



January 9, 2013

Mr. Kenneth J. Gibson, President
International School of Cosmetology
2311 Midway Road
Carrollton, TX 75006

Certified Mail
Return Receipt Requested
7007 0710 0001 0674 6200

RE: **Final Program Review Determination**
OPE ID: 02255400
PRCN: 201220927801

Dear Mr. Gibson:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report on April 13, 2012 covering International School of Cosmetology's (ISC'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 2010-11 and 2011-12 award years. ISC's response was received on May 14, 2012. A copy of the program review report (and related attachments) and the institution's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by ISC upon request. 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.

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 liabilities to the Department, and (3) notify the institution of its right to appeal.

The total liabilities resulting from this program review are \$1,125. This final program review determination contains detailed information about the liability determination.

Protection of Personally Identifiable Information (PII):

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

Federal Student Aid
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50 Beale Street, Suite 9800, San Francisco, CA 94105-1863
StudentAid.gov

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the April 13, 2012 program review report. If ISC 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 ISC receives this FPRD. An original and four copies of the information ISC 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

ISC'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 ISC'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).

International School of Cosmetology

OPEID: 02255400

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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 Marcia Clark at (415) 486-5602 or Adeline Espinosa at (415) 486-5532. 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)

for ~~Marcia~~ **Martina Fernandez-Rosario**

Division Director

San Francisco/Seattle School Participation Division

Enclosures:

Protection of Personally Identifiable Information

Final Program Review Determination

cc: Holly Deasy, Financial Aid Administrator
Kimberly Jones, Regulatory and Compliance Specialist
CA Bureau for Private Postsecondary Education
CA Board of Barbering & Cosmetology
National Accrediting Commission of Career Arts and 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).

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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
International School of
Cosmetology

OPE ID 02255400
PRCN 201220927801

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

Final Program Review Determination

January 9, 2013

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A. Institutional Information

International School of Cosmetology

1358 5th Street

Santa Monica, CA 90401-3901

Type: Proprietary

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

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 198 (2011-12)

% of Students Receiving Title IV, HEA funds: 54.5% (2011-12)

Title IV, HEA Program Participation (from Postsecondary Education Participants System):

	<u>2010-11 Award Year</u>
Federal Pell Grant Program (Pell)	\$ 971,934
William D. Ford Federal Direct Loan Program (Direct Loan)	\$ 2,198,834
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	\$ 24,471

Cohort Default Rates:

2010 10.0%

2009 0%

2008 0%

Note: The institution began participating in the Title IV loan programs in award year 2008-09.

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at International School of Cosmetology (ISC) from February 13, 2012 to February 17, 2012. The review was conducted by Marcia Clark and Adeline Espinosa.

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

A sample of thirty files was identified for review from the 2010-11 and 2011-12 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, one file was selected based on a Federal Supplemental Educational Opportunity Grant (FSEOG) report, which noted the student was awarded the grant regardless of having a high Expected Family Contribution (EFC). Appendix A lists the names and social security numbers of the students whose files were examined during the program review. The Program Review Report (PRR) was issued on April 13, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning ISC'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 ISC 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 2 and 3

ISC has taken the corrective actions necessary to resolve Findings 2 and 3 of the program review report. Therefore, these findings may be considered closed. The finding requiring further action by ISC is discussed below.

Finding with Final Determination

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of ISC's response to the finding, and the

Department's final determination for that finding. A copy of the program review report issued on April 13, 2012, is attached as Appendix D.

Finding 1. Inadequate Federal Supplemental Educational Opportunity Grant (FSEOG) Policy and Ineligible FSEOG Award

Citation Summary: *Information on financial assistance that an institution must publish and make readily available to current and prospective students includes, but is not limited to, a description of all the federal, state, local, private and institutional student financial assistance programs available to students who enroll at that institution. For each program, the published information must include the criteria for selecting recipients from a group of eligible applicants. 34 C.F.R. § 668.42. In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contributions who will also receive Federal Pell Grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Federal Pell Grants. 34 C.F.R. § 676.10*

Noncompliance Summary: *ISC failed to have an adequate FSEOG packaging policy, as its policy failed to identify its criteria for selection of FSEOG recipients. In addition, ISC did not choose all of its FSEOG recipients from its students with the lowest family contributions.*

Student #31: This student had an expected family contribution of \$4,381 for the 2010-2011 award year. ISC awarded and disbursed \$1,500 in FSEOG funds to this student when it had numerous other students that had expected family contributions of \$0 that did not receive FSEOG awards.

Required Action Summary: *ISC was informed that instructions for repayment of any liability that resulted from the improper disbursement of FSEOG funds would be provided in the FPRD letter. ISC was also required to strengthen its policy and procedures for awarding FSEOG in the future. ISC was required to provide its revised FSEOG awarding policy and procedures in response to this finding. ISC was further required to ensure that its FSEOG policy and procedures specify that students with the lowest expected family contributions are considered for FSEOG awards over students with higher expected family contributions.*

ISC's Response: *ISC responded that Student #31 was awarded FSEOG funds because he had a low EFC and he received a Pell Grant. ISC further indicated that students with 0 EFCs in this same start class were awarded FSEOG first and then Student #31 was awarded FSEOG, as a student without a 0 EFC but who received a Pell Grant. ISC believes that this is within the guidelines and is supported by the guidance provided in the 2010-2011 Handbook.*

As ISC has monthly enrollments, ISC reserved FSEOG for each start class. Three students started in June 2010. That monthly start included Student #31 and two other students with 0 EFCs, all of whom received FSEOG awards.

Since the program review, ISC has changed the filter used by its third party servicer to permit the institution to award FSEOG to students who are Pell eligible with 0 EFCs.

Additionally, effective for the 2011-2012 award year, ISC changed its FSEOG criteria. ISC awards a maximum grant of \$1,000 per academic year. FSEOG recipients must have a valid EFC, and students must be making satisfactory progress in both the quantitative and qualitative components, specifically a minimum of 96% attendance and a 90% grade point average is required. ISC indicated that it gives priority to students that have a 0 EFC. If any FSEOG funds remain after the first selection group at the end of the award year, awards will be made to those students eligible for FSEOG with the lowest EFCs receiving Pell Grants.

Final Determination: While the Department permits institutions to reserve funds for later starts, any student still in attendance at ISC that was Pell eligible with an EFC of 0, or an EFC that was lower than \$4,381, would have had more need than Student #31. FSEOG must be reserved for those neediest students.

The Department has determined that all FSEOG funds disbursed to Student #31 for 2010-2011 are a liability. See Appendix B for information on the specific student's disbursements.

Additionally, ISC must revise its current FSEOG policy to ensure that its policy is compliant with the requirements noted in the federal regulations. Although students must be making Satisfactory Academic Progress in order to receive FSEOG funds, FSEOG may not be limited based upon a requirement that the student has 96% attendance and a 90% grade point average. ISC's FSEOG selection policy may not eliminate students with the lowest EFCs based upon their attendance and grade point averages. A student that is on a warning status, or has had their probationary appeal approved, would remain eligible for FSEOG.

D. Summary of Liabilities

The total amount calculated as a liability from the findings from the program review is as follows:

Ineligible FSEOG funds: \$1,125.00

No interest is being charged, on this amount, since the establishment of this small amount of interest is not cost efficient. The interest that would have been identified totals \$12.18.

E. Payment Instructions and FISAP Corrections

ISC must make corrections to its Fiscal Operations Report and Application to Participate (FISAP) for award year 2012-13 (FISAP filed in October, 2011) as follows:

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

ISC must submit proof of the FISAP corrections and payment for any unprocessed deobligation to Adeline Espinosa **within 45 days of the date of this letter.**

F. Appendices

Appendix A: Student Files Reviewed

Appendix B: Student Level Detail

Appendix C: Institution's Written Response

Appendix D: Program Review Report

Appendices A & B contain personally identifiable information and will be emailed to ISC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

International School of Cosmetology

OPE ID: 02255400

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Final Program Review Determination

APPENDIX A

Student Files Reviewed

International School of Cosmetology

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PRCN: 201220927801

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APPENDIX B

Student Level Detail

Final Program Review Determination

APPENDIX C

Institution's Written Response

International School of Cosmetology
OPE ID: 02255400
PRCN: 201220927801
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TONIGUY
HAIRDRESSING ACADEMY

2311 Midway Road Carrollton, TX 75006
p 800.256.9391
f 972.407.2124

May 11, 2012

VIA FED EX: 7935 5540 9391

MAY 14 2012

ATTN: Adeline Espinosa
U.S. Department of Education
50 Beale Street, Suite 9800
San Francisco, CA 94105-1863

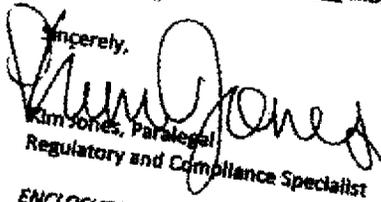
Re: International School of Cosmetology, Inc., OPE ID 02255400 – Program Review Report
Response – PRCN: 201220927801

Dear Ms. Espinosa:

As per the Program Review Report we received from the Department of Education dated April 13, 2012, attached are the following documents:

- o Corrective Action Plan;
- o 8.2 Package Construction Policy; and
- o Copy of the Program Review Report received from Dept. of Ed.

Please do not hesitate to contact Jane Engbretson at jengebretson@toniguy.com or Linda Means at lmeans@toniguy.com should you have any questions or require any additional information.

Sincerely,

Kim Jones, Paralegal
Regulatory and Compliance Specialist

ENCLOSURES

offering
a higher
education in
hairdressing



CORRECTIVE ACTION PLAN

International School of Cosmetology
OPE ID: 02255400
PRCN: 201220927801

A. Comments on Findings and Recommendations:

Student #31: This student was awarded FSEOG because he had a low EFC and received Pell. We first awarded students in his start class with 0 EFCs and then awarded this student FSEOG because he had a low EFC and received Pell. We believed that this was within our FSEOG awarding policy and within regulations. Please note that we were attempting to award students throughout the award year and not on a first-come, first serve basis. We based our selection process from the guidance provided in the 2010-2011 Handbook where it states:

Selecting FSEOG Recipients - When awarding FSEOG funds for an award year, you must first select students with the lowest expected family contributions (EFC) who will also receive Pell Grants in that award year. This group is known as the FSEOG first selection group. If your school has remaining FSEOG funds after making awards to all Pell Grant recipients for that award year, you must next select students with the lowest EFCs who are not receiving Pell Grants. This group of students is known as the FSEOG second selection group. A student who will also receive a Pell Grant in that award year is a student who has demonstrated Pell Grant eligibility for the same award year based upon an EFC that you have calculated for the student, or the EFC on the student's SAR or ISIR.

As we have monthly enrollments, during the June 2010 start class, there were only 3 students eligible to receive Pell, of which two had 0 EFCs and one had 4382 EFC. Both 0 EFC students were awarded FSEOG. This student, the third student, met the criteria by having a low EFC and received a Pell Grant for the June 2010 start during that award year. At the time, our 3rd party servicer system had a filter that permitted us to award students FSEOG to students who were Pell eligible and received Pell.

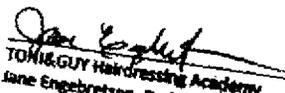
B. Actions Taken or Planned

Per Department of Education Auditor's recommendation, we have changed the filter with our 3rd Party Servicer to permit only those with 0 EFCs who are Pell eligible to be awarded FSEOG. We have also revised the FSEOG policy to be specific to the following:

TONI&GUY Hairdressing Academy participates in the FSEOG program. Effective for the 2011-2012 Award Year, the maximum grant is \$1,000 per award year. Students must demonstrate need by the school receiving the processed FAFSA with a valid EFC number and making Satisfactory Academic Progress in both Quantitative and Qualitative components with minimum of 90% attendance and 90% GPA. Priority will be given to those with 0 EFC. Awards will be made on a quarterly basis to ensure inclusion of all monthly starts. If any FSEOG funds remain after the first selection group at the end of the award year, awards will be made to those students eligible for FSEOG with lowest EFCs receiving Pell Grants.

FSEOG recipients will be notified by receiving an award letter showing the amount of FSEOG offered. To accept the award, the student will be expected to sign, date, and return the award letter to the Financial Aid Coordinator.

A copy of this policy is enclosed.


TONI&GUY Hairdressing Academy
Jane Engbretson, Budget & Finance Director

8.2 Package Construction

Policies

Once the aid and amount parameters are determined, the Financial Aid Officer shall determine student need, using the formula $\text{Cost of Attendance} - \text{EFC} = \text{Need}$ for each Academic Year, after which the student financial aid package is constructed.

A student may be awarded Title IV financial aid at the maximum amounts for which he is eligible, up to the full cost of tuition.

Financial aid shall be awarded in the following sequence:

A student may be awarded Title IV financial aid at the maximum amounts for which he is eligible, up to the full cost of tuition.

- Pell Grant
- FSEOG: TONI&GUY Hairdressing Academy participates in the FSEOG program. Effective for the 2011-2012 Award Year, the maximum grant is \$1,000 per award year. Students must demonstrate need by the school receiving the processed FAFSA with a valid EFC number and making Satisfactory Academic Progress in both Quantitative and Qualitative components with 96% attendance and 90% GPA. Priority will be given to those with 0 EFC. Awards will be made on a quarterly basis to ensure inclusion of all monthly starts. If any FSEOG funds remain after the first selection group at the end of the award year, awards will be made to those students eligible for FSEOG with lowest EFCs receiving Pell Grants.

FSEOG recipients will be notified by receiving an award letter showing the amount of FSEOG offered. To accept the award, the student will be expected to sign, date, and return the award letter to the Financial Aid Coordinator.

- Other Grant(s) and Scholarship(s)
- Federal Direct Subsidized Loan
- Federal Direct Unsubsidized Loan
- Parent PLUS Loan
- Private Alternative Education Loan

International School of Cosmetology

OPE ID: 02255400

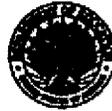
PRCN: 201220927801

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Final Program Review Determination

APPENDIX D

Program Review Report



April 13, 2012

Mr. Kenneth J. Gibson, President
International School of Cosmetology
2311 Midway Road
Carrollton, TX 75006

Certified Mail
Return Receipt Requested
7007 0710 0001 0676 0749

RE: Program Review Report
OPE ID: 02255400
PRCN: 201220927801

Dear Mr. Gibson:

From February 13, 2012 through February 17, 2012, Marcia Clark and Adeline Espinosa conducted a review of International School of Cosmetology's (ISC's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

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

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

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

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

International School of Cosmetology

OPE ID: 02255400

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

The institution's response should be sent directly to Adeline Espinosa of this office within 30 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

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

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We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Adeline Espinosa at (615) 486-5532 or at Adeline.Espinosa@ed.gov.

Sincerely,

(b)(6)

John Toney
Team Leader

cc: Holly Deasy, Financial Aid Administrator

Enclosures:

Protection of Personally Identifiable Information
Program Review Report

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

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Prepared for

**International School of
Cosmetology**



START HERE
GO FURTHER
FEDERAL STUDENT AID

OPE ID 02255400
PRCN 201220927801

Prepared by

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

Program Review Report

April 13, 2012

International School of Cosmetology
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A. Institutional Information

International School of Cosmetology

1358 5th Street

Santa Monica, CA 90401-3901

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: 198 (2011-12)

% of Students Receiving Title IV: 54.5% (2011-12)

Title IV Participation (from Postsecondary Education Participants System):

	<u>2010-11 Award Year</u>
Federal Pell Grant Program	\$ 971,934
William D. Ford Federal Direct Loan Program (Direct Loan)	\$ 2,198,834

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B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at International School of Cosmetology (ISC) from February 13, 2012 to February 17, 2012. The review was conducted by Marcia Clark and Adeline Espinosa.

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

A sample of thirty files was identified for review from the 2010-11 and 2011-12 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, one file was selected based on a Federal Supplemental Educational Opportunity Grant (FSEOG) report, which noted the student was awarded the grant regardless of having a high Expected Family Contribution (EFC). 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 ISC'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 ISC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

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

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C. Findings

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

Finding 1. Inadequate Federal Supplemental Educational Opportunity Grant (FSEOG) Policy and Ineligible FSEOG Award

Citation: Information on financial assistance that an institution must publish and make readily available to current and prospective students includes, but is not limited to, a description of all the federal, state, local, private and institutional student financial assistance programs available to students who enroll at that institution. For each program, the published information must include the criteria for selecting recipients from a group of eligible applicants. 34 C.F.R. § 668.42. In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contributions who will also receive Federal Pell Grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Federal Pell Grants. 34 C.F.R. § 676.10

Noncompliance: ISC failed to have an adequate FSEOG packaging policy, as its policy failed to identify its criteria for selection of FSEOG recipients. In addition, ISC did not choose all of its FSEOG recipients from its students with the lowest family contributions.

Student #31: This student had an expected family contribution of \$4,381 for the 2010-2011 award year. ISC awarded and disbursed \$1,500 in FSEOG to this student when it had numerous other students that had expected family contributions of \$0 that did not receive FSEOG awards.

Required Action: Instructions for repayment of any liability that may result from the improper disbursement of FSEOG funds will be provided in the FPRD letter that will be issued to ISC.

ISC must also strengthen its policy and procedures for awarding FSEOG in the future. ISC is required to provide its revised FSEOG awarding policy and procedures in response to this finding. ISC must ensure that its FSEOG policy and procedures specify that students with the lowest expected family contributions are considered for FSEOG awards over students with higher expected family contributions.

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Finding 2. Incorrect Verification

Citation: Institutions must require Title IV applicants to verify information used to calculate an applicant's expected family contribution (EFC) in two events: When the application is selected by the Secretary to be verified; or when an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate. An institution must require an applicant to submit acceptable documentation that will verify or update the following information (from the applicable year in question) used to determine the applicant's EFC: adjusted gross income; U.S. income tax paid; the aggregate number of family members in the household; the number of family members in the household who are enrolled, as at least half-time students, in postsecondary educational institutions; and certain untaxed income and benefits used in determining eligibility for Title IV aid. 34 C.F.R. §§ 668.54 - 668.57

Noncompliance: Student #8's file contained a 2009-10 Institutional Student Information Report (ISIR), which was marked for verification. The file contained a 2008 Tax Return (1040) that indicated a first-time homebuyer tax credit of \$7,500, which should be considered as untaxed income for the student's parent. This untaxed income did not appear on the ISIR nor was it corrected after ISC reviewed the verification documentation. The EFC was recalculated by ISC and resulted in no changes. The Department accepted this recalculation and considered this finding as resolved.

The 2010-11 ISIR for Student #5 was flagged for verification. The file contained a 2010-11 verification worksheet and a copy of a 2009 Tax Return. The ISIR indicated taxes paid of \$1,182; however, the 2009 Tax Return indicated the taxes paid were \$0, and ISC failed to correct this error. Because the award year is now closed and a recalculation would have resulted with the same zero EFC as the student already had received, a correction on the student's ISIR is not necessary. A statement from ISC's Financial Aid Director (FAD), noting that a correction would result in no changes in EFC, sufficed in order to resolve this error. The Department accepted this statement and considered this finding as resolved.

Student #6's 2010-11 ISIR was marked for verification. On the ISIR, there was indication that the student had a child, which would give her an "independent" status. The file contained a verification worksheet, however, certifying that the student had no child or dependent, thus giving her a "dependent" status. Since the student was still enrolled at ISC during the program review, ISC contacted the student and requested that she come into the office to meet with the FAD, in order to clarify this inconsistency in her file. The student corrected the verification worksheet by adding the son's name and other pertinent information. The Department accepted this correction and considered this finding as resolved.

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The 2010-11 ISIR of Student #14 was marked for verification and it indicated that the student's parents are separated or divorced. The file contained a verification worksheet which included both mother and father in the household, which made the household size equal four. The household size on the ISIR stated three, which conflicts with what was on the verification worksheet. Although ISC failed to resolve this conflicting information before the student's Title IV award had been disbursed, ISC requested that the student visit the office during the Department's scheduled program review, to certify that the father is, indeed, not in the household and that the parents are divorced. Removing the father from the verification worksheet did not change the student's EFC.

Required Action: ISC's new FAD assured the Department that under her direction, the verification process is done according to the regulations. All verification findings were resolved on-site during the program review; therefore, no further action is required from ISC.

Finding 3. Failure to Resolve Conflicting Information

Citation: The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. 34 C.F.R. § 668.16 requires institutions to develop an adequate system to ensure the consistency of information related to a student's application for federal student aid, regardless of the source of that information. The institution is responsible for reconciling all information received, with one exception: if the applicant dies during the award year, it is not required to pursue the resolution of conflicting data.

If an institution has reason to believe that any information on an application used to calculate a student's estimated family contribution (EFC) is inaccurate, it must require the applicant to verify the information that it has reason to believe is inaccurate. 34 C.F.R. § 668.54(a)(3).

Non-compliance: Student #15's enrollment agreement included a start date of June 6, 2010; however, other documentation on file, such as the attendance sheet, exit interview and academic transcript indicated a start date of April 6, 2010. The FAD assured the Department this was a typing error and that the correct start date is indeed April 6, 2010. The student graduated and has signed an exit interview, which included a start date of April 6, 2010. The Department accepted this document as well as all the other documentation substantiating the correct start date as April 6, 2010.

Required Action: Since the Student #15 graduated and completed an exit interview form with a correct start date and the student's signature, the Department accepted this documentation to resolve this finding. Therefore, no further action is required by the institution.

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D. Appendix

Appendix A (Student Sample) contains personally identifiable information and will be emailed to ISC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendix A: Student Files Reviewed

2010-11 Award Year

Number	Name	SSN
1	(b)(6); (b)(7)(C)	
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
31		

2011-12 Award Year

Number	Name	SSN
16	(b)(6); (b)(7)(C)	
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		

**Appendix B: Student Level Detail
(2010-11 Award Year)**

Last Name	First Name	SSN	FSEOG
(b)(6); (b)(7(C))			\$1125.00