



MAR 30 2015

Mr. John Clapper, President
John Paolo's Extreme Beauty,
Goldwell Products Artistry
638 Columbia Street Extension
Latham, NY 12110

Certified Mail
Return Receipt Requested
Domestic Return Receipt
7006 9810 0004 0470 6227

RE: **Final Program Review Determination**
OPE ID: **041657**
PRCN: **201220227826**

Dear Mr. Clapper:

The U.S. Department of Education's (Department's) School Participation Team – NY/Boston issued a program review report on 5/2/14 covering John Paolo's Extreme Beauty (John Paolo'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 2010/2011 and 2011/2012 award years. John Paolo's final response was received on 6/24/14. A copy of the program review report (and related attachments) and John Paolo's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by John Paolo's 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 liabilities to the Department, (3) notify the institution of its right to appeal.

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

The total liabilities due from the institution from this program review are **\$10,725.35**.

This final program review determination contains detailed information about the liability determination for all findings.

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION
School Participation Division – NY/Boston

32 Old Slip, NY, NY 10005
StudentAid.gov

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 does 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, Appendices B, D, and E also contain PII. These appendices were encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the 5/2/14 program review report. If John Paolo 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 John Paolo receives this FPRD. An original and four copies of the information John Paolo 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

John Paolo'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 John Paolo'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 Teresa Martinez at 646-428-3748. 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)

Betty Coughlin,
Division Director

Enclosure:

Protection of Personally Identifiable Information

Program Review Report (and appendices)

Final Program Review Determination Report (and appendices)

cc: Denise Cockey, Financial Aid Administrator
Carole Yates, NY State Dept of Education Department Bureau of Proprietary School Supervision
Gary Puckett, Council on Occupational Education
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

bcc: Reading file, Correspondence file, Teresa Martinez, Brenee Johnson, Chris Curry,
ERM

Prepared for

John Paolo's Extreme Beauty,
Goldwell Products Artistry

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

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID 041657
PRCN 201220227826

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division – NY/Boston

Final Program Review Determination

MAR 30 2015

	Page
A. Institutional Information.....	2
B. Scope of Review.....	3
C. Findings and Final Determinations.....	3
Resolved Findings	3
Finding 3 Untimely Determination of Students' Withdrawal	
Finding 6 Entrance/Exit Counseling Not Documented/Performed	
Finding 7 Student Status – Inaccurate/Untimely Reporting	
Finding 8 Written Policies and Procedures Missing/Inadequate	
Resolved Findings with Comments	4
Finding 1 Lack of Administrative Capability	
Findings with Final Determinations	4
Finding 2 Improper Payment of Student Defaulted Loan	
Finding 4 Incorrect/Late Refund Calculations	
Finding 5 Incorrect Verification	
Finding 9 Required Policy Statements Omitted from Campus Security	
D. Summary of Liabilities.....	
E. Payment Instructions.....	
F. <u>Appendices</u>	
<u>Appendix A: Student Sample</u>	
<u>Appendix B: Student Level Detail – Finding 2</u>	
<u>Appendix C: Estimated Actual Loss Calculation – Finding 2</u>	
<u>Appendix D: Cost of Funds – Finding 2</u>	
<u>Appendix E: Cost of Funds – Finding 4 & 5</u>	
<u>Appendix F: 5/2/14 Program Review Report</u>	
<u>Appendix G: Institution's Written Response</u>	
<u>Appendix H: Institution's File Review – Finding 4</u>	
<u>Appendix I: Institution's File Review – Finding 5</u>	

A. Institutional Information

John Paolo's Extreme Beauty,
Goldwell Products Artistry
638 Columbia Street Extension
Latham, NY 12110

Type: Proprietary

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

Accrediting Agency: Council on Occupational Education (COE)

Current Student Enrollment: 27 (2013)

% of Students Receiving Title IV, HEA funds: 80% (2013)

Title IV, HEA Program Participation – G5:

	<u>2013-2014</u>
Federal Pell Grant (Pell Grant)	\$71,989.00
Federal Direct Loan (DL)	\$157,299.00

	<u>2012-2013</u>
Federal Pell Grant (Pell Grant)	\$30,639.00
Federal Direct Loan (DL)	\$35,979.00

	<u>2011-2012</u>
Federal Pell Grant (Pell Grant)	\$79,551.00
Federal Direct Loan (DL)	\$190,333.00

Default Rate FFEL/DL:	2011	20%
	2010	0%
	2009	0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at John Paolo's Xtreme Beauty, Goldwell Products Artistry (John Paolo) from March 12, 2012 to March 16, 2012. The review was conducted by Teresa Martinez and Brenee Johnson.

The focus of the review was to determine John Paolo's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of John Paolo'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 30 files was identified for review from the 2010/2011 and 2011/2012 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, 1 file was selected for further review of the school's verification process. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

A program review report was issued on 5/2/14.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning John Paolo'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 John Paolo 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 3, 6, 7 & 8.

John Paolo has taken the corrective actions necessary to resolve findings **3, 6, 7 & 8** of the program review report. Therefore, these findings may be considered closed. John Paolo's written response related to these resolved findings are found in Appendix G. Findings requiring further action by John Paolo are discussed below.

Resolved Finding with Comments

The following program review finding has been resolved by the institution, and may be considered closed. This finding is included solely for the purpose of discussing resolution of the finding.

Finding 1. Lack of Administrative Capability

Citation Summary: *To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that it is capable of adequately administering the programs under the standards established in 34 C.F.R. §668.16. Among the requirements of establishing administrative capability, must designate a capable individual to be responsible for administering all the Title IV programs and for coordinating those programs with the institution's other Federal and non-Federal programs of student financial assistance. In addition, the institution must use an adequate number of qualified persons to administer the Title IV programs. 34 C.F.R. §668.16 (b)(2).*

34 C.F.R §668.14(b) states that by entering into a program participation agreement, an institution agrees that it will comply with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA, including the requirement that the institution will use funds it receives under any Title IV, HEA program and any interest or other earnings thereon, solely for the purposes specified in and in accordance with that program.

Noncompliance Summary: *The findings cited throughout the program review report support the reviewers' determination of the institution's deficiency in the administration of the Title IV programs. Those findings include Improper Payment of Student's Loan, Untimely Determination of Student's Withdrawal, Incorrect/Late Refund Calculations, and Incorrect Verification.*

John Paolo's lack of administrative capability was also demonstrated by the school's owner, Mr. John Clapper, who used his own funds to make monthly payments on a student's defaulted loan in order for her to obtain Title IV funds at his own institution as detailed in Finding 2. This lack of administrative capability is further demonstrated in several findings throughout this report.

Required Action Summary: *In response to this finding, John Paolo was directed to provide a detailed description of the steps it has taken to properly administer the Title IV programs. John Paolo was directed to specifically address the deficiencies noted in this finding as well as the Department's concerns regarding the improper payment of a student's defaulted student loan.*

John Paolo's Response: As part of its response to the program review report, John Paolo assured the Department that this error will not occur again in the future. In addition, John Paolo indicated that the institution has taken steps to ensure all staff is adequately trained to administer the Title IV programs.

Final Determination: Although John Paolo submitted an acceptable detailed plan to ensure adequate internal controls to properly administer the Title IV programs, the institution's actions described in Finding 2 reflected a willful attempt to circumvent regulatory provisions. John Paolo is cautioned to ensure strict adherence to regulatory requirements in the future.

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 John Paolo's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on 5/2/14 is attached as Appendix F.

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 2. Improper Payment of Student Defaulted Loan

Citation Summary: *Only eligible students who are not in default, and certifies that he or she is not in default, on a loan made under any Title IV, HEA loan program may receive Title IV program funds. 34 C.F.R. § 668.16 (a)(3)(g)(1).*

In order to participate in the Title IV programs, an institution, and its officers, must accept the responsibility to act with the competency and integrity that is necessary to qualify as a fiduciary. As fiduciaries, the institution and its officers, are subject to the highest standard of care and diligence in administering the Title IV programs. 34 C.F.R. § 668.82 (a)(b).

In addition, misrepresentation concerning the nature of an eligible institution's financial charges includes, but is not limited to, false, erroneous, or misleading statements concerning the availability or nature of any financial assistance offered to students, including a student's responsibility to repay any loans. 34 C.F.R. § 668.73 (d).

Noncompliance Summary: *As part of its fiduciary obligation to the Department, John Paolo was required to ensure that the institution only sought and disbursed Title IV funds*

Noncompliance Summary: *As part of its fiduciary obligation to the Department, John Paolo was required to ensure that the institution only sought and disbursed Title IV funds to students who were eligible to receive those funds. During the course of the review, the Department discovered that Mr. John Clapper, president and owner of John Paolo, used his own funds to make monthly payments on student 1's defaulted Federal subsidized student loan in order for her to obtain Title IV funds at John Paolo.*

Student 1 enrolled in the Cosmetology program on 3/15/10. According to the National Student Loan Database System (NSLDS) and the student's Institutional Student Information Record (ISIR), the student was in default on a Federal Stafford Subsidized loan received while she attended (b)(6). In a letter dated 6/23/10, **student 1** and Mr. Clapper signed an agreement stating that John Paolo's Xtreme Beauty Institute will make monthly payments on the student's Federal Stafford defaulted loan in order to bring the account into good standing to allow her to receive financial aid at John Paolo. The letter also indicated that the funds would be paid back with 6% interest and from financial aid funds received while attending John Paolo. In addition, a handwritten note found in the student's file, dated 8/10/10, indicated that payments of \$50 per month would begin on 6/23/10 and continue for 9 months. As of the date of the program review, the student's account ledger had 5 separate charges totaling \$450 each labeled "Misc. Costs pay federal loan from previous school". These charges were covered by a Pell grant subsequently posted to the student's account.

Furthermore, the student's file contained a handwritten letter from the student to her current school informing them that she was withdrawing as of 3/15/10, the same day she enrolled at John Paolo. Also, the student's Direct Loan promissory note, dated 6/1/10, listed Mr. Clapper as a personal reference. This additional documentation causes concern as to whether Mr. Clapper enticed the student to enter into this agreement and directed her to withdraw from her current institution in order to receive additional Title IV funds.

By improperly making payments on a student's defaulted Federal loan, Mr. Clapper disregarded Title IV requirements in order to obtain Title IV funds for a student who was not entitled to receive additional Title IV funds due to her Federal Stafford defaulted loan from a previous institution.

Required Action Summary: *In response to this finding, John Paolo was required to provide this office with details of the steps it has taken to ensure that this type of violation of the regulations does not happen in the future. John Paolo was required to review its procedures for ensuring that institutional personnel understand that Title IV aid will only be awarded to students who are eligible to receive Title IV funds.*

John Paolo's Response: *As part of its June 20, 2014 response and subsequent response on November 25, 2014, John Paolo assured the Department that this error will not occur again*

in the future. In addition, John Paolo indicated that the institution has taken steps to ensure all staff is adequately trained to administer the Title IV programs.

Final Determination: The Pell grant principal and interest due to the Department for this finding is **\$5,727.16**. The Direct Loan principal and interest due to the Department for this finding is **\$287.82**. Details of the liability for this finding can be found in Appendices B, C & D.

Estimated Actual Loss (ELF)

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loans 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 John Paolo's most recent cohort default rate available.

Finding 4 Incorrect/Late Refund Calculations

Citation Summary: *When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. The institution is also required to have a fair and equitable refund policy under which it makes a refund of unearned tuition, fees, room and board, and other charges to students who withdraw, drop out, or otherwise fail to complete the period of enrollment for which they are charged. The institution must calculate refunds in accordance with the measures outlined in specific refund formulas. 34 C.F.R. §668.22*

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

Noncompliance Summary: *During the review, the Department found several cases of incorrect refunds to the Title IV programs, resulting from students' withdrawal from school.*

Student 7's file contained a refund calculation that was performed on 10/27/11 with a determination date of 10/25/11 and a date of withdrawal of 10/25/11. However, the refund calculation was incorrectly completed because the institution used an incorrect withdrawal date. The withdrawal date is used for the calculation of the percentage of the period completed. According to the student's attendance records, the student's last date

of attendance was 9/14/11. Although, no refund was due to the Title IV programs, the determination of the percentage of the program the student completed was based on the incorrect number of hours. The 10/25/11 date resulted in a late determination, as stated in finding 3, since the date of determination is used for determining when the refund is due.

***Student 8's** file contained a refund calculation that was performed on 9/12/11 with a determination date of 9/6/11 and a date of withdrawal of 7/18/11, resulting in a late determination as stated in finding 3. The refund calculation identified a refund in the amount of \$2474.83 to the Direct Loan program and \$1943.63 in unearned Title IV aid due from the student. The refund calculation indicated that 179 clock hours were scheduled to have been completed as of the student's last date of attendance. However, according to the student's attendance records, 146 clock hours were scheduled to have been completed as of the student's last date of attendance resulting in an incorrect calculation.*

A recalculation of the return to Title IV calculation revealed that the school should have refunded \$2889.90 instead of \$2474.83 to the Direct Loan program. In addition, the student was responsible to return \$2181.46 in unearned Title IV aid instead of \$1943.63.

***Student 9's** file contained a refund calculation that was performed on 6/6/11 with a determination date of 6/6/11 and a date of withdrawal of 5/23/11. However, the refund calculation was incorrectly completed because the institution used the incorrect number of scheduled hours. According to the student's attendance records, the student was scheduled for 171 clock hours instead of the 159 hours the school used on the refund calculation. Although, no refund was due the Title IV programs, the determination was based on the incorrect number of hours.*

***Student 15's** file contained a refund calculation that was performed on 11/21/11 with a determination date of 11/11/11 and a date of withdrawal of 11/11/11. However, the refund calculation was incorrectly completed because the institution used an incorrect withdrawal date. The withdrawal date is used for the calculation of the percentage of the period completed. According to the student's attendance records, the student's last date of attendance was 10/24/11. Although, no refund was due to the Title IV programs, the determination was based on the incorrect number of hours. The 11/11/11 date resulted in a late determination, as stated in finding 3, since the date of determination is used for determining when the refund is due.*

***Student 23's** file contained a refund calculation that was performed on 2/10/12 with a determination date of 2/1/12 and a date of withdrawal of 1/18/12. The refund calculation identified a refund in the amount of \$2528.34 to the Pell Grant program. The refund calculation indicated that 40 clock hours were scheduled to have been completed as of the student's last date of attendance. However, according to the student's attendance records, 35 clock hours were scheduled to have been completed as of the student's last*

date of attendance, resulting in an incorrect calculation. This was because the institution used an incorrect withdrawal date. According to the student's attendance records, the student's last date of attendance was 1/17/12.

A recalculation of the return to Title IV calculation revealed that the school should have refunded \$2559.17 instead of \$2528.34 to the Pell Grant program.

Required Action Summary: *An institution is responsible for insuring accurate calculations based on a student's withdrawal from school. There are specific requirements outlined in the regulations for determining the withdrawal date for students who do not complete the program.*

John Paolo was required to review the files for all its Title IV recipients from the 2010/2011 and 2011/2012 award years who did not complete their programs. These files were to be reviewed to determine the accuracy and appropriateness of the calculations used to determine if Title IV funds were required to be returned to the Department and when any returns were due.

John Paolo's Response: John Paolo, as part of its June 20, 2014 response and subsequent response on November 25, 2014, performed a full file review of all Title IV recipients from the 2010/2011 and 2011/2012 award years and identified students who required R2T4 recalculations.

Final Determination: The recalculations submitted by John Paolo resulted in additional refund amounts to be returned and one over-refund. There is no required action for the recalculation that resulted in an over-refund, however, John Paolo is responsible for the additional refund amounts and interest from the return due date until the return paid date.

The Pell grant principal and interest due to the Department for this finding is **\$33.69**. The Federal Direct Loan principal and interest due to the Department for this finding is **\$2,309.00**. Details of the liability for this finding can be found in Appendix E and H.

Finding 5. Incorrect Verification

Citation Summary: *An institution is responsible for verifying all required information submitted by applicants for student financial assistance in connection with the calculation of their expected family contributions (EFC) for Title IV assistance. 34 C.F.R. §668.51(a),(b), 34 C.F.R. §668.56 (a) and C.F.R. 34 §668.57 (a),(b),(c),(d). An institution is responsible for updating information and resolving conflicting information under 34 C.F.R. §668.55(a)(1)(i)(ii) and using corrections to data originally reported to determine whether student eligibility would be impacted, 34 C.F.R. §668.59 (a),(b),(c),(d),(e). Title IV aid disbursements without complete or proper verification are institutional liabilities to the Federal aid programs.*

Noncompliance Summary: *John Paolo did not correctly verify information from students who were selected for verification.*

Student 15's application for financial aid was selected for verification in the 2010-2011 award year. The student's ISIR indicated that she was dependent and had filed a 2009 tax return. The student's file contained a copy of an IRS 1040X amended tax return, however, the amended tax return was not adequate. The amended tax return contained hand written corrected amounts as well as the use of correction fluid. Correction fluid is NEVER acceptable on verification documents. In addition, there was no signed copy of the original tax return that was filed.

Student 16's application for financial aid was selected for verification in the 2010-2011 award year. As part of their review of verification students, John Paolo's third party servicer, ECM, notified school officials, via email on 12/2/10, that student 16's ISIR transaction 2 required corrections. The institution was instructed to add \$2400 in untaxed income on ISIR transaction 2 based on the student's unemployment on her tax return. The institution processed the corrections resulting in ISIR transaction 3 that included the \$2400 in untaxed income. However, one week later, the institution corrected the ISIR again, removing the \$2400 in untaxed income. A hand written note on the ISIR transaction 4 indicated that the \$2400 in untaxed income was included in the professional judgment and not noted on the ISIR and that the error was discovered too late to correct. This resulted in a change in EFC to \$0 from \$27 on the previous transaction. There was no documentation in the file indicating that professional judgment was used for this student. When institutional officials were asked about the conflicting information, they stated that they did not submit this change to ECM for review.

Required Action Summary: *In response to this report, John Paolo was required to review the files of all Title IV recipients who were selected for verification in the 2010/2011 award year. The institution was required to collect any missing documentation and perform all required need analyses to confirm students' eligibility if information was revised as a result of verification. John Paolo would be liable for the amounts of any awards in excess of students' revised need. Additionally, the institution would be liable for all Title IV funds awarded in the applicable award year if the required documentation could not be collected.*

In response to this finding, John Paolo was required to report the total amount of ineligible Title IV funds disbursed to students.

John Paolo's Response: John Paolo, as part of its June 20, 2014 response and subsequent response on November 25, 2014, performed a full file review of all Title IV recipients from the 2010/2011 award year who was selected for verification and identified one student for whom documentation could not be collected.

Final Determination: The Pell grant principal and interest due to the Department for this finding is **\$2367.68**. Details of the liability for this finding can be found in Appendix E and I.

Finding 9. Crime Awareness Requirements Not Met - Required Policy Disclosures Inadequate/Omitted from Annual Security Report (ASR) and Failure to Distribute the ASR as a Comprehensive Document

Citation Summary: *The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) and the Department's regulations require that all institutions that receive Title IV, HEA funds must, by October 1 of each year, publish and distribute to its current students and employees through appropriate publications and mailing, a comprehensive Annual Security Report (ASR) that contains, at a minimum, all of the statistical and policy elements enumerated in 34 C.F.R. § 668.46(b).*

The ASR must be published and actively distributed as a single document. Acceptable means of delivery include regular U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. § 668.41(e)(1). These regulations also require institutions to provide a notice containing this information to all prospective students and employees. This notice must also advise interested parties of their right to request a paper copy of the ASR and to have it furnished upon request. 34 C.F.R. § 668.41(e)(4).

An institution's ASR must include statistics for incidents of crimes reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assaults, burglary, motor vehicle theft, and arson. Statistics for certain hate crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs; illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2) on-campus student residential facilities; 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property. 34 C.F.R. § 668.46(c)(1).

The ASR also must include several mandated policy statements. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of crime prevention programs and resources as well as channels for victims of crime to seek recourse. In general, these policies include topics such as the law enforcement authority and practices of campus police and security

forces, incident reporting procedures for students and employees, and policies that govern the preparation of the ASR itself. Institutions are also required to disclose alcohol and drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies of the issuance of timely warnings, emergency notifications, and evacuation procedures. As noted above, the ASR must be published as a single comprehensive document. With the exception of certain drug and alcohol program information, cross referencing to other publications is not sufficient to meet the publication and distribution requirements. § 485(f) of the HEA; 34 C.F.R. § 668.46(b).

Finally, each institution must also submit its crime statistics to the Department for inclusion in the Office of Postsecondary Education's "Campus Safety and Security Data Analysis Cutting Tool." This data must be submitted in the manner designated by the Secretary and in accordance with the timelines published in the Federal Register. 34 C.F.R. § 668.41(e)(5).

Noncompliance Summary: *John Paolo violated multiple provisions of the Clery Act. Specifically, the institution failed to publish an accurate and complete 2012 ASR as a comprehensive document. As a result of this violation, John Paolo also failed to actively distribute a materially-complete report as a single comprehensive document to all enrolled students and current employees.*

John Paolo's 2012 ASR did not include the following required disclosures:

- *A list of the titles of each person or organization to whom students and employees should report the criminal offenses described in 34 C.F.R. § 668.46 (c)(1) for the purpose of making timely warning (TW) reports and for inclusion in the annual statistical disclosure.*
- *Policies regarding the issuance of TWs to the campus community regarding the occurrence of Clery-reportable crimes that pose an ongoing threat to student and employee health and safety. (The Department notes that the institution did include minimal TW information in the 2012 ASR; however, that statement was found to be inadequate as it did not identify the individual(s) or office(s) that are responsible for issuing TWs. The policy also did not include any information about the method(s) for dissemination nor did it advise users of the report about the coordination of information with local law enforcement agencies regarding the issuance of TWs).*
- *A statement of policy that describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.*

- *A statement of policy 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.*
- *A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.*
- *A description of programs designed to inform students and employees about the prevention of crimes.*
- *A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HEA.*
- *A statement of policy regarding the institution's campus safety programs designed to prevent sex offenses. The statement must include a description of the institution's educational programs designed to promote awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses. It must also include the procedures that a victim/survivor should adhere to when a sex crime does occur and address the following topics:*
 - *who should be contacted;*
 - *to whom the alleged offense should be reported;*
 - *the student's option to notify appropriate law enforcement authorities;*
 - *a statement that institutional personnel, if requested, will assist the student in notifying these authorities;*
 - *the importance of evidence preservation for the purposes of proving the commission of a crime;*
 - *existing on and off-campus counseling, mental health, or other student services that are available for victims of sex offenses;*
 - *notification that the institution will change a victim's academic and or living situation after an alleged sex offense, if an accommodation is reasonably available;*
 - *procedures for campus disciplinary action in cases of an alleged sex offense including a clear statement that the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and,*
 - *a statement that both the accused and the accused must be informed of the outcome of such a proceeding and an explanation of the sanctions that may be imposed following a finding of responsibility by a campus judicial body regarding rape, acquaintance rape, and/or other forcible or non-forcible sex offense case.*
- *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.*

Of special note, John Paolo's 2012 2012 ASR did not contain any of the following required information regarding the institution's emergency and evacuation procedures:

- *Procedures to immediately notify the campus community upon confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees;*
- *A statement that the institution will, without delay, determine the content of the notification and initiate the notification in such an emergency;*
- *A description of the process the institution will use to confirm there is a significant emergency, determine who to notify, determine the content of the notification, and initiate the notification system;*
- *The positions and titles of the individuals who will confirm that there is a significant emergency, determine the content of the notification to students, who will send the notification, and initiate the notification; and,*
- *Plans to conduct tests of the emergency response and evacuation procedures, and documentation of such tests.*

All participating institutions are required to develop and implement a substantive emergency response and evacuation plan as part of an overall campus safety program. Serious risks to student and employee safety and property security exist in every institutional environment regardless of size. A proper program need not be expensive or overly-complex but must be reasonably approximated to mitigate risks and to provide the safest possible environment.

The extent of the omissions noted above indicates a general failure on the part of John Paolo to publish and distribute an accurate and complete ASR in 2012 and in all prior years. In addition, the institution failed to actively notify prospective students and employees about the availability of the 2012 ASR and all prior reports. As a result of the failures documented herein, the Department finds that John Paolo has persistently failed to comply with the ASR publication, distribution, and notification requirements and to otherwise comply with the most basic requirements of the Clery Act.

Failure to publish an accurate and complete ASR and to actively distribute it to students and employees deprives interested persons of important security information to which they are entitled. Access to this information permits campus community members and their families to make well-informed decisions about where to work and study and empowers them to play a more active role in their own safety and security.

Required Action Summary: *As a result of this finding, the institution was required to review and revise its existing internal policies and procedures regarding the preparation, publication, and distribution of its ASRs and promulgate any new policies and procedures as needed to ensure that these violations do not recur. The institution was required to ensure that all campus security operations are carried out in accordance with the Clery Act going forward.*

Using its new and revised policies and procedures as a guide, John Paolo was required to document that it has taken full remedial action by submitting a copy of its 2013 ASR, if that document was in fact published and distributed in accordance with all Clery Act requirements. Alternatively, John Paolo was required to prepare and publish an accurate and complete modified 2013 ASR that includes all of the statistical disclosures and policy, procedure and programmatic information required under 34 C.F.R. § 668.46(b). A copy of John Paolo's new policies and materially-complete 2013 ASR or a draft 2013 modified ASR was required to accompany the institution's response to this program review report.

In addition, John Paolo officials were reminded to review the accuracy and completeness of its Drug and Alcohol Abuse Prevention Program (DAAPP) as required by the Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations.

John Paolo's Response: *In its response, John Paolo stated that it has revised its policies and procedures which are available to current and prospective students on the school's website and in print from the administrative office.*

John Paolo also stated that it prepared an accurate and complete modified 2013 ASR that includes all of the statistical disclosures, disclosure policies, procedures and programmatic information required under 34 C.F.R. §668.46(b). John Paolo submitted copies of its new and revised policies and procedures and its draft revised ASR.

John Paolo also reviewed the accuracy and completeness of its Drug Abuse and Alcohol Abuse Prevention Program (DAAPP) and found it to be materially complete. John Paolo submitted a copy of the DAAPP.

Final Determination: *The review team examined the material submitted with the response and accepts John Paolo's policies and procedures that governs the preparation, publication and distribution of its ASR. The review team found that the revised ASR includes data for hate crimes, arrest and disciplinary actions as required. The review team's analysis of the response materials indicated that the new ASR/ASFR content was at least minimally adequate. Based on that determination and John Paolo's representations that it has addressed these violations and their underlying causes, the Department accepts the institution's response and considers this finding to be closed*

Although the finding is now closed, John Paolo is reminded that the exceptions identified above constitute serious violations of the Clery Act that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. John Paolo was required to initiate all necessary remedial measures and in doing so, has begun to remediate the conditions that led to these violations. The institution has stated

that it has brought its overall campus security program into compliance with the Clery Act as required by its Program Participation Agreement Nevertheless, John Paolo is advised that such actions cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective actions as a result.

Finally, the Department strongly recommends that John Paolo re-examine its campus security, drug and alcohol, and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with Federal regulations.

John Paolo officials may wish to review the Department's "Handbook for Campus Safety and Security Reporting" (2011) for guidance on complying with the Clery Act. The handbook is available online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The regulations governing the Clery Act can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

D. Summary of Liabilities

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

Initial Liabilities	Pell (Closed Award Years)	DL	EALF/DL	
Finding 2	\$5550.00		\$287.82	
Finding 4	\$32.99	\$2250.00		
Finding 5	\$2300.00			
Subtotal 1	\$7,882.99	\$2250.00	\$287.82	
Interest/SA	\$245.54	\$59.00		
Subtotal 2	\$8,128.53	\$2309.00		
Total	\$8,128.53	\$2309.00		
Payable To:				Totals
Department	\$8,128.53	\$2309.00	\$287.82	\$10,725.35

Estimated Actual Loss (EAL):

The total amount of Federal Family Education Loans that John Paolo improperly disbursed during the 2010/2011 award year for findings 2 is **\$9,500.00**. The total estimated actual loss that Camden must pay to the Department for the ineligible loans is **\$287.82**. A copy of the results of that calculation is included as Appendix D.

E. Payment Instructions

1. Liabilities Owed to the Department

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

John Paolo owes to the Department **\$10,725.35**. 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: **\$10,725.35**
DUNS: 791615367
TIN: 141793476
Program Review Control Number: 201220227826

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. John Paolo 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 John Paolo'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, John Paolo 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 John Paolo from the Federal Government. John Paolo **may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, John Paolo 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 FFEL Lenders and the Department in the case of Direct Loans

Direct Loan Closed Award Years (Request Extended Processing)

Finding(s): 4
Appendices: E

John Paolo must repay the following Direct Loan liabilities:

DL Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$2250	\$59.00	2010/2011
Total Principal	Total Interest	
\$2250	\$59.00	

The disbursement record for each student identified in the appendix listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the/these appendix/appendices. A copy of the adjustment to each student's COD record must be sent to Teresa Martinez **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, John Paolo 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 their 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).

The Direct Loan records for award years prior to 2008-2009 are archived, please contact the Internal Controls Division's School Reconciliation Team, Lisa Howell at (202) 377-3290 or Constance Daly at (202) 377-3119, or send an email to SchoolReconciliation@ed.gov, for assistance in making the adjustments. When contacting the Internal Controls Division School Reconciliation Team the following information must be provided:

DL Award ID
School Name
Year Requested
Reason: Program Review
Program Review Control Number: 201220227826

3. Direct Loan Estimated Actual Loss

Finding(s): 2
 Appendix: B & C

DL Estimated Actual Loss	
Amount	Award Year
\$287.82	2010/2011
Total	
\$287.82	

John Paolo must pay the amount reflected above in Direct Loan estimated loss liabilities for the award year(s) 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.

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

Pell- Closed Award Year

Finding(s): 2, 4 & 5
 Appendices: D & E

John Paolo must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$7850.00	\$244.84	Pell	2010/2011
\$32.99	\$0.70	Pell	2011/2012
Total Principal	Total Interest		
\$7882.99	\$245.54		

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

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 check, 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 Teresa Martinez within 45 days of the date of this letter.

OPE ID 041657
PRCN 201220227826

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-NY/Boston

Program Review Report

Table of Contents

	Page
A. Institutional Information.....	3
B. Scope of Review.....	4
C. Findings	4
Finding 1 Lack of Administrative Capability	4
Finding 2 Improper Payment of Student Defaulted Loan.....	5
Finding 3 Untimely Determination of Students' Withdrawal	6
Finding 4 Incorrect/Late Refund Calculations	
Finding 5 Incorrect Verification.....	10
Finding 6 Entrance/Exit Counseling Not Documented/Performed.....	11
Finding 7 Student Status – Inaccurate/Untimely Reporting.....	12
Finding 8 Written Policies and Procedures Missing/Inadequate.....	12
Finding 9 Required Policy Statements Omitted from Campus Security Reports.....	14
E. Appendix A: Student Sample	

A. Institutional Information

John Paolo's Xtreme Beauty, Goldwell Products Artistry
638 Columbia Street Extension
Latham, NY 12110

Type: Proprietary

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

Accrediting Agency: Council on Occupational Education (COE)

Current Student Enrollment: 31 (2011-2012)

% of Students Receiving Title IV: 100% (2011-2012)

Title IV Participation - source: Postsecondary Education Participants System (PEPS):

	<u>2011-2012</u>
Federal Pell Grant (Pell Grant)	\$82,326
Federal Direct Loan (DL)	\$123,841

	<u>2010-2011</u>
Federal Pell Grant (Pell Grant)	\$98,268
Federal Direct Loan (DL)	\$199,052

Default Rate FFEL/DL:	2010	0%
	2009	0%
	2008	0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at John Paolo's Xtreme Beauty, Goldwell Products Artistry (John Paolo) from March 12, 2012 to March 16, 2016. The review was conducted by Teresa Martinez and Brenee Johnson.

The focus of the review was to determine John Paolo'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 John Paolo'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 30 files was identified for review from the 2010/2011 and 2011/2012 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, 1 file was selected for further review of the school's verification process. 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 John Paolo'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 John Paolo 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 noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by John Paolo to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Lack of Administrative Capability

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

administrative capability, must designate a capable individual to be responsible for administering all the Title IV programs and for coordinating those programs with the institution's other Federal and non-Federal programs of student financial assistance. In addition, the institution must use an adequate number of qualified persons to administer the Title IV programs. 34 C.F.R. §668.16 (b)(2).

34 C.F.R §668.14(b) states that by entering into a program participation agreement, an institution agrees that it will comply with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA, including the requirement that the institution will use funds it receives under any Title IV, HEA program and any interest or other earnings thereon, solely for the purposes specified in and in accordance with that program.

Noncompliance: The findings cited throughout this report support the reviewers' determination of the institution's deficiency in the administration of the Title IV programs. Those findings include Improper Payment of Student's Loan, Untimely Determination of Student's Withdrawal, Incorrect/Late Refund Calculations, and Incorrect Verification.

Those deficiencies, as well as any requirements, are detailed in the findings noted in this report.

John Paolo's lack of administrative capability was also demonstrated by the school's owner, Mr. John Clapper, who used his own funds to make monthly payments on a student's defaulted loan in order for her to obtain Title IV funds at his own institution as detailed in Finding 2. This lack of administrative capability is further demonstrated in several findings throughout this report.

Required Action: In response to this finding, John Paolo must provide a detailed description of the steps it has taken to properly administer the Title IV programs. John Paolo must specifically address the deficiencies noted in this finding as well as the Department's concerns regarding the improper payment of a student's defaulted student loan. Other requirements to satisfy this finding are addressed elsewhere in this report.

Further requirements will be provided upon receipt and review of John Paolo's response.

Finding 2. Improper Payment of Student Defaulted Loan

Citation: Only eligible students who are not in default, and certifies that he or she is not in default, on a loan made under any Title IV, HEA loan program may receive Title IV program funds. 34 C.F.R. § 668.16 (a)(3)(g)(1).

In order to participate in the Title IV programs, an institution, and its officers, must accept the responsibility to act with the competency and integrity that is necessary to qualify as a fiduciary. As fiduciaries, the institution and its' officers, are subject to the highest standard of care and diligence in administering the Title IV programs. 34 C.F.R. § 668.82 (a)(b).

In addition, misrepresentation concerning the nature of an eligible institution's financial charges includes, but is not limited to, false, erroneous, or misleading statements concerning the availability or nature of any financial assistance offered to students, including a student's responsibility to repay any loans. 34 C.F.R. § 668.73 (d).

Noncompliance: As part of its fiduciary obligation to the Department, John Paolo was required to ensure that the institution only sought and disbursed Title IV funds to students who were eligible to receive those funds. During the course of the review, the Department discovered that Mr. John Clapper, president and owner of John Paolo, used his own funds to make monthly payments on student 1's defaulted Federal subsidized student loan in order for her to obtain Title IV funds at John Paolo.

Student 1 enrolled in the Cosmetology program on 3/15/10. According to the National Student Loan Database System (NSLDS) and the student's Institutional Student Information Record (ISIR), the student was in default on a Federal Stafford Subsidized loan received while she attended Sage College in 2007. In a letter dated 6/23/10, **student 1** and Mr. Clapper signed an agreement stating that John Paolo's Xtreme Beauty Institute will make monthly payments on the student's Federal Stafford defaulted loan in order to bring the account into good standing to allow her to receive financial aid at John Paolo. The letter also indicated that the funds would be paid back with 6% interest and from financial aid funds received while attending John Paolo. In addition, a handwritten note found in the student's file, dated 8/10/10, indicated that payments of \$50 per month would begin on 6/23/10 and continue for 9 months. As of the date of the program review, the student's account ledger had 5 separate charges totaling \$450 each labeled "Misc. Costs pay federal loan from previous school". These charges were covered by a Pell grant subsequently posted to the student's account.

Furthermore, the student's file contained a handwritten letter from the student to her current school informing them that she was withdrawing as of 3/15/10, the same day she enrolled at John Paolo. Also, the student's Direct Loan promissory note, dated 6/1/10, listed Mr. Clapper as a personal reference. This additional documentation causes concern as to whether Mr. Clapper enticed the student to enter into this agreement and directed her to withdraw from her current institution in order to receive additional Title IV funds.

By improperly making payments on a student's defaulted Federal loan, Mr. Clapper disregarded Title IV requirements in order to obtain Title IV funds for a student who was not entitled to receive additional Title IV funds due to her Federal Stafford defaulted loan from a previous institution.

Required Action: In response to this finding, John Paolo must provide this office with details of the steps it has taken to ensure that this type of violation of the regulations does not happen in the future. John Paolo must review its procedures for ensuring that institutional personal understand that Title IV aid will only be awarded to students who are eligible to receive Title IV funds.

In addition, John Paolo will be liable for any Title IV funds improperly disbursed to **student 1** for the 2010/2011 award year including Cost of Funds/Interest Liability.

Instructions for repayment of this liability will be provided in the Final Program Review Determination letter.

Finding 3. Untimely Determination of Students' Withdrawal

Citation: The withdrawal date for a student who withdraws from an institution that is required to take attendance, including a student who does not return from an approved leave of absence, is the last date of academic attendance as determined by the institution from its attendance records. 34 C.F.R. § 668.22(b)(1).

The Department has provided further guidance that, for an institution that is required to take attendance, the school should make that determination no more than 14 days after the student's last date of attendance. Dear Colleague Letter GEN 04-03, November 17, 2004.

Noncompliance: John Paolo failed to determine, in a timely manner, that students were no longer in attendance when students ceased to attend the institution.

According to **student 7's** attendance records, her last date of attendance was 9/14/11. The refund calculation had a date of determination of 10/25/11, 41 days after the student's last date of attendance.

According to **student 8's** attendance records, her last date of attendance was 7/18/11. The refund calculation had a date of determination of 9/6/11, 50 days after the student's last date of attendance.

According to **student 15's** attendance records, her last date of attendance was 10/24/11. The refund calculation had a date of determination of 11/11/11, 18 days after the student's last date of attendance.

Required Action: John Paolo must immediately revise its current procedures and develop procedures that will ensure students who cease attendance at the institution are properly identified and that the correct withdrawal date is used to determine any refunds to the Title IV programs. An institution is required to determine the amount of earned and unearned Federal Title IV aid that has been disbursed to students who withdraw, drop out, or otherwise fail to complete the period of enrollment for which they are charged. For official withdrawals, those procedures must include use of the date that the student began the withdrawal process or the date the student otherwise provided official notification to the institution. For students who unofficially withdraw John Paolo must use a student's actual last day of attendance as the withdrawal date.

John Paolo will be apprised of any additional requirements upon review of the Institution's response.

Finding 4. Incorrect/Late Refund Calculations

Citation: When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. The institution is also required to have a fair and equitable refund policy under which it makes a refund of unearned tuition, fees, room and board, and other charges to students who withdraw, drop out, or otherwise fail to complete the period of enrollment for which they are charged. The institution must calculate refunds in accordance with the measures outlined in specific refund formulas. 34 C.F.R. §668.22

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

Noncompliance: During the review, the Department found several cases of incorrect refunds to the Title IV programs, resulting from students' withdrawal from school.

Student 7's file contained a refund calculation that was performed on 10/27/11 with a determination date of 10/25/11 and a date of withdrawal of 10/25/11. However, the refund calculation was incorrectly completed because the institution used an incorrect withdrawal date. The withdrawal date is used for the calculation of the percentage of the period completed. According to the student's attendance records, the student's last date of attendance was 9/14/11. Although, no refund was due to the Title IV programs, the determination of the percentage of the program the student completed was based on the incorrect number of hours. The 10/25/11 date resulted in a late determination, as stated in finding 3, since the date of determination is used for determining when the refund is due.

Student 8's file contained a refund calculation that was performed on 9/12/11 with a determination date of 9/6/11 and a date of withdrawal of 7/18/11, resulting in a late determination as stated in finding 3. The refund calculation identified a refund in the amount of \$2474.83 to the Direct Loan program and \$1943.63 in unearned Title IV aid due from the student. The refund calculation indicated that 179 clock hours were scheduled to have been completed as of the student's last date of attendance. However, according to the student's attendance records, 146 clock hours were scheduled to have been completed as of the student's last date of attendance resulting in an incorrect calculation.

A recalculation of the return to Title IV calculation revealed that the school should have refunded \$2889.90 instead of \$2474.83 to the Direct Loan program. In addition, the student was responsible to return \$2181.46 in unearned Title IV aid instead of \$1943.63.

Student 9's file contained a refund calculation that was performed on 6/6/11 with a determination date of 6/6/11 and a date of withdrawal of 5/23/11. However, the refund

calculation was incorrectly completed because the institution used the incorrect number of scheduled hours. According to the student's attendance records, the student was scheduled for 171 clock hours instead of the 159 hours the school used on the refund calculation. Although, no refund was due the Title IV programs, the determination was based on the incorrect number of hours.

Student 15's file contained a refund calculation that was performed on 11/21/11 with a determination date of 11/11/11 and a date of withdrawal of 11/11/11. However, the refund calculation was incorrectly completed because the institution used an incorrect withdrawal date. The withdrawal date is used for the calculation of the percentage of the period completed. According to the student's attendance records, the student's last date of attendance was 10/24/11. Although, no refund was due to the Title IV programs, the determination was based on the incorrect number of hours. The 11/11/11 date resulted in a late determination, as stated in finding 3, since the date of determination is used for determining when the refund is due.

Student 23's file contained a refund calculation that was performed on 2/10/12 with a determination date of 2/1/12 and a date of withdrawal of 1/18/12. The refund calculation identified a refund in the amount of \$2528.34 to the Pell Grant program. The refund calculation indicated that 40 clock hours were scheduled to have been completed as of the student's last date of attendance. However, according to the student's attendance records, 35 clock hours were scheduled to have been completed as of the student's last date of attendance, resulting in an incorrect calculation. This was because the institution used an incorrect withdrawal date. According to the student's attendance records, the student's last date of attendance was 1/17/12.

A recalculation of the return to Title IV calculation revealed that the school should have refunded \$2559.17 instead of \$2528.34 to the Pell Grant program.

Required Action: An institution is responsible for insuring accurate calculations based on a student's withdrawal from school. There are specific requirements outlined in the regulations for determining the withdrawal date for students who do not complete the program.

John Paolo must review the files for all its Title IV recipients from the 2010/2011 and 2011/2012 award years who did not complete their programs. These files must be reviewed to determine the accuracy and appropriateness of the calculations used to determine if Title IV funds were required to be returned to the Department and when any returns were due. Copies of all R2T4 recalculations must be submitted to this office. John Paolo must provide the following information for all withdrawn students in a spreadsheet format:

1. Award Year
2. Student Name
3. Last four digits of the student's Social Security Number
4. Withdrawal Date
5. Institutional Determination Date

6. Original Amount Refunded by Title IV Program
7. Date Refund Paid
8. Additional Amount to be Returned if Applicable
9. Date Refund Paid, If Unpaid, Report N/A

The institution will be liable for any amounts due including Cost of Funds/Interest Liability. Instructions for repayment of this liability will be provided in the Final Program Review Determination letter.

The report is due within 60 days of receipt of this report.

Finding 5. Incorrect Verification

Citation: An institution is responsible for verifying all required information submitted by applicants for student financial assistance in connection with the calculation of their expected family contributions (EFC) for Title IV assistance. 34 C.F.R. §668.51(a),(b), 34 C.F.R. §668.56 (a) and C.F.R. 34 §668.57 (a),(b),(c),(d). An institution is responsible for updating information and resolving conflicting information under 34 C.F.R. §668.55(a)(1)(i)(ii) and using corrections to data originally reported to determine whether student eligibility would be impacted, 34 C.F.R. §668.59 (a),(b),(c),(d),(e). Title IV aid disbursements without complete or proper verification are institutional liabilities to the Federal aid programs.

Noncompliance: John Paolo did not correctly verify information from students who were selected for verification.

Student 15's application for financial aid was selected for verification in the 2010-2011 award year. The student's ISIR indicated that she was dependent and had filed a 2009 tax return. The student's file contained a copy of an IRS 1040X amended tax return, however, the amended tax return was not adequate. The amended tax return contained hand written corrected amounts as well as the use of correction fluid. Correction fluid is NEVER acceptable on verification documents. In addition, there was no signed copy of the original tax return that was filed.

Student 16's application for financial aid was selected for verification in the 2010-2011 award year. As part of their review of verification students, John Paolo's third party servicer, ECM, notified school officials, via email on 12/2/10, that student 16's ISIR transaction 2 required corrections. The institution was instructed to add \$2400 in untaxed income on ISIR transaction 2 based on the student's unemployment on her tax return. The institution processed the corrections resulting in ISIR transaction 3 that included the \$2400 in untaxed income. However, one week later, the institution corrected the ISIR again, removing the \$2400 in untaxed income. A hand written note on the ISIR transaction 4 indicated that the \$2400 in untaxed income was included in the professional judgment and not noted on the ISIR and that the error was discovered too late to correct. This resulted in a change in EFC to \$0 from \$27 on the previous transaction. There was no documentation in the file indicating that professional judgment was used for this student.

When institutional officials were asked about the conflicting information, they stated that they did not submit this change to ECM for review.

Required Action: In response to this report, John Paolo must review the files of all Title IV recipients who were selected for verification in the 2010/2011 award year. The institution must collect any missing documentation and perform all required need analyses to confirm students' eligibility if information was revised as a result of verification. John Paolo is liable for the amounts of any awards in excess of students' revised need. Additionally, the institution is liable for all Title IV funds awarded in the applicable award year if the required documentation cannot be collected. Please note, in cases where information on verification worksheets is revised, the changes must be initialed and the worksheets must be signed again by the required persons.

In response to this finding, John Paolo must report the total amount of ineligible Title IV funds disbursed to students. All liabilities must be reported by award year, listing students in alphabetical order and spreadsheet format with the following column headings:

1. Award Year
2. Student's Name
3. Last four digits of the student's Social Security Number
4. Original Award (by Title IV Program)
5. Revised Award (by Title IV Program)
6. Difference (by Title IV Program)

Copies of all relevant documentation collected to complete the verification process for the above students must be forwarded to this office.

The report is due within 60 days of receipt of this report.

Instructions for the repayment of any liabilities will be provided in the Final Program Review Determination letter (FPRD).

Finding 6. Entrance/Exit Counseling Not Documented/Performed

Citation: Institutions are required to provide initial counseling to each Direct Loan (DL) borrower prior to its release of the first disbursement. In addition, institutions are required to provide exit counseling to students who complete or otherwise withdraw from their program of study. An institution must ensure that entrance/exit counseling is conducted with each FFEL or DL borrower either in person, by audiovisual presentation, or by interactive electronic means. 34 C.F.R §685.304(a)(b).

Noncompliance: John Paolo failed to provide exit counseling for student 2 who withdrew from the institution.

Required Action: John Paolo must perform the required exit loan counseling for student 2 and submit proof with its response to this report. A certified mail receipt will be considered adequate documentation. Additionally, the institution must provide its assurances that exit loan counseling will be performed in a timely manner for all DL borrowers.

Finding 7. Student Status – Inaccurate/Untimely Reporting

Citation: Institutions are required to, upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who enrolled at that school but has ceased to be enrolled on at least a half-time basis; has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or has changed his or her permanent address. 34 C.F.R. §685.309(a)(b).

Noncompliance: John Paolo failed to accurately report changes to students' enrollment status.

Student 4 enrolled in the Cosmetology program on 5/16/11 and graduated on 1/31/12. The institution did not update the enrollment status from active to graduate for this student.

Student 9 enrolled in the Cosmetology program on 3/8/11 and withdrew on 6/6/11. The institution did not report the withdrawal until 12/13/11.

Student 11 enrolled in the Cosmetology program on 3/28/11 and withdrew on 10/17/11. The institution did not report the withdrawal until 2/28/12.

Similar instances of inaccurate reporting were found for students 13 and 15.

Required Action: John Paolo must provide its assurances that it will notify the Secretary in a timely manner of changes to students' enrollment status.

John Paolo will be apprised of any additional requirements upon review of the Institution's response.

Finding 8. Written Policies and Procedures Missing/Inadequate

Citation: An institution shall establish and make readily available written policies and procedures to enrolled and prospective students any refund policy with which the institution is required to comply for the return of unearned tuition and fees and the requirements and procedures for officially withdrawing. 34 C.F.R. § 668.43.

In addition, an institution must annually provide a notice directly to all enrolled students describing the availability of consumer information. The notice must contain a brief description of the various disclosures and how to obtain the full disclosures. If a disclosure is posted to a Web site, the notice must provide the exact electronic address and provide a statement that paper copies are available 34 CFR § 668.41(c)(d).

An institution must make available to any enrolled student or prospective student through appropriate publications, mailings or electronic media, information concerning financial assistance, general information about the school, Constitution and Citizenship Day, Student Right-to-Know Act Drug and alcohol abuse prevention information, Family Educational Rights and Privacy Act (FERPA) and Private Education Loans.

A chart listing which persons (enrolled students, employees, etc.) must receive the various forms of consumer information, including how the information must be distributed, can be found in the FSA Handbook, Volume 2, School Eligibility & Operations, Chapter 6, Providing Consumer Information, found at <http://ifap.ed.gov/fsahandbook/attachments/0910FSAHbkVol2Ch6Information.pdf>

Noncompliance: John Paolo does not have the following policies and procedures, disclosure statements, and/ or is missing one or more components per requirement:

- Return of Title IV funds policy and procedure –
 1. Procedures for officially withdrawing
 2. Whether a student who failed to earn a passing grade in any class completed or withdrew

- Consumer Information –
 1. Institutional policies on vaccinations HEA Sec. 485(a)(1)(V)
 2. Disclosures of the following information under the Student Right-to-Know Act: Institution's retention rate of certificate- or degree- seeking, first-time, full-time undergraduate students (as reported to IPEDS) provided to current and prospective students; if to a prospective student, provided prior to the student's enrolling or entering into a financial obligation to the institution 34 C.F.R. §§ 668.8(b)(1)(ii), 668.41(d)(3)
 3. Annual notice to enrolled students of the availability of information required to be disclosed that lists and briefly describes the disclosures and how to obtain the information. If disclosed on the web site, inclusion of the exact electronic address and a statement that the institution will provide a paper copy upon request 34 C.F.R § 668.41(c)
 4. Information about the availability upon reasonable notice throughout normal administrative working hours of employees for information dissemination

purposes, to prospective and enrolled students. Waivers for small schools available by application 34 C.F.R. § 668.44

Required Action: There are no liabilities associated with this finding. However, John Paolo is required to provide students with details of all refund policies applicable to the school as well as information on the Title IV program requirements for the treatment of Title IV funds when a student withdraws. John Paolo must include the missing components noted above under its' Return to Title IV policies and Consumer Information. Details of those procedures must be provided with the response to this report.

The institution will be apprised of any additional requirements upon review of the response to this finding.

Finding 9. Crime Awareness Requirements Not Met - Required Policy Disclosures Inadequate/Omitted from Annual Security Report (ASR) and Failure to Distribute the ASR as a Comprehensive Document

Citation: The *Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act)* and the Department's regulations require that all institutions that receive Title IV, HEA funds must, by October 1 of each year, publish and distribute to its current students and employees through appropriate publications and mailing, a comprehensive Annual Security Report (ASR) that contains, at a minimum, all of the statistical and policy elements enumerated in 34 C.F.R. § 668.46(b).

The ASR must be published and actively distributed as a single document. Acceptable means of delivery include regular U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. § 668.41(e)(1). These regulations also require institutions to provide a notice containing this information to all prospective students and employees. This notice must also advise interested parties of their right to request a paper copy of the ASR and to have it furnished upon request. 34 C.F.R. § 668.41(e)(4).

An institution's ASR must include statistics for incidents of crimes reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assaults, burglary, motor vehicle theft, and arson. Statistics for certain hates crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs; illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2)

on-campus student residential facilities; 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property. *34 C.F.R. § 668.46(c)(1)*.

The ASR also must include several mandated policy statements. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of crime prevention programs and resources as well as channels for victims of crime to seek recourse. In general, these policies include topics such as the law enforcement authority and practices of campus police and security forces, incident reporting procedures for students and employees, and policies that govern the preparation of the ASR itself. Institutions are also required to disclose alcohol and drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies of the issuance of timely warnings, emergency notifications, and evacuation procedures. As noted above, the ASR must be published as a single comprehensive document. With the exception of certain drug and alcohol program information, cross referencing to other publications is not sufficient to meet the publication and distribution requirements. *§ 485(f) of the HEA; 34 C.F.R. § 668.46(b)*.

Finally, each institution must also submit its crime statistics to the Department for inclusion in the Office of Postsecondary Education's "Campus Safety and Security Data Analysis Cutting Tool." This data must be submitted in the manner designated by the Secretary and in accordance with the timelines published in the Federal Register. *34 C.F.R. § 668.41(e)(5)*.

Noncompliance: John Paolo violated multiple provisions of the *Clery Act*. Specifically, the institution failed to publish an accurate and complete 2012 ASR as a comprehensive document. As a result of this violation, John Paolo also failed to actively distribute a materially-complete report as a single comprehensive document to all enrolled students and current employees.

John Paolo's 2012 ASR did not include the following required disclosures:

- A list of the titles of each person or organization to whom students and employees should report the criminal offenses described in *34 C.F.R. § 668.46 (c)(1)* for the purpose of making timely warning (TW) reports and for inclusion in the annual statistical disclosure.
- Policies regarding the issuance of TWs to the campus community regarding the occurrence of Clery-reportable crimes that pose an ongoing threat to student and employee health and safety. (The Department notes that the institution did include minimal TW information in the 2012 ASR; however, that statement was found to be inadequate as it did not identify the individual(s) or office(s) that are responsible for issuing TWs. The policy also did not include any information about the method(s) for dissemination nor did it advise users of the report about the coordination of information with local law enforcement agencies regarding the issuance of TWs).
- A statement of policy that describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform

the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.

- A statement of policy 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.
- A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.
- A description of programs designed to inform students and employees about the prevention of crimes.
- A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HEA.
- A statement of policy regarding the institution's campus safety programs designed to prevent sex offenses. The statement must include a description of the institution's educational programs designed to promote awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses. It must also include the procedures that a victim/survivor should adhere to when a sex crime does occur and address the following topics:
 - who should be contacted;
 - to whom the alleged offense should be reported;
 - the student's option to notify appropriate law enforcement authorities;
 - a statement that institutional personnel, if requested, will assist the student in notifying these authorities;
 - the importance of evidence preservation for the purposes of proving the commission of a crime;
 - existing on and off-campus counseling, mental health, or other student services that are available for victims of sex offenses;
 - notification that the institution will change a victim's academic and or living situation after an alleged sex offense, if an accommodation is reasonably available;
 - procedures for campus disciplinary action in cases of an alleged sex offense including a clear statement that the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and,
 - a statement that both the accuser and the accused must be informed of the outcome of such a proceeding and an explanation of the sanctions that may be imposed following a finding of responsibility by a campus judicial body regarding rape, acquaintance rape, and/or other forcible or non-forcible sex offense case.

- 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.

Of special note, John Paolo's 2012 2012 ASR did not contain any of the following required information regarding the institution's emergency and evacuation procedures:

- Procedures to immediately notify the campus community upon confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees;
- A statement that the institution will, without delay, determine the content of the notification and initiate the notification in such an emergency;
- A description of the process the institution will use to confirm there is a significant emergency, determine who to notify, determine the content of the notification, and initiate the notification system;
- The positions and titles of the individuals who will confirm that there is a significant emergency, determine the content of the notification to students, who will send the notification, and initiate the notification; and,
- Plans to conduct tests of the emergency response and evacuation procedures, and documentation of such tests.

All participating institutions are required to develop and implement a substantive emergency response and evacuation plan as part of an overall campus safety program. Serious risks to student and employee safety and property security exist in every institutional environment regardless of size. A proper program need not be expensive or overly-complex but must be reasonably approximated to mitigate risks and to provide the safest possible environment.

The extent of the omissions noted above indicates a general failure on the part of John Paolo to publish and distribute an accurate and complete ASR in 2012 and in all prior years. In addition, the institution failed to actively notify prospective students and employees about the availability of the 2012 ASR and all prior reports. As a result of the failures documented herein, the Department finds that John Paolo has persistently failed to comply with the ASR publication, distribution, and notification requirements and to otherwise comply with the most basic requirements of the *Clery Act*.

Failure to publish an accurate and complete ASR and to actively distribute it to students and employees deprives interested persons of important security information to which they are entitled. Access to this information permits campus community members and their families to make well-informed decisions about where to work and study and empowers them to play a more active role in their own safety and security.

Required Action: As a result of this finding, the institution must review and revise its existing internal policies and procedures regarding the preparation, publication, and distribution of its

ASRs and promulgate any new policies and procedures as needed to ensure that these violations do not recur. The institution must ensure that all campus security operations are carried out in accordance with the *Clery Act* going forward.

Using its new and revised policies and procedures as a guide, John Paolo must document that it has taken full remedial action by submitting a copy of its 2013 ASR, if that document was in fact published and distributed in accordance with all *Clery Act* requirements. Alternatively, John Paolo must prepare and publish an accurate and complete modified 2013 ASR that includes all of the statistical disclosures and policy, procedure and programmatic information required under *34 C.F.R. § 668.46(b)*. A copy of John Paolo's new policies and materially-complete 2013 ASR or a draft 2013 modified ASR must accompany the institution's response to this program review report.

If a modified report is submitted, it will be evaluated by the review team for accuracy and completeness. Once approved, John Paolo will be required to actively distribute the ASR to all current students and employees in accordance with *34 C.F.R. § 668.41(e)*. Finally, John Paolo will also be required to provide documentation to the Department evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed in accordance with the *Clery Act*. This certification must also affirm that the institution understands its *Clery Act* obligations and that it has taken all necessary corrective actions to ensure that this violation does not recur.

As noted above, the exceptions identified in this finding constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" a *Clery Act* violation once it occurs. John Paolo will be given an opportunity to publish and distribute an accurate and complete ASR and in doing so, will finally begin to bring its campus security operations into compliance with the *Clery Act* for the first time as required by its Program Participation Agreement. However, the institution is advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective measures as a result.

Based on an evaluation of all available information including John Paolo's response, the Department will determine if additional actions will be required and will advise the institution accordingly in the FPRD.

John Paolo officials may wish to refer to the Department's "Handbook for Campus Safety and Security Reporting" (2011 Edition) during the preparation of its response. The Handbook is available online at: <http://www2.ed.gov/admins/lead/safety/handbook.pdf>.

Finally, John Paolo officials are reminded to review the accuracy and completeness of its Drug and Alcohol Abuse Prevention Program (DAAPP) as required by the Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations. FSA is now responsible for monitoring compliance with the *DFSCA*. Therefore, it

is essential that the institution makes sure that it has developed and implemented a comprehensive DAAPP, has actively distributed a materially-complete annual DAAPP disclosure, and that it has conducted substantive biennial reviews and has completed its biennial review reports on the proper schedule. For assistance or more information on the *Clery Act* and/or the *DFSCA*, please contact your program review team or another member of the New York/Boston School Participation Division.