



July 9, 2014

Hector Gonzalez, President  
Hi-Tech School of Cosmetology  
(Paul Mitchell the School Miami)  
8905 Dadeland Blvd.  
Miami, FL 33156

UPS Tracking# 1ZA879640296037345

**RE: Final Program Review Determination**  
OPE ID: 04120400  
PRCN: 201340428407

Dear President Gonzalez:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on December 4, 2013 covering Hi-Tech School of Cosmetology's (Hi-Tech's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2011-2012 award year. Hi-Tech's final response was received on April 4, 2014. A copy of the program review report (and related attachments) and Hi-Tech's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Hi-Tech 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 in 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 liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

The total liabilities due from the institution from this program review are \$184,196.

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

**Protection of Personally Identifiable Information (PII):**

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the

**Federal Student Aid**  
An Office of the U.S. Department of Education  
School Participation Division - Atlanta

63 Forsyth Street, 12th Floor, Atlanta, GA 30303-2918  
StudentAid.gov

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 C, Student Sample.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the program review report dated December 4, 2013. If Hi-Tech wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Hi-Tech receives this FPRD. An original and four copies of the information Hi-Tech 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

Hi-Tech's appeal request must:

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

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Hi-Tech'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 Vinita Simpson at 404-974-9260. 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)

Chris Miller  
Division Director

Enclosure:

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

cc: Emillio Freye, Financial Aid Administrator  
National Accrediting Commission of Cosmetology Arts and Sciences  
FL Commission for Independent Education – Florida Department of Education

Prepared for  
**Hi-Tech the School of Cosmetology**

**Federal Student Aid**  
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**OPE ID 04120400**  
**PRCN 201340428407**

Prepared by:  
**U.S. Department of Education**  
**Federal Student Aid**  
**School Participation Division, Atlanta**

# Final Program Review Determination

## July 9, 2014

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**A. Institutional Information**

Hi-Tech School of Cosmetology  
(Paul Mitchell the School Miami)  
8905 Dadland Blvd.  
Miami, FL 33156

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 60 (2013)

% of Students Receiving Title IV: 100% (2013)

Title IV Participation, per Funding Summary Report:

	2011-2012
Federal Pell Grant Program (Pell Grant)	\$ 600,827
William D. Ford Federal Direct Loan Program (Direct Loan)	\$1,372,289

Default Rate FFEL/DL:	2011	19.3%
	2010	18.6%
	2009	11.3%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Hi-Tech the School of Cosmetology (Hi-Tech) from September 16, 2013 to September 23, 2013. The review was conducted by Vinita Simpson.

The focus of the review was the school's compliance with verification requirements and associated reporting requirements. For each Federal Pell Grant (Pell Grant) recipient selected for verification by the Central Processing System (CPS), the school must report a verification status code of "V" or "S" and must not report a blank. The school must report the student's verification status through the Common Origination and Disbursement (COD) system even if he/she was not selected for verification. The Department has examined verification status reporting and through this examination the school was identified as having potential verification status code reporting errors. The review consisted of an examination of Hi-Tech's Financial Aid and Academic policies, procedures and student files.

A sample of 15 files was identified for review from the 2011-2012 award year. The files were selected randomly from a statistical sample of the total population selected for verification and receiving Title IV, HEA program funds for that award year. Appendix C lists the names of the students whose files were examined during the program review.

A program review report (PRR) was issued on December 4, 2013.

### **Disclaimer:**

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

#### **Findings #4, #8 through #12**

Hi-Tech has taken the corrective actions necessary to resolve Findings #4 and #8 through #12 of the PRR. Therefore, these findings may be considered closed. Appendix B contains the institution's written response related to the resolved findings. Findings requiring further action by Hi-Tech are discussed below.

### Findings with Final Determinations

The PRR findings requiring further action are summarized below. At the conclusion of each finding is a summary of Hi-Tech's response to the finding; and the Department's final determination for that finding. A copy of the PRR issued on December 4, 2013 is attached as Appendix A.

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:                    Verification Discrepancies

##### *Citation Summary:*

*34 C.F.R. § 668.54 states that a school shall 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 purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount. Students are selected for verification on the basis of application edits specified by the Secretary. A school must establish procedures to request, receive, and verify applicant data for each award year. Schools are also responsible for resolving conflicting information related to a student's application for Title IV aid.*

*34 C.F.R. § 668.54(a)(2)(i) states that a school must verify all applications CPS selects for verification. However, during the 2011-2012 award year, there was a limit on the number of applications a school was required to verify. For this award year, participating schools did not have to verify more than 30% of the total number of Title IV applicants at the school, unless it chose to do so. If the total number of selected*

*applications was less than 30% of the school's total number of applications for federal student aid, the school was required to verify all selected applications.*

*In general, a school must have correct data before it can pay the student. If a school has conflicting information concerning a student's eligibility or has any reason to believe a student's application information is incorrect, the school must resolve the discrepancies before disbursing Title IV funds. If a school discovers discrepancies after disbursing Title IV funds, the school must still reconcile the conflicting information and take appropriate action under the specific program requirements.*

***Noncompliance Summary:***

*Hi-Tech did not accurately complete verification for the following eight students:*

- Student #2 – A 2010 tax return was in the student file; however, the student signature was missing. Additionally, the amount of taxes paid and education credit are conflicting. The Institutional Student Information Record (ISIR) shows a taxes paid amount of \$1,206 while the 2010 tax return shows \$0. The ISIR shows an education credit of \$0 while the tax return shows \$793.*
- Student #3 – Verification status code of "S" was used for this student, indicating the file was exempt from verification. However, the file contains a 2011-2012 verification worksheet (VW). Therefore, the student's information should have been verified. Additionally, the number in college on the VW is 2 and the number in college on the ISIR is 1.*
- Student #5 – The parents' 2010 tax return is missing page 1. There is no VW in the file. The parents' taxes paid amounts conflict in the file. Taxes paid are reported as \$1,917 on the ISIR and \$428 on the parents' tax return.*
- Student #6 – The taxes paid, untaxed income, and household size (HH) conflict on the documents in the file. The student's 2010 taxes paid are \$274 on the ISIR and \$468 on the 2010 student's tax return. The parents' taxes paid are reported as \$1,024 on the ISIR and \$0 on the parents' 2010 tax return. The parents' untaxed income is reported as \$0 on the ISIR and \$400 on the parents' 2010 tax return. The HH is reported as 4 on the ISIR and 3 on the VW. Additional conflicting information was found in the parents' income earned from work. The parents' income earned from work was reported as \$11,708 on the ISIR and \$12,220 on the parents' 2010 tax return.*
- Student #7 – The HH reported is questionable and requires an explanation in the student's file. The student included in the HH a partner, partner's sister and partner's father with no explanation or verification that the student provides them with more than 50% of their support. Untaxed income for 2010 is conflicting in the documents in the student's file. The untaxed income was reported as \$0 on the ISIR and \$400 on the tax return. Additionally, the 2010 1040A tax return in the student's file is not signed.*

- Student #10 – The parents' taxes paid amount, untaxed income, and HH conflict in the student's file. The 2010 parents' taxes paid were reported as \$1,251 on the ISIR and \$0 on the parents' 2010 tax return. The untaxed parents' income was reported as \$0 on the ISIR and \$764 on the parents' 2010 tax return. Additionally, the ISIR for the 2010-2011 award year was selected for verification and the verification was incomplete. The 2010-2011 VW was not signed. The HH reported also conflicts for 2010-2011. The HH is reported as 5 on the ISIR and 4 on the VW.*
- Student #11 – For award year 2011-2012, the taxes paid and untaxed income amounts conflict. The student's taxes paid were reported as \$133 on the ISIR and \$0 on the tax return. The parents' taxes paid were reported as \$2,988 on the ISIR and \$0 on the parents' tax return. The parents' untaxed income was reported on the ISIR as \$0 and \$800 on the parents' tax return.*
- Student #14 – The 2011-2012 ISIR reported taxes paid of \$166. However, the 2010 tax return reported taxes paid of \$0. Untaxed income was reported as \$0 on the ISIR and conflicts with the amount reported on the 2010 tax return of \$260. The 2010 tax return in the file is not signed by student.*

***Required Action Summary:***

Hi-Tech was required to make the appropriate verification corrections for all students above. The school was then required to determine if those corrections would have constituted a change to the students Estimated Family Contribution (EFC) and/or award amounts.

Due to the significant error rate, Hi-Tech was required to perform a full file review for all students selected for verification for the award year 2011-2012. The students included in this file review were those selected for verification yet reported with a verification status code other than "S".

Results of the full file review were required to be included in Hi-Tech's response to this report. Hi-Tech was required to identify recalculated EFCs and any changes in student-eligibility which resulted in over-awards/payments of Federal Pell Grant (Pell Grant) and Federal Subsidized Direct Loans (FDSL).

If the verification documents for any student in the file review could not be reviewed, the EFC for any reason could not be recalculated, or after review there was conflicting information in the file that could not be resolved, the school was required to identify the total need based aid that was awarded in those circumstances, and list the total amount as ineligible.

The school was required to engage an Independent Public Accountant (IPA) to test the file review it completed. The IPA was required to develop a set of procedures designed for testing the accuracy and completeness of the file review. In addition, the auditor was

required to supply a confirmation statement that the file review conducted by Hi-Tech was accurate.

***Hi-Tech's Response:***

On June 11, 2014, the school submitted its response to this finding. The school indicated that all students mentioned in the PRR, dated December 4, 2013 were reviewed and found to have incomplete verification, which could not be revised at this time. The school also reviewed all 2011-2012 Title IV recipients who were selected for verification. As required by the file review, the school submitted a spreadsheet indicating all students with errors in verification. The school has revised its policies and catalog to ensure the proper processing of verification in the future.

***Final Determination:***

In response to the PRR, the school confirmed that all students cited in the above finding were found to have incomplete/unresolved verification violations. Therefore, all students cited in the above finding are ineligible for 2011-2012 Pell Grants and FDSLs. The amounts of ineligible funds for the students cited in the PRR for this finding total \$24,257 Pell and \$20,418 FDSL. These amounts have been reduced for any duplicated student liabilities. Details on these amounts can be found in Appendix J and Appendix K.

A liability in the amount of \$1,650 Pell was established for Student #3 in Findings #1, #3 and Finding #5; this amount is not duplicated and is only included in the student's liabilities for Finding #5. Any duplicated student liabilities have been removed in the summary of liabilities table.

In addition to the students determined during the review, Hi-Tech was required to perform a file review to respond to this finding and submit the results of that review to this office. As requested, Hi-Tech completed the review of all students in Appendix E. The results of the review and the additional file review yielded a liability of \$71,634 Pell and \$56,955 FDSL. These amounts have been reduced for any duplicate liabilities. Additional detailed information regarding these liabilities can be found in Appendix F.

As a result of the file review, liabilities in the amounts of \$3,689 Pell and \$3,639 FDSL were established in Finding #1 and #2 for two students; these amounts are not duplicated in Finding #1 and are only included in the student's liabilities for Finding #2. Any duplicated student liabilities have been removed in the summary of liabilities table. Detailed information on the two students mentioned can be found in Appendix F.

The total Pell Grant liability (with duplicates removed) for this finding is \$95,891. The total amount (with duplicates removed) of FDSL funds disbursed to students who were selected for verification and for which the school failed to properly document or process the required verification during the 2011-2012 award year is \$77,373. The estimated

actual loss to the Department that has resulted or will result from those ineligible loans is based on Hi-Tech's most recent cohort default rate available. As a result, the estimated actual loss that Hi-Tech must pay to the Department for the ineligible loans is \$9,624. A copy of the results of that calculation is included as Appendix J.

Please review the repayment instructions and tables below for detailed amounts and procedures.

**Finding #2: Admissions Policy Not Followed/Invalid or Missing Proof of High Diploma or Equivalent**

***Citation Summary:***

*34 C.F.R §668.32 states that a student must meet certain requirements to be eligible to receive Title IV, HEA program assistance. One of these requirements is that the student has a high school diploma or its recognized equivalent.*

*Furthermore, 34 C.F.R. §668.16 states that to begin and to continue to participate in any Title IV, HEA program, a school shall demonstrate that it is capable of adequately administering the programs it participates in under each of the program standards. One way a school is determined to have administrative capability is to develop and follow procedures to evaluate the validity of a student's high school completion if the school or the Secretary has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education.*

***Noncompliance Summary:***

*The school catalog submitted by the institution during the review, Volume No. 10, page 7 stated that as an admissions requirement students must submit a copy of their high school diploma or General Education Development certificate. Hi-Tech did not collect valid admissions documentation for the following three students:*

- Student #3 – The student provided a certificate from Lindsey Hopkins Technical Education Center for Dental Auxiliaries. No proof of valid high school graduation was found in the file.*
- Student #4 – No proof of valid high school diploma or equivalent was found in the student file provided.*
- Student #13 - During the review, Hi-Tech provided a list of ineligible high schools that it uses in its procedures. Student #13 graduated from Atlantic Southeastern Academy, which is a school on the list provided. This high school diploma in the file is considered invalid.*

*Hi-Tech failed to maintain documentation of student's high school diplomas or their equivalent as required by its admissions policy. Hi-Tech was also unable to provide a*

*policy on how possible invalid high school diplomas are evaluated. While a list was provided of schools that Hi-Tech believes are diploma mills, there are no policies regarding how schools are added or removed from the list and what process is taken to review a possible invalid high school.*

***Required Action Summary:***

Due to the error rate, Hi-Tech was required to perform a full file review of all Title IV recipients for 2011-2012 and determine if a valid high school diploma was on file for each student.

Results of the full file review were required to be included in Hi-Tech's response to this report. Hi-Tech was required to identify any students with missing or invalid high school diplomas or their equivalent. Hi-Tech was also required to determine the ineligible Title IV aid disbursed in the 2011-2012 award year for those students without a valid high school diploma.

The school was required to engage an IPA to test the file review it completed. The IPA was required to develop a set of procedures designed for testing the accuracy and completeness of the file review. In addition, the auditor was required to supply a confirmation statement that the file review conducted by Hi-Tech was accurate.

Additionally, the school was also required to explain corrective actions taken to improve oversight of required high school diploma documentation in the future. Hi-Tech was required to create and submit a copy of its revised policies and procedures used to evaluate the validity of a student's high school completion if the school or the Secretary has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education.

***Hi-Tech's Response:***

Hi-Tech agreed with the finding. As a result of this finding, the school stated that it had revised its admission policy and acceptable high school diploma policy and submitted them in response to this review. In the response submitted, the school confirmed that that no additional documentation could be submitted for the students mentioned above.

***Final Determination:***

In response to this finding, the school concurred that the students cited above were not eligible for admission and, therefore, not eligible for Title IV Aid.

A liability in the amount of \$1,650 Pell was established for Student #3 in Findings #1, #3 and Finding #5; this amount is not duplicated and is only included in the student's



*When a school disburses FSA program funds to a student by crediting a student's account, it may do so only for allowable charges.*

*Allowable charges include:*

- *current charges for tuition and fees and room and board (if the student contracts with the school); and*
- *other current charges that a student has incurred for educationally-related activities if the school obtains the student's written authorization or the parent's written authorization – in the case of PLUS loan funds.*

*A school is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS).*

*If a school has the authorization to hold the credit balance, it must identify the amount of funds that it holds for the student or parent in a subsidiary ledger account designated for that purpose. A school also must maintain, at all times, cash in its bank account at least equal to the amount that it holds for students.*

*Because FSA funds are awarded to students to pay current year charges, notwithstanding any authorization from the student or parent, a school must pay any remaining balance on FSA loan funds by the end of the loan period, and any other remaining FSA program funds by the end of the last payment period in the award year for which they were awarded.*

#### ***Noncompliance Summary:***

*The school failed to pay credit balances at the end of loan periods or the academic years (AY) properly and timely.*

- Student #4 – The student entered AY2 as of 10/21/11. AY2 tuition was charged on 10/3/11. A credit balance from AY1 of \$895.25 was not refunded. It was used to pay for future AY charges. While an authorization form was on file, it is not valid from one academic year to the next.*
- Student #5 – A credit balance occurred on 3/30/2011 for AY1 and was not resolved as of the date of the review. The AY2 credit balance occurred on 9/12/2011 and was resolved six days late on 10/4/2011.*
- Student #6 – The student had an AY1 credit balance of \$3,341.00 that was created on 7/21/2012. A refund of \$738.00 was given to the student on 8/21/2012. The credit balance was maintained for over 14 days and was for the incorrect amount.*
- Student #7 – The credit balance was created on 10/18/2011. A refund was made to the student on 1/4/2012. The credit balance was resolved later than 14 days and is considered late.*

- Student #10 – The credit balance created for AY1 on 9/21/2011 was not resolved as of the date of the review. The AY 2 credit balance was first created on 11/14/2011. A refund was sent to the student after the 14 days allowed, on 1/13/2012.*
- Student #11 – The credit balance created on 5/2/2012 was resolved late with the check issued to the student on 5/31/2012.*
- Student #12 – A PLUS Loan disbursement resulted in a credit balance that was created on 8/22/2012. The credit balance was then sent to the student instead of the parent as required.*
- Student #13 – The credit balance from AY1 that was created on 3/22/2012 was not resolved.*

***Required Action Summary:***

The school was required to provide a written process and procedures on how credit balances are determined for each academic year and how they are resolved within the timeframes allowed, including the person/position responsible for the implementation of this plan. Also, the school was required to include detailed instructions on how PLUS Loan funds are handled and returned to parents in response to this report.

Due to the error rate, the school was required to also perform a full file review of all Title IV recipients for 2011-2012 and determine if a credit balance was created.

The school was required to engage an IPA to test the file review it completed. The IPA was required to develop a set of procedures designed for testing the accuracy and completeness of the file review. In addition, the auditor was required to supply a confirmation statement that the file review conducted by Hi-Tech was accurate.

***Hi-Tech's Response:***

In addition to improvements offered in its updated policy and procedures, the school stated that it will print a weekly report with all students that are nearing the 900 hours needed to complete academic year one. This report will be used to determine if a student has a credit balance that results from the payment of Title IV funds.

The school agreed to all the student specific instances above. The results of its file review revealed 99 students in which credit balance payments were required.

***Final Determination:***

After a complete review of the information submitted, it was noted that students were duplicated in Findings #1 and #2. These duplicated findings create a change in the amount of the students' credit balances. The revised total of credit balances to be returned to students/parents is \$43,778. The total amount to be returned to the Direct



The school was required to submit the documents needed to clear the codes for Student #3 and #4. Copies of these documents were to be submitted in response to this finding. In response to this report, the school was required to also submit a written plan for how and who will be responsible for providing additional oversight and review of ISIR Comment Codes.

***Hi-Tech's Response:***

The school concurred with the finding and verified that it did not maintain the required documents to clear the C-Code for student # 3 and student #4. The school stated that it has designated the Financial Aid Leader to be responsible for reviewing the ISIR Comment Codes and ensuring student eligibility prior to disbursing Title IV funds.

***Final Determination:***

After review of the school's response to this finding, the following liabilities were determined:

Student #3 - \$1,650 Pell
Student #4 - \$4,559 Pell and \$1,494 Direct Subsidized Loan

As notated on the Cost of Funds spreadsheet found in Appendix K, the amount that Hi-Tech must pay the Department as a result of ineligible Pell Grant funds is \$6,209. Additionally, the total amount of Direct Loan funds (subsidized and unsubsidized) disbursed to students who were ineligible due to lack of citizenship documentation required by the ISIR Comment Code during the 2011-2012 award year is \$1,494.

The estimated actual loss for the ineligible loans is based on Hi-Tech's most recent cohort default rate available. As a result, the estimated actual loss that Hi-Tech must pay to the Department for the ineligible loans is \$186. A copy of the results of that calculation is included as Appendix J.

A liability in the amount of \$1,650 Pell Grant funds was established for Student #3 in Findings #1, #3 and Finding #5; this amount is not duplicated and is only included in the student's liabilities for Finding #5. Any duplicated student liabilities have been removed in the summary of liabilities table.

Liabilities of \$4,559 in Pell Grant funds and \$1,494 in FDSL funds were established for Student #4 in Findings #1, #3 and Finding #5; these amounts are not duplicated and are only included in the student's liabilities for Finding #5. Any duplicated student liabilities have been removed in the summary of liabilities table.

**Finding #6:**                    **Missing Documents/Incomplete Files/Conflicting Information**

***Citation Summary:***

*34 C. F. R. §668.16. Standards of administrative capability, states that in order for a school to begin and to continue to participate in any Title IV, HEA program, a school shall demonstrate to the Secretary that the school is capable of adequately administering the programs. One way a school is considered to have administrative capability is if the school develops and applies an adequate system to identify and resolve discrepancies in the information that the school receives from different sources with respect to a student's application for financial aid under the Title IV, HEA programs. In determining whether the school's system is adequate, the Secretary considers whether the school obtains and reviews—*

- (1) All student aid applications, need analysis documents, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant;*
- (2) Any documents, including any copies of State and Federal income tax returns, that are normally collected by the school to verify information received from the student or other sources; and*
- (3) Any other information normally available to the school regarding a student's citizenship, previous educational experience, documentation of the student's social security number, or other factors relating to the student's eligibility for funds under the Title IV, HEA programs;*

***Noncompliance Summary:***

*The school failed to resolve conflicting information prior to posting funds for the following two students.*

*Student #2 – The student stated on the enrollment agreement and FAFSA that he/she [We don't know if student #2 is male or female?] received a GED. However, a high school diploma was in the student's file.*

*Student #11 – A PLUS Loan approval and a Master Promissory Note are in the student's file. However, the student received additional unsubsidized loan funds with no documentation of a PLUS Loan denial.*

***Required Action Summary:***

Conflicting information must be resolved before a school can disburse federal student aid. In addition to reviewing application and data match information from the CPS, a school must have an adequate internal system to identify conflicting information—regardless of the source and regardless of whether the student is selected for

verification—that would affect a student’s eligibility, such as information from the admissions office as to whether the student has a high school diploma or information from other offices regarding academic progress and enrollment status. The school must resolve all such conflicting information. If the institution discovers discrepancies after disbursing FSA funds, it must reconcile the conflicting information and take appropriate action under the specific program requirements.

The conflict for each student listed above was required to be resolved and documented. This documentation was to be included in the response to the PRR.

***Hi-Tech’s Response:***

The school agreed with this finding. The school provided documentation to clear the conflicting information for student #2. The school confirmed that no Federal PLUS Loan denial was on file for Student #11.

***Final Determination:***

As a result of the lack of documentation to support the denial of a Parent PLUS Loan application, student #11 was not eligible for the additional FDUL amounts (\$5,307) disbursed during the 2011-2012 award year.

The estimated actual loss for the ineligible loans is based on Hi-Tech’s most recent cohort default rate available. As a result, the estimated actual loss that Hi-Tech must pay to the Department for the ineligible loans is \$0. A copy of the results of that calculation is included as Appendix J.

**Finding #7:                      Direct Loan Over-award**

***Citation Summary:***

*Per 34 C.F.R. §685.203, in the case of an undergraduate student who has not successfully completed the first year of a program of undergraduate education, the total amount the student may borrow for any academic year of study under the Federal Direct Stafford/Ford Loan Program in combination with the Federal Stafford Loan Program may not exceed the amounts specified by classification and dependency status. These limits may not exceed \$2,625, or for a loan disbursed on or after July 1, 2007, \$3,500, for a program of study of at least a full academic year in length.*

*Per 34 C.F.R. §668.164, a school must disburse Title IV, HEA program funds on a payment period basis.*

***Noncompliance Summary:***

*One student was over paid Direct Loan funds for a payment period.*

*Student #9 - The student was eligible for \$3,500 in FDSL and \$6,000 in FDUL funds for the loan period of 0-900 hours. The student completed a total of 414.25 hours. However, the student received \$2,625 in FDSL and \$4,500 in FDUL funds. This amount exceeds one half of the student loan period eligibility of \$1,750 in FDSL and \$3,000 in FDUL.*

***Required Action Summary:***

In response to this report, Hi-Tech was required to provide the detailed attendance, ledger card, and award letter provided to the student to support the amounts paid above. Hi-Tech was also required to submit a written response detailing what actions the institution would take to ensure that this does not reoccur.

***Hi-Tech's Response:***

The school agreed with this finding and claimed that it was an isolated occurrence. The school stated that it had worked with its third party servicer to develop and implement new procedures to prevent students that re-enroll from being over awarded loans.

***Final Determination:***

After review of the school's response, student #9 was not eligible for the amount of student loans that the student was over-awarded. The student only completed the hours needed for one half of the disbursement of a year one level Direct Loan. However, the student was certified and paid for an amount exceeding the eligibility for the hours completed. The ineligible amounts disbursed are \$867 in FDSL funds and \$1,485 in FDUL funds, totaling \$2,352.

The estimated actual loss for the ineligible loans is based on Hi-Tech's most recent cohort default rate available. As a result, the estimated actual loss that Hi-Tech must pay to the Department for the ineligible loans is \$108. A copy of the results of that calculation is included as Appendix J.

**D. Summary of Liabilities**

The total amount calculated as liabilities from the findings in the program review determination is as follows. The liability amount in the first chart below reflects unduplicated liabilities as some students appear in more than one finding. Details of the amounts removed in each liability can be found in the Appendices. This information is provided so that the institution understands the liabilities associated with each finding. The payment instructions in Section E have been adjusted to reflect the unduplicated liabilities.

<b>Liabilities</b>	<b>Pell (Closed Award Year)</b>	<b>DL / FFEL</b>	<b>EALF DL</b>	<b>Students/ Parents</b>	
Finding #1	\$95,891	\$0	\$9,624	\$0	
Finding #2	\$59,972	\$0	\$6,695	\$0	
Finding #3	\$0	\$2,970	\$0	\$43,778	
Finding #5	\$6,209	\$0	\$186	\$0	
Finding #6	\$0	\$0	\$0	\$0	
Finding #7	\$0	\$	\$108	\$0	
<b>Subtotal 1</b>	<b>\$162,072</b>	<b>\$2,970</b>	<b>\$16,613</b>	<b>\$43,778</b>	
Interest/SA	\$2,506	\$35			
<b>Subtotal 2</b>	<b>\$2,506</b>	<b>\$35</b>			
<b>TOTAL (add subtotal 1 + 2)</b>	<b>\$164,578</b>	<b>\$3,005</b>	<b>\$16,613</b>	<b>\$43,778</b>	
<b>Payable To:</b>					<b>Totals</b>
Department	\$164,578	\$3,005	\$16,613		\$184,196
Students				\$43,778	\$43,778

**Estimated Actual Loss (EAL):**

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on Hi-Tech's most recent cohort default rate available.

The total amount of Direct Loans that Hi-Tech improperly disbursed during the 2011-2012 award year for Findings #1, #2, #5, #6 and #7 is \$216,830. The total estimated actual loss that Hi-Tech must pay to the Department for the ineligible loans is \$16,613. Copies of the results of those calculations are included in Appendix J.

### *E. Payment Instructions*

#### **1. Liabilities Owed to the Department**

##### ***A. Liabilities Owed to the Department \$100,000 or More***

Hi-Tech owes to the Department \$184,196. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. Hi-Tech 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 Hi-Tech'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 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 applicable).**

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

#### **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. Hi-Tech 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 Hi-Tech'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

If within 45 days of the date of this letter, Hi-Tech 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 Hi-Tech from the Federal Government. **Hi-Tech may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Hi-Tech 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: #3  
Appendix: H

Student(s)	
Amount	Award Year
\$43,778	2011-2012
Total \$43,778	

Hi-Tech must make a good faith effort to pay the amount listed above to the student(s) listed in the above Appendices.

If Hi-Tech 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

Hi-Tech must provide proof of payment to the student by submitting a copy of the front and back of the canceled check to Vinita Simpson 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, Hi-Tech 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. Hi-Tech must document its attempts to contact the student and provide proof of payment and COD adjustments to the applicable Title IV program to Vinita Simpson. The Department will not consider this program review closed until the information requested has been received.

**3. Direct Loan Closed Award Years (Request Extended Processing)**

Findings: #3

Appendix: II

DL Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$2,970	\$35	2011/2012
Total Principal	Total Interest	
\$2,970	\$35	

The disbursement record for each student identified in the appendix listed above must be adjusted in the COD system based on the recalculated amount identified in these appendices. A copy of the adjustment to each student's COD record must be sent to Vinita Simpson **within 45 days of the date of this letter.**

**Request Extended Processing**

COD adjustments are necessary for the closed award year(s) listed above. Before any student level adjustments can be processed, Hi-Tech must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in its explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

**4. Direct Loan Estimated Actual Loss**

Findings: #1, #2, #5, #6, #7

Appendices: C, D, E, F, G

DL Estimated Actual Loss	
Amount	Award Year
\$16,613	2011-2012
Total	
\$16,613	

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

**5. Liabilities Owed to the Department in the case of Title IV Grants**

Pell – Closed Award Year

Findings: #1, #2, #5, #6, #7

Appendices: C, D, E, F, G

Hi-Tech must repay:

Pell ACG SMART or TEACH Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$ 162,072	\$ 2,506	Pell	2011-2012
Total Principal	Total Interest		
\$ 162,072	\$ 2,506		

The disbursement record for each student identified in the appendices to the applicable finding(s) must be adjusted in the COD system based on the amount refunded.

**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 Vinita Simpson **within 45 days of the date of this letter.**