

Index Sheet

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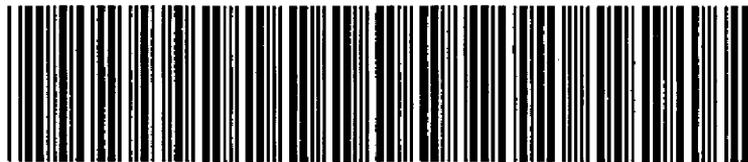
School Year: 2012

ACN:

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November 8, 2012

Mr. Douglas Harley
President/CEO
Harley's Beauty & Barber Career Institute
1510 Ontario Street
Columbia, SC 29204-1919

UPS Next Day Air
#1ZA5467Y0192805970

RE: Final Program Review Determination
OPE ID: 03892300
PRCN: 201140427665

Dear Mr. Harley:

The U.S. Department of Education's (Department's) School Participation Division -Atlanta issued a program review report on March 1, 2012 covering Harley's Beauty & Barber Career Institute's (Harley'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. Harley's final response was received on June 12, 2012. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Harley upon request.

Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

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

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

Atlanta School Participation Division
61 Forsyth St. SW, Room 18T40
Atlanta GA 30303-8918

The total liabilities due from the institution from this program review are \$ 1,127. This FPRD contains detailed information about the liability determination for all findings. The institution must also pay \$14,765 in credit balances to students.

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 of the findings reference students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the March 1, 2012 program review report. If Harley's 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 Harley receives this FPRD. An original and four copies of the information Harley 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

Harley'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. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b) (2) of the HEA, 20 U.S.C. § 1094(b) (2). The procedures followed with respect to ECC'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.

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 Oscar Howard at (404) 974-9294. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely

(b)(6); (b)(7)(C); (b)(7)(C)

Charles Engstrom
Director

Enclosure:
Protection of Personally Identifiable Information

cc: Mr. Tony Mirando, Executive Director, National Accrediting Commission of Career Arts & Sciences

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 and are encrypted with AES encryption.

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.

Prepared for
**Harley's Beauty & Barber
Career Institute**

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

OPE ID: 03892300
PRCN: 201120427665

Prepared by: **Oscar Howard**
U.S. Department of Education
Federal Student Aid
School Participation Team – Atlanta

Final Program Review Determination

November 8, 2012

School Participation Division – Atlanta
61 Forsyth ST. SW, Room 18T40, Atlanta, GA 30303
www.FederalStudentAid.ed.gov

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OPE ID: 03892300
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A. Institutional Information

Harley's Beauty & Barber Career Institute
1510 Ontario Street
Columbia, SC 29204-1919

Type: Proprietary

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

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 26

% of Students Receiving Title IV: 75%

Title IV Participation:

Fiscal records: PCNET - 2010/2011

Federal Pell Grant	\$ 31,450
Federal Direct Loan Program	42,903

Default Rate:	
Federal Direct Student Loan	2010- 22.6%
	2009- 15.7%
	2008- 09.0 %

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Harley's Beauty & Barber Career Institute (Harley's) from September 19-23, 2011. The review was conducted by Oscar Howard and Angelique James.

The focus of the review was to determine Harley's compliance with the statutes and federal regulations as they pertain to the eligibility of Harley's programs for participation in Title IV programs. The review consisted of an examination of Harley'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).

A sample of 29 files was identified for review from the 2009-2010 and 2010-2011 award years. The files were the total population of students receiving Title IV, HEA program funds for each award year. Appendix- A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

Harley has taken the corrective actions necessary to resolve findings 4, 5, 8, 9, 10, 11, 12 and 14-17 of the program review report. Therefore, these findings may be considered closed. Findings requiring further action by Harley are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Harley's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on March 1, 2011 is attached as Appendix B.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

Finding #1 Lack of Administrative Capability

Citation Summary: *The Secretary considers an institution to have demonstrated administrative capability, if the institution pursuant to 34 C.F.R. § 668.16 (b) (1) and 34 C.F.R. § 668.23 administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, including the following:*

- *Designates a capable individual to be responsible for administering all Title IV programs in which it participates, and coordinates the programs with the institution's other Federal and non-Federal programs of student financial assistance.*
- *Uses an adequate number of qualified persons to administer the Title IV programs.*
- *Communicates all information received by any institutional office that bears on a student's eligibility for Title IV, HEA assistance to the individuals designated to be responsible for administering the Title IV programs.*
- *Develops and applies an adequate system to identify and resolve discrepancies in the information it receives from different sources with respect to a student's application for Title IV financial aid.*
- *Administers the 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.*
- *Does not otherwise appear to lack the ability to administer the Title IV, HEA programs competently.*

Noncompliance Summary: *Serious areas of non-compliance with Title IV, HEA regulations and statutes were noted during the week of the program review at Harley's Beauty & Barber Career Institute and upon an examination of student files. The following examples are provided:*

- *Inadequate and Incomplete Documentation Submitted For Disbursement Approval Under Heightened Cash Monitoring (HCM2) Method of Payment*
- *Late Compliance Audit Submission*
- *Late Credit Balances*
- *Inaccurate Attendance Records*
- *Ineligible Student*
- *Inaccurate Student Account Ledgers*
- *Missing Bank statements*
- *Consumer Information Requirement Not Met*
- *Campus Security Requirement Not Met*

Required Action Summary: *To continue participation in any Title IV, HEA program, an institution must demonstrate that it is capable of adequately administering that program under standards established by the Secretary. The Secretary considers an institution to have administrative capability if it establishes and maintains student financial aid records pursuant to 34 C.F.R. §668. 16.*

Failure to comply with the provisions of this section may lead to loss of eligibility and/or administrative action.

Harley's Response:

Harley responded that the institution understands and agrees that compliance with the provisions in the program review report is of the utmost importance. The institution understands the importance of proper documentation and record keeping and acknowledges a lack of administrative capability on their behalf. The institution has removed Ms. Harley from the position of financial administrator and taken the appropriate step in resolving the issues in the program review report.

Final Determination:

Harley admitted in their response a lack of administrative capability in the administering the Title IV, HEA programs. Harley further stated that it had taken appropriate step in resolving the issues of the program review report.

Even after the program review report was issued identifying serious lack of administrative capability issues, the institution failed to take the appropriate steps to meet its responsibilities under its provisional program participation agreement (PPA).

Harley continually failed to submit acceptable documentation to the U. S Department of Education (Department) under the HCM2 method in order for eligible students to be paid creating an undue hardship on the students and their parents.

As, a result of continually being unable to meet its responsibilities under its PPA, the Department revoked Harley's participation in the Title IV, HEA programs on May 8, 2012. The Department determined that Harley's failed to meet the financial responsibility standards, lacks the administrative capability to properly administer the Title IV, HEA programs, and thus, does not qualify as a fiduciary.

On June 14, 2012, Harley made a request to be allowed to voluntary withdraw from the Title IV, HEA programs in lieu of proceeding with the May 8, 2012 revocation action. The Department agreed to reverse the revocation action and replace it with the voluntary withdrawal action.

Harley's is reminded that per the voluntarily withdraw agreement they were required to perform a close-out audit and submit that audit to the Department within 90 days.

Finding #2 Inadequate and Incomplete Documentation Submitted For Disbursement Approval Under Heightened Cash Monitoring (HCM2) Method of Payment

Citation Summary: *Under the HCM2/Reimbursement method, an institution must first make disbursements to students and parents (credit student ledgers) for the amount of Title IV, HEA program funds that those students and parents are eligible to receive, before the institution submits a request for funds. The institution's request may not exceed the amount of the actual disbursements the institution made to the students and parents included in that request. 34 C. F. R. §668.167*

Noncompliance Summary: *Harley's was transferred from the advanced method of payment to the Heightened Cash Monitoring 2 (HCM2) method of payment effective 03/24/11. Students enrolled at Harley's during the second half of the 2009/2010 award year (March-June) and the complete 2010/2011 award year submitted their financial aid documentation to Harley for their financial aid to be process for Federal Pell Grant and Federal Direct Loan.*

Harley's has failed to submit acceptable documentation to the Department under the HCM2 method in order for the eligible students to be paid. Failure to submit acceptable documentation for disbursement approval has caused an undue hardship on the students and parents. In addition, not submitting acceptable documentation for disbursement approval for eligible students is an indication of the institution's lack of administrative capability.

Required Action Summary: *The institution must immediately implement a system to comply with the HCM2 requirements. Harley's must immediately submit acceptable documentation for all eligible students who are entitled to Title IV funds. Failure to comply with the provisions of this section may lead to loss of eligibility and/or administrative action.*

Harley's Response:

Harley's responded the institution understands the importance of proper documentation and record keeping and acknowledges a lack of administrative capability. Harley states they have implemented a three point check system to keep things in order. The institution further states that their most recent HCM2 submission will be accepted.

Final Determination: Harley failed to submit any acceptable HCM2 submission for the eligible students enrolled. Failure to submit acceptable documentation for disbursement

approval caused an undue hardship on the students and parents. Failure to properly administer the Title IV, HEA programs resulted in loss of eligibility.

No further action is required given Harley's voluntarily withdrew from Title IV participation.

Finding #3 Current Audit Report Submitted Late

Citation Summary: *In accordance with 34 C.F.R. § 668.23, an institution must at least annually have an independent auditor conduct a compliance audit of its administration of the Title IV, HEA program(s) in which it participates and an audit of the institution's general purpose financial statements. These audits must, among other requirements, be conducted in accordance with the Department's Office of Inspector General January 2000 SFA Audit Guide, and must be submitted to the Department no later than six months after the last day of the institution's fiscal year. 34 C.F.R. § 668.23(a) (4), (b) (2), (d)*

Noncompliance Summary: *Harley failed to submit its compliance and financial statement audits for the period 01/01/2010 – 12/31/2010, as required by regulations. The audit should have been submitted through the Department's eZ-audit system no later than 6/30/2011. The audit was submitted on 9/23/2011.*

Required Action Summary: *By signing the Program Participation Agreement with the Department of Education (Department) Harley's Beauty & Barber Career Institute (Harley's) agreed to comply with all Title IV, HEA program requirements and to adhere to the fiduciary standard of conduct set forth at 34 C.F.R. § 668.82. Harley's must immediately implement procedures to ensure that it's SFA compliance audit and audited financial statements are submitted no later than six months after the last day of the institution's fiscal year.*

Failure to submit compliance and financial statement audit by the due date is an indication of an institution lack of administrative capability and may result in an adverse action by the Department.

Harley's Response:

Harley's responded the institution understands the importance of proper documentation and record keeping and acknowledges a lack of administrative capability. Harley states they have implemented a three point check system to keep things in order.

Final Determination: *Harley failed to address the late audit submission in their response to this finding. The Department determined that Harley's failed to meet the financial responsibility standards, lacks the administrative capability to properly administer the Title IV, HEA programs which results in loss of eligibility.*

Finding #6 Late Return of Credit Balances

Citation Summary: Pursuant to 34 C.F.R. §668.164, of the General Provisions Federal Regulations, 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 (for Federal PLUS Loan) as soon as possible, but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. This 14-day requirement is now a standard for all FSA programs.

A school is permitted to hold excess funds (credit balances) if it obtains a voluntary authorization from the student or parent. If a school receives authorization to hold excess funds, the school must identify the student or parent and the amount of funds the school holds for the student or parent in a subsidiary ledger account designated for that purpose. A school may not require or coerce a student to provide authorization, and a school must allow for cancellation or modification of the authorization at any time. The school must maintain, at all times, cash bank account at least equal to the amount the school holds for students. Because Federal Student Aid Program funds are awarded to students to pay current year charges, notwithstanding any authorization obtained by a school from a student or parent, the school must pay any remaining balance on loan funds by the end of the loan period, and any other remaining Federal Student Aid program funds by the end of the last payment period in the award year for which they were awarded. If the U.S. Department of Education determines that the school has failed to meet financial responsibility standards, a limitation may be placed on the school preventing it from holding excess funds for any student. 34 C.F.R. § 668.164

Noncompliance Summary: A review of the payment ledger for students #1, #2, #5, #6, #8, #10 and #11 revealed that the Institution did not pay the Title IV credit balances to the students in a timely manner. No authorization forms were found in their financial aid file folders to hold excess funds.

Student #1's credit balance of \$2,372 was created on 04/28/10. The credit balance was still outstanding on 09/19/2011 the week of the program review.

Student #2's credit balance of \$1,113 was created on 05/20/10. The credit balance was still outstanding the week of the program review.

Student #5's credit balance of \$830 was created on 03/10/10. The credit balance was still outstanding the week of the program review.

Student #6's credit balance of \$1,395 was created on 05/20/10. The credit balance was still outstanding the week of the program review.

Student #8's credit balance of \$2,814 was created on 02/04/11. The credit balance was still outstanding as of the week of the program review.

Student #10's credit balance of \$3,804 was created on 05/20/10. The credit balance was still outstanding as of the week of the program review.

Student #11's credit balance of \$495 was created on 07/13/09. The credit balance was still outstanding as of the week of the program review.

Required Action Summary: *Harley's was required to establish written policies and procedures regarding its handling of Title IV credit balances. The institution also had to submit a copy of its written policies and procedures in response to this finding. Harley's had to pay the outstanding credit balances to the students listed and provide proof payment has been made in their response to this finding.*

In addition, Harley's had to conduct a file review of all students enrolled for the 2009/2010 and the 2010/2011 award years and identify all students with a credit balance due during the award years.

Harley's Response:

Harley submitted a copy of its written policies and procedures in response to this finding. Harley stated they understand that there are outstanding credit balances and that it has never been their intention to keep any money belonging to the students. Harley further states because of the break down in administration, they have not been able to return the money.

Harley indicated that once they receive payment for students from the 2010/2011 award year they will immediately return the money to the students. To prevent this from occurring again, Harley will utilize "Smart" software that will flag the financial aid administrator when a credit balance occurs so that credit balances can be made on time.

Harley enclosed the IPA file review report as requested.

Final Determination: Based upon the documentation provide by Harley as a result of the file review and reviewed by an IPA, the outstanding credit balances owed by Harley are listed below:

STUDENT	AWARD YEAR	AMOUNT DUE	
(b)(6); (b)(7)(C), (b)(7)(C)	2009/2010	\$ 2,458.00	
	2009/2010	1,113.00	
	2009/2010	86.00	
	2009/2010	1,483.00	
	2010/2011	2,900.00	
	2009/2010	1,535.00	
	2009/2010	2,905.00	

(b)(6); (b)(7)(C)	2009/2010	2,285.00	
TOTAL		\$ 14,765.00	

Harley must pay \$14,765.00 in credit balances to the students listed above.

Finding #7 Federal Pell Grant Disbursed Prior To Midpoint

Citation Summary: *The Pell Grant Payment Schedule establishes the student's Schedule award. The Schedule Award is a maximum that can't be exceeded. The annual award is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. The amount of a student's award for an award year may not exceed his or her Scheduled Federal Pell Grant award for that year.*

The Federal Pell Grant for a payment period is determined by dividing the annual Schedule Award by two at institutions using semesters. A single disbursement may not exceed 50 percent of any award. The institution may not disburse an amount that exceeds 50 percent of the student annual award until the student has successfully completed half of the number of clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year. 34 C.F. R. §690.63 and §668.4

Noncompliance Summary: *Harley's paid student #3, #6 and # 14 more than 50 percent of the annual Scheduled Federal Pell Grant award amount prior to the students successfully completing half of the number of clock hours in the academic year and half of the number of weeks of instructional time in the academic year.*

Student #3 was paid a second Federal Pell disbursement on 09/02/2009. The student had only completed 222 clock hours.

Required Action Summary: *Harley's must award and disbursed Federal Pell Grant funds in accordance with the Federal Pell Grant regulations. Failure to properly administer the Federal Pell Grant program deprives eligible students of funds and caused increased expense for the U. S. Department of Education.*

Harley's Response:

Harley's stated they are aware of the Federal Pell Grant regulations and understands the importance of proper documentation and record keeping. Harley's further states they are aware of proper disbursement timing and no longer will Pell Grants be disbursed prior to midpoint.

Final Determination: *A review of the work papers for the students listed above indicates that although there were disbursements made prior to the students successfully completing half of the number of clock hours in the academic year and half of the number of weeks of instructional time in the academic year, none of the students were incorrectly paid and all of the students completed the hours and weeks.*

The review of the work papers also revealed that student #16 of the sample was paid prior to completing the required clock hours and never did complete the clock hours required to receive the final disbursement. During the 2009/2010 award year, the student was paid the entire award year for payment period of 901-1200 clock hours. The student was only eligible for \$1,033. The student was paid \$2067 which was the entire award period of 901-1200 and 1200-1500 clock hours. The student only completed 1013 clock hours. Harley's is liable for the Pell overpayment of \$1,034.

Finding #13 Inaccurate Attendance Records

Citation Summary: *An institution shall establish and maintain, on a current basis, any program records that document a student's or parent borrower's eligibility for Title IV, HEA funds. 34 C.F.R. §668.16(e) and §668.32. An institution will establish and maintain such administrative procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary. 34 C.F.R. §668.14.*

Noncompliance Summary: *The attendance records for all of the students in the sample for both award years were incorrect. For all of the students, Harley's included the lunch time in the clock hours earned calculation. In addition to this, below are some examples of students who attendance record was inaccurate.*

Student #1's attendance records show 57 hours on 03/13/09 and 18 hours on 05/11/09.

Student #3's attendance records show 16 hours on 12/18/09, 16 hours on 3/6/10, 34 hours on 4/28/10 and 18 hours on 5/11/10.

Student #10's attendance records show 22 hours on 12/11/09.

Student # 20's attendance records show 71 hours on 9/11/09, 26 hours on 9/15/09 and 21 hours on 9/17/09.

Student #24's attendance records show 11 hours on 9/11/09 and 14 hours on 4/22/10.

Student # 26's attendance records show 18 hours on 2/11/10, 11 hours on 2/19/10 and 24 hours on 3/18/10.

Student #29's attendance records show 26 hours on 3/24/11 and 20 hours on 5/10/11.

Required Action Summary: *Harley's was required to conduct a file review of all student's attendance records for the 2009/2010 and 2010/2011 award years. Harley's had to reconstruct the attendance records for each student for the award periods. Harley's was instructed make an adjustment to each student record to correct the lunch time being included in the hours earned. In addition, Harley's was required to recalculate each student daily, weekly and monthly hours to determine if all students met the eligibility requirement for each payment period.*

Any students identified as not meeting the earned hour eligibility requirement for any payment period was to be submitted to this office in its response.

Harley's Response:

Harley's has begun to utilize the Time Clock software to schedule students for their contracted time. Students will no longer be able to work more than 6 hours without a break. Harley's will also prevent students from clocking in when not scheduled. Harley's will also be notified when a student has been absent 5 days. The student will be contacted to determine the current issue and address it accordingly. If a student does not return after 10 (ten) consecutive school days, the student will be terminated and appropriate documentation will be placed in the student's file. The student catalog has been amended and current students have signed to acknowledge they have received a copy of the new catalog and understand all items contained therein, i.e. correct time clock procedures.

We can only insure that this does not occur again. However the student's attendance records have been updated to remove times in which the student failed to log out of the time clock. Attached are SC Labor board rules and Regulations, and Federal Labor Laws rules and regulations that state no lunch break is required by State law. Since no requirements are found in SC State Law, then we are governed by Federal Law which does not require this break. It is up to the sole discretion of the institution, but Harley's will comply with the Dept. of Education finding.

Final Determination: A review of the documentation submitted by Harley's indicates that in reconstructing the attendance records, Harley's failed to make the required adjustment to correct the lunch time break being included in the daily hours earned.

Harley's failure to complete all the required action for this finding is another indication of its lacks of administrative capability to properly administer the Title IV, HEA programs which resulted in its loss of eligibility.

D. Summary of Liabilities

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

Liabilities	Pell	
Finding - 6	\$14,765	
Finding -7	\$ 1,034	
Subtotal - 1	\$15,799	
Interest/SA	\$ 93	
Excess Cash		
ACA		
Subtotal 2	\$15,892	
TOTAL	\$15,892	
Payable To:		TOTAL
Department	\$ 1,127	\$ 1,127
Students	14,765	
Lenders		
Inst Accounts		\$

E. Payment Instructions

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

Harley's owes to the Department \$1,127. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
 P.O. Box 979026
 St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the

school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: \$1,127
DUNS: 799668454
TIN: 562039736
PRCN: 201140427665

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. Harley's 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 Harley's account representative.

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

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461
Attn: Cindy Dixon

If within 45 days of the date of this letter, Harley's 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 Harley's from the Federal Government. **Harley's may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Harley's 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.

2. Liabilities Owed to Students

Finding(s): 6 - \$14,765

Harley's must make a good faith effort to pay the amount listed above to the student(s) listed above.

If Harley's cannot locate a student, payment must be made to the account of the program from which the award was made. If that cannot be determined, the funds must be paid in the order required for the return of funds specified in 34 C.F.R. § 668.22(i):

- Unsubsidized Federal Stafford loans
- Subsidized Federal Stafford loans
- Unsubsidized Federal Direct Stafford loans
- Subsidized Federal Direct Stafford loans
- Federal Perkins Loans
- Federal PLUS loans received on behalf of the student
- Federal Direct PLUS received on behalf of the student
- Federal Pell Grants
- Academic Competitiveness Grants
- National SMART Grants
- FSEOG Program aid
- TEACH Grants

Harley's must provide proof of payment to the student by submitting a copy of the front and back of the canceled check to (b)(6); (b)(7)(C); (b)(7)(C) 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 EFT to the student's or parent's bank account, Harley's 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. Harley's must document its attempts to contact the student and provide proof of payment and COD adjustments to the applicable Title IV program to Oscar Howard. The Department will not consider this program review closed until the information requested has been received.

APPENDICES

APPENDIX-A

2009/2010

	(b)(6); (b)(7)(C), (b)(7)(C)
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9.	
10.	
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13.	
14.	
15.	
16.	
17.	
18.	

2010/2010

	(b)(6); (b)(7)(C), (b)(7)(C)
19.	
20.	
21.	
22.	
23.	
24.	
25.	
26.	
27.	
28.	
29.	

APPENDIX-B



START HERE
GO FURTHER
FEDERAL STUDENT AID

**Prepared for
Harley's Beauty & Barber Career
Institute**

**OPE ID 03892300
PRCN 201140427665**

**Prepared by
Federal Student Aid
School Participation Team - Atlanta**

Program Review Report

March 1, 2012

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Harley's Beauty & Barber Career Institute
OPEID: 038923 00
PRCN: 201140427665

A. Institutional Information

Harley's Beauty & Barber Career Institute
1510 Ontario Street
Columbia, SC 29204-1919

Type: Proprietary

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

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and
Sciences

Current Student Enrollment: 10

% of Students Receiving Title IV: 100%

Title IV Participation:

Fiscal records: 2010/2011

Federal Pell Grant	\$ 31,450
Federal Direct Loan Program (FDLP)	42,903

Default Rate FFEL/DL:	2009- 15.7 %
	2008- 9.0 %
	2007- 13.0 %

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Harley's Beauty & Barber Career Institute (Harley's) from 09/19/2011 to 09/23/2011. The review was conducted by Oscar Howard and Angeline James.

The focus of the review was to determine Harley'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 Harley's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, students account ledgers, and fiscal records.

A sample of files was identified for review. The files were selected randomly from a statistical sample of the total population Title IV, HEA program funds for each award year.

Disclaimer:

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

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

C. Findings

During the review, several areas of noncompliance were noted. Findings of non-compliance are referenced to the applicable statutes and regulations and specify the actions to be taken by the Institution to bring operations of the financial aid programs into compliance with the statutes and regulations.

1. Lack of Administrative Capability

Citation: The Secretary considers an institution to have demonstrated administrative capability, if the institution pursuant to 34 C.F.R. § 668.16 (b) (1) and 34 C.F.R. § 668.23 administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, including the following:

- Designates a capable individual to be responsible for administering all Title IV programs in which it participates, and coordinates the programs with the institution's other Federal and non-Federal programs of student financial assistance.
- Uses an adequate number of qualified persons to administer the Title IV programs.
- Communicates all information received by any institutional office that bears on a student's eligibility for Title IV, HEA assistance to the individuals designated to be responsible for administering the Title IV programs.
- Develops and applies an adequate system to identify and resolve discrepancies in the information it receives from different sources with respect to a student's application for Title IV financial aid.
- Administers the 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.
- Does not otherwise appear to lack the ability to administer the Title IV, HEA programs competently.

Noncompliance: Serious areas of non-compliance with Title IV, HEA regulations and statutes were noted during the week of the program review at Harley's Beauty & Barber Career Institute and upon an examination of student files. The following examples are provided:

- Inadequate and Incomplete Documentation Submitted For Disbursement Approval Under Heightened Cash Monitoring (HCM2) Method of Payment
- Late Compliance Audit Submission
- Late Credit Balances
- Inaccurate Attendance Records
- Ineligible Student

- Inaccurate Student Account Ledgers
- Missing Bank statements
- Consumer Information Requirement Not Met
- Campus Security Requirement Not Met

Required Action: To continue participation in any Title IV, HEA program, an institution must demonstrate that it is capable of adequately administering that program under standards established by the Secretary. The Secretary considers an institution to have administrative capability if it establishes and maintains student financial aid records pursuant to 34 C.F.R. §668.16.

Failure to comply with the provisions of this section may lead to loss of eligibility and/or administrative action. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

2. Inadequate and Incomplete Documentation Submitted For Disbursement Approval Under Heightened Cash Monitoring (HCM2) Method Of Payment

Citation: Under the HCM2/Reimbursement method, an institution must first make disbursements to students and parents (credit student ledgers) for the amount of Title IV, HEA program funds that those students and parents are eligible to receive, before the institution submits a request for funds. The institution's request may not exceed the amount of the actual disbursements the institution made to the students and parents included in that request. 34 C. F. R. §668.167

Noncompliance: Harley's was transferred from the advanced method of payment to the Heightened Cash Monitoring 2 (HCM2) method of payment effective 03/24/11. Students enrolled at Harley's during the second half of the 2009/2010 award year (March-June) and the complete 2010/2011 award year submitted their financial aid documentation to Harley for their financial aid to be processed for Federal Pell Grant and Federal Direct Loan.

Harley's has failed to submit acceptable documentation to the Department under the HCM2 method in order for the eligible students to be paid. Failure to submit acceptable documentation for disbursement approval has caused an undue hardship on the students and parents. In addition, not submitting acceptable documentation for disbursement approval for eligible students is an indication of the institution's lack of administrative capability.

Required Action: The institution must immediately implement a system to comply with the HCM2 requirements. Harley's must immediately submit acceptable documentation for all eligible students who are entitled to Title IV funds.

Failure to comply with the provisions of this section may lead to loss of eligibility and/or administrative action. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

3. Current Audit Report Submitted Late

Citation: In accordance with 34 C.F.R. § 668.23, an institution must at least annually have an independent auditor conduct a compliance audit of its administration of the Title IV, HEA program(s) in which it participates and an audit of the institution's general purpose financial statements. These audits must, among other requirements, be conducted in accordance with the Department's Office of Inspector General January 2000 SFA Audit Guide, and must be submitted to the Department no later than six months after the last day of the institution's fiscal year. 34 C.F.R. § 668.23(a)(4),(b)(2),(d)

Noncompliance: Harley's failed to submit its compliance and financial statement audits for the period 01/01/2010 – 12/31/2010, as required by regulations. The audit should have been submitted through the Department's eZ-audit system no later than 6/30/2011. The audit was submitted on 9/23/2011.

Required Action: By signing the Program Participation Agreement with the Department of Education (Department) Harley's Beauty & Barber Career Institute (Harley's) agreed to comply with all Title IV, HEA program requirements and to adhere to the fiduciary standard of conduct set forth at 34 C.F.R. § 668.82. Harley's must immediately implement procedures to ensure that its SFA compliance audit and audited financial statements are submitted no later than six months after the last day of the institution's fiscal year.

Failure to submit compliance and financial statement audit by the due date is an indication of an institution lack of administrative capability and may result in an adverse action by the Department. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

4. Ineligible Students-No Valid High School Diploma and/or GED

Citation: Pursuant to 34 C.F.R. § 668.32, a student is eligible to receive Title IV, HEA program assistance if the student

- is a regular student enrolled, or accepted for enrollment, in an eligible program at an institution;
- has a high school diploma or its recognized equivalent;

Noncompliance: Student #12 and #14 did not have a valid high school diploma or GED in their files. The financial aid director stated student #14 took the ATB test on 10/9/09. No ATB documentation was provided during the week of the program review.

Required Action: The institution must provide a valid high school diploma or GED for student # 12 and # 14. If the institution is unable to provide a valid high school diploma or GED the funds disbursed will become an Institution liability. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

5. Incomplete Verification/Conflicting Documentation

Citation: Pursuant to 34 C.F.R. §§ 668.56 through 668.59, of the General Provisions regulations, an Institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for student financial assistance.

Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. The regulations also require an Institution to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV programs.

Noncompliance: The Institution failed to complete verification for student #29 of the sample.

Student #29 was selected for verification for the 2010-2011 award year. Harley's failed to complete verification.

Required Action: Harley's must complete verification for student #29 and provide documentation to this office to show verification has been completed. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

6. Late Return of Credit Balances

Citation: Pursuant to 34 C.F.R. §668.164, of the General Provisions Federal Regulations, 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 (for Federal PLUS Loan) as soon as possible, but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. This 14-day requirement is now a standard for all FSA programs.

A school is permitted to hold excess funds (credit balances) if it obtains a voluntary authorization from the student or parent. If a school receives authorization to hold excess funds, the school must identify the student or parent and the amount of funds the school holds for the student or parent in a subsidiary ledger account designated for that purpose.

A school may not require or coerce a student to provide authorization, and a school must allow for cancellation or modification of the authorization at any time. The school must maintain, at all times, cash bank account at least equal to the amount the school holds for students. Because Federal Student Aid Program funds are awarded to students to pay current year charges, notwithstanding any authorization obtained by a school from a student or parent, the school must pay any remaining balance on loan funds by the end of the loan period, and any other remaining Federal Student Aid program funds by the end of the last payment period in the award year for which they were awarded. If the U.S. Department of Education determines that the school has failed to meet financial responsibility standards, a limitation may be placed on the school preventing it from holding excess funds for any student. 34 C.F.R. § 668.164

Noncompliance: A review of the payment ledger for students #1, #2, #5, #6, #8, #10 and #11 revealed that the Institution did not pay the Title IV credit balances to the students in a timely manner. No authorization forms were found in their financial aid file folders to hold excess funds.

Student #1's credit balance of \$2,372 was created on 04/28/10. The credit balance was still outstanding on 09/19/2011 the week of the program review.

Student #2's credit balance of \$1,113 was created on 05/20/10. The credit balance was still outstanding the week of the program review.

Student #5's credit balance of \$830 was created on 03/10/10. The credit balance was still outstanding the week of the program review.

Student #6's credit balance of \$1,395 was created on 05/20/10. The credit balance was still outstanding the week of the program review.

Student #8's credit balance of \$2,814 was created on 02/04/11. The credit balance was still outstanding as of the week of the program review.

Student #10's credit balance of \$3,804 was created on 05/20/10. The credit balance was still outstanding as of the week of the program review.

Student #11's credit balance of \$495 was created on 07/13/09. The credit balance was still outstanding as of the week of the program review.

Required Action: Harley's must establish written policies and procedures regarding its handling of Title IV credit balances. The written procedures should including the following:

1. Define a Title IV credit balance.
2. Identify the individual(s) responsible for notifying and paying the credit balance to the student and the procedure for making payment.

3. Whether the institution retains credit balances on the accounts of students and if so, how it obtains authorizations from the student or parents.
4. The normal procedure to return an unpaid credit balance to a student as he or she approaches the end of a term, award year or loan period.
5. The steps the institution follows when it cannot locate a student for whom it owes a credit balance payment and
6. The disposition of any credit balance checks returned as not deliverable (e.g., credit back to the student's account).

The institution must submit a copy of its written policies and procedures in response to this finding. If the institution retains credit balances on the accounts of students, the institution must create an authorization form for the students and/or parents to sign giving permission to hold the credit balance. Harley's must pay the outstanding credit balances to the students listed and provide proof payment has been made in their response to this finding.

In addition, Harley's must conduct a file review of all students enrolled for the 2009/2010 and the 2010/2011 award years and identify all students with a credit balance due during the award years. Harley's must report the results of its review in response to this report. The institution must review each file and provide the following information.

1. Student Name and Social Security Number
2. Award Year
3. Amount and date credit balance created
4. Amount and date credit balance paid to student
5. Copy of check paid, front and back

Example:

Student	Ssn (last 4)	Award Year	Amount/Date created	Amount/date paid to student
Totals				

The institution must engage an independent Public Accountant (IPA) to test the file review completed by the Institution. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Oscar Howard within 30 days of the institution's receipt of the Program Review Report. Mr. Howard will review the procedures, indicate if any changes are needed, and approve the procedures.

The IPA must apply the Agreed upon Procedures to test the file review(s) completed by institution, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the Program Review

Report. The IPA must prepare the report in accordance with AICPA Attestations Standards. The IPA's report must be submitted with the institution's response to this Program Review Report.

The results of this file review must be submitted in an excel spreadsheet or similar format. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

7. Federal Pell Grant Disbursed Prior To Midpoint

Citation: The Pell Grant Payment Schedule establishes the student's Schedule award. The Schedule Award is a maximum that can't be exceeded. The annual award is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. The amount of a student's award for an award year may not exceed his or her Scheduled Federal Pell Grant award for that year.

The Federal Pell Grant for a payment period is determined by dividing the annual Schedule Award by two at institutions using semesters. A single disbursement may not exceed 50 percent of any award. The institution may not disburse an amount that exceeds 50 percent of the student annual award until the student has successfully completed half of the number of clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year. 34 C.F. R. §690.63 and §668.4

Noncompliance: Harley's paid student #3, #6 and # 14 more than 50 percent of the annual Scheduled Federal Pell Grant award amount prior to the students successfully completing half of the number of clock hours in the academic year and half of the number of weeks of instructional time in the academic year.

Student #3 was paid a second Federal Pell disbursement on 09/02/2009. The student had only completed 222 clock hours.

Required Action: Harley's must award and disbursed Federal Pell Grant funds in accordance with the Federal Pell Grant regulations. Failure to properly administer the Federal Pell Grant program deprives eligible students of funds and caused increased expense for the U. S. Department of Education.

The institution's response must also provide a description of the steps that will be taken to prevent a repeat of this finding in the future.

8. Federal Direct Loan Program (FDLP) Funds Disbursed Prior To Midpoint

Citation: For a program that measures progress in clock hours, the first payment period is the period of time in which the student successfully completed half of the number of clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year.

The second payment period is the period of time in which the student successfully completes the remainder of the program. The institution may not disburse an amount that exceeds 50 percent of the student annual award until the student has successfully completed half of the number of clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year. 34 C.F. R. § 668.4

Noncompliance: Student #1 was disbursed the second half of FDLF funds prior to completing 451 clock hours. The attendance record shows the student only had completed 326 clock hours at the time of the disbursement.

Required Action: Harley's must award and disburse FDLF funds in accordance with the Federal regulations. Failure to properly administer the FDLF deprives eligible students of funds and caused increased expense for the U. S. Department of Education.

The institution's response must also provide a description of the steps that will be taken to prevent a repeat of this finding in the future.

9. Return To Title IV (Refunds) Not Calculated For Withdrawn Students

Citation: An institution is required to perform a refund calculation to return funds to the applicable Title IV program when a recipient withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. 34 C.F.R. §668.22

Noncompliance: The institution did not perform a required Return of Title IV Funds (Return) calculation for students #7, #10, #14, #16, #17 and #26 of the sample who withdrew during the period of enrollment.

The institution indicated that the students withdrew after the 60% point-in-time, and that there were no unearned funds. An institution must still complete a Return calculation in order to determine whether the student is eligible for a post-withdrawal disbursement.

Required Action: The institution is required to perform a (Return) calculation when a recipient withdraws from an institution during a payment period or period of enrollment and determine the amount of funds to be returned to the Title IV, HEA Programs.

In response to this finding, please provide a copy of the (Return) calculations for the above-mentioned students. The institution's response must also provide a description of the steps that will be taken to prevent a repeat of this finding in the future.

10. Missing and/or Inaccurate Academic Records

Citation: An institution shall establish and maintain, on a current basis, any program records that document a student's or parent borrower's eligibility for Title IV, HEA funds. 34 C.F.R. §668.16(e) and §668.32. An institution will establish and maintain

such administrative procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary. 34 C.F.R. §668.14.

A student is eligible to receive Title IV program assistance if the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution. 34 C.F. R. §668.32

Noncompliance: Harley's failed to maintain accurate and complete academic records for student # 19, #23 and #29.

Student #19 was given a probation notice on 06/29/11 informing the student that he was on probation effective 06/29/11 for lack of proper attendance and for having a grade point average below 70%. The institution could not provide a copy of the student academic file while the reviewers were on site. The student disputed the probation status while the reviewers were on site.

Student # 23 was enrolled for the 2010-2011 award year. The student was disbursed \$5,500 (Pell) and \$7,500 (Direct Loans). The institution was unable to provide academic records to show that the student was making satisfactory academic process (SAP) at the time the disbursements were made.

Student #29 was enrolled for the 2010-2011 award year. Student #29 was given a probation notice on 06/29/11 informing the student that he was on probation effective 06/29/11 for lack of proper attendance and for having a grade point average below 70%. The institution could not provide a copy of the student academic file while the reviewers were on site. The student disputed the probation status and filed a formal complaint against the institution disputing the probation status and for not receiving his Title IV funds while the reviewers were on site.

Required Action: Harley's must provide the missing academic records for students #19, #23 and #29. The Institution's response must also provide a description of the steps that will be taken to prevent a repeat of this finding in the future.

11. School Policy Not Properly Monitored

Citation: An institution shall establish and maintain, on a current basis, any program records that document a student's or parent borrower's eligibility for Title IV, HEA funds. 34 C.F.R. §668.16(e) and §668.32. An institution will establish and maintain such administrative procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary. 34 C.F.R. §668.14.

A student is eligible to receive Title IV program assistance if the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution. 34 C.F. R. §668.32

Noncompliance: Harley's fail to follow its termination policy as it relates to student #23. Student #23 was absence from class from 8/8/10 through 8/28/10. According to the school catalog, failure to attend for 10 days without prior written notice is grounds for termination. Student #23 missed more than 10 consecutive days and was not terminated.

Required Action: Harley's must monitor and apply all written school policies to students receiving Title IV aid as well as those not receiving Title IV aid. The institution must go back and review the file of student #23. The termination policy must be applied in the case of student #23. Once the termination policy has been applied, the institution must determine if any Title IV funds were disbursed during the period when the student should have been terminated.

The Institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

12. Inaccurate/Incomplete Student Ledger Account Cards

Citation: An institution shall establish and maintain, on a current basis, financial records that reflect each Title IV, HEA program funds transaction and program records that document its disbursement and delivery of Title IV HEA funds. 34 C.F.R. § 668.24

Noncompliance: The institution failed to maintain current student ledger account cards for students #5, #16, #19, #20, #21, #22, #23, #24, #25, #26, #27, #28 and #29.

Student #5's second Pell disbursement of \$1400 for the 2009/2010 award year was not posted to the ledger card at the beginning of the review process. The \$1400 entry was done the week of the review. The enrollment contract shows the cost of \$13,735 while the ledger card show the contract cost of \$13,900.

Student #16's enrollment contract shows total cost of \$13,735. The student ledger card shows total contract cost of \$13,900.

Student #23's enrollment contract shows the cost of \$13,735. The ledger card shows the contract cost of \$13,849.

None of the students (#19-#29) for the 2010-2011 award year ledger account cards were current in disbursement entries. The school attempted to do the disbursement entries to the ledger cards during the review period, but none of the 2010-2011 awards ledger cards had current year disbursement entries at the beginning of the review process.

Required Action: Harley's must conduct a file review of all student ledger account cards for the 2009/2010 and 2010/2011 award years to identify all incomplete, inaccurate student ledger account cards. The institution must correct all student ledger account cards

by comparing the data on the student ledger cards to the data reflected in the National Student Loan Data System (NSLDS) and the Common Origination & Disbursement

(COD) to correct and update the student ledger cards. The student ledger account must show all transactions made to the student account including all none Title IV payments, credit adjustments, credit balances and refunds made to the students or to the Department. The institution must submit a copy of the corrected/and or updated student ledger account cards for each student enrolled for the 2009/2010 and 2010/2011 award years to this office in their response to this finding.

The institution must engage an independent Public Accountant (IPA) to test the file review completed by the Institution. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Oscar Howard within 30 days of the institution's receipt of the Program Review Report. Mr. Howard will review the procedures, indicate if any changes are needed, and approve the procedures.

The IPA must apply the Agreed upon Procedures to test the file review(s) completed by institution, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the Program Review Report. The IPA must prepare the report in accordance with AICPA Attestations Standards. The IPA's report must be submitted with the institution's response to this Program Review Report.

The institution's response must also provide a description of the steps that will be taken to prevent a repeat of this finding in the future.

13. Inaccurate Attendance Records

Citation: An institution shall establish and maintain, on a current basis, any program records that document a student's or parent borrower's eligibility for Title IV, HEA funds. 34 C.F.R. §668.16(e) and §668.32. An institution will establish and maintain such administrative procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary. 34 C.F.R. §668.14.

Noncompliance: The attendance records for all of the students in the sample for both award years were incorrect. For all of the students, Harley's included the lunch time in the clock hours earned calculation. In addition to this, below are some examples of students who attendance record was inaccurate.

Student #1's attendance records show 57 hours on 03/13/09 and 18 hours on 05/11/09.

Student #3's attendance records show 16 hours on 12/18/09, 16 hours on 3/6/10, 34 hours on 4/28/10 and 18 hours on 5/11/10.

Student #10's attendance records show 22 hours on 12/11/09.

Student # 20's attendance records show 71 hours on 9/11/09, 26 hours on 9/15/09 and 21 hours on 9/17/09.

Student #24's attendance records show 11 hours on 9/11/09 and 14 hours on 4/22/10.

Student # 26's attendance records show 18 hours on 2/11/10, 11 hours on 2/19/10 and 24 hours on 3/18/10.

Student #29's attendance records show 26 hours on 3/24/11 and 20 hours on 5/10/11.

Required Action: Harley's must conduct a file review of all student's attendance records for the 2009/2010 and 2010/2011 award years. Harley's must reconstruct the attendance records for each student for the award periods. Harley's must make an adjustment to each student record to correct the lunch time being included in the hours earned. In addition, Harley's must recalculate each student daily, weekly and monthly hours to determine if all students met the eligibility requirement for each payment period.

Any students identified for not meeting the earned hour eligibility requirement for any payment period must be submitted to this office in your response. A report with the following information must be submitted to this office.

1. Student's Name
2. Social Security Number
3. Payment period and award year of ineligibility (example: 0-451, 451-900)
4. Total Title IV aid disbursed by Program

Example:

Student	SSN (last 4)	Payment Period Award Year	Pell	FDSUB	FDUNSUB
Totals					

The institution must engage an independent Public Accountant (IPA) to test the file review completed by the Institution. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Oscar Howard within 30 days of the institution's receipt of the Program Review Report. Mr. Howard will review the procedures, indicate if any changes are needed, and approve the procedures.

The IPA must apply the Agreed upon Procedures to test the file review(s) completed by institution, and prepare a report including any exceptions noted during its testing. The

exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the Program Review Report. The IPA must prepare the report in accordance with AICPA Attestations Standards. The IPA's report must be submitted with the institution's response to this Program Review Report.

The Institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

14. Inaccurate Enrollment Contract

Citation: An institution shall establish and maintain, on a current basis, any program records that document a student's or parent borrower's eligibility for Title IV, HEA funds. 34 C.F.R. §668.16(e) and §668.32. An institution will establish and maintain such administrative procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary. 34 C.F.R. §668.14.

Noncompliance: Student # 29's enrollment contract show the student was in the enrolled regular barber course. The course is 1500 clock hours according to the enrollment contract. Student #29 stated during an interview that the clock hours shown in the contract was incorrect. The student claims and the file indicates that the student transferred in 572 clock hours. Based upon the documentation in the file, the correct enrollment contract hours should have been 928 clock hours and an adjustment should have been made to the cost of the program. Student # 29 made a formal complaint with the reviewers while on site.

Required Action: Harley's must review the file of student #29 and address his claim that the number of clock hours stated in the enrollment contract is incorrect. The institution must provide a written response to the student claim. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

15. Missing Bank Statements

Citation: An institution must maintain its financial records in accordance with provisions under 34 C. F. R. § 668.24. Program regulations require institutions to maintain, on a current basis, financial records which reflect all program transactions. Accepted accounting procedures dictate that those transactions be reconciled. Therefore, the institution must reconcile its financial aid records to its general ledgers on a timely basis. 34 C. F. R §668.163

Noncompliance: Harley's was unable to provide bank statements for the period of review during the week of the program review.

Required Action: The institution must provide a copy of the federal account bank statements for the 2009/2010 and 2010/2011 award years. Submit the copies with your response to this

report. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

16. Incomplete Consumer Information

Citation: Each year a school must provide to enrolled students a notice containing a list of the consumer information it must disseminate, and the procedures for obtaining this consumer information. Schools must provide this notice through a one-on-one distribution.

Schools must also provide a notice (though not an individual notice) of student rights under the Family Educational Rights and Privacy Act (FERPA). 34 C. F. R. § 668.41- 48

Schools must also provide notice of and confirmation that the Institution held an Educational program commemorating the September 17, 1787 signing of the Constitution on September 17th of each year (or preceding or following week, if the 17th falls on a Saturday, Sunday, or holiday). Pub. L. 108-447

Noncompliance: Harley's failed to comply with the followings consumer information requirements:

- Constitution and Citizenship Day
- Institutional and Financial Assistance Information for students
- Drug and Alcohol Prevention
- Student Right-to-Know Act
- Clery/Campus Security Act
- Completion/graduation rates
- Penalties associated with drug-related
- Student Body Diversity
- Textbook information
- Loan disclosures

Required Action: Harley's must update its consumer information to include the information listed above. The institution must submit an update copy of its consumer information to this office with its response. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

17. Missing Annual Campus Security Report

Citation: An institution must prepare an annual security report that contains, at a minimum the following information:

1. Crimes statistics as described in C.F.R. §668.46 (c)(1).
2. A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus.

3. A statement of current policies concerning security of and access to campus facilities, including campus residences, and security considerations used in the maintenance of campus facilities.
4. A statement of current policies concerning campus law enforcement that:
 - Addresses the enforcement authority of security personnel, including their relationship with State and local police agencies and whether those security personnel have the authority to arrest individuals;
 - Encourages accurate and prompt reporting of all crimes to the campus police and the appropriate agencies;
5. A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices.
6. A description of programs designed to inform students and employees about the prevention of crimes.
7. Policy concerning the monitoring and recording through local police agencies criminal activity in which students engaged at off-campus locations of student organization officially recognized by the institution.
8. Policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws.
9. Policy regarding the possession, use, and sale of illegal drugs.
10. A description of any drug or alcohol-abuse education programs.
11. Policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.
12. A statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14071(j), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address. 34 C.F.R. §668.46.

Noncompliance: Harley's did not provide the crime statistics of criminal activity and the required policies and procedures required by regulations.

Required Action: The institution must develop policies and procedures to comply with the campus security regulation. The institution must submit a copy of the policies and procedures with its response to this report. Harley's must also provide a copy of its annual campus security report. The institution should refer to the regulation (34 C.F.R. §668.46) and the Federal Student Aid Handbook for guidance. The institution's response must also provide a description of the steps that will be taken to prevent a repeat of this finding in the future.

APPENDIX-A

STUDENT SAMPLE

2009/2010

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(b)(6); (b)(7)(C), (b)(7)(C)

2010/2010

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