Citation: Federal regulations at 34 C.F.R. §§ 668.41, 668.42, 668.43, 668.53, and the Higher Education Act of 1965, as amended, section 485(a)(1) specify that specific notifications, policies and procedures must be in place and be made available to the public in the form of consumer information.

Noncompliance: DAB failed to provide adequate/accurate student consumer information as required by the above statute and regulations, including the following:

- 1) A description of all the federal, state, local, private and institutional student financial assistance programs (need based and non-need based) available to students who enroll at the institution
- 2) The cost of attending the institution, including tuition and fees charged to full-time and part-time students. Currently, students are charged a \$25.00 processing fee for a certificate of completion that is not included in consumer information
- 3) For each program, information must include:
 - Procedures and forms students use to apply
 - Student eligibility requirements
 - Criteria for selecting recipients from the group of eligible applicants
 - Criteria for determining the amount of a student's award
- 4) Availability of a GED program, if the school admits students who do not have a high school diploma or equivalent
- 5) Refund policy with which the institution is required to comply for return of unearned tuition and fees or other refundable portions of costs paid to the institution
- 6) Requirements and procedures for officially withdrawing
- 7) Summary of requirements related to Return of Title IV Funds (grant and loan aid)
- 8) Academic program information (current degree programs; instructional, lab, or other physical facilities which relate to the program(s); faculty & instructional personnel; and any plans for improving academic programs, if such plans exist
- 9) Institutional policies and sanctions regarding copyright infringement, including a statement that unauthorized distribution of copyrighted materials, such as peer-to-peer file sharing, may subject the students to civil and criminal liabilities; a summary of the penalties for violation of Federal copyright laws; and a description of the disciplinary actions taken against students engaging in unauthorized peer-to-peer file sharing using the institution's information technology system
- 10) To the extent practicable and in the method the institution determines, the International Standard Book Number (ISBN) and retail price information of required and recommended textbooks and supplemental materials. If the ISBN is not available, the author, title, publisher, and copyright date, or, if such disclosure is not practicable, the designation "To Be Determined."
- 11) "Constitution and Citizenship Day"— Confirmation that institution held an educational program commemorating the September 17, 1787 signing of the Constitution on September 17th of each year (or the preceding or following week if the 17th falls on a Saturday, Sunday, or holiday).

- 12) Voter registration forms made widely available and provided by mail or electronically to each enrolled student, unless the institution is in a state without a voter registration requirement or that allows voters to register at the time of voting
- 13) Effective July 1, 2011, disclosures to prospective and enrolled students regarding blanket written arrangements on a programmatic basis and not for individual arrangements initiated by students. A description of the written arrangement that the institution has entered, including but not limited to:
 - The portion of the educational program provided by the non-degree/certificate granting school
 - Name and location of the non-degree/certificate granting school
 - Method of delivery of the portion of the program not being offered by the degree or certificate granting school
 - Estimated additional costs the student may incur
- 14) Institution's retention rate of certificate- or degree-seeking, first-time, full-time undergraduate students (as reported to IPEDS) provided to current and prospective students; if to a prospective student, provided prior to the student's enrolling or entering into a financial obligation to the institution
- 15) Placement in and types of employment obtained by graduates, with the source of the information, to current and prospective students
- 16) If the institution advertises job placement rates to recruit students, data on employment and graduation statistics, relevant state licensing requirements, and information necessary to substantiate the truth of the claims at or prior to the time the student applies to enroll
- 17) Annual notice that describes the students' rights to review their educational records, request changes to their records, consent to disclosures of personally identifiable information, and to file complaints with the Department, as well as procedures for reviewing and amending their educational records
- 18) Specification of which school officials with legitimate educational interest have access to student education records without student consent
- 19) The types of information the institution has designated as directory information (name, address, major, etc.)

Note: The institution must maintain a record of each request (who and why) for access to and disclosure of personally identifiable information, as well as others who request personally identifiable information without written consent from the student, unless the request was from the student, a school official with legitimate educational interest, or a party seeking records due to a law enforcement subpoena containing criteria that the subpoena not be disclosed, or the request is for directory information only.
- 20) Annual notice to enrolled students of the availability of information required to be disclosed that lists and briefly describes the disclosures and how to obtain the information. If disclosed on the web site, inclusion of the exact electronic address and a statement that the institution will provide a paper copy upon request
- 21) To students selected for verification, a written statement explaining notification (how school will notify student of award changes based on verification and the timeframe for the notification)

22) Information on the Department's requirement to post items on the College Navigator web site for each institution, including a link to the institution's web site that provides in an easily accessible manner:

- student activities offered by the institution
- services offered by the institution for individuals with disabilities (including intellectual disabilities)
- career and placement services offered to students during and after enrollment, and
- institutional policies related to transfer of credit from other institutions

Required Action: DAB must provide the information listed above in its published student consumer information so it is readily available to current and prospective students. DAB must submit a copy of all of its (revised) student consumer information/publications in response to this PRR.

Finding 18. Crime Awareness Requirements Not Met

Citation: By October 1 of each year, an institution must distribute to all enrolled students and current employees, its annual security report. [34 C.F.R. § 668.41(e)(1)]

For prospective students and prospective employees, institutions must provide a notice of the availability of the annual security report, a description of its contents and an opportunity to request a copy. [34 C.F.R. § 668.41(e)(4)]

An institution must provide a geographic breakdown of the crime statistics reported according to the following categories:

- On campus
- In or on a non-campus building or property
- On public property

[34 C.F.R. § 668.46(c)(4)]

In addition, Section 485(f)(1) of the Higher Education Act (HEA) requires institutions to make certain disclosures involving crime and security to students, employees, prospective students and prospective employees. Institutions are required to make specific disclosures involving crime statistics related to crimes occurring both on campus as well as on property adjacent to the campus.

Further, the Department of Education has prepared "The Handbook for Campus Safety and Security Reporting" (2011) to assist institutions in complying with the disclosures required by the *Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act)*. The regulations governing the Campus Security Report can be found at 34 C.F.R.

§ 668.41 and 668.46. The handbook may be found at <http://www.ed.gov/admins/lead/safety/campus.html>.

Non-Compliance: DAB's annual report fails to contain the following:

Crime Statistics Reporting

- The Annual Crime Report reflects statistics for a category of "sex offenses," but does not break down the offenses as forcible or nonforcible sex offenses.
- The Annual Crime Report does not mention whether any of the reported crimes were hate crimes.
- The Annual Crime Report does not provide a geographic breakdown of crime statistics according to the required geographic categories.

Crime Policy Reporting

DAB's Campus Security Report fails to meet the regulatory requirements in the following areas:

- A statement of campus policies regarding procedures for reporting criminal actions or other emergencies occurring on campus does not include sufficient information regarding timely warning, such as the method of making a timely warning to any perceived threat to students and staff on campus (e.g., posting on the internet, calling student cell phones, posting notices prominently in a specified well-visited location);
- A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include:
 - Notification to student of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses;
 - Notification to students that the institution will change a victim's academic and living situations after an alleged sex offense and of the options for those changes, if those changes are requested by the victim and are reasonably available;
 - Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:
 - i. The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
 - ii. Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding alleging a sex offense; and
 - Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.
- A statement advising the campus community where law enforcement agency information concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address;
- A statement of policy regarding missing student notification procedures.

Required Action: DAB must modify its Campus Security Report to comply with the requirements described in the Citation section above. A copy of the modified procedures and an amended Campus Security Report must be provided in response to this PRR.

D. Recommendations

The following are recommendations based upon observations made by the review team during the program review. DAB is not required to provide a response to, nor is DAB required to act upon, these recommendations. However, the review team believes that adoption of these recommendations will assist the institution in its administration of Title IV, HEA program funds.

Since Mr. David Mojadidi, School Director, is involved in the daily operation of the school, it is our recommendation that he attend and complete the Fundamentals of Title IV Administration training.

In addition, it is our recommendation that DAB officials/staff attend its State and Regional Financial Aid Association conferences on an annual basis.

Finally, the review team recommends that DAB immediately review, revise, and strengthen, as necessary, all of its policies and procedures with regard to Title IV administration. To rewrite and strengthen its policies and procedures, the review team also recommends that DAB organize the policies and procedures by having a written description for each policy and procedure in a separate section. Compiling each individual policy and procedure into a section and then placing all of the sections in a larger document/binder with a menu will allow the institution to clearly provide the required policies and procedures to all prospective and current students as well as new and current staff as required by Title IV regulations.

Appendix A: Student Sample

2009-2010

Student's Name

Student's SSN

2010-2011

Student's Name

Student's SSN

Confidential – This document contains Personally Identifiable Information and has been sent to DAB electronically in an encrypted format.

Appendix F

Disbursement Records for Each Student

Confidential – This document contains Personally Identifiable Information (to be e-mailed to DAB in encrypted format)