

Index Sheet

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November 28, 2012

Ms. Elizabeth Hollenberg
President
CHI Institute
225 West Wacker Drive
Chicago, IL 60606

Certified Mail
Return Receipt Requested
7012 1010 0002 0472 0443

RE: Final Program Review Determination
OPE ID: 00778100
PRCN: 200840326787

Dear Ms. Hollenberg:

The U.S. Department of Education's (Department's) School Participation Division - Philadelphia issued a program review report on May 1, 2009 covering CHI Institute's (CHI'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 2005-2006, 2006-2007, and 2007-2008 award years. A copy of the program review report (and related attachments) and CHI's responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by CHI 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.

CHI has taken the action required to resolve the findings cited in the program review report. The purpose of this letter is to close the program review. The program review findings were resolved by means of an agreed-upon settlement, executed July 15, 2011. The Settlement Agreement did not constitute an acknowledgement, admission, or concession by any of the Parties of any liability, misrepresentation, wrongdoing, legal compliance or noncompliance, or of the validity or non-validity of any of the findings set forth in the program review report.

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

Federal Student Aid

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

Philadelphia School Participation Division

The Wanamaker Building, 100 Penn Square East, Suite 511, Philadelphia, PA 19107

StudentAid.gov

CHI Institute
Final Program Review Determination Letter
OPE ID: 00778100
PRCN: 200840326787
Page 2

end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3). If the institution has any questions regarding this letter, please contact Ms. Nancy Della Vecchia at (215) 656-6444.

Sincerely,

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

Director
Philadelphia School Participation Division

Enclosure:

Protection of Personally Identifiable Information

Final Program Review Determination
PRCN #: 200840326787

Appendix A
Program Review Report



May 1, 2009

Mr. Jeffrey J. Conlon
President
CHI Institute
6301 Kaplan University Avenue
Fort Lauderdale, FL 33309

Certified Mail
Return Receipt Requested
7005 1160 0001 1518 6059

RE: Program Review Report
OPE ID: 00778100
PRCN: 200840326787

Dear Mr. Conlon:

From September 16-24, 2008 and November 3-7, 2008, Ms. Nancy Della Vecchia and Ms. Tara Johnston conducted a review of CHI Institute's (CHI's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), at its Broomall location. The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by CHI. The institution's response should be sent directly to Ms. Della Vecchia of this office within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

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

School Participation Team NE--Philadelphia
The Wanamaker Building
100 Penn Square East Suite 511
Philadelphia, PA 19107-3323

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).

Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Nancy Della Vecchia at (215) 656-6444 or at nancy.della.vecchia@ed.gov.

Sincerely,

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

John S. Loreng
Team Leader

cc: Ms. Chrissy Kapusniak, Financial Aid Administrator
Ms. Elaine M. Neely, Senior Vice President – Regulatory Affairs
Ms. Gena Gentry, Financial Aid Manager - Texas

Enclosure:
Protection of Personally Identifiable Information

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

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

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

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.

Prepared for

CHI Institute



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OPE ID 00778100

PRCN 200840326787

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team - Philadelphia

Program Review Report

May 1, 2009

U.S. Department of Education
School Participation Team – Philadelphia
100 Penn Square East, Suite 511
Philadelphia, PA 19107
www.FederalStudentAid.ed.gov

Table of Contents

	<u>Page</u>
A. Institutional Information	3
B. Scope of Review	4
C. Findings	
1. Lack of Administrative Capability	5
2. Misrepresentation of the Nature of the Educational Program/ Abuse of Title IV Leave of Absence Provision	6
3. Misrepresentation of the Nature of the Educational Program/ Insufficient Hours Offered	13
4. Ineligible Title IV Loans Disbursed	18
5. Federal Pell Grant Overpayments	24
6. Early Title IV Loan Disbursements	27
7. Conflicting Information	29
Appendix A: Student Sample	
Appendix B: Surgical Technology Students Who Never Received an Externship	
Appendix C: Courses Offered with an Insufficient Number of Hours	
Appendix D: Courses Scheduled for Fewer than Required Number of Hours per CHI's "Master Schedule"	
Appendix E: Federal Pell Grant Overpayments	
Appendix F: Early Title IV Loan Disbursements	
Appendix G: Graphic	

A. Institutional Information

CHI Institute
 1991 Sproul Road, Suite 42
 Broomall, PA 19008-3516

Type: Proprietary

Highest Level of Offering: Associates Degree

Accrediting Agency: Accrediting Commission of Career Schools and Colleges of Technology
 (ACCSCT)

Title IV Participation:

Title IV Program	2007-2008	2006-2007	2005-2006
Federal Pell Grant	\$ 6,606,440	\$ 6,460,525	\$ 5,607,559
Federal Family Education Loan Program - Stafford Subsidized Loans	\$ 5,554,129	\$ 1,700,796	\$ 494,606
Federal Family Education Loan Program - Stafford Unsubsidized Loans	\$ 5,731,452	\$ 2,346,060	\$ 679,456
Federal Family Education Loan Program - PLUS	\$ 601,194	\$ 69,721	\$ 3,714
Federal Direct Loan Program - Stafford Subsidized Loans	\$ 509,356	\$ 3,367,196	\$ 3,897,771
Federal Direct Loan Program - Stafford Unsubsidized Loans	\$ 500,292	\$ 4,066,092	\$ 4,546,143
Federal Direct Loan Program - PLUS	\$ 94,325	\$ 1,128,582	\$ 1,474,661
Federal Supplemental Educational Opportunity Grant	\$ 325,439	\$ 276,494	\$ 224,484
Federal Work Study	\$ 92,606	\$ 82,938	\$ 48,986

Default Rate FFEL/DL: 2006: 17.4%
 2005: 9.8%
 2004: 10.9%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at CHI Institute in Broomall, PA from September 16 – 24, 2008 and November 3 – 7, 2008. The review was conducted by Ms. Nancy Della Vecchia and Ms. Tara Johnston.

The focus of the review was to determine CHI's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV programs. The review consisted of, but was not limited to, an examination of CHI'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 84 files was identified for review from the 2005-2006, 2006-2007, and 2007-2008 award years. Appendix A lists the names of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning CHI'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 CHI 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 CHI 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 Title IV, HEA programs. The Secretary considers an institution to have that administrative capability if the institution, among other things, administers the Title IV, HEA programs in accordance with all statutory provisions of, or applicable to, Title IV of the HEA and all applicable regulatory provisions prescribed under that statutory authority. 34 C.F.R. § 668.16(a). Further, the institution must develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under the Title IV, HEA programs. 34 C.F.R. § 668.16(f).

Noncompliance:

CHI Institute failed to meet the standards of administrative capability, as set forth in 34 C.F.R. § 668.16. The following serious findings, which are included in this report, demonstrate the institution's lack of administrative capability:

- 2) Misrepresentation of the Nature of the Educational Program/Abuse of the Title IV Leave of Absence Provision;
- 3) Misrepresentation of the Nature of the Educational Program/ Insufficient Hours Offered;
- 4) Ineligible Title IV Loans Disbursed;
- 5) Federal Pell Grant Overpayments;
- 6) Early Title IV Loan Disbursements; and
- 7) Conflicting Information.

An institution's impaired administrative capability may cause the institution to disburse Title IV funds to ineligible students, which creates a financial burden for the Department.

Required Action:

CHI Institute must take the corrective actions detailed in this program review report and in the subsequent Final Program Review Determination Letter.

Finding # 2: Misrepresentation of the Nature of the Educational Program/Abuse of Title IV Leave of Absence Provision

Citation:

In order to participate in the Title IV, HEA programs, an institution must qualify as an institution of higher education, as defined in 34 C.F.R. § 600.4; as a proprietary institution of higher education, as defined in 34 C.F.R. § 600.5; or as a postsecondary vocational institution, as defined in 34 C.F.R. § 600.6. A proprietary institution of higher education is an educational institution that, among other things, provides an eligible program of training to prepare students for gainful employment in a recognized occupation, is legally authorized to provide an educational program beyond secondary education in the state in which the institution is physically located, and is accredited. 34 C.F.R. § 600.5.

An accredited institution is one that has received the public recognition that an accrediting agency grants to an educational institution confirming that the institution meets the agency's standards and requirements. 34 C.F.R. § 602.3. An accrediting agency's standards address the quality of multiple aspects of the institution, including, but not limited to, the institution's curricula, faculty, academic calendars, and measures of program length. 34 C.F.R. § 602.16(a).

An institution that wishes to establish its eligibility to participate in any Title IV, HEA program must submit an application to the Secretary of Education, as well as documentation of state licensure and accreditation, to enable the Secretary to determine if the institution satisfies all certification requirements. 34 C.F.R. § 600.20(a).

Once the Secretary receives and approves such an application, the Secretary notifies the institution of its eligibility and of the locations and educational programs that qualify as eligible. 34 C.F.R. § 600.20(e). The eligible non-degree programs offered by the institution are then specifically named on the Department's approval notice to the school, the Eligibility and Certification Approval Report (ECAR).

The ECAR establishes the parameters within which an institution may use Title IV funds. The ECAR lists the eligible non-degree programs by name, and identifies the number of credit and/or clock hours the program consists of, the type of credit hours used (if applicable), and the duration of the program in terms of the number of weeks. The Department thus approves specific educational programs for participation, consistent with the accrediting body program approvals of course content and program length.

A leave of absence (LOA) is a temporary interruption in a student's program of study. An institution may grant an LOA upon request of the student. An institution does not have to treat an LOA as a withdrawal if it is an approved LOA. A LOA is approved if:

- The institution has a formal policy regarding LOAs;
- The student followed the institution's policy in requesting the LOA;
- The institution determines that there is a reasonable expectation that the student will return to the school;
- The institution approved the student's request in accordance with the institution's policy;
- The LOA does not involve additional charges by the institution;
- The number of days in the approved LOA, when added to the number of days in all other approved LOAs, does not exceed 180 days in any 12-month period; and
- Except for a clock hour or nonterm credit hour program, upon the student's return from the LOA, the student is permitted to complete the coursework he or she began prior to the LOA.

Finally, if the student requesting the LOA is a Title IV, HEA program loan recipient, the institution must explain to the student, prior to granting the LOA, the effects that the student's failure to return from a LOA may have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period.

An institution's LOA policy is a "formal policy" if it is in writing, is publicized to students, and requires students to provide a written, signed, and dated request. Since an institution must be able to make a determination that there is a reasonable expectation that the student will return from the LOA, the institution's policy must specify that the reason for the LOA must be included within the request. 34 C.F.R. § 668.22(d).

An institution may not credit a student's account or release the proceeds of a loan to a student who is on an approved LOA. 34 C.F.R. § 682.604(c)(4).

Misrepresentation by an institution of its educational program includes, but is not limited to, false, erroneous, or misleading statements concerning the availability and frequency of its courses and programs. 34 C.F.R. § 668.72(f). Substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. 34 C.F.R. § 668.71(b).

Noncompliance:

CHI substantially misrepresented the availability of the externship portion of its Surgical Technology program to both new and prospective students. CHI offered an eligible Surgical

Technology diploma program¹. The program consisted of both a didactic program, conducted in-house at CHI's Broomall campus, and a subsequent 500-hour externship, which was to be completed by the student in an active hospital setting. CHI was responsible for providing the students with a classroom facility, course content, and instructor for the didactic portion of the program, as well as for providing a site and appropriate site supervision for the externship portion of the program. However, from February 2002 through October 2008, CHI did not provide all students who completed the didactic portion with externship sites.

During the period of February 2002 through January 2008, 747² students enrolled in, and began attending, the Surgical Technology program; 327 students withdrew during the didactic portion of the program; 420 students finished the didactic program, and, were ready to be placed at an externship site, as of October 1, 2008. However, CHI provided an externship within 30 days to only 157, or 37 percent, of those students. When CHI was unable to provide a student with an externship site, CHI typically placed the student on what it called an "administrative leave of absence," while attempting to find a site for the student. If, at the expiration of the leave of absence, CHI was still unable to provide an externship site, it administratively dropped the student from the program, although it continued to contact these students when externships later became available. In particular, 193 students were placed on an administrative LOA, while the remaining 70 were neither timely placed in an externship nor placed on an LOA.³

Ultimately, CHI failed to provide an externship site for 33 of the students who completed the didactic program. (See Appendix B for a list of the students who were never placed at an externship site.) Despite the fact that CHI never provided these students with an externship site, the students were responsible for the loans borrowed to pay for the cost of the program at CHI; 14 of these students eventually defaulted on their student loans.

¹ The Surgical Technology program was initially approved as a 1200-hour program, including a 480-hour externship. The state of Pennsylvania approved the program on August 14, 1997 and CHI's accreditor, ACCSCT, approved the program as of April 17, 1998. In 2003, CHI increased the length of the program to 1220 hours; the additional time was added to the externship for a total externship length of 500 hours. The state and the accreditor approved this increase in February 2003 and July 2003, respectively. CHI again increased the length of the program in 2006, adding another 20 hours to the didactic portion of the program for a total course length of 1240 hours, which included the 500-hour externship. This change was approved by the state, effective on February 7, 2006 and by the accreditor on March 15, 2006.

² The figures cited in this finding are the result of the Department's analysis of the data provided by CHI in November 2008 via the spreadsheet entitled, "CHI Institute Broomall Surgical Tech Student Data Rev 10-30-08".

³ Appendix G is a graph depicting the various categories of students who completed the didactic portion of the program.

The length of the Surgical Technology program offered by CHI during this timeframe varied in length from 44 to 80 weeks, depending on whether the student was attending day or night classes and the timeframe during which the student enrolled. The state, the accreditor, and the Department approved the program length. CHI published the length of the program in its catalog. The approved and published program length anticipates that CHI will place students at externship sites immediately following the completion of the didactic program. However, in practice, CHI did not provide for a timely transition from the didactic program into the externship. On average, students who were placed in externships waited 96 days from the date they completed the didactic program until the date they started their externships.

As previously mentioned, when a student completed the didactic portion of the program and CHI was not able to place the student at an externship site, CHI typically placed the student on what it termed an administrative LOA. CHI described the administrative LOA in its catalog, stating: "The President may grant, on a limited basis, an administrative leave of absence (LOA) in the event the School is unable to schedule students into the required externship, clinical, or other required classes".

CHI officials then completed a "Student Status Change or Request" form that indicated the dates of the requested LOA and stated the reason - "no site available". Although the Student Status Change or Request forms required that documentation of the reason for the LOA be attached, no such documentation was attached to any of the forms reviewed during the program review. Further, although school officials initialed all of the forms, none of the forms were signed by the students. Nonetheless, CHI approved the administrative LOA for all students for whom externship sites were not available.

During the period of February 2002 through January 2008, CHI placed 193, or 46%, of those students who completed the didactic program on such an "administrative LOA". CHI's administrative LOA does not qualify as an approved LOA for Title IV purposes. CHI's administrative LOAs were not initiated by the student and were not signed or dated by the student. Further, the reason for the LOA was not based on a hardship suffered by the student, but rather on CHI's inability to provide the student with an externship site. The LOA provision exists to assist students who find themselves facing an unforeseen circumstance, such as an illness or an injury. An institution may not use the LOA provision as a means of delay in providing the student with the entire program of study.

Despite the fact that CHI itself initiated the "administrative LOAs", the institution improperly disbursed Title IV loan funds to the accounts of students it considered to be on an LOA. The following chart provides information regarding the students in the review sample who received loan funds during the LOA.

Student Number	Program	Start Date	Dates of LOA	Subsidized Loan Funds Disbursed	Date Disbursed	Unsubsidized Loan Funds Disbursed	Date Disbursed
1	ST - Eve	06/06/05	09/08/06 - 11/13/06	\$2,088.00	09/15/06	\$0.00	N/A
2	ST - Day	08/05/05	03/11/06-08/04/06	\$1,197.00	03/15/06	\$1,368.00	03/15/06
3	ST - Day	11/21/05	07/12/06-11/04/06	\$2,394.00	07/27/06	\$2,737.00	07/27/06
5	ST - Day	11/21/05	09/19/06-01/15/07	\$2,375.00	09/22/06	\$2,715.00	09/22/06
14	ST - Day	11/21/05	07/12/06-11/04/06	\$0.00	N/A	\$2,390.00	07/27/06
15	ST - Day	11/21/05	07/12/06-10/16/06	\$2,394.00	07/27/06	\$2,737.00	07/27/06
42	ST - Day	02/07/05	09/09/05-01/06/06	\$2,394.00	09/21/05	\$2,737.00	09/21/05
45	ST - Day	08/05/05	03/09/06-06/29/06	\$2,394.00	03/10/06	\$1,754.00	08/17/06
51	ST - Eve	08/30/04	11/08/05-03/28/06	\$2,394.00	12/28/05	\$2,737.00	12/28/05
60	ST	08/27/02	05/03/03-07/29/03	\$1,151.00	07/02/03	\$1,314.00	07/02/03
64	ST	11/21/05	07/10/06-10/31/06	\$2,394.00	07/28/06	\$2,738.00	07/28/06
66	ST	02/07/05	09/08/05-01/06/06	\$2,394.00	09/30/05	\$0.00	N/A
67	ST	11/21/05	07/11/06-11/22/06	\$2,394.00	07/27/06	\$2,737.00	07/27/06
68	ST	01/18/05	09/18/06-01/12/07	\$472.00	09/22/06	\$651.00	09/22/06
69	ST	02/07/05	09/09/05-01/06/06	\$2,394.00	09/30/05	\$2,738.00	09/30/05
78	ST - Eve	01/18/05	04/10/06-08/25/06	\$2,394.00	04/14/06	\$1,370.00	04/14/06
79	ST	05/18/05	06/20/06-11/16/06	\$654.00	07/17/06	\$657.00	07/17/06
80	ST - Eve	08/30/04	11/08/05-03/28/05	\$862.00	02/07/05	\$1,314.00	02/07/05
81	ST	02/15/06	09/15/06-01/15/07	\$2,394.00	09/22/06	\$2,650.00	09/22/06
84	ST	05/18/05	12/22/05-05/10/06	\$2,394.00	01/03/06	\$2,738.00	01/03/06

Of the 193 students put on an administrative LOA, CHI placed nine in an externship within 30 additional days, and another 88 were placed in an externship after more than 30 more days, but still during the period of the LOA. If, at the completion of the administrative LOA, CHI was still unable to place the student at an externship site, CHI administratively dropped the student from the program altogether. CHI officials again completed a Student Status Change or Request form indicating that the student was to be terminated from the program; the reason - "no site available". During the February 2002 through January 2008 timeframe, CHI administratively dropped 111 students, 26% of the students who completed the didactic program, for the sole reason that it could not provide those students with an externship site; 24 of these students eventually defaulted on their student loans.⁴

⁴ Ninety-one of these 111 had been placed on an administrative LOA. The remaining 20 were from the group of 70 who neither received an externship nor were put on an administrative LOA.

The following chart illustrates the extent of the problem from February 2003 through June 2007. CHI's inability to provide students with externships reached its peak during September 2006, when there were 60 students who had finished the didactic program but were waiting to be placed at an externship site. CHI never placed 29 of these students. The remaining 31 students had been waiting a median⁵ 171 days as of September 25, 2006. Nonetheless, CHI started another 21 students in the program on September 25, 2006.

New Enrollment Start Date	Students From Previous Starts Not Yet Placed in Externship as of Start Date	New Students Enrolled on Start Date
2/4/2003	2	28
2/24/2003	2	28
6/30/2003	7	26
10/30/2003	14	59
3/29/2004	12	16
4/30/2004	12	18
8/30/2004	14	31
9/29/2004	15	28
12/14/2004	19	21
2/7/2005	28	23
5/18/2005	28	24
8/5/2005	45	25
11/21/2005	58	23
1/17/2006	38	17
2/13/2006	53	12
7/10/2006	48	13
9/25/2006	60	21
1/30/2007	48	12
6/25/2007	51	17

CHI's misrepresentation of the availability of the externship portion of the program and its failure to deliver the Surgical Technology program as approved by the state, its accrediting body and the Department, and, as contracted with the students through the Enrollment Agreement, caused harm to the Title IV programs and the students.

First, students invested both time and money to pursue the Surgical Technology diploma for the purpose of obtaining employment in that field. When a student was unable to complete

⁵ The median is the middle value in a distribution, above and below which lie an equal number of values. The number of days these students spent waiting for an externship as of September 25, 2006 ranged from 74 – 1,244 days. The average wait time for these students was 246 days.

the program, either because CHI never provided the student with the externship at all, or because CHI did not provide the externship in a timely fashion, both the time and money invested by the student were wasted.

Second, the students were harmed by receiving a greatly reduced grace period prior to the start of loan repayment. When a borrower ceases to be enrolled at an eligible school on at least a half-time basis, a six-month grace period begins. During that grace period, students are not required to make any payments on their student loans. The grace period is intended to provide a buffer for borrowers as they find employment and prepare to make student loan payments once the grace period has expired.

When a student ceases to be enrolled because he or she failed to return from an LOA, the grace period begins, retroactive to the date the student began the LOA. Thus, when CHI placed students for whom no externship was available on an LOA and then subsequently dropped the students (again because no externships were available), the grace periods for these students were reduced by the length of the LOA. Those students then faced loan repayments with no academic credential and no ability to obtain a job in the field for which they enrolled at CHI and incurred loan debt. The average loan debt for students who were administratively dropped from the program is \$ 9,660.

Finally, in disbursing loan funds for students who were not attending classes and were not participating in an externship, but instead, were on an LOA, CHI caused unnecessary interest expense for the Department.

Required Action:

CHI must review the files of all students who were placed on an LOA during the 2005-2006 and 2006-2007 award years, in order to ensure that any loan funds disbursed to students during the LOA were returned to the loan programs. CHI must submit the results of that file review in a spreadsheet, in the format indicated below. The institution must provide the spreadsheet in both hardcopy and electronic formats. The spreadsheet should include the following information.

1. Student Name;
2. Social Security Number;
3. Dates of LOA;
4. Subsidized Loan Funds Disbursed;
5. Date Disbursed;
6. Unsubsidized Loan Funds Disbursed;
7. Date Disbursed; and
8. Date Funds Returned to Loan Program.

CHI must review the spreadsheet entitled "CHI Institute Broomall Surgical Tech Student Data Rev 10-30-08" to ensure that all Title IV funds received by the students are accurately listed. The funds should be identified by Title IV program and award year. In its current format, not all Title IV programs are listed.

CHI must also provide a listing of any students to whom the institution made a refund offer, indicating the amount of funds returned to the student, to the student's outstanding loan debt, or to the Title IV programs, as well as the dates of those returns.

Additionally, CHI may provide any other information it feels the Department should consider in determining what, if any, liability may result from this finding.

Finding # 3: Misrepresentation of the Nature of the Educational Program/Insufficient Hours Offered

Citation:

An institution that qualifies to participate in the Title IV, HEA programs as a proprietary institution of higher education must offer an eligible program of training to prepare students for gainful employment in a recognized occupation. 34 C.F.R. § 600.5. The institution must be able to demonstrate a reasonable relationship between the length of the educational program and the entry-level requirements for the recognized occupation for which the program prepares the student. The institution must establish the need for the training for the student to obtain employment in the recognized occupation. 34 C.F.R. § 668.14(b)(26).

A proprietary institution of higher education must be accredited by an accrediting agency recognized by the Secretary of Education. 34 C.F.R. § 600.5. An accredited institution is one that has received the public recognition that an accrediting agency grants to an educational institution confirming that the institution meets the agency's standards and requirements. 34 C.F.R. § 602.3. An accrediting agency's standards address the quality of multiple aspects of the institution, including, but not limited to, the institution's curricula, faculty, academic calendars, and measures of program length. 34 C.F.R. § 602.16(a).

An institution that wishes to establish its eligibility to participate in any Title IV, HEA program must submit an application to the Secretary of Education, as well as documentation of state licensure and accreditation, in order to enable the Secretary to determine if the institution satisfies all certification requirements. 34 C.F.R. § 600.20(a).

Once the Secretary receives and approves such an application, the Secretary will notify the institution of its eligibility and of the locations and educational programs that qualify as eligible. 34 C.F.R. § 600.20(e). The eligible non-degree programs offered by the institution are then specifically named on the Department's approval notice to the school, the ECAR.

The ECAR establishes the parameters within which an institution may use Title IV funds. The ECAR lists the eligible non-degree programs by name, and identifies the number of credit and clock hours in each program, the type of credit hours used (if applicable), and the duration of the program in terms of the number of weeks. The Department thus approves specific educational programs for participation.

If a proprietary institution of higher education offers a non-degree, undergraduate educational program in credit hours, the institution must determine the number of credit hours in that program⁶ using the following formula: a semester hour must include at least 30 clock hours of instruction; a trimester hour must include at least 30 clock hours of instruction; and a quarter hour must include at least 20 clock hours of instruction⁷. 34 C.F.R. § 668.8(k) & (l).

In order to determine the amount of Title IV, HEA program assistance that a student enrolled in such a program is eligible to receive, the institution must apply the conversion formula. 34 C.F.R. § 668.9(a). In doing so, the institution must first determine the total number of clock hours⁸ of instruction in each quarter of the program. Second, the institution must apply the appropriate conversion formula to determine the number of credit hours in each quarter of the program. Finally, the institution must determine the eligibility of a student in each quarter of the program, based on the number of credits arrived at through the application of the formula. The converted credit hours are then used to determine the amount of Title IV funds that a student who is enrolled in the program is eligible to receive. In a program measured in

⁶ When some states and accrediting agencies approve programs, they also approve the number of credits in the programs. The credits approved by states and accrediting agencies are not the credits for Title IV purposes. For Title IV purposes, the number of credits in the program are those determined by the conversion formula. The number of Title IV credits will never be more than those approved by the state or the accreditor.

⁷ Because the results of these formulas determine the eligibility of a program, the resulting number of credit hours may not be rounded.

⁸ A clock hour is based on an actual hour of attendance (though each hour may include a 10-minute break). A school is not permitted to count more than one clock hour per 60-minute period; in other words, a school may not schedule several hours of instruction without breaks, and then count clock hours in 50-minute increments. The result would be that seven hours of consecutive instruction would count as 8.4 clock hours ($420 \text{ minutes} \div 50 \text{ minutes} = 8.4 \text{ hours}$). Seven 60-minute periods of instruction may not count for more than seven clock hours.

quarter credit hours, a student enrolled in 36 quarter credits per year is considered to be full-time, a student enrolled in 24 quarter credits per year is three-quarter time, and a student enrolled in 18 credits is half-time.

Institutions are required to make general consumer information available to enrolled and prospective students. Information institutions are required to provide includes, but is not limited to, the academic program of the institution, including information about the current educational programs. 34 C.F.R. § 668.43(a)(5).

Misrepresentation by an institution of its educational program includes, but is not limited to, false, erroneous, or misleading statements concerning the availability and frequency of its courses and programs. 34 C.F.R. § 668.72(f). Substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. 34 C.F.R. § 668.71(b).

Noncompliance:

CHI misrepresented the number of clock hours contained within courses that were offered during the period from January 1, 2005 through October 28, 2008. These courses were contained within educational programs that were subject to the clock to credit hour conversion formula. Thus, CHI was required to schedule these courses for a fixed and specific number of clock hours.

During the program review, the team analyzed academic transcripts for the 84 students included in the sample. The team compared the approved number of hours for each course to the individual students' "Detail Attendance" records. The team compared the total number of "Hours Scheduled", as identified on the Detail Attendance records, to the approved number of hours for each course. In 37 of the 84 transcripts reviewed (44%), the team identified courses that were taught, or offered, for fewer than the required number of hours. The following is an excerpt of Appendix C that details the students, the courses involved, the approved number of hours per course, and the actual number of hours offered. (See Appendix C for the entire chart.)

Student Number	Course	Hours Offered	Hours Required per Course Approvals
1	Medical Terminology	41:40	45
1	Medical Emergency	37:30	45
2	Medical Terminology	44	45
2	Asepsis and Operating Room	58:30	60
3	Medical Terminology	44	45
3	Medical Emergency	44	45
3	Legal Aspects of Surgery	10	15
3	Fundamental Surgical Procedures	109:40	120
4	Medical Emergency	40	45
4	Surgical Techniques and Procedures	71:15	90
5	Medical Terminology	44	45
5	Surgical Techniques and Procedures	84	90
6	Anatomy & Physiology	108:20	120
6	Academic Strategies	16:40	120
6	Pharmacology	30	60
6	Surgical Tech & Procedures	88:50	90

As a result, the review team requested that CHI conduct a review of all courses offered during the period January 1, 2005 through October 28, 2008 in order to determine the number of hours scheduled for each course. CHI compiled the results of its review in a document entitled "master schedule" and provided it to the Department on November 21, 2008. Appendix D identifies 159 classes that CHI scheduled for fewer than the required number of hours and includes CHI's analysis as to why the courses were shortened⁹. The shortfall for these classes ranged from 1 clock hour to as many as 50 clock hours.

The review team also identified other discrepancies in the master schedule provided by CHI. For instance, CHI identified 64 courses which, it asserts, had "non-recurring specific shortfalls of five (5) or fewer clock hours due to weather emergencies or a temporary electrical outage" at the school; the snow day occurred on February 22 and the electrical outage on July 22. According to CHI's master schedule 53 courses were affected by the February 22 snow day. However, CHI appears to be uncertain as to when the February 22 snow day occurred - 39 of the February 22 snow days occurred during February 2008, seven occurred during February 2007, and the remaining seven occurred during courses that were not scheduled to run on February 22 of any year.

⁹ There were 64 additional courses that were also shortened; the shortfall for these classes ranged from one to 50 hours. However, the 64 courses were contained within one of CHI's two degree programs and, therefore, were not subject to the clock to credit hour conversion formula.

CHI states, through its Program Participation Agreement (PPA), that there is a reasonable relationship between the length of the programs it offers and the typical entry-level requirements to obtain employment in those fields. CHI applied for approval of its various programs at specific lengths. CHI provided the Department with documentation that both the accreditor and the state of Pennsylvania approved the programs. Those approvals specify the number of clock hours and credit hours contained within each program, as well as the clock and credit hours contained within each *course*, within each program. The Department approved CHI's programs for participation based on the state and accreditor program approvals. Each eligible non-degree program offered by CHI is listed on its ECAR from the Department. The ECAR identifies the number of credit and clock hours in each program, the type of credit hours used (if applicable), and the duration of the program in terms of the number of weeks. CHI is required to schedule and deliver these programs, and the individual courses within the programs, in the manner approved by its accreditor, the state, and the Department.

CHI's misrepresentation of the nature and length of its courses and programs caused harm to its students and the Title IV programs and is an indicator of a lack of administrative capability.

First, CHI represented to the Secretary that its program length is appropriate to prepare students for entry-level employment positions in the stated occupations. If CHI's educational programs are properly designed to prepare students for employment in those fields, then its failure to provide those programs as designed and approved leaves its students ill prepared to enter the workforce.

Second, as a Title IV institution subject to the regulatory clock to credit hour conversion formula, CHI's students qualify for funding based upon the length of the program. CHI's failure to deliver the program courses as approved may result in the receipt of funding to which it is not otherwise entitled.

Required Action:

CHI must conduct a file review of all students who received Title IV aid for one of its diploma programs during the 2005-2006, 2006-2007, and 2007-2008 award years, in order to determine if the students were enrolled in courses that were not properly offered. CHI must review the course schedule for each student, determining the actual number of clock hours of instruction that were provided to each student within each course. CHI must explain the methodology it uses in order to determine the number of clock hours of instruction that were actually offered. CHI must submit the results of that review file in a spreadsheet, in the format indicated below. The institution must provide the spreadsheet in both hardcopy and

electronic formats in response to this program review report. The spreadsheet should include the following information.

1. Student Name;
2. Social Security Number;
3. Academic Program Pursued by Student;
4. Total Number of Clock Hours Approved for the Program;
5. Total Number of Clock Hours Actually Provided to Student;
6. Total Number of Title IV Credit Hours Approved for the Program;
7. Total Number of Title IV Credits Actually Provided to Student (based on actual clock hours provided); and
8. Title IV Aid Disbursed to Student, by award year, by Title IV program.

CHI is not required to provide copies of student attendance records or transcripts at this time. However, once the review team has received the spreadsheet for this finding, the team will select a sample of students and request the supporting documentation for the sample students.

Finally, CHI should provide a detailed description of the corrective actions it will take to ensure that all future courses are offered to students in the manner approved by the various regulatory bodies.

Finding # 4: Ineligible Title IV Loans Disbursed

Citation:

Every eligible Title IV program must have a defined academic year. The academic year for a program offered in quarter credit hours is the period that begins on the first day of classes and ends on the last day of classes or examinations, during which an institution provides a minimum of 30 weeks of instructional time and a full-time student is expected to complete at least 36 quarter credits. A week of instructional time is any week in which at least one day of regularly scheduled instruction or examination occurs. Instructional time does not include orientation, counseling, vacation periods, homework, or any other activity not related to class preparation or examination. 34 C.F.R. § 668.3.

Generally, a term is a period in which all classes are scheduled to begin and end within a set time frame. Term-based programs can have either standard terms or non-standard terms. An institution must disburse Title IV, HEA program funds (except Federal Work Study funds) on a payment period basis. 34 C.F.R. § 668.164(b). For programs offered in semester, trimester, quarter, or non-standard terms and measured in credit hours, the payment period is the term. 34 C.F.R. § 668.4(a).

If a proprietary institution of higher education offers a non-degree, undergraduate educational program in quarter credit hours, the institution must determine the number of credit hours in that program using the following formula: a quarter credit hour must include at least 20 clock hours of instruction. 34 C.F.R. § 668.8(k) & (l). It should be noted, when some states and accrediting agencies approve programs, they also approve the number of credits in the programs. The credits approved by states and accrediting agencies are **not** the credits for Title IV purposes. For Title IV purposes, the number of credits in the program will be those determined by the conversion formula.

In order to determine the amount of Title IV, HEA program assistance that a student enrolled in such a program is eligible to receive, the institution must apply the conversion formula. 34 C.F.R. § 668.9(a). In doing so, the institution must first determine the total number of clock hours of instruction in each quarter of the program. Second, the institution must apply the appropriate conversion formula to determine the number of credit hours in each quarter of the program. Finally, the institution must determine the eligibility of a student in each quarter of the program, based on the number of credits arrived at through the application of the formula. The converted credit hours are then used to determine the amount of Title IV funds that a student who is enrolled in the program is eligible to receive. In a program that is subject to the clock to credit hour conversion formula, the clock hours in the payment period must support the number of credit hours in the payment period under the conversion formula.

A clock hour is based on an actual hour of attendance (though each hour may include a 10-minute break). A school is not permitted to count more than one clock hour per 60-minute period; in other words, a school may not schedule several hours of instruction without breaks, and then count clock hours in 50-minute increments.

A student is eligible to receive a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a combination of these loans, if the student is enrolled, or accepted for enrollment, on at least a half-time basis in a school that participates in the Direct Loan Program. 34 C.F.R. § 685.200 (a)(1)(i).

Federal Stafford loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. Loan periods for non-standard term programs are based on the length of the program or the length of the Title IV academic year. The academic year is used as the basis for the student's annual loan limits. A student who has reached the annual loan limit may not receive another Stafford loan until he or she either begins another academic year or progresses within an academic year to a grade level with a higher annual loan limit.

Non-standard term programs must utilize a Borrower Based Academic Year (BBAY). A BBAY does not have fixed beginning and ending dates. Instead, it "floats" with a student's attendance and progression within a program of study. All non-standard term programs must use a BBAY that meets the minimum Title IV requirements for an academic year. The Title IV academic year must contain at least 30 weeks of instructional time and 36 quarter credit hours. The BBAY begins when a student enrolls and does not end until the student has completed the number of weeks **and** the number of hours in the academic year. Because a student must successfully complete the minimum number of weeks and hours in an academic year before a new BBAY begins, the student's enrollment status may affect how soon the student regains eligibility for a new annual loan limit.

The subsidized annual loan limit for an undergraduate student who has not completed the first year of a program that is at least a full academic year in length is \$ 2,625 for loans disbursed prior to July 1, 2007; and \$ 3,500 for loans disbursed on or after July 1, 2007. 34 C.F.R. § 685.203(a)(1)(i). The unsubsidized loan limit is \$ 4,000 for a program that is at least a full academic year in length. 34 C.F.R. § 685.203(c)(2)(i)(A).

Noncompliance:

A. Title IV Loans Disbursed to Less Than Half-Time Students

CHI improperly disbursed Title IV loan funds to 16 students whose enrollment status was less than half-time. A student must be enrolled on at least a half-time basis in order to qualify for loan funds. At an institution offering its programs in quarter credit hours, a half-time student must be enrolled in at least six quarter credits per term.

CHI failed to evaluate the students' eligibility for Title IV funds on a payment period basis, using the regulatory clock to credit hour conversion formula. CHI based its determination regarding the amount of Title IV aid for which the students qualified on the number of academic credits, rather than applying the conversion formula.

The following chart details the students involved, the number of credits the students enrolled in per quarter, and the amount of the ineligible loan funds disbursed for those students.

Student Number	Term	Number of Quarter Credits for Term	Subsidized Loan Funds Disbursed	Date Disbursed	Unsubsidized Loan Funds Disbursed	Date Disbursed
1	09/01/05-10/27/05	5.25	\$ 862.00	08/31/05	\$1,314.00	09/21/05
	04/06/06-06/15/06	5.25	\$ 862.00	04/04/06	\$1,314.00	04/04/06
6	04/10/07-06/19/07	4.5	\$ 862.00	04/12/07	\$1,314.00	04/12/07
	11/20/07-02/12/08	5.25	\$1,156.00	12/06/07	\$1,320.00	12/06/07
7	04/06/06-06/15/06	5.25	\$ 424.00	04/27/06	N/A	N/A
9	04/10/07-06/19/07	4.5	N/A	N/A	\$2,175.00	03/29/07
	11/20/07-02/12/08	5.25	N/A	N/A	\$2,475.00	12/06/07
11	10/26/06-12/22/06	5	\$ 647.00	10/30/06	\$ 985.00	10/30/06
21	04/10/07-06/19/07	4.5	\$ 862.00	04/12/07	\$1,314.00	06/22/07
	11/20/07-02/12/08	5.25	\$1,156.00	12/06/07	\$ 633.00	12/06/07
23	04/10/07-06/19/07	4.5	\$ 862.00	03/29/07	\$1,314.00	03/29/07
	11/20/07-02/12/08	5.25	\$1,156.00	01/03/08	\$1,320.00	01/03/08
28	04/10/07-06/19/07	3	\$ 862.00	04/12/07	\$1,314.00	04/12/07
	06/25/07-09/11/07	2.25	\$ 862.00	08/24/07	\$1,314.00	08/24/07
30	04/10/07-06/19/07	4.5	\$ 862.00	04/12/07	\$1,314.00	04/12/07
	11/20/07-02/12/08	5.25	\$1,156.00	12/06/07	\$1,320.00	12/06/07
32	06/25/07-09/11/07	5.5	\$1,166.66	08/13/07	\$1,333.33	08/13/07
	04/28/08-07/15/08	4.5	\$1,149.16	04/29/08	\$1,333.33	04/29/08
33	02/26/07-05/07/07	3	\$ 862.00	05/18/07	\$1,314.00	05/18/07
	02/18/08-04/24/08	3	\$1,166.00	03/06/08	\$1,333.00	03/06/08
34	06/25/07-09/11/07	5.5	\$1,166.00	08/13/07	\$1,333.33	08/13/07
	04/28/08-07/15/08	4.5	\$1,149.16	04/29/08	\$1,313.33	04/29/08
37	05/08/07-07/26/07	1	\$1,888.00	05/10/07	\$1,358.00	05/10/07
	07/27/07-10/05/07	4.5	\$1,187.00	08/10/07	\$1,357.00	08/10/07
48	10/31/05-01/17/06	5.25	\$ 862.00	09/30/05	\$1,314.00	09/30/05
68	10/31/05-01/17/06	5.25	\$ 862.00	03/17/06	N/A	N/A
78	10/31/05-01/17/06	5.25	\$ 862.00	01/04/06	\$1,314.00	01/04/06

B. Additional Title IV Loans Disbursed Prior to Student Eligibility

CHI improperly disbursed a second grade level one loan to seven students. These students were not eligible to receive the additional loan funds.

Prior to February 2006, CHI's Surgical Technology program was a non-standard term program. All non-standard term programs must use a BBAY that meets the minimum Title IV requirements for an academic year. The Title IV academic year must contain at least 30 weeks of instructional time and 36 quarter credit hours. The BBAY begins when a student enrolls and does not end until the student has completed the number of weeks and the number of hours in the academic year. Because a student must successfully complete the minimum

number of weeks and hours in an academic year before a new BBAY begins, the student's enrollment status may affect how soon the student regains eligibility for a new annual loan limit.

The students listed below completed the first 30 weeks of the program, but did not complete the 36 quarter credits required in an academic year. Thus, the students were not eligible to receive additional loan funds. The following chart details the students involved, the number of credits earned by the student at the completion of the first 30 weeks of the program, the date the student completed the requisite 36 credits, and the amount of the ineligible loan funds disbursed for those students.

Student Number	Start Date	Quarter Credits Completed During First 30 Weeks of Program	Date Completed 36 Quarter Credit Hours	Second Subsidized Loan Disbursed Prior to Completion of 36 Credits	Second Unsubsidized Loan Disbursed Prior to Completion of 36 Credits
1	06/06/05	18.75	09/07/06	\$ 2,586.00	\$ 3,942.00
7	06/06/05	18.75	09/07/06	\$ 1,314.00	\$ 862.00
8	01/17/06	18	04/16/07	\$ 2,586.00	\$ 3,942.00
37	01/17/06	18	04/16/07	\$ 2,586.00	\$ 3,942.00
48	01/18/05	30	03/28/06	\$ 2,628.00	\$ 1,724.00
68	01/18/05	30	09/19/06	\$ 2,394.00	N/A
78	01/18/05	30	03/28/06	\$ 2,586.00	\$ 3,942.00

C. Title IV Loan Funds Disbursed to Student Who Did Not Begin Attendance

CHI improperly disbursed Title IV funds to student # 7, who had not started attending the institution. Although student # 7's Enrollment Agreement indicates a January 18, 2005 start date, both the transcripts and the attendance records indicate a June 6, 2005 start. However, CHI disbursed \$1,350 of Federal Pell Grant funds on February 14, 2005 and \$862 of subsidized loan funds and \$1,314 of unsubsidized loan funds on February 28, 2005.

CHI's failure to accurately determine a student's eligibility for Title IV loan funds prior to disbursing those funds may result in the institution's receipt of funding to which it is not otherwise entitled. This causes increased expense for both the Department and the student borrowers. Further, this failure indicates that the institution lacks the ability to properly administer the Title IV programs.

Required Action:

CHI must conduct a file review of the 2005-2006, 2006-2007, and 2007-2008 award years, in order to ensure that all loan funds disbursed during that timeframe were disbursed to students who were eligible to receive those funds. Because of the differing issues included within this finding, CHI should provide the results of the file review in two separate spreadsheets, in the format indicated below. The institution must provide the spreadsheets in both hardcopy and electronic formats in response to this program review report.

In order to address part A of this finding, CHI must review the files of all students who received Federal student loans during the 2005-2006, 2006-2007, and 2007-2008 award years. CHI must evaluate the students' eligibility for the funds based on the number of Title IV credits the student enrolled in during each payment period. The spreadsheet submitted for part A should include the following information:

1. Student Name;
2. Social Security Number;
3. Term Dates for any term in which the student enrolled for fewer than six credits;
4. Number of Quarter Credits completed within the term identified in # 3;
5. Amount of Subsidized Loan Funds Disbursed for the term identified in # 3;
6. Date Subsidized Loan Funds Were Disbursed;
7. Amount of Unsubsidized Loan Funds Disbursed for the term identified in # 3; and
8. Date Unsubsidized Loan Funds Were Disbursed.

In order to address part B of this finding, CHI must review the files of all students who were enrolled in the Surgical Technology program during the 2005-2006 and 2006-2007 award years, and were enrolled in the non-standard term version of the program. The spreadsheet submitted for part B of this finding must include the following:

1. Student Name;
2. Social Security Number;
3. Number of Credits Completed During the First 30 Weeks;
4. Date Student Completed 36 Credits;
5. Date Subsidized Loan Funds Were Disbursed;
6. Amount of Subsidized Loan Funds Disbursed Prior to Completion of 36 Credits;
7. Date Unsubsidized Loan Funds Were Disbursed; and
8. Amount of Unsubsidized Loan Funds Disbursed Prior to Completion of 36 Credits.

CHI must also provide hardcopy ledger cards and transcripts for each of the students identified in the spreadsheets A and B.

CHI must review student # 7's file and provide an update as to the status of the Title IV funds with its response to this finding.

Finally, CHI must review its policies and procedures to ensure that they are sufficient to prevent a recurrence of this finding. CHI must submit a copy of any revisions to policies with its response to this program review report.

The institution will be liable for any Title IV, HEA funds disbursed in excess of student eligibility. Instructions for the repayment of any determined liability will be provided in the Final Program Review Determination Letter.

Finding # 5: Federal Pell Grant Overpayments

Citation:

A student is eligible to receive Title IV, HEA program assistance if the student meets certain eligibility criteria. A participating institution is required to make an eligibility determination for each student. If a student is eligible, the institution may disburse Title IV funds to the student and make payments for all eligible periods of enrollment. 34 C.F.R. § 668.32.

Federal Pell Grant awards are based on the Expected Family Contribution (EFC) on the student's Institutional Student Information Record (ISIR), the student's enrollment status, the academic year structure and the student's cost of attendance. The amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year. 34 C.F.R. § 690.62.

If a proprietary institution of higher education offers a non-degree, undergraduate educational program in quarter credit hours, the institution must determine the number of credit hours in that program using the following formula: a quarter credit hour must include at least 20 clock hours of instruction. 34 C.F.R. § 668.8(k) & (l). It should be noted, when some states and accrediting agencies approve programs, they also approve the number of credits in the programs. The credits approved by states and accrediting agencies are **not** the credits for Title IV purposes. For Title IV purposes, the number of credits in the program will be those determined by the conversion formula.

The institution also applies the conversion formula to determine the student's enrollment status. The student's enrollment status is a key component in determining the amount of the student's Federal Pell Grant award.

If the student's enrollment status changes from one academic term to another term within the same award year, the institution should recalculate the Federal Pell Grant award for the new payment period taking into account any changes in the cost of attendance. If a student's projected enrollment status changes during a payment period, before the student begins attendance in all of his or her classes for that payment period, the institution should recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. 34 C.F.R. § 690.80(b).

An overpayment is created whenever a student receives funds that exceed his or her eligibility. If an overpayment occurs, the institution must immediately restore the amount overpaid to the appropriate FSA account.

Noncompliance:

CHI improperly disbursed Federal Pell Grant funds to 24 students in excess of the students' eligibility. The institution failed to recalculate the students' Federal Pell Grant awards based on their enrollment status changes. The following is an excerpt of Appendix E, detailing the specific students cited, the terms in which the overawards occurred, the students' actual enrollment status, and the overpayment amount. (See Appendix E for the entire chart.)

Student Number	Award Year	ICRAN	Enrollment Status/Pell Award Paid On	Number of Title IV Credits for which Student Enrolled	Actual Enrollment Status	Pell Overaward
1	05-06	051128SN	FT	6.75	1/2 Time	\$200.00
	05-06	060128SN2	FT	6	1/2 Time	\$200.00
	05-06	060428SN	FT	5.75	< 1/2 Time	\$333.00
	05-06	060628SN	FT	6	1/2 Time	\$200.00
4	07-08	070528S	FT	7.5	1/2 Time	\$360.00
6	06-07	070428SN	1/2 Time	4.5	< 1/2 Time	\$337.00
	07-08	071128SN2	1/2 Time	5.25	< 1/2 Time	\$358.00
11	06-07	060828A2	FT	11	3/4 Time	\$253.00
	06-07	061028A	FT	5	< 1/2 Time	\$760.00
17	06-07	070528S	FT	7.5	1/2 Time	\$675.00
	07-08	070728S2	FT	9.75	3/4 Time	\$264.00
	07-08	071028S2	FT	6.75	1/2 Time	\$527.00

CHI's failure to properly prorate a Federal Pell Grant award and to verify that a student is eligible to receive Title IV funds prior to disbursing the funds has resulted in the institution receiving funds to which it is not entitled and caused increased expense for the Department.

Additionally, this failure indicates that the institution lacks the ability to properly administer the Title IV programs.

Required Action:

CHI must conduct a file review of the 2005-2006, 2006-2007, and 2007-2008 award years, in order to ensure that all Federal Pell Grant funds disbursed during that timeframe were disbursed to students who were eligible to receive those funds. CHI should provide the results of the file review in a spreadsheet, in the format indicated below. The institution must provide the spreadsheet in both hardcopy and electronic formats in response to this program review report. The spreadsheet should include the following information.

1. Student Name;
2. Social Security Number;
3. Award Year from Which Pell Funds Were Disbursed;
4. Student's EFC for Award Year identified in # 3;
5. Date Pell funds Disbursed;
6. Amount Disbursed;
7. Number of Title IV Credits Student Enrolled in for Term associated with Disbursement;
8. Enrollment Status Pell Payment was Based Upon;
9. Actual Enrollment Status; and
10. Pell Overaward Amount, if any.

CHI must provide hardcopy ledger cards and transcripts for each of the students identified in the spreadsheet.

CHI must also review its policies regarding the disbursement of Title IV funds, to ensure that its procedures are sufficient to prevent a reoccurrence of this finding. The institution should submit a copy of any policy changes with its response to this program review report.

The institution will be liable for any Title IV, HEA funds disbursed in excess of student eligibility. Instructions for the repayment of any determined liability will be provided in the Final Program Review Determination Letter.

Finding # 6: Early Title IV Loan Disbursements

Citation:

Every eligible Title IV program must have a defined academic year. The academic year for a program offered in quarter credit hours is the period that begins on the first day of classes and ends on the last day of classes or examinations during which an institution provides a minimum of 30 weeks of instructional time and a full-time student is expected to complete at least 36 quarter credits. 34 C.F.R. § 668.3.

Generally, a term is a period in which all classes are scheduled to begin and end within a set time frame. Term-based programs can have either standard terms or non-standard terms. An institution must disburse Title IV, HEA program funds (except Federal Work Study funds) on a payment period basis. 34 C.F.R. § 668.164(b). For programs offered in semester, trimester, quarter, or non-standard terms and measured in credit hours, the payment period is the term. 34 C.F.R. § 668.4(a).

An institution must disburse Title IV, HEA program funds on a payment period basis. An institution must disburse Title IV, HEA program funds once each payment period. 34 C.F.R. § 668.164(b).

The minimum period of enrollment for which an institution may originate a Direct loan is the lesser of the length of the student's program at the institution or the academic year. 34 C.F.R. § 685.301(a)(9). If a loan period is more than one payment period, the school must disburse loan proceeds at least once in each payment period. 34 C.F.R. § 685.301(b)(3)(i).

If the school measures academic progress in credit hours and uses terms that are not substantially equal in length¹⁰ for a loan period, the institution may not make a second disbursement until the later of the calendar midpoint between the first and last scheduled days of class in the loan period or the date the student completed half of the academic coursework in the loan period. 34 C.F.R. § 685.301 (b)(5).

Noncompliance:

The institution made early second loan disbursements to 11 students enrolled in the non-standard term Surgical Technology program, which consisted of three 10-week terms and one 16-week term. These students had not completed half of the academic coursework nor reached the calendar midpoint of the loan period. The institution also made early second loan disbursements to two students enrolled in the standard term Surgical Technology program,

¹⁰ Terms in a loan period are considered to be substantially equal in length if no term in the loan period is more than two weeks longer than any other term in that loan period.

which consisted of five 10-week terms. These students had not completed the payment period. The following is an excerpt from Appendix F, which provides additional detail as to the loan amount, the date of disbursement, and the ultimate disposition of those funds. (See Appendix F for the entire chart.)

Student Number	Start Date	Term	Loan Period	Program	Date of Disbursement	Amount	Explanation
1	06/06/05	Non Standard, not equal in length	09/08/06 - 04/16/07	Sub	11/22/06	\$629.00	This loan was certified for the 16 week Externship term. The student did not actually start the externship until 11/13/06. The 2nd Disbursement was made prior to midpoint and prior to student completing half of the clock hours. The student subsequently completed the payment period and earned all funds.
2	08/05/05	Non Standard, not equal in length	01/02/07 - 05/23/07	Sub Unsub	01/12/07 01/12/07	\$1,117.00 \$844.00	The 2nd Disbursement was made prior to midpoint and prior to student completing half of the clock hours. The student subsequently completed the payment period and earned all funds.
3	11/21/05	Non Standard, not equal in length	07/21/06 - 12/22/06	Sub Unsub	09/15/06 09/15/06	\$1,369.00 \$1,197.00	This loan was certified for the 16 week Externship term. This student was placed on a LOA on 07/12/06 and did not actually start the externship until 09/08/06. The 2nd disbursement was made prior to midpoint and prior to student completing half of the credit hours. The student subsequently completed the payment period and earned all funds.

An institution's failure to determine a student's eligibility for funds before disbursing those funds may result in the institution receiving funding to which it is not otherwise entitled. Further, this failure indicates that the institution lacks the ability to properly administer the Title IV programs.

Required Action:

CHI must determine the status of the loan funds disbursed to student # 8 and provide a detailed description of such with its response to this program review report. Further, CHI must develop policies and procedures to ensure that Title IV loan funds are not disbursed until

the student recipients are eligible for the second disbursements. A copy of these policies and procedures must be sent with the institution's reply to this report.

Finding # 7: Conflicting Information

Citation:

When an institution receives conflicting information for a student, or has any reason to believe the information is incorrect, the institution must resolve the discrepant information prior to disbursing Federal student aid.

An institution must have an internal system in place to share information among relevant offices concerning a student's eligibility. This system must ensure the consistency of any data related to a student's application for federal student aid, regardless of the source of the data. The institution must also reconcile any inconsistent data received for any Title IV recipient.

If the institution receives conflicting information for a student after federal student aid funds have been disbursed, the institution must resolve the discrepant information and repay any aid for which the student was ineligible. 34 C.F.R. § 668.16(b)(3) and (f).

Noncompliance:

The institution failed to resolve conflicting information present in the files of Students # 14, 18, 20 and 27. The type of conflicting information varied by student.

For Student # 14, Worksheet B in section 5 (Parent Finances) of the 2006-2007 *FAFSA on the Web Application*, which captures supplemental income not reported elsewhere on the application, totaled \$4,249.42. However, Worksheet B in the Parent Finances section of the ISIR does not report any supplemental income. The review team shared this student's file with CHI officials during the on-site review. CHI agreed that the file contained conflicting information and ran a new needs analysis. Although this information did result in a change in the student's EFC, the student received only unsubsidized loan funds. Therefore, no further action is required for this student.

For Student # 18, Worksheet A for Parents, on page 8 of the 2006-2007 FAFSA reported an Additional Child Tax credit of \$1000. The parents' 2005 federal tax return also reported an Additional Child Tax credit of \$1000. However, Worksheet A in the Parent Finances section of the ISIR does not report an Additional Child Tax Credit. The review team shared this student's file with CHI officials during the on-site review. CHI agreed that the file contained

conflicting information and ran a new needs analysis. There was no change to the student's eligibility for Title IV aid. Therefore, no further action is required for this student.

For Student #20, the institution overrode the dependency status from dependent to independent for the 2007-2008 and 2008-2009 award years. On the "Review of Dependency Status Student's Statement of Information" form, the student states that she has been supporting herself by working. The student's grandmother and uncle both confirm that she is working via their statements on the "Review of Dependency Status Affidavit In Lieu of Parental Information" form they provided. However, the student does not report any taxed or untaxed income on the 2007-2008 ISIR.

For Student #27, the institution overrode the dependency status from dependent to independent for the 2007-2008 award year. On the "Review of Dependency Status Student's Statement of Information" form, the student states that she has been supporting herself. The student's sister states on the "Review of Dependency Status Affidavit In Lieu of Parental Information" that the student is working at 7-11 and supporting herself. The student's aunt also states on the "Review of Dependency Status Affidavit In Lieu of Parental Information" that the student is working and supporting herself. However, the student does not report any taxed or untaxed income on the 2007-2008 ISIR.

CHI's failure to resolve conflicting information relating to a student's eligibility for Title IV funds may result in the institution receiving Title IV funds to which it is not otherwise entitled. Further, this failure indicates the institution lacks the ability to properly administer the Title IV programs.

Required Action:

The institution is required to resolve the conflicting data in the files of the students # 20 and # 27. If this results in a change of the information reported on the student's ISIR, the institution must perform a new needs analysis for the students and submit the results of the new analysis with the response to this report. The aid award must then be adjusted, if required. If the institution is unable to establish the student's actual eligibility, all Title IV, HEA funds received by the student become an institutional liability.

CHI must review its policies and procedures to ensure that they are sufficient to prevent a recurrence of this finding. CHI must submit a copy of any revisions to policies with its response to this program review report.

Payment instructions for any determined liability will be provided in the Final Program Review Determination letter.

Final Program Review Determination
PRCN #: 200840326787

Appendix B

CHI's Response
to the Program Review Report



Elaine M. Neely
SVP-Regulatory Affairs

July 30, 2009

RECEIVED

JUL 31 2009

CONFIDENTIAL
VIA UPS Overnight

FEDERAL STUDENT AID

Ms. Nancy Della Vecchia
Senior Institutional Review Specialist
U.S. Department of Education
School Participation Team NE – Philadelphia
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323

Re: CHI Institute, OPE ID No. 00778100
PRCN: 200840326787

Dear Ms. Della Vecchia:

Enclosed please find CHI Institute's responses to Findings #6 and #7 in the Program Review Report dated May 1, 2009. The responses include Exhibits 6-1 through 6-7 and Exhibits 7-1 through 7-9. These responses have been submitted in accordance to your July 2, 2009 letter.

Please do not hesitate to contact me with any questions concerning this submission.

Sincerely,

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

Elaine M. Neely
Senior Vice President – Regulatory Affairs

cc: Jeffrey J. Conlon
Janice L. Block

Finding #6 – Early Title IV Loan Disbursements

Finding #6 contends that CHI Institute (“CHI”) made an early disbursement of Title IV loans certified for student #8 for the externship term of his Surgical Technology (“ST”) program.¹ The Finding requires CHI to determine the status of those loan funds and to provide a detailed description of that status with its response to this finding.² Our description below and supporting materials show that Student #8 graduated from the ST program and subsequently earned all of the Title IV funds disbursed and retained for his externship term.

Finding #6 also contends that CHI made early disbursements of Title IV loans to 12 other students enrolled in the Surgical Technology program. However, the Finding does not require any further action with respect to these students. No further action is required because, as acknowledged in Appendix F of the Program Review Report and explained below, each of the cited disbursements to these 12 students were either earned through the completion of subsequent coursework or were returned by CHI. Therefore, the disbursements to these students are no longer at issue in this Finding.

As requested in Finding #6, CHI has reviewed and refined its policies and procedures to ensure that Title IV loan funds are not disbursed until students are eligible for the second disbursements. Copies of those policies and procedures are included with this response.

Regulations

The Title IV regulations require an institution to disburse Title IV funds on a payment period basis.³ The payment period for CHI’s Surgical Technology (“ST”) program was the term.⁴ During portions of the program review period, CHI offered the ST program in a non-standard term format of three 10-week terms and one 16-week term.⁵ If a school uses non-standard terms that are not substantially equal in length,⁶ the school may not make a second disbursement until the later of the calendar midpoint between the first and last scheduled days of class in the loan period or the date the student completed half of the academic coursework in the loan period.⁷ Student #8 and ten of the 12 other ST students were enrolled in the non-standard term version of the ST program.⁸

¹ Program Review Report (“PRR”) at 28 and at Appendix F.

² PRR at 28. The Title IV loans disbursed to student #8 prior to his externship are discussed separately in Finding 4 of the PRR. CHI will discuss the aid disbursed to this student for periods prior to his externship in its response to Finding 4 of the PRR.

³ See PRR at 27; 34 CFR 668.4.

⁴ See PRR at 27; 34 C.F.R. § 668.4(a).

⁵ See PRR at 27.

⁶ Terms are substantially equal in length if no term in the program is more than two weeks of instructional time longer than any other term in that program. 34 CFR 668.4(h)(1). The terms in the non-standard term format of the ST program were not substantially equal in length because the 16-week term is more than two weeks longer than the 10-week terms.

⁷ 34 CFR 668.4(b); 34 CFR 685.301(b)(3)(i), (b)(5).

⁸ PRR at 27 and at Appendix F.

During other portions of the program review period, CHI offered the ST program in a standard term format of five 10-week terms.⁹ Two of the 12 students were enrolled in the standard term version of the ST program.

Students Not At Issue

Appendix F provides a detailed description of the disbursements at issue for each of the 13 students referenced in Finding #6. Appendix F demonstrates that no further action is required with respect to 12 of these thirteen students. The "Explanation" column in Appendix F reports that:

- For nine¹⁰ of the 13 students, "[t]he student subsequently completed the payment period and earned all funds."
- Three¹¹ of the students had funds which CHI had disbursed early but subsequently returned to the appropriate Title IV program.

In short, the pertinent disbursements for all but one of the thirteen students either were earned through the successful completion of the payment period or were returned. Accordingly, Finding #6 does not require any further action with respect to these students.

Student #8 - Overview

Student #8 is the sole remaining student in the Finding. Student #8 was enrolled in the non-standard term format of the ST program. The Finding questions two disbursements made on April 27, 2007, in the amounts of \$1,197 and \$1,368. The Finding provides the following explanation in Appendix F regarding these disbursements:

This loan was certified for the 16 week Externship term. This student was placed on a LOA on 4/12/07 and was administratively dropped on 5/3/07. The institution fully disbursed this loan on 4/27/07. This loan was ineligible and disbursed while the student was on an LOA. The loan funds have not been returned.

Finding #6 requests that CHI determine the status and provide a detailed description of these loan funds with its response to this program review report. The supporting documentation for this student is attached as Exhibit 6-1.

The supporting documentation demonstrates that Student #8 returned to the ST program and subsequently completed the externship and earned all the funds disbursed and retained for his externship. The overview of these disbursements is as follows:

⁹ See PRR at 27-28; 34 CFR 668.164(b).

¹⁰ See Students 1, 2, 3, 4, 7, 14, 15, 23, and 43 on Appendix F.

¹¹ See Students 59, 64, and 81 on Appendix F.

CHI Institute Response to Findings 6 and 7
 Program Review Report (PRCN 200840326787)

Date of Disbursements	Subsidized Loans	Unsubsidized Loans
4/13/07	\$1,197	\$1,369
4/27/07	\$1,197	\$1,368
3/18/08	\$ 969	\$ 441.50
3/19/08	\$ 969	\$ 441.50
Total Disbursements - Externship	\$4,332	\$3,620
R2T4 Returned by CHI on 5/31/07	<u>\$1,255</u>	<u>\$1,369</u>
Net Total Disbursements	\$3,077	\$2,251
Title IV Eligibility for Externship ¹²	<u>\$3,078</u>	<u>\$2,736</u>
Under-award of Title IV	(\$1)	(\$485)

In short, CHI did not over-award Title IV funds to Student #8 for the externship portion of the program and the student earned all of the Title IV aid disbursed.

Student #8 – Chronology

The following summary explains these numbers in more detail and provides an overview of the student's extensive history upon reaching the externship portion of the ST program. The overview shows that the student successfully completed the ST program and earned all Title IV disbursed and retained for the externship.

- Completion of Didactic Portion of ST Program: Student #8 enrolled in two courses for the term starting February 1, 2007, and ending April 16, 2007. He completed the courses and earned six credits for the term.¹³ His last day of recorded attendance was April 12, 2007.¹⁴
- Disbursements for Externship Portion of Program: Student #8 was expected to start his externship in the next term. Disbursements in the following amounts on the following dates were made in anticipation of the externship:
 - April 13, 2007: \$1,197 Direct Subsidized Loan
 - April 13, 2007: \$1,369 Direct Unsubsidized Loan
 - April 27, 2007: \$1,197 Direct Subsidized Loan
 - April 27, 2007: \$1,368 Direct Unsubsidized Loan¹⁵
- Drop for Reason Unrelated to Externship Unavailability: However, the student's externship placement was delayed because the school received negative information in a

¹² Note, these amounts are calculated on a 'net' rather than 'gross' basis and net out the 1.5% origination fee associated with the loans.

¹³ See Exhibit 6-1: Student #8 Transcript.

¹⁴ See Exhibit 6-2: Student #8 Detail Attendance Record.

¹⁵ See Exhibit 6-3: Student #8 Ledger Card.

background check on Student #8 which required resolution before he could be placed.¹⁶ CHI requested additional information to resolve the matter in a letter to Student #8 dated April 20, 2007.¹⁷ The student failed to provide further information.¹⁸ CHI dropped the student from the program on May 5, 2007, for failure to resolve his failed background check.¹⁹

- R2T4 Calculation and Return of Portion of Disbursements: After Student #8 was dropped from the program, CHI completed a Return to Title IV calculation for the student²⁰ and returned the following amounts on May 31, 2007:
 - \$1,369 Direct Unsubsidized Loan
 - \$1,255 Direct Loan Subsidized Loan²¹

Following this return, CHI still held \$1,368 in Direct Unsubsidized Loans and \$1,139 in Direct Subsidized Loans from the disbursements made on April 13th and 27th.²²

- Student Refusal of Available Externship: Student #8 subsequently brought in documentation to resolve issues raised in his background check.²³ CHI met with the student and reviewed the legal documentation regarding the background check.²⁴ CHI resolved the matter, conducted a successful second background check, and offered the Student #8 an externship in September 2007. Student #8 refused the externship because he wanted an evening externship instead of an externship with 7 AM to 3 PM hours.²⁵
- Student Acceptance of Externship and Return to Program: CHI continued to work with Student #8 to find an externship acceptable to him and the student finally accepted an externship on March 4, 2008.²⁶

¹⁶ See Exhibit 6-4: Student Activities Report, p. 3, comment dated 4/17/2007.

¹⁷ See Exhibit 6-4, p. 3, comment dated 4/20/2007.

¹⁸ See Exhibit 6-4, p. 3, comment dated May 3, 2007.

¹⁹ See Exhibit 6-5, Student Status Changes Report. We note that Appendix F of the Program Review Report indicates that the student was placed on an LOA on April 12, 2007. However, the student was never placed on an LOA as shown by the absence of an LOA status on his Student Status Changes report.

²⁰ See Exhibit 6-6 Student Return to Title IV Calculation. CHI considered the aid disbursed to the student on April 13, 2007 and April 27, 2007 as the amount disbursed for purposes of the Return to Title IV calculation. Based on the student's drop date, May 3, 2007, CHI calculated that the student had completed 23 days of the payment period (21.9% of the period) and earned \$1,123.69 of the funds that had been disbursed.

²¹ See Exhibit 6-3. On May 31, 2007, \$1369.00 was returned to the Direct Loan unsubsidized program and \$1255.00 was returned to the Direct Loan subsidized program.

²² CHI was correct to return funds for Student #8. However, under these particular circumstances, CHI should have returned the entirety of the loan disbursements from April 13, 2007 and April 27, 2007 because Student #8 dropped from the program prior to beginning the externship term. See 34 CFR 668.21.

²³ See Exhibit 6-4, p. 3, comment dated June 5, 2007.

²⁴ See Exhibit 6-4, p. 4-5, comments dated June 5, 2007, July 23, 2007, July 31, 2007. The student also attended a refresher course in preparation for being placed in an externship.

²⁵ See Exhibit 6-4, p. 5-6, comments dated September 17, 2007.

²⁶ See Exhibit 6-5.

- Calculation of Title IV Eligibility for Externship: CHI reviewed Student #8's eligibility for Title IV funds for the completion of the externship portion of the ST program.
 - The school determined that the student was eligible to receive \$5,814 (\$3,078 in subsidized loan funds and \$2,736 in unsubsidized loan funds).
 - Student #8 still had \$2,507 in Title IV funds on his account (\$1,139 in subsidized funds and \$1,368 in unsubsidized loan funds) following the prior R2T4 calculation.
 - CHI disbursed in March 2008 a total of \$2,821 to Student #8 to cover his charges for the externship, an amount slightly less than the difference between the student's aid eligibility (\$5,814) and the amount of aid previously retained (\$2,507).

Consequently, CHI did not over-award Title IV funds to Student #8.

- Disbursement of Title IV Funds for Externship: CHI disbursed the \$2,821 in loans on two separate days in March 2008. CHI disbursed \$969 in subsidized loans and \$441.50 in unsubsidized loans on March 18, 2008, and disbursed the same amounts again on March 19, 2008.²⁷ We note that the second disbursements on March 19, 2008, were premature because Student #8 had not yet successfully completed one-half of the credits in the loan period.
- Student Graduation from Program and Status of Remaining Title IV Funds: However, Student #8 subsequently earned all of the Title IV disbursements made for his externship by successfully completing the externship on June 30, 2008, and graduating from the program.

Finding #6 requests the status of the Title IV funds disbursed on April 27, 2007, for the externship portion of the ST program for Student #8. The above summary shows that Student #8 subsequently completed his externship and earned all of the Title IV funds disbursed and retained by CHI for his externship.

Policies and Procedures

As requested by the program review team, CHI also has updated its policies and procedures with a goal of ensuring that Title IV loan funds are not disbursed until students are eligible for the second disbursements. Copies of the "Federal Student Aid (FSA) Disbursement Policy" and the "Federal Student Aid (FSA) Disbursement Procedure" are included with this response.²⁸ The policy and procedure include provisions that address the timing of Title IV loan

²⁷ See Exhibit 6-3. These disbursements were FFEL loans rather than Direct Loans disbursements as had been the case during the student's earlier portion of the program.

²⁸ See Exhibit 6-7.

CHI Institute Response to Findings 6 and 7
Program Review Report (PRCN 200840326787)

disbursements, as well as the disbursement of other Title IV funds, which will help ensure that second disbursements are not made until students are eligible to receive them.

Finding 7 – Conflicting Information

Finding #7 contends that the institution did not resolve certain conflicting information in the files for two students (Students #20 and #27). The Finding requires the institution to resolve the conflicts and, if the data changes, to recalculate the aid for the two students. As requested, CHI has addressed the Finding #7 concerns with respect to these two students. As discussed below, CHI respectfully disagrees that there are conflicts for these two students and provides additional clarification as to why the documents cited in Finding #7 do not contain conflicting information.

Finding #7 also contends that there was conflicting information in the files for two other students – Students #14 and #18 – from the 84-student program review sample in Appendix A of the PRR. However, the Finding acknowledges that CHI ran a new needs analysis for both of these students and that there was no change to the eligibility for the Title IV aid received by either Student #14 or Student #18. Finding #7 concludes for each student that “[t]herefore, no further action is required for this student.” Therefore, disbursements to Students #14 and #18 are not at issue in this Finding.

As requested, CHI has reviewed and revised its policies and procedures to ensure that they are sufficient to prevent a recurrence of this finding. Copies of the policies and procedures are included with the response to this Finding.

Student #20

Finding #7 contends that there is a conflict in data regarding the income earned by Student #20. The Finding suggests that there was a conflict regarding the adjusted gross income (“AGI”) reported in the student’s 2007-2008 ISIR and the information provided by the student and her family to justify the institution’s override of the student’s dependency status. The student, the student’s grandmother, and uncle submitted statements in April 2008, indicating that the student was supporting herself by working. The Finding claims that this conflicts with the student’s report of no taxed or untaxed income in the 2007-2008 ISIR.

CHI respectfully disagrees with the Finding’s conclusion. The 2007-2008 ISIR reports income for 2006. The student reported zero taxed or untaxed income for 2006 on her 2007-2008 ISIR. This yielded an AGI of 0 for 2006 on the ISIR.²⁹ Therefore, the issue is whether there is documentation conflicting with the data showing she had an AGI of zero for 2006. The information identified in the Finding does not conflict with this figure:

- The student’s grandmother and uncle both signed statements titled “Review of Dependency Status Affidavit In Lieu of Parental Information,” dated April 3, 2008. In response to Question #5 (“How is the student currently supporting himself/herself?”), both answered “she works.”³⁰ The form addresses how the student is “currently”

²⁹ See Exhibit 7-1 2007-2008 ISIR.

³⁰ See Exhibit 7-2 Review of Dependency Status Affidavits In Lieu of Parental Information signed by student’s grandmother and uncle.

supporting herself and the form is dated April 3, 2008. These answers relate to income in 2008, not 2006. They do not conflict with the student's report of zero AGI for 2006.

- Student #20 signed a statement dated April 3, 2008, titled "Review of Dependency Status Student's Statement of Information." The Finding points to the section in which she answered "working" in response to the question "How have you supported yourself since your independence from your family?" The form says the student last received support from her mother in July 2006.³¹ The Finding appears to be suggesting that the response must mean that the student has worked and earned income since July 2006; however, the facts and documentation show otherwise:
 - On the same day (April 3, 2008), Student #20 signed a 2007-2008 Federal Student Aid Verification Worksheet certifying that she was not required to file an income tax return for 2006, that she had no untaxed income, that she had no employers in 2006, and that she was supported by her grandmother. The student also signed a 2008-2009 Federal Student Aid Verification Worksheet on the same day with the same certification for 2007.³² This makes clear the student had no income in 2006 or 2007.
 - The student's statements are not in conflict with each other or with the 2006-2007 ISIR. The student did not earn income in 2006 and 2007, but may have been supporting herself with income earned in 2008 and from working at the time she signed the form in April 2008.
 - Student #20 also signed a statement titled "Personal Statement of Explanation For Review of Dependency Status" on that same date (April 3, 2008) stating that neither her mother nor her father was supporting her financially and that she was staying with her grandmother.³³ This is consistent with her statement that she had relied in the past on her grandmother for financial support and with her certified statement on the Verification Worksheet that she had no work history in 2006.

In short, the information cited in Finding #7 does not conflict with the report of zero AGI for 2006 for Student #20.

Moreover, the Department's verification regulations make clear that the student certifications in the 2006-2007 Verification Worksheet are acceptable documentation to verify a student's AGI if she is not a tax filer. For purposes of verifying AGI, the regulations state:

(3) An institution shall accept, in lieu of an income tax return or an IRS listing of tax account information of an individual whose income was used in calculating the EFC of an applicant, the documentation set forth in paragraph (a)(4) of this subsection if the individual for the base year—

³¹ See Exhibit 7-3 Review of Dependency Status Student's Statement of Information.

³² See Exhibit 7-4 Verification Worksheets for 2007-2008 and 2008-2009 dated April 3, 2008.

³³ See Exhibit 7-5: Personal Statement of Explanation for Review of Dependency Status.

(i) Has not filed and is not required to file an income tax return; ...

(4) An institution shall accept—

(i) For an individual described in paragraph (a)(3)(i) of this section, a statement signed by that individual certifying that he or she has not filed nor is required to file an income tax return for the base year and certifying for that year that individual's—

- (A) Sources of income earned from work as stated on the application; and
- (B) Amounts of income from each source; ...

34 C.F.R. 668.57(a)(3), (4). The signed 2007-2008 Verification Worksheet provided by the student includes all of the required components of paragraph (a)(4)(i): the certification of no tax return for 2006 and the list of sources and amounts of income earned from work (i.e., none). As a matter of law, this document constitutes acceptable documentation of the student's AGI and confirms the AGI of zero for 2006. Therefore, this document would resolve any conflict in AGI that might purportedly exist.

Student #27

As with Student #20, Finding #7 contends that there is a conflict in data regarding the income earned by Student #27 for 2006. The student did not report income for 2006 on her 2007-2008 ISIR.³⁴ The Finding suggests that statements from the student and her sister in other documentation dated July 17, 2007, state that the student has been supporting herself and is working. CHI does not agree that there is a conflict in Student #20's 2006 AGI data:

- Finding #7 points to the student's statement on a "Review of Dependency Status Student's Statement of Information" form dated July 17, 2007 in response to how the student has supported herself since her independence from her family. The student responded, "I am working and supporting myself. I am also living with my sister." However:
 - The student states on the same form that she had "0" income in 2006 and has projected income in 2007. This is consistent with the zero income for 2006 reported on the ISIR. It is also consistent with the student's statement that "I am working" on the form dated July 17, 2007. It indicates that she is working in 2007, but was not working in 2006.³⁵
- The Finding also references a statement by the student's sister in a "Review of Dependency Status Affidavit In Lieu of Parental Information" form signed on July 17, 2007 indicating the student "is working in 7-11 and supporting by herself." The sister's statement also indicates that the student lives with her and that the sister supports her.³⁶

³⁴ See Exhibit 7-6 Student #27 2007-2008 ISIR.

³⁵ See Exhibit 7-7 Student #27 Review of Dependency Status Student's Statement of Information.

³⁶ See Exhibit 7-8 Student #27 Review of Dependency Status Affidavit In Lieu of Parental Information.

The fact that the student was working and supporting herself as of July 17, 2007, does not conflict with data that she had no income in 2006. In fact, it is consistent with the student's statement in the form discussed above that she had zero income in 2006, but has income in 2007.

In short, the documentation referenced in Finding #27 does not conflict with the report of zero income for 2006 in the 2007-2008 ISIR.

Policies and Procedures

As requested by Finding #7, we have reviewed our policy and procedures to ensure that they are sufficient to prevent a recurrence of this finding. Although Finding #7 involves only isolated occurrences and CHI respectfully disagrees with some of those conclusions, CHI has taken the opportunity to review and strengthen its policy and procedures on resolution of conflicting information. Copies of the "Conflicting Data Policy" and the "Conflicting Data Procedure" are included with this response.³⁷ The policy and procedure strengthen the process for identifying conflicting information that may affect a student's Title IV eligibility and for ensuring that data conflicts are resolved in a timely manner.

³⁷ See Exhibit 7-9.



KAPLAN

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EDUCATION**

James L. Blackburn
VP-Financial Aid

August 31, 2009

CONFIDENTIAL
VIA Email and UPS Overnight

RECEIVED

Ms. Nancy Della Vecchia
Senior Institutional Review Specialist
U.S. Department of Education
School Participation Team NE – Philadelphia
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323

SEP 01 2009

FEDERAL STUDENT AID

Re: CHI Institute, OPE ID No. 00778100
PRCN: 200840326787

Dear Ms. Della Vecchia:

Enclosed please find CHI Institute's response to Finding #2 in the Program Review Report dated May 1, 2009, relating to CHI's use of leaves of absence in connection with externships in its Surgical Technology program. The response includes Exhibits 2-1 through 2-8. This response is submitted in accordance with your letter of July 2, 2009 letter.

Finding #2 claims that CHI's conduct in this regard constitutes a "substantial" misrepresentation. We believe that there are no factual, legal or policy bases for that assertion and the attached response sets forth, in detail, our strong views on this issue.

Notwithstanding our strong response and denial of your assertion relating to this finding, CHI is willing to work constructively with the Department to bring closure to this issue, just as it has already done with the State of Pennsylvania and is in the process of doing with the Department of Justice. As indicated in the response, we've already made refunds to some of the students for whom no externships were available and we reiterate our willingness to make refunds in connection with the few remaining students who fall into this category. In addition, over two years ago -- long before the program review -- we stopped admitting students into that program, taught-out the program, and have revised and strengthened our policies and processes relating to leaves of absence. We are certainly willing to consider further changes or further administrative actions, if deemed necessary by the Department -- we just ask that this issue be evaluated and resolved in that context and not in the context of an unwarranted and unnecessary assertion that CHI made a "substantial" misrepresentation.



Please do not hesitate to contact me with any questions concerning this submission.

Sincerely,

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

James L. Blackburn
Vice President – Financial Aid
Kaplan Higher Education

cc: Jeffrey J. Conlon
Janice L. Block
Elaine M. Neely



KAPLAN

**HIGHER
EDUCATION**

James L. Blackburn
VP-Financial Aid

August 31, 2009

CONFIDENTIAL
VIA UPS Overnight

Ms. Nancy Della Vecchia
Senior Institutional Review Specialist
U.S. Department of Education
School Participation Team NE – Philadelphia
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323

Re: CHI Institute, OPE ID No. 00778100
PRCN: 200840326787

Dear Ms. Della Vecchia:

Enclosed please find CHI Institute's responses to Findings #5 in the Program Review Report dated May 1, 2009. The responses include Exhibits 5-1 through 5-11. These responses are submitted in accordance with your letter of July 2, 2009.

Please do not hesitate to contact me with any questions concerning this submission.

Sincerely,

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

~~James L. Blackburn~~
Vice President – Financial Aid
Kaplan Higher Education

cc: Jeffrey J. Conlon
Janice L. Block
Elaine M. Neely

FINDING #2: MISREPRESENTATION OF THE NATURE OF THE EDUCATIONAL PROGRAM/ABUSE OF TITLE IV LEAVE OF ABSENCE PROVISION

1. EXECUTIVE SUMMARY OF RESPONSE

CHI Institute strongly disagrees with the contentions in Finding #2 that it substantially misrepresented the availability of externships in its Surgical Technology program and that its leave of absence practices did not comply with federal regulations.

Finding #2 focuses primarily on the availability of externships to students enrolled in the Surgical Technology program at CHI on or after January 1, 2002. CHI stopped all new starts in the program after July 2007 and began a teach-out of the program in early 2008. The following circumstances demonstrate that Finding #2 is incorrect in its assertion that CHI misrepresented the availability of externships:

- For the overwhelming majority of students enrolled in the Surgical Technology program, there is no indication that externships were unavailable. Ninety-five percent of the students either graduated from the program, withdrew from school before reaching the externship portion of the program, or withdrew from the program for reasons unrelated to externship availability.
- It is also inaccurate to contend that any “misrepresentation” occurred. Finding #2 does not cite any explicit statement by the institution, or any stated school requirement or policy, indicating that externship placements were to occur as soon as students qualified, or that placements would occur within a prescribed timeframe. CHI sought to place students promptly into externships when they progressed to that stage of their program, and CHI did, in fact, place the vast majority of available and willing students into externships.
- Indeed, the CHI catalogs during the program review period – which were provided to students and referenced in their enrollment agreements – contained a leave of absence policy notifying students that an administrative leave of absence could be granted if the school were unable to schedule the student into the required externship, clinical, or other required classes. As such, CHI students were expressly informed that leaves of absence could become necessary due to externship unavailability. Furthermore, no ED regulation prohibits institutions from granting such leaves of absence where a student does not start the next available course in his or her program.
- Moreover, CHI overcame significant barriers to externship placements arising out of market conditions, nursing shortages, and other factors. CHI reduced enrollments in the Surgical Technology program and took other reasonable steps and corrective actions to increase student placements in externships. The above-described 95 percent rate demonstrates the efficacy of these efforts.
- Only a very small portion of the student population – a total of 32 students – received no externship after reaching the externship portion of the program (apart from those who

withdrew for unrelated academic or personal reasons). Still, CHI endeavored to maintain contact with many of these students over time to place them in an externship. In some cases, these students refused subsequent offers of externships, or told the institution they were unwilling to accept externships for personal or other reasons.

- The Surgical Technology program stopped admitting new students over two years ago, and engaged in a formal teach-out of the program in early 2008. No new students have started in the program since July 2007. Of the students in the teach out, only five remain and are currently in the process of completing their externship portion of the program.

Finding #2 also focuses on loan disbursements made to certain students while they were on a leave of absence from the Surgical Technology program. Our response demonstrates that:

- Only a small percentage of CHI students received Title IV loan disbursements during their leaves of absence, but, in every case, either (a) the student graduated from the program, and thereby earned the loan disbursements through subsequent coursework; or (b) CHI returned the loan disbursements in full to the loan programs.
- ED regulations clearly permitted CHI to grant these leaves of absence after the student's leave started. CHI has furnished examples of signed and dated documentation for the majority of students placed on such leaves, which comply with ED requirements.
- Nevertheless, CHI has reviewed and revised its leave of absence policy to address the concerns raised in Finding #2, including a prohibition on leaves based on externship unavailability.

Our response to Finding #2 begins by detailing CHI's overall success rate in placing available students into externships (Section 2) and establishing that CHI did not misrepresent (substantially or otherwise) its Surgical Technology program (Section 3). The response then addresses the primary file review requested in Finding #2, which demonstrates that the few loan disbursements made to students on a leave of absence were either earned by students or returned in full to the loan programs (Section 4). Section 5 addresses CHI's compliance with the requirements for documenting student requests for leaves of absence. The response concludes with Section 6, which details the corrective actions taken by CHI to address Finding #2.

2. MORE THAN NINETY-FIVE PERCENT OF THE SURGICAL TECHNOLOGY STUDENTS GRADUATED OR WITHDREW FOR REASONS UNRELATED TO THE AVAILABILITY OF EXTERNSHIPS

Finding #2 contends that CHI did not provide an externship site to all students who completed the didactic portion of its Surgical Technology ("ST") program.¹ The ST program consisted of both a didactic component, conducted by CHI at its Broomall campus, and a subsequent externship, which was completed by students in an active hospital setting. CHI

¹ Program Review Report at 8.

CHI Institute Response to Finding 2
Program Review Report (PRCN 200840326787)

provided externship sites and site supervision to students for the externship portion of the program.

Finding #2 requested an update of the file review previously furnished to the Department in November 2008. The prior file review provided data on all students who started in the ST program day or evening classes at CHI from January 1, 2002 through January 28, 2008 (although no new students started after July 2007). We have updated the prior file review results to reflect any change in student status between January 28, 2008 and July 9, 2009.²

The file review data demonstrates that over 95 percent of the students who started the ST program at CHI over this 6-year period either graduated from the program, withdrew from school before reaching the externship portion of the program, or withdrew from the program for reasons unrelated to externship availability. During this timeframe, only 32 students did not receive an externship after completing the didactic portion of the program and did not withdraw for academic or personal reasons.

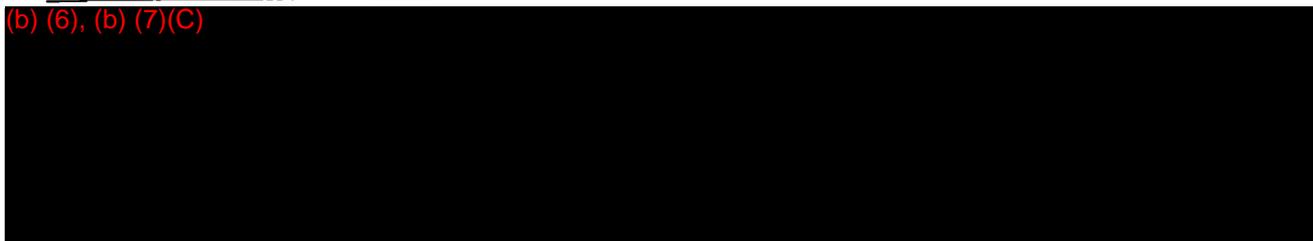
Specifically, the 750 students who started the ST program during this timeframe can be grouped into the following categories:

Category	# Students
1. Graduates	372
2. Active Students (currently in didactic)	0
3. Pending Graduates (currently in externship)	5
4. Students Who Dropped Prior to Completing Didactic	287
5. Students Who Received Externships, but Dropped For Academic or Personal Reasons	35
6. Students Who Dropped for Academic or Personal Reasons	19
7. Students Who Did Not Receive or Complete Externships and Did Not Drop for Academic or Personal Reasons	32
TOTAL	750

The table above and the accompanying file review spreadsheet in Exhibit 2-1 demonstrate the following:

- 750 students started the ST program day or evening classes on or after January 1, 2002.³ CHI did not start any new students in the ST program after July 2007, as reflected in the

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



CHI Institute Response to Finding 2
Program Review Report (PRCN 200840326787)

“Date Started” column of Exhibit 2-1. CHI also taught-out the ST program beginning in early 2008.

- Of this total of 750 students, 372 completed the externship and graduated from their program.⁴ Therefore, CHI provided these students with externship sites which enabled these students to complete their programs.⁵
- None of the other 378 remaining students is currently active in the didactic portion of the program.⁶ As noted above, CHI has not started any new students in the ST program for over two years, and the program has been taught-out
- Of these 378 students, five are currently active in the externship portion of the program. When these students complete their externship and graduate, there no longer will be a ST program at CHI.⁷
- 287 of the remaining 373 students withdrew prior to completing the didactic portion and before reaching the externship portion of the program.⁸ Therefore, CHI was not required to place these students into externships, because they had not completed the prerequisite coursework.
- 35 of the remaining 86 students⁹ started externships in the ST program, but failed to complete them for academic or personal reasons unrelated to the availability of an externship.¹⁰ These

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



CHI Institute Response to Finding 2
Program Review Report (PRCN 200840326787)

students either proceeded directly into an externship upon completion of the didactic portion of the program, or entered into an externship after being placed on an LOA, or dropped. Finding #2 alleges that CHI did not provide externship sites to all of its students. Yet, in each of these 35 cases, CHI did provide an externship site to the student, but the student failed to complete the externship for academic or personal reasons.

- Of the remaining 51 students, 19 withdrew from the ST program following the completion of the didactic portion of the program, but withdrew or were dropped for academic or personal reasons unrelated to the availability of an externship.¹¹ These students withdrew or were dropped after a period of weeks or months following completion of their didactic work, or during or after a leave of absence. In all 19 instances, these students did not withdraw from the program because of externship availability, but rather for the other reasons identified in Exhibit 2-1.¹²
- The remaining 32 students – or approximately 4.5 percent of all students who started the ST program over the 6-year period at issue – did not receive or complete an externship and did not withdraw for academic or personal reasons. However, CHI engaged in significant efforts to maintain contact with many of these students over time to identify and offer them externship sites. In at least 16 cases, these students refused such subsequent offers of externships, or told the institution they were unavailable for externships for personal or other reasons.¹³ In other instances, CHI encountered difficulties not in finding externship placement for the students, but in locating the students themselves following their completion of the didactic portion of the program. Consequently, any absence of externship placements for these few remaining students is not solely attributable to a lack of available externships.

As the data demonstrates and as Finding #2 acknowledges,¹⁴ only a small portion of the ST students at CHI who reached the externship portion of the program never received their

reasons, failure to show up to externship site, left or dropped externship, inability to attend the externship, student moved, or student legal issues.

¹¹ These students can be identified by entries in the spreadsheet indicating that they completed the didactic portion of the program (usually in the “End Date for Didactic” column), that they did not start an externship (shown by the absence of an externship start date), and the academic or personal reason for withdrawal.

¹² The academic and personal reasons for this category of students also are clearly identified in the spreadsheet, in most cases in the “Effective Date Student Was Dropped” column. The reasons are varied, but similar to those described above for the previous category (e.g., attendance issues, family and medical issues, military duty, and other similar reasons).

¹³ CHI maintained student contact manager records entitled “Student Activities” which summarized the number and nature of CHI’s contacts with its students. The records for at least 16 of these 32 students indicate that the students either declined offers of externships or told CHI personnel they were unavailable for an externship: declined or withdrew from externship offer (4), unavailable due to transfer to nursing school (1), moved or required a site out of area (3), nonpayment (1), unavailable due to work or other commitments (5), and uninterested in pursuing an externship (2). Copies of these records are included with this response in Exhibit 2-3.

¹⁴ See Program Review Report at 8. Note that our total of 32 students differs from the total of 33 in Finding #2 because of updates in student status or differences in interpretation of student status. In 10 instances, our total of 32

externship (apart from students who did not continue for academic or personal reasons). CHI already has repaid the outstanding balances of the Title IV disbursements made to 8 of these students.¹⁵ CHI is prepared to repay, and has always been prepared to repay from the time this matter was brought to its attention, the outstanding balances of Title IV disbursements for the remaining 24 students.¹⁶ Again, the data demonstrates that the vast majority of ST students – over 95 percent – completed their ST program or did not reach (or complete) their externship for reasons unrelated to externship availability.

3. CHI INSTITUTE DID NOT SUBSTANTIALLY MISREPRESENT THE AVAILABILITY OF THE EXTERNSHIP PORTION OF ITS SURGICAL TECHNOLOGY PROGRAM TO NEW AND PROSPECTIVE STUDENTS

In connection with the allegation that CHI substantially misrepresented the availability of the externship portion of the Surgical Technology program, Finding #2 asserts that CHI did not provide all students who completed the didactic portion with externship sites, that it departed from the published length of the program specified in the catalog, and that CHI did not provide for a timely transition from the didactic program into the externship.¹⁷ This assertion is not supported by the facts; as detailed below, CHI did not engage in any misrepresentations to its students, “substantial” or otherwise.

A. The Facts Asserted In Finding #2 Do Not Meet The Regulatory Definition of a Substantial Misrepresentation

The Title IV regulations define a misrepresentation as any “false, erroneous or misleading statement an eligible institution makes to a student enrolled at the institution, to any prospective student, to the family of an enrolled or prospective student, or to the Secretary.”¹⁸ However, not every misrepresentation constitutes a “substantial” misrepresentation. The Title IV regulations define a substantial misrepresentation as any “misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person’s detriment.”¹⁹ Moreover, precedent indicates that a substantial misrepresentation

excludes students included in the total of 33 in Finding #2 for the following reasons: graduate (2), attendance (3), financial reasons (3), poor grades (1), and student moved (1). The students are T. Brown, Caldwell, Chambers, Clifford, Crawford, L. Johnson, Melton, Moore, Schell and M. Williams. In 9 instances, our total of 32 includes students not included in the total of 33 in Finding #2. The students are A. Lane, Malveaux, McClure, McNeil, Rayfield, Reed, Robbins, Shockley, and R. Thomas.

¹⁵ The students are Bullard, McClure, McNeill, Rayfield, A. Robinson, Steigerwald, Walker, and Wilson.

¹⁶ The students are Bernadette, Branham, Brooks, Burgess, Burnlay, Conard, Cotto, Hamm, Johnson, Kaminski, Lane, Laughlin, Liberatoscioli, Lucas, Malveaux, Reed, Robbins, N. Robinson, Shockley, R. Thomas, Van Cliff, Wallace, Whitfield, and Wise.

¹⁷ Program Review Report at 8-9.

¹⁸ 34 C.F.R. § 668.71(b).

¹⁹ Id. (emphasis added).

requires a prevailing weight of evidence showing an intent on the part of the institution to mislead potential students.²⁰

Based on this authority, a substantial misrepresentation cannot be found unless each of the following four elements is present:

- 1) A false, erroneous or misleading statement;
- 2) Detriment to the person to whom the statement was made (i.e., harm);
- 3) Intent to mislead on the part of the institution; and
- 4) A reasonable expectation of reliance by the person to whom the statement was made.

If any of these factors is lacking, there can be no substantial misrepresentation. We believe that each of these factors is absent here, for the reasons discussed below.

B. CHI Did Not Make False, Erroneous or Misleading Statements or Other Misrepresentations to Students

i. The Report Acknowledges that the CHI Catalog Informed Students on the Subject of Externship Availability and Leaves of Absence

As an initial matter, the facts show that CHI did not make any false, erroneous or misleading statements. Indeed, the program review report itself acknowledges that CHI's catalog explicitly informed students that leaves of absence could become necessary due to externship unavailability. Finding #2 specifically notes that CHI described the administrative LOA in its catalog, stating "The President may grant, on a limited basis, an administrative leave of absence (LOA) in the event the School is unable to schedule students into the required externship, clinical, or other required classes."²¹ This key fact contradicts the finding's assertion that students were misled regarding externship availability and leaves of absence.

Moreover, the finding makes no reference to any allegedly false representation (written or verbal) by CHI to any prospective or enrolled student. Given this lack of any "false, erroneous, or misleading" statements, CHI respectfully submits that there cannot have been any substantial misrepresentation in connection with the program.

ii. The Approved Length of the ST Program Did Not Constitute a "Statement" by CHI that Externships Always Would Be Provided to Students Without Delay

²⁰ See *In The Matter of Chris Logan Career College*, Dkt No. 95-126-ST (March 28, 1996) at 7.

²¹ Program Review Report at 9. See also Exhibit 2-4 for the precise wording in the copies of this policy from each version of the CHI catalog from 2002 through 2007.

CHI Institute Response to Finding 2
Program Review Report (PRCN 200840326787)

Finding #2 contends that CHI substantially misrepresented the availability of the program by not providing the externships to all students on a timely basis. The Finding asserts that the length of the ST program offered by CHI varied in length from 44 to 80 weeks. It contends that the state, the accreditor, and the Department approved the program length, and that CHI published the length of the program in its catalog. The Finding concludes that the approved and published length amounts to an affirmative statement by CHI that all students will be placed at externship sites immediately following the completion of the didactic program, and that CHI did not uphold this "statement."²²

While CHI would always prefer to provide the best service possible to its students and to place all students into externship without delay, we disagree that the approved and published length of the program could be construed as a statement by CHI that it would place students at externship sites immediately following the completion of the didactic portion of the program for several reasons:

- The Finding does not cite to any explicit statement in the approvals issued to CHI that CHI was required to, or promised to, place every student in the ST program into an externship immediately upon completion of the didactic portion of the program.
- The reference to a number of weeks in an educational program as listed in the ECAR does not constitute a statement that the weeks must be provided in succession, as suggested in the Finding. The regulations defining "weeks of instruction" and a "week" do not require the weeks of instruction to occur in succession without interruption.²³
- CHI's publication of its program length in its catalog does not constitute a statement that CHI would provide externship sites immediately upon completion of didactic coursework. On the contrary, the catalog clearly states to students that leaves of absence could become necessary in the event of externship unavailability.
- CHI's publication of its program length in its enrollment agreement also does not constitute such a statement as suggested by the finding.²⁴ The enrollment agreement does not state that externships would be available immediately after the completion of the didactic portion of the program and include only an "anticipated end date" for the program. In fact, the enrollment agreement refers to the catalog, which includes the

²² See Program Review Report at 9.

²³ 34 C.F.R. § 668.8(d)(1)("week of instruction"); 34 C.F.R. § 668.3(b)(2)("week"). Neither of the two regulations referenced by Finding #2 requires an institution to place a student immediately into an externship within a certain number of days. 34 C.F.R. § 602.16(a); 34 C.F.R. § 600.20. The former regulation requires an accrediting agency to demonstrate that it has accreditation standards that address the quality of the institution or program in areas including, among other things, academic calendars, catalogs, and publications. The latter regulation only addresses the requirement to obtain the Department's approval to add certain educational programs.

²⁴ See Program Review Report at 11.

LOA policy providing for the possibility of scheduling delays for the externship and other classes.²⁵

- Recently issued ED guidance requires students in non-term programs to promptly enroll in the next available course in the program, but does not impose a similar requirement to term-based programs like the ST program at CHI.²⁶

“A student who completes a course is expected to begin attending the next available course in the program, until the student completes the credits for which he or she has received Title IV aid. If before a student completes the credits for which he or she has received Title IV aid, the student fails to enroll in the next (appropriate in sequence) course in the program, the student must be put on an approved LOA or considered withdrawn.”

Significantly, this guidance instructs schools that they may place a student on a leave of absence if he or she does not proceed to his or her next course in the program. Thus, this guidance contemplates that students may experience interruptions in coursework and be placed on an LOA under those circumstances.

- For reasons fully discussed in Section 5 below, the Title IV regulations did not prohibit CHI from granting leaves of absence based on externship unavailability as permitted in its catalog. Yet, even if the regulations had not permitted such leaves, any resulting noncompliance with those regulations would not constitute a misrepresentation to students. On the contrary, students were informed via the catalog that externship unavailability could occur.²⁷

For all of these reasons, the approved and published length of the program did not constitute a statement by CHI that students would not experience any delay in placement into an externship site. More importantly, students were expressly told that leaves of absence could become necessary due to externship unavailability. These facts should put to rest any concern that CHI made misrepresentations to students in this regard.

²⁵ See Exhibit 2-5 for copies of sample enrollment agreements with this language.

²⁶ See 2008-2009 FSA Handbook at 5-58. This guidance appears under the heading “Breaks In Attendance For Students Enrolled In Programs Measured In Credit Hours Without Academic Terms.” Thus, the requirement that a student start the next available course only applies to students in non-term programs and does not apply to the ST program in Finding #2.

²⁷ Even if the LOAs granted by CHI did not constitute approved LOAs, ED regulations and guidance do not prohibit an institution from granting unapproved LOAs to its students. The FSA Handbook states under the heading “Unapproved leaves of absence”: “A school may grant a student an LOA that does not meet the conditions to be an approved LOA for Title IV purposes (for example, for academic reasons). However, any LOA that does not meet all of the conditions for an approved LOA is considered a withdrawal for Title IV purposes.” 2008-2009 FSA Handbook at 5-34.

iii. The Difficulty In Placing A Small Portion of CHI's Students In An Externship Did Not Constitute A Misrepresentation of Externship Availability

Finding #2 also contends that CHI enrolled students into the ST program at times when previously enrolled students were still waiting for placement into an externship.²⁸ As has previously been established, CHI successfully addressed the externship matter with respect to more than 95 percent of its ST students. We respectfully disagree with the suggestion that the difficulty ultimately encountered by CHI in placing the remaining students into externships should be retroactively construed as a misrepresentation. The pertinent facts show that no such misrepresentations occurred, because:

- At least 18 of these 32 unplaced students enrolled in the ST program on or before December 2004, at a time when there was little if any backlog of students awaiting externships. CHI reasonably anticipated that externship sites would be available for these students and our above-described 95 percent success rate shows that this was a reasonable expectation.
- Some of the difficulties CHI encountered in placing these students into externships arose unexpectedly after some students already had enrolled in the program. The Broomall market experienced both an increase in competing surgical technology programs and a shortage of nurses available to train externs in operating rooms at area hospitals. Both factors reduced the number of externs hospitals would hire.²⁹
- CHI responded to these developments by reducing new starts in the ST program to help enable it to meet the externship needs of its current and new students.³⁰

Year	New Starts
2005	143
2006	75
2007	74
2008	0

²⁸ See Program Review Report at 11.

²⁹ The market conditions and area nursing shortage posed particular challenges for CHI because its ST program required 500 externship hours and multiple components (e.g., one site might not offer the "peripheral vascular" or "neurosurgical" or "cardiothoracic" surgery, thereby requiring a student to rotate into one or more other site(s) to complete those case requirements).

³⁰ The difficulties in placing students into externships were not as dire as portrayed on page 11 of the program review report. The Finding contends that CHI enrolled 21 new students in its September 25, 2006 start while 60 students were waiting for an externship. However, we believe that the backlog is overstated because 1) the backlog includes students who had dropped out of school prior to September 25, 2006, 2) the backlog includes students who had been waiting for an externship as of that date for less than 30 days, and 3) many of the students in the backlog ultimately graduated from the program or did not continue for other reasons. We believe that the backlog listed on page 11 of Finding #2 for other start dates may be similarly overstated.

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It was reasonable for CHI to expect that the reductions in new enrollments and class starts, coupled with other corrective actions,³¹ would enable CHI to place its current and existing students in externships during the later stages of the ST program. CHI's 95 percent overall success rate shows that this assumption was reasonable, although in hindsight not 100 percent successful. Still, the absence of a 100 percent success rate does not demonstrate that CHI misled students as to externship availability. To the contrary, CHI had reason to believe it could place all of its students into externships.

- CHI ceased all new student starts in the ST program more than two years ago. No new students have started the ST program since July 2007. CHI also began a formal teach-out of the ST program in early 2008.

For all of these reasons, the availability of externships in the ST program at CHI did not constitute a misrepresentation.

C. No Substantial Misrepresentation Occurred Because The Vast Majority of ST Students Were Not Harmed By Any Alleged Misrepresentation of Externship Availability

As set forth above, a "substantial misrepresentation" requires a showing of harm.³² Finding #2 contends that there were three types of harm arising from the allegedly misleading statements by CHI.³³ We disagree with this contention, and address each type of alleged harm below.

i. The Vast Majority of ST Students Were Not Harmed Because They Received An Externship or Withdrew for Reasons Unrelated to Externship Availability

First, Finding #2 contends that students invested time and money to pursue the Surgical Technology diploma for the purpose of obtaining employment in that field, but that these efforts were wasted if they received no externship, or the externship was delayed.³⁴ However, as was

³¹ CHI took other proactive steps at improving externship placements including: 1) enrollment of 13 students in 2006 with pre-arranged externships with an area hospital, 2) assisting hospitals with the cost of preceptors used to monitor ST externs, and 3) actively pursuing evening and weekend shifts with current and potential clinical sites in response to instances in which students refused externship positions provided to them by CHI because the shifts took place during times which were inconvenient to the students.

³² See discussion above in Section 3.A. In addition to a misrepresentation, the regulatory definition of "substantial misrepresentation" requires a showing of actual detriment.

³³ Program Review Report at 11-12.

³⁴ Id. at 11-12.

established in the detailed factual analysis presented in Section 2 of this response, this contention does not apply to more than 95 percent of the students who enrolled in the program. The substantiated data and tables presented above demonstrate that the vast majority of students were given timely access to the externship opportunities as part of their ST program, or that they withdrew from the program for academic or personal reasons prior to completing the didactic portion of the program.

CHI recognizes the importance of providing timely externship opportunities to these students, but respectfully submits that any such assertions of harm could apply only to the 32 students who completed the didactic portion of the ST program and dropped out of the ST program because of the unavailability of an externship. As detailed in Section 2 above, even with respect to this tiny portion of the overall student population, many of these students subsequently either declined later offers of externships or told CHI they were uninterested or unavailable for externships. In other cases, CHI was unable to locate the students in order to offer them externships. These students clearly did not experience harm occasioned solely by a lack of available externships.

ii. The Vast Majority of Students Who Received Externships After Their Grace Periods Had Lapsed Were Not Significantly Harmed By The Lapse

Finding #2 further contends that students were harmed by receiving a reduced grace period prior to the start of loan repayment. When a borrower ceases to be enrolled at an eligible school on at least a half-time basis, a six-month grace period begins. During that grace period, students are not required to make any payments on their student loans. When a student ceases to be enrolled because he or she failed to return from an LOA, the grace period begins, retroactive to the date the student began the LOA. Finding #2 contends that, when CHI placed students for whom no externship was available on an LOA and then subsequently dropped the students because no externships were available, the grace periods for these students were reduced by the length of the LOA.³⁵

Again, the facts do not support this contention. Most CHI students did not experience a reduced grace period arising out of delays in externship placement. Students who received an externship within 180 days after completing the didactic portion of their program were entitled to regain the entirety of their grace period. The FSA Handbook states:

If a student re-enrolls in school on at least a half time basis before his or her initial grace period expires, the student regains his or her in-school status and is entitled to have his or her grace period made whole again.³⁶

Consequently, students returning to CHI to continue their program within this timeframe still received a full grace period. In short, the concern raised by Finding #2 only could apply to

³⁵ Program Review Report at 12.

³⁶ 2008-2009 Federal Student Aid Handbook at 5-48.

students who started their externship more than 180 days after completing the didactic portion of the program. There are at most only 49 students in this category.³⁷

The vast majority of these 49 students were not significantly harmed by any lapse in their grace periods. To date, forty (40) of these 49 students have not defaulted on their student loans. Thus, any harm arising out of the grace period concern raised in Finding #2 would have been limited to the 9 other students in this category. However, each of these 9 students (as well as the remainder of the 40 students) received an opportunity to complete their externship. Each of these 9 students (as well as the remainder of the 40 students) would have been eligible for deferments of certain repayment obligations or to forbearances even after the grace period expired.³⁸ Any lapse in grace period did not necessarily result in these few defaults in student loans.

iii. Students Were Not Harmed By Loan Disbursements Made During Leaves of Absence Because Those Disbursements Were Either Returned by CHI or Earned by the Students.

Thirdly, Finding #2 contends that CHI caused unnecessary interest expense for the Department by disbursing loan funds for students who were not attending classes and were not participating in an externship, but instead were on an LOA. But in fact -- as CHI will demonstrate in Section 4 of this response -- only a small portion of its students received loan disbursements while they were on an LOA. Moreover, the facts demonstrate that in each case, the disbursements either were returned to the loan programs or were earned by the students through successful completion of subsequent coursework.

Given the absence of harm to CHI students, Finding #2 is incorrect in its contention that CHI substantially misrepresented its ST program.

D. NEITHER OF THE OTHER FACTORS REQUIRED TO ESTABLISH A SUBSTANTIAL MISREPRESENTATION ARE PRESENT IN FINDING #2.

As discussed in Section 3.A., a "substantial misrepresentation" also requires "intent to mislead on the part of the institution." No information has been presented in connection with Finding #2 that establishes, reflects, or could be construed to reflect any intent on the part of CHI to mislead students about externship unavailability. Indeed, the facts that have been presented demonstrate just the opposite. CHI explicitly notified students in its catalog -- which was also

³⁷ The students can be identified on Exhibit 2-1 by examining the elapsed time between the end date of the didactic portion of their program and the date on which they started their externship. This calculation excludes the 32 students already discussed in the prior section that completed their didactic coursework and dropped out of the ST program because of the unavailability of an externship.

³⁸ Moreover, a student can still obtain deferment of certain repayment obligations after the grace period has expired. For example, he or she is still entitled to deferments and forbearances even after the grace period has expired. See 34 C.F.R. § 682.210; 34 C.F.R. § 682.211; 34 C.F.R. § 685.210; 34 C.F.R. § 685.211. Deferments are available for students who are enrolled at least half-time in a program. 34 C.F.R. § 682.210(c)(1); 34 C.F.R. § 685.204(b)(1)(i)(A).

CHI Institute Response to Finding 2
Program Review Report (PRCN 200840326787)

referenced in its enrollment agreements – of the prospect of externship unavailability and the potential need for an administrative leave of absence. Finding #2 has not pointed to any explicit statement by CHI to the contrary or to any information indicative of a purported intent of misleading students. CHI could not have had intent to mislead students enrolled in the program prior to experiencing difficulties with externship placements. Moreover, as explained in Section 3.B, CHI reduced enrollments and took other proactive steps in the face of these difficulties with the intent of ensuring it could place both current and new students.

Finding #2 also has not established the other factor required for a substantial misrepresentation: a reasonable expectation of reliance by the person to whom the purported statement was made. The finding suggests that students were misled about externship availability by the approved and published length of the program, but the finding does not explain why it would be reasonable to expect that students would rely on the program length as a promise of immediate externship availability. Such reliance would not have been reasonable, particularly when weighed against statements to the contrary in the school catalog.

For all of the reasons discussed above, Finding #2 does not establish any misrepresentation (substantial or otherwise) by CHI. Several – if not all – of the four factors required to establish a substantial misrepresentation are missing here. The absence of even one of these factors is sufficient to set aside any such assertion. We respectfully request that the finding regarding purported substantial misrepresentations be closed.

4. THE FEW LOAN DISBURSEMENTS MADE TO STUDENTS ON LEAVES OF ABSENCE WERE EITHER EARNED BY STUDENTS OR RETURNED IN FULL TO THE LOAN PROGRAMS

The Title IV regulations prohibit the disbursement of FFEL loans to students while they are on a leave of absence (“LOA”).³⁹ Finding #2 contends that CHI made Title IV loan disbursements to 20 students while they were on an LOA. Finding #2 did not address whether CHI subsequently returned these funds to the loan programs, or whether the students subsequently earned those funds through subsequent completion of their program. In fact, all of the disbursements fall into one or the other of these categories.

Finding #2 requested CHI to conduct a file review of all students placed on an LOA during the period from July 1, 2005 through June 30, 2007 to determine whether any loan funds disbursed to these students while on an LOA were returned to the loan programs. CHI conducted the file review. Exhibit 2-2 contains a spreadsheet presenting the file review results. Those results are demonstrated in the following table:

Category	% Students
Students Not Placed On A Leave of Absence	1666
Did Not Receive Loan Disbursements During Their LOA	99
Graduated and Loan Disbursements Had Been Returned To The Loan Programs	40
Graduated and Thereby Earned The Loan Disbursements Through Subsequent Coursework	15
Loan Disbursements Returned In Full	27
Remaining Students With Unreturned or Uneared Loan Disbursements	0

As this table demonstrates, only a small number of students received FFEL or Federal Direct Loan program disbursements while on an LOA. Moreover, in each case, either CHI returned the disbursements to the loan programs, or the student subsequently earned the disbursements through successful completion and graduation from his or her program. Specifically:

- CHI conducted a review of all 1,847 students in attendance at the institution during the period from July 1, 2005 through June 30, 2007.⁴⁰

³⁹ 34 C.F.R. § 682.604(c)(4). The Federal Student Aid Handbook contains a statement that schools may not make a disbursement of Direct Loans to a student on an LOA, but may disburse Pell, SEOG, and Perkins funds to such students. 2008-2009 Federal Student Aid Handbook at 5-28. We note that the Federal Direct Loan Program regulations do not contain a similar explicit prohibition on disbursements to students on a leave of absence and that Finding #2 has not referenced any such regulation. See, e.g., 34 C.F.R. § 685.303.

⁴⁰ There were 1,180 students in the 2005-2006 award year and 1,083 students in the 2006-2007 award year. The total number of unduplicated students during this two year period is 1,847.

CHI Institute Response to Finding 2
Program Review Report (PRCN 200840326787)

- Of these students, 1,666 were not placed on an LOA.
- Accordingly, only 181 students were placed on an LOA.
- 99 of these 181 students did not receive a FFEL or Direct Loan disbursement while they were on an LOA.⁴¹ Therefore, only the 82 remaining students received a loan disbursement while on an LOA. This total represents less than 4.5 percent of the 1,847 students in attendance at the school during the file review period.
- 55 of the remaining 82 students returned from their LOA, completed the remainder of their coursework, and graduated from their programs.⁴²
 - In 40 of these 55 instances, CHI had returned the loan disbursements made during the LOA to the loan programs.⁴³ Consequently, CHI did not retain any of the original loan disbursements made to these students during their LOA.⁴⁴
 - In the remaining 15 of these 55 instances, the students re-established their eligibility to receive loan disbursements in these amounts and earned these funds in full by completing the remainder of their program.⁴⁵ Consequently, the loan disbursements were used for the purpose for which they were intended.⁴⁶

⁴¹ These students can be identified by the entries of "0" in the columns entitled "Subsidized Loans Disbursed," "Unsubsidized Loans Disbursed," and "PLUS Loans Disbursed" in Exhibit 2-2.

⁴² These students can be identified by the entry of "Yes" in the column entitled "Did the Student Return from LOA?" and the entry of "Graduate" under the heading "Current Status."

⁴³ The dates and amounts of payments are listed in two columns in Exhibit 2-2 entitled "Difference b/w disbursed and returned." One column refers to the subsidized loans and the other to unsubsidized loans. An entry of "0" means all disbursements were returned. There are separate columns identifying the dates and amounts of the funds returned.

⁴⁴ The regulations do not dictate a time period by which an institution must return an inadvertent disbursement of loan funds during an LOA. However, we note that the Department has established standards in related scenarios that do not require immediate repayment of those funds, but allow for a reasonable period of time to return them. For example, the Department has established guidance for the return of inadvertent overpayments of Title IV funds that does not require the immediate repayment of these disbursements. The FSA Handbook establishes a 45-day standard for the return of inadvertent overpayments when an institution disburses funds to a student no longer in attendance. See 2008-2009 FSA Handbook at 5-62 ("An institution is not required to return the inadvertent overpayment immediately, but must return it within 45 days of the date of the institution's determination that the student withdrew."). We note that CHI timely returned the inadvertent disbursement of funds to 33 of these 40 students within 45 days. The elapsed time between the date of disbursement and the date of return is listed in the columns entitled "# of days from disbursed sub to sub refund" and "# of days from disbursed unsub to unsub refund."

⁴⁵ CHI confirmed the graduate status of these students through a review of their transcripts. CHI also conducted an eligibility review to confirm that each student did in fact maintain their eligibility for the funds in the loan disbursements. These students can be identified on the spreadsheet by an entry of "Yes" in the column entitled "Did the student regain eligibility after LOA for funds disbursed during LOA?" Note that CHI only conducted this

- For each of the 27 remaining students, CHI returned to the loan programs all the loan disbursements made during the student's LOA.⁴⁷ All of these returns were made during or after the LOA and prior to the commencement of the program review.⁴⁸ Consequently, the institution did not retain any of the loan funds disbursed to any of these students during the LOA.⁴⁹
- There are no remaining students with loan disbursements that were unreturned and unearned.

Finding #2 requested the file review in order to determine whether loan disbursements made to students during the July 1, 2005 through June 30, 2007 timeframe were returned to the loan programs. The file review results demonstrate that all such loan disbursements were returned to the loan programs by CHI or were earned by the student through subsequent completion of their program. Nevertheless, as discussed in Section 6 below, CHI has taken corrective action by reviewing and revising its procedures to prevent any future disbursements of FFEL and Direct Loan funds to students while they are on a leave of absence.

5. THE REGULATIONS PERMITTED CHI TO GRANT LEAVES OF ABSENCE TO STUDENTS BASED ON EXTERNSHIP UNAVAILABILITY AND PRIOR TO THE RECEIPT OF SIGNED STUDENT FORMS

Finding #2 alleges that students enrolled in the ST program were placed on an administrative LOA and that the administrative LOA did not qualify as an approved LOA for Title IV purposes.⁵⁰ Finding #2 asserts that these LOAs were unapproved for three reasons: 1)

analysis for these 15 students because CHI returned the loan disbursements made during an LOA for all other students.

⁴⁶ At least one of these students received a second grade level I loan during the LOA. The student's eligibility status for these loan disbursements will be addressed in the separate response to Finding #4 of the Program Review Report.

⁴⁷ The dates and amounts of payments are listed in two columns in Exhibit 2-2 entitled "Difference b/w disbursed and returned." One column refers to the subsidized loans and the other to unsubsidized loans. An entry of "0" means all disbursements were returned. The 27 remaining students are those with entries of "0" in these columns who are not identified as "graduates" in exhibit 2-2.

⁴⁸ CHI returned the loan disbursements within 45 days of the date of disbursement for 18 of these students.

⁴⁹ As noted above, CHI also had returned in full the loan disbursements made during the LOA to 40 of the 55 students described above who returned from their LOA and graduated from their program. Therefore, when combined with the disbursements returned for the 27 students who did not graduate from their programs, CHI returned all of the loan disbursements made during the LOAs to 67 of the 82 students who received a loan disbursement while they were on an LOA.

⁵⁰ The regulations at 34 C.F.R. § 668.22(d) provide a list of eight requirements for treating an LOA as an approved LOA for Title IV purposes. If the LOA does not meet these requirements, the institution must treat the student as a withdrawal for Title IV purposes. See 34 C.F.R. § 668.22(d)(1).

externship unavailability is not a valid basis for an approved LOA, 2) the student did not initiate the LOA request in advance with a signed and dated request and 3) the LOA documentation did not indicate the reason for the LOA.⁵¹

We disagree with the first reason because the Department's regulations do not prohibit the grant of an LOA based on externship unavailability for the following reasons:

- CHI had an LOA policy that authorized an LOA if the student did not have an externship available. The LOAs granted by CHI based on externship unavailability were consistent with its established policy.
- The regulations do not state, as suggested by the finding, that an LOA only may be granted based on hardship suffered by the student – such as an illness or injury – and not on the unavailability of an externship or other course.
- The FSA Handbook states that an approved LOA may not be granted for “academic reasons,” but does not prohibit an approved LOA based on unavailability of coursework. On the contrary, as discussed earlier in Section 3, recent ED guidance suggests an approved LOA as an option for a student who does not start the next available course.

Accordingly, the Title IV regulations do not foreclose an LOA based on externship availability.

We disagree with the second reason because the regulations provide for an exception to the requirement⁵² that students initiate the LOA request and that they do so in a signed and dated request. The regulations state that, if unforeseen circumstances prevent a student from providing a prior written request, the institution may grant the student's request for a leave of absence, if the institution documents its decision and collects the written request at a later date.⁵³ In these instances, the institution may grant the request in lieu of an advance request by the student. It follows that a written and dated request would not be required until a later date as well.⁵⁴

Lastly, we disagree with the Finding's contention that the reason for an LOA is undocumented in the absence of documentation attached to the Student Status Change or Request forms. The Finding acknowledges that these forms indicate the reason for the LOA (“no

⁵¹ See Program Review Report at 9.

⁵² This requirement is contained in the regulation defining what is meant by a “formal policy” regarding LOAs. The regulations require that a “formal policy” be in writing, be publicized to students, and require students to provide a written, signed and dated request that includes the reason for the request for a leave of absence prior to the leave of absence. 34 C.F.R. § 668.22(d)(3)(iii)(B).

⁵³ 34 C.F.R. § 668.22(d)(3)(iii)(B).

⁵⁴ Exhibit 2-6 contains copies of forms signed and dated by 15 of the 20 students cited from the program review sample – either a Student Status Change or Request Form or a form indicating that the student was being placed on a leave of absence due to lack of availability of an externship site.

site available").⁵⁵ We believe no further documentation was necessary in these instances because the form itself indicated the reason ("no site available") and CHI had in its own records the information needed to substantiate this reason for the LOA without the need for further documentation from the student.

For these reasons, we respectfully disagree that the Title IV regulations prevented an institution from granting an LOA in advance based on externship availability and obtaining documentation of the student's consent after granting the LOA. Notwithstanding our disagreement with these assertions, CHI no longer grants leaves of absence to students based on externship unavailability. As discussed in the next section below, we have revised our LOA policies to reaffirm this practice of prohibiting leaves of absence based on externship unavailability and strengthening our process for granting and documenting leaves of absence.

6. THE INSTITUTION HAS COMPLETED ALL ACTIONS REQUIRED IN FINDING 2 OF THE PROGRAM REVIEW REPORT

Finding #2 requested that CHI provide three sets of information in response to this finding: and CHI has furnished each of those items with this response:

- *Conduct the previously described file review of students placed on an LOA during the 2005-2006 and 2006-2007 award years.* As discussed in Section 4 above, CHI conducted the requested file review and provided the results of the review in Exhibit 2-2.
- *Review the spreadsheet entitled "CHI Institute Broomall Surgical Tech Student Data Rev 10-30-08" to ensure that all Title IV funds received by the students are accurately listed.* As discussed in Section 2 above, CHI has updated the spreadsheet as requested and listed all Title IV funds by program and award year. CHI has provided the updated spreadsheet in Exhibit 2-1. We further note the following updates and edits in preparing the updated spreadsheet in Exhibit 2-1:
 - CHI updated the spreadsheet to account for changes in status during the last 18 months. The prior spreadsheet provided the current status of all students in CHI's ST program as of January 2008. In order to account for all changes in status since that date, we reviewed the status of each student as of a report date of July 9, 2009 and listed their current status as of that date in the Exhibit 2-1 spreadsheet. These updates resulted in changes in student status for some students such as, for example, students who were active as of January 2008 and graduated from the program after that date. The current status of all students is discussed in Section 2 of this response.
 - Although Finding #2 requested that CHI update the spreadsheet to list all Title IV funds received by ST students, CHI also validated the spreadsheet to confirm that the various dates reported in the spreadsheet are up-to-date and consistent with source documentation. In some cases, we identified discrepancies in the dates

⁵⁵ See Program Review Report at 9.

previously reported and edited those dates in the current spreadsheet in Exhibit 2-1. The bulk of these edits involved immaterial differences in dates of only a few days or involved data fields that were not material to the issue of externship placements.⁵⁶ In a limited number of instances, we were unable to locate the source documentation to verify the precise dates of certain data items (for example, the precise date on which an externship was completed or an older enrollment agreement was signed), but were able to determine the current overall status for those students from other data. Exhibit 2-1 contains columns showing the validation results for each field with dates in the spreadsheet and identifying any edits to dates made to the spreadsheet.

- CHI has reviewed and maintained the source documentation for the updates and edits made to this spreadsheet. The documentation is available for review upon request.
- *Provide a listing of any students to whom the institution made a refund offer, indicating the amount of funds returned to the student, to the student's outstanding loan debt, or to the Title IV programs, as well as the dates of those returns.* CHI has provided the requested listing in Exhibit 2-7.

Accordingly, CHI has furnished the information requested by Finding #2.

In addition, CHI has taken additional corrective action in response to Finding #2. First, CHI will not have a recurrence of this finding with respect to the availability of externships in the Surgical Technology program, because CHI decided to teach out the program more than two years ago. No new students have started the program since July 2007. Only 5 students remain in the program.

CHI also reviewed and revised its leave of absence policy. A copy of the most recently revised leave of absence policy is attached in Exhibit 2-8. The revised policy prohibits the grant of a leave of absence based on externship unavailability in accordance with current practice at CHI. The policy also includes revised procedures regarding the documentation and approval of leaves of absence. Both the leave of absence policy and our revised disbursements procedures – furnished with our response to Finding #6 – clearly prohibit the disbursement of FFEL and Direct Loan funds to students while they are on a leave of absence.

7. CONCLUSION

CHI has provided all of the information sought in reference to Finding #2. That information establishes that CHI did not misrepresent the availability of externships to its students, that no “substantial misrepresentations” occurred as such term is defined in the

⁵⁶ For example, the field regarding “Enrollment Agreement Date” does not impact the externship availability analysis because the student start dates are determined by the dates in the “Start Date” column. Similarly, the dates in the “Graduation Date” column confirm the student’s completion date rather than the “Externship Completion” column.

CHI Institute Response to Finding 2
Program Review Report (PRCN 200840326787)

Department's regulations, that the overwhelming majority of the students at issue received externship opportunities, and that the few Title IV loan disbursements made to CHI students during an LOA are fully accounted for. For all of these reasons, CHI respectfully requests that the finding be closed.

FINDING #5: FEDERAL PELL GRANT OVERPAYMENTS

A. CHI'S FILE REVIEW IDENTIFIED PELL OVERAWARDS, BUT ALSO DEMONSTRATED THAT CHI HAD REFUNDED A SIGNIFICANT PORTION OF THESE DISBURSEMENTS TO THE DEPARTMENT

Finding #5 contends that CHI disbursed Federal Pell Grant funds to 24 students in excess of the students' eligibility. The Finding asserts that CHI did not recalculate the Pell grants for these students based on their enrollment status changes. The Finding cites instances where CHI allegedly failed to prorate Pell awards or failed to verify student eligibility before disbursing Title IV funds.¹ However, the Finding does not address whether CHI refunded any such Pell overawards.

Finding #5 required CHI to conduct a file review for the 2005-2006, 2006-2007, and 2007-2008 award years to ensure that all Pell funds disbursed during that timeframe were disbursed to students who were eligible to receive those funds. CHI has conducted the requested file review, which involved the examination of over 5,000 Pell disbursements to over 1,800 students. The file review results are reported in the spreadsheet in Exhibit 5-1.²

CHI identified certain instances during the file review period in which students received Pell awards in excess of their Pell eligibility. These totals are listed in the "Pell Overawards" column on the spreadsheet in Exhibit 5-1. As discussed in section F below, CHI has revised its policies in order to prevent a recurrence of these instances.

Nevertheless, CHI's file review also demonstrates that the amount of Pell overawards was not as extensive as suggested in Finding #5. CHI had refunded a significant amount of these Pell overawards to the Department prior to the program review. The data in Exhibit 5-1 shows that these refunds totaled \$242,137.³ For example, a number of these refunds consisted of inadvertent overpayments for a term the student did not attend, but which CHI had returned to the Department after determining the student had not attended the term.⁴ After deducting these and all other refunds of Pell overpayments and overawards, the net total of Pell overawards over a 3-year period totaled \$399,620.

¹ Program Review Report at 25. The students are listed in Appendix E of the Program Review Report.

² The file review methodology and the process for validating the file review results are discussed in sections B, C, and D below.

³ These refunds can be identified in the "Refunds" column on the spreadsheet in Exhibit 5-1 and counting only those refunds which correspond to Pell overawards for that student.

⁴ For example, Student #67 received a Pell disbursement of \$2160 on July 27, 2006. The student did not attend the term associated with the disbursement. CHI promptly refunded the disbursement to the Department on August 11, 2006 within 14 days of the disbursement. Exhibit 5-1 lists the student's enrollment status as '0' and shows a full refund of this disbursement in "Refund" column.

B. CHI CONDUCTED THE REQUIRED FILE REVIEW BASED ON TERM STRUCTURES USED BY THE CHI FINANCIAL AID DEPARTMENT TO CALCULATE PELL DISBURSEMENTS

The Title IV regulations require institutions with term-based programs to award Pell grants based on a student's enrollment status, expected family contribution ("EFC"), academic year structure, and cost of attendance.⁵ An institution determines enrollment status based on the student's credit-hour work load per academic term.⁶ The institution then determines the student's maximum Pell award based on payment and disbursement schedules published by the Department for each award year.⁷ Students enrolled on a less than full-time basis receive a pro-rated amount of the maximum Pell award that could be awarded to a full-time student based on their status as either a three-quarter, half-time, or less than half time status student.⁸ The Title IV regulations may also require a school to recalculate a student's eligibility for a Pell award if the student's enrollment status changes at various points in the award year.⁹

CHI conducted the file review of Pell disbursements based on a reexamination of enrollment status for each Pell recipient during each term during the file review period. This process entailed identifying the terms for each student in the file review. CHI used a variety of term formats for its academic programs. The term structures used for each program during the 3-year file review period are outlined in the Packaging Guides entitled "Broomall 028 Program Structure" contained in Exhibit 5-2. These Packaging Guides – one for each of the subject award years – describe the term structures for each program offered by CHI during the award year.

The CHI Financial Aid Department used more detailed versions of these Packaging Guides in order to identify the terms in a program and to disburse Pell funds to students in each program. These more detailed "Term Schedule" documents are contained in Exhibit 5-3. CHI typically had multiple start dates for a program during a year. CHI used the Term Schedule to establish the term structure and disbursement schedule for each student. Each Term Schedule includes the following information:

- The term structure for each program;
- The number of weeks in each program and each term;
- The individual start dates for each cohort;

⁵ See 34 C.F.R. § 690.62, 690.63.

⁶ For certain non-degree programs, the institution is required to calculate the credit-hour work load for the term using the clock-to-credit conversion formula in 34 C.F.R. § 668.8(k) & (l).

⁷ 34 C.F.R. § 690.62.

⁸ 34 C.F.R. § 690.63.

⁹ 34 C.F.R. § 690.80.

**CHI Institute Response to Finding 5
Program Review Report (PRCN 200840326787)**

- The start and end dates of each and every term in the program for each cohort;
- The number of anticipated Pell and loan disbursements per academic year; and
- The Pell disbursement schedule associated with each potential enrollment status.

Collectively, the Term Schedules in Exhibit 5-3 constitute a comprehensive list of the terms typically used by the CHI Financial Aid Department for each program during the file review period.

CHI used these Term Schedules to determine the Pell disbursements for each student. Using the Term Schedule, CHI's Financial Aid department would:

- Determine the term codes that would apply to each cohort;
- Determine the number of credits in which the student would be enrolled for a particular term;
- Determine the student's enrollment status; and
- Schedule the student's Pell disbursement for that term.

This information, in combination with a student's EFC, enabled CHI to determine the appropriate Pell disbursement for each student. Consequently, CHI relied upon the information in the Term Schedules to determine student Pell disbursements. The CHI Registrar also relied upon the Term Schedules to determine term dates and enter them into student transcripts. However, the Financial Aid Department relied upon the term structure and schedule information in the Packaging Guides and the Term Schedules rather than consulting the student transcripts to determine the student's Pell disbursements.

Therefore, for purposes of the file review, CHI relied upon the term structure data in the Packaging Guides in order to identify a student's term and determine whether the Financial Aid Department had properly calculated the Pell disbursements for each term. CHI generated a report containing the more than 5,000 Pell disbursements made to over 1,800 students during the July 1, 2005 – June 30, 2008 period. CHI determined the term associated with each Pell disbursement using the Packaging Guides. The Packaging Guides list the same term structures as the Term Schedules and, therefore, would be expected to yield the same results to the Term Schedules. However, the Packaging Guides do not list the individual term codes and dates.¹⁰

¹⁰ In some cases, a student's Pell disbursement schedule would vary from the Term Schedules if the student withdrew from a term or was required to repeat a course. In these instances, the student would move into terms different from those of the students in his or her original cohort.

**CHI Institute Response to Finding 5
Program Review Report (PRCN 200840326787)**

The CHI file reviewers added the extra step of examining the start and end dates of each course and identifying the correct term code for each particular course using the list of available term codes and dates in Exhibit 5-4. Using this data, they examined the courses included in each term, reviewed the students' enrollment status for each term (using the clock-to-credit conversion formula if required), and listed the recalculated enrollment status on the file review spreadsheet in Exhibit 5-1 under the heading "Actual Enrollment Status."¹¹ If the recalculated enrollment status differed from the prior enrollment status, CHI identified any overawards that resulted on the Exhibit 5-1 spreadsheet.¹²

C. CHI IDENTIFIED TERM DATE ERRORS IN CERTAIN STUDENT TRANSCRIPTS, BUT HAS PROVIDED SOURCE DOCUMENTATION DEMONSTRATING THE CORRECT TERM DATES

As discussed in the previous section, CHI did not utilize student transcripts to determine a student's term for Pell disbursement purposes, and therefore did not use those documents to determine terms for purposes of the file review. However, Finding #5 requested that CHI provide copies of each student's transcript and ledger card with this response. CHI has furnished copies of those documents in Exhibit 5-6. CHI believes the Department should review the source documentation in the Term Schedules and Packaging Guides, rather than the transcripts, to determine the terms for each student. Nonetheless, CHI reviewed its file review results against a sample of student transcripts in light of the Department's request for transcripts.

CHI identified instances where the terms identified in student academic transcripts did not accurately reflect the appropriate terms shown by the source documents used by the Financial Aid Department (i.e., the Term Schedules and Packaging Guides) and the start and end dates for the student's individual courses. Specifically, the term dates entered into the transcripts in certain instances did not correspond to the actual term dates reflected in the Term Schedules and the Packaging Guides. CHI believes that these incorrect term codes were the result of data entry errors in transferring the term data from the Term Schedules into the student transcripts.

Exhibit 5-7 contains a spreadsheet which demonstrates the misalignment of the term codes in a representative student transcript when compared to the actual term dates

¹¹ CHI offered a limited number of non-term programs during the file review period. For those students enrolled in non-term programs, CHI determined whether students successfully completed the credits in each term that were necessary for the student to progress to the next payment period and earn the disbursement. When this did not occur, CHI listed the disbursement as a Pell Overaward. 34 C.F.R. § 690.75(a)(3)(student enrolled in a credit hour program without terms must complete the payment period before the student can be eligible for another disbursement); 34 CFR § 668.4(c)(student must complete half of the number of credit hours or clock hours and half of the number week of instructional time in the program or the academic year to reach the second payment period).

¹² Exhibit 5-5 contains a legend which describes the data columns in the Exhibit 5-1 spreadsheet.

**CHI Institute Response to Finding 5
Program Review Report (PRCN 200840326787)**

listed in the Term Schedules. The incorrect terms codes are listed on the right side of the document and the correct term structure according to the Term Schedules appears on the left side. The Exhibit contains a narrative description of the reasons why the term codes entered for certain courses are incorrect and why the term codes in the Term Schedules are correct. As shown in Exhibit 5-7, the primary reason is that the dates for some terms on the transcripts conflict with the dates for other terms on the transcripts and do not correspond with the dates of the courses assigned to those terms. In contrast, the course dates typically align with the term structures outlined in the Term Schedules and described in the Packaging Guides.

While conducting the file review data validation process described in section F below, CHI reviewed a sample of 324 students from the overall file review population of more than 1,800 students to determine the extent of term code and date discrepancies in the transcripts. The review found no discrepancies in term codes or dates in 84 percent of the transcripts tested. In the remaining transcripts, CHI identified at least one discrepancy in term codes or dates listed in the transcript. However, it should be noted that a number of these data entry errors involved immaterial discrepancies in term codes (i.e., the name of the term) rather than term dates (i.e., the dates of the term). Still, in the interest of clearly identifying any potential errors regardless of significance, CHI includes these immaterial errors in determining this occurrence rate. As discussed in section F below, CHI has implemented corrective actions to prevent these types of data entry errors from occurring in the future.

Significantly, for the reasons discussed in this section, CHI does not believe that these transcript discrepancies would have impacted the calculation and disbursement of Pell funds. As noted earlier, CHI's process for making Pell disbursements did not depend upon the term data listed in the transcripts, but rather on the term data listed in the Term Schedules. CHI utilized a distinct procedure, separate and apart from the transcripts, to determine a student's term and Pell disbursement amount without reference to the term information on the transcript. Consequently, these discrepancies did not prevent CHI from conducting a file review of Pell disbursements based on the term structures used for those disbursements, because the transcripts were not the source documentation for the term calculations.

**CHI Institute Response to Finding 5
Program Review Report (PRCN 200840326787)**

**D. CHI COMPLETED A VALIDATION PROCESS DEMONSTRATING THE
OVERALL ACCURACY OF THE FILE REVIEW RESULTS.**

After conducting the initial review described in Section B of more than 1800 students, CHI designed and conducted an additional validation process to determine the accuracy of the data in the final file review spreadsheet in Exhibit 5-1, including the enrollment status for each term and the amount of the Pell overaward. CHI selected and analyzed a sample of 324 students and 875 disbursements from the larger file review universe for a sample size of 17.45%. This sample size is a large enough statistical sample to accurately reflect the population at a 95% confidence interval. The validation process identified certain instances of missing or incorrect data, but confirmed the overall accuracy and reliability of the file review spreadsheet.

The results of the validation process are fully documented on a student-by-student basis in the "Bridge Document" in Exhibit 5-8. CHI reviewed each of the 324 students in the sample to verify that the file review had accurately analyzed the courses, accurately assigned the term for each of the 875 disbursements to these students based on the term structure for the program as described in the Packaging Guides, and accurately determined each student's enrollment status for each term. CHI reviewed (and, where necessary, reconciled) the data from multiple sources including the Packaging Guides, the individual course start and end dates, a listing of all available term codes, the original enrollment status reported for each student, the student's ledger card, and the student's transcript. The results were listed in the Bridge Document, which provides a complete course-by-course listing for each student of the following data:

- The correct term code ("Key Term") and correct courses associated with that term for each student based on the term structures defined in the Packaging Guides;
- Information regarding each Pell disbursement and the corresponding term and enrollment status for the correct term; and
- Any missing or incorrect data in the file review spreadsheet in Exhibit 5-1 when compared to the data in Bridge Document.¹³

Exhibit 5-9 includes a Bridge Document Legend with a list of each column on the Bridge Document and a description of the information recorded in that column.

After reviewing disbursement records for each of the 875 separate Pell disbursements in the sample, CHI identified omissions or discrepancies between the source documents and the file review spreadsheet in Exhibit 5-1 for 65 of the 875 separate disbursements for an overall accuracy rate within the sample of 92.5 percent. If there were any discrepancies in the enrollment status or the disbursement amount

¹³ The Bridge Document also contained data on any discrepancies in term codes and dates in the transcripts for these students as discussed in section C above. Any such discrepancies are identified by an entry of "No" in the "Transcript OK?" column.

**CHI Institute Response to Finding 5
Program Review Report (PRCN 200840326787)**

information in comparison to the Exhibit 5-1 spreadsheet, an entry of "No" was entered into the Bridge Document for that disbursement. If the disbursement calculation was inaccurate, an entry of "Yes" was entered into the "Adjustment Required" column on the Bridge Document. The amount of any adjustments in the Pell Overaward – whether upward or downward – is reflected in the "Adjustment Required" column in the Bridge Document. CHI then updated the Exhibit 5-1 spreadsheet to address the discrepancies identified on the Bridge Document. After accounting for these updates, our validation process demonstrates an overall accuracy rate of 93.7 percent in the Exhibit 5-1 spreadsheet.

The results of the validation process demonstrate the overall accuracy of the Exhibit 5-1 spreadsheet. The overall accuracy rate of 93.7 percent shows only limited instances of omissions or discrepancies in the spreadsheet. CHI has corrected all omissions or discrepancies identified in its 324-student validation sample on the Exhibit 5-1 spreadsheet. CHI is prepared to conduct a full 100 percent validation if requested for the remaining 1,561 students in the file review population, which would entail the validation of approximately 4,000 additional disbursements. However, we believe the validation performed to date demonstrates the overall accuracy and reliability of the Exhibit 5-1 spreadsheet.

E. CHI'S FILE REVIEW IDENTIFIED INSTANCES OF PELL UNDERAWARDS AND UNPAID PELL ELIGIBILITY

CHI's file review also identified many instances in which CHI disbursed less Pell funds than it could have disbursed during the file review period. Specifically, CHI identified instances in which the recalculation of enrollment status and Pell awards resulted in Pell underawards to certain students. In other instances, the recalculations identified subsequent unfunded periods during which students were eligible to receive additional Pell funds for one or more terms based on subsequent coursework. CHI would have been entitled to receive more Pell funds, not less, had it disbursed Pell in accordance with the recalculations for these students with underawards and unpaid eligibility.

CHI identified 393 potential instances of Pell underawards totaling \$152,388. For example, student (b) (6), (b) (7) received a disbursement of \$810 on March 27, 2007. This amount was calculated based upon three-quarter time enrollment status for the term. However, the file review resulted in a revised enrollment status of full-time for this student. (b) (6) would have received an additional \$1,350 in Pell funds for the term had she been treated as a full-time student. This amount constitutes a Pell underaward.

With respect to subsequent Pell eligibility, CHI identified 82 instances in which students may have been eligible to receive an additional \$67,904 in Pell grant funds based on completion of additional coursework. In each instance, the student received either no Pell funds or reduced Pell funding for this coursework. For example, student (b) (6), (b) (7)(C) was enrolled in the Medical Assistant with Phlebotomy program during

**CHI Institute Response to Finding 5
Program Review Report (PRCN 200840326787)**

the 2005-2006 and 2006-2007 award years. The term and payments for this student are set forth in the following chart:¹⁴

Term	Pell Award Year	Disbursement Date	Actual Enrollment Status	Disbursement Amount
060228A 2/1/2006 – 3/28/2006	2005-2006	2/22/2006	Full Time	1013
060328A2 3/29/2006 – 5/24/2006	2005-2006	5/4/2006	Full Time	1013
060528A 5/25/2006- 7/31/2006	2005-2006	6/12/2006	Full Time	1012
060828A 8/2/2006- 9/27/2006	2006-2007	9/7/2006	Full Time	1012
060928A 9/28/2006- 11/22/2006	2006-2007	9/26/2006	Half Time	506
061028ANX 10/30/06- 3/1/2007	2006-2007	None	Full Time	0

The chart shows that the student received Pell disbursements during each of her first 5 terms, but did not receive a Pell disbursement during her final term, even though she attended full-time during that term. Based on the additional coursework undertaken by the student during the final term, CHI determined that the student could have qualified for an additional \$1,013 in Pell grant funds from the 2006-2007 award year. This \$1,013 amount is identified in the "Subsequent Eligibility" column in the Exhibit 5-1 spreadsheet. This example is representative of similar instances from CHI's file review.

CHI has addressed these Pell underawards and instances of unpaid Pell eligibility for two reasons not discussed in the finding. First, they show that CHI frequently did not benefit from Pell miscalculations. In many cases, the recalculations demonstrate numerous situations in which CHI received *less* Pell funds than it could have disbursed and received. When these amounts are compared to the Pell overawards identified by the file review, the net amount of additional Pell funds CHI received under its original calculations is substantially less than the total when only the overawards are considered.

¹⁴ The data for this student is contained in the file review spreadsheet in Exhibit 5-1 and in the Bridge Document in Exhibit 5-8 which was used for validation purposes and is described at greater length in section D above. The two documents collectively show that the student received the Pell disbursements listed in the table above.

**CHI Institute Response to Finding 5
Program Review Report (PRCN 200840326787)**

Second, the Title IV regulations establish a process for an institution to receive payments or offsets from the Department in the event of certain types of underawards or instances of unpaid Pell eligibility.¹⁵ CHI will credit student accounts for any such payments or offsets provided by the Department and take steps in turn to pay these students amounts equal to the corresponding payments and offsets. We respectfully request that the Department take these amounts into consideration as it reaches its final determination on this finding.

F. CHI HAS REVIEWED AND REVISED ITS POLICIES AND PROCEDURES IN ORDER TO PREVENT A RECURRENCE OF THIS FINDING

The file review results identify instances in which CHI made Pell overawards to certain students, although the results also demonstrate that CHI already had refunded a significant portion of these Pell disbursements to the Department prior to the program review. As requested in Finding #5, CHI has updated its disbursement policies and procedures to ensure that the institution appropriately calculates the student's enrollment status for purposes of making Pell disbursements. Copies of our revised disbursement policies and procedures were submitted with our prior response to Finding 6, and are included with this response in Exhibit 5-10.

CHI has also strengthened its policy which addresses term and enrollment status monitoring. The policy is directed toward ensuring that 1) courses are assigned to terms in a consistent manner for all programs and 2) Title IV funds are disbursed in accordance with the correct term structure and enrollment status. With respect to the first item, the policy details the multi-step process for assigning term codes and dates and for regular monitoring of this information. With respect to the second item, the policy's process for establishing terms is aimed at ensuring that student enrollment status will be properly calculated based on correct and consistent term data using the procedures for determining enrollment status discussed in the disbursement policy and procedures in Exhibit 5-10. The policy also provides for periodic monitoring of these processes to ensure campus compliance with these policies and procedures. The Term and Enrollment Status Monitoring policy addressing these concerns is included with this response in Exhibit 5-11.

¹⁵ The Pell Grant regulations provide that an institution that timely submits the Payment Data for a student, but does not timely submit to the Department, or have accepted by the Department, the Payment Data necessary to document the full amount of the award to which the student is entitled, may receive a payment or reduction in accountability in the full amount of that award, if—(i) A program review demonstrates to the satisfaction of the Department that the student was eligible to receive an amount greater than that reported in the student's Payment Data timely submitted to, and accepted by the Department; and (ii) the institution seeks an adjustment to reflect an underpayment for that award that is at least \$100. 34 C.F.R. § 690.83(d)(3).



KAPLAN

**HIGHER
EDUCATION**

Elaine M. Neely
Senior Vice President – Regulatory Affairs

September 30, 2009

CONFIDENTIAL
VIA UPS OVERNIGHT

Ms. Nancy Della Vecchia
Senior Institutional Review Specialist
U.S. Department of Education
School Participation Team NE – Philadelphia
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323

Re: CHI Institute, OPE ID No. 00778100
PRCN: 200840326787

Dear Ms. Della Vecchia:

Enclosed please find CHI Institute's responses to Findings #1, #3 and #4 in the Program Review Report dated May 1, 2009. The responses include Exhibits 3-1 through 3-4 and Exhibits 4-1 through 4-6. These responses are submitted in accordance with your letter of July 2, 2009.

Please do not hesitate to contact me with any questions concerning this submission.

Sincerely,

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

Senior Vice President – Regulatory Affairs

cc: Jeffrey J. Conlon
Janice L. Block

RECEIVED

OCT 01 2009

FEDERAL STUDENT AID

(215) 656-6444 FINDING #1: LACK OF ADMINISTRATIVE CAPABILITY

CHI strongly disagrees with Finding #1's assertion that the program review report presents "serious" findings indicating that CHI Institute lacked administrative capability. We disagree with that conclusion for several reasons.

First, CHI Institute has instituted each of the corrective actions specified in the program review report, and has thereby demonstrated the responsive actions required by Finding #1. The corrective actions taken in response to each program review finding are detailed extensively and substantiated in the comprehensive responses to each finding. CHI cooperated fully with the Department's program review process during the site visit and through its follow-up correspondence with the program reviewers, and has affirmed its administrative capability by compiling, organizing, and timely submitting the voluminous and complex data and information covered by the program review findings and requirements.

Second, our responses to all seven findings, including in particular the additional information and analysis provided in our file reviews, demonstrate that the findings are not material to the overall operations of CHI Institute, and that the file review results are not as serious as may have been originally contemplated by the program review report. The following discussion summarizes on a finding-by-finding basis the limited impact of each finding and the corrective actions taken to prevent recurrence of each of these findings:

- Finding #2 (Externship Availability and Title IV Loan Disbursements to Students on Leaves of Absence)
 - Finding #2 raised concerns about the availability of externships to students in CHI's discontinued Surgical Technology program. However, our file review demonstrated that the vast majority of those students – more than 95 percent – either received externships or did not receive them for reasons wholly unrelated to externship availability.
 - Finding #2 also raised concerns about Title IV loan disbursements made to students while on a leave of absence. However, our file review demonstrated that all such loan disbursements were returned by CHI to the loan programs during the program review period and

prior to the program review, or were earned by the students through subsequent coursework.

- As was also detailed in the Finding #2 response, CHI has long since taken steps to address the Department's concerns, including the cessation of new enrollments in the Surgical Technology program, and teach-out of the Surgical Technology program, and the implementation of procedures to ensure loan disbursements are not made to students on a leave of absence.
- Finding #3 (Limited Shortfalls in Scheduled Course Hours for Certain Students)
 - Finding #3 raised concerns about shortfalls in scheduled hours in certain courses taken by CHI students. However, our file review demonstrated that the vast majority of our courses – more than 89 percent – had no such shortfalls.
 - The overwhelming majority of our students were scheduled for the full slate of hours in their programs. In the limited number of instances where shortfalls occurred, they were small – in most cases, as little as one to five clock hours.
 - Our file review also demonstrated that the Title IV impact of these limited instances of under-scheduled hours was also very small. The difference between the Title IV funds actually disbursed and what would have been disbursed based on hours actually scheduled is miniscule. For the overwhelming majority of our enrollees, there was no difference.
 - CHI has implemented corrective action to ensure proper scheduling of clock hours for each of its courses by means of intra-departmental master scheduling procedures coupled with software improvements and regularly scheduled audit reports and monitoring.

- Findings #4A and #5 (Enrollment Status and Title IV Loan and Pell Disbursements)
 - Findings #4A and #5 raised concerns about disbursements and student enrollment status. However, our file reviews demonstrated that CHI disbursed Title IV loan funds (Finding #4A) and Pell funds (Finding #5) to students based on the correct enrollment status in most instances. In certain other instances, CHI promptly returned these disbursements to the loan programs or the Department during the program review period and prior to the program review. The remaining exceptions were not as significant as may have been anticipated by the findings.
 - CHI implemented corrective actions by revising its policies on the disbursement of Title IV funds and on the calculation of terms to ensure the proper calculation of enrollment status and corresponding Title IV disbursements.
- Findings #4B and 4C (Title IV Loan Disbursements), #6 (Early Title IV Loan Disbursements) and #7 (Conflicting Information)
 - The remaining findings are minor and do not support a finding of administrative capability. In fact, inasmuch as these remaining findings identified only isolated exceptions, they are indicative that CHI Institute was generally compliant, as well as administratively capable. Finding #4B relates to disbursements made to students nearly 4 years ago in the now discontinued Surgical Technology program. Findings #4C, 6, and 7 required follow-up actions for only 1 or 2 students each, and we have demonstrated in each instance why the disbursements made to these students were, in fact, proper.
 - CHI implemented corrective actions to prevent a recurrence of each of these findings by: 1) improving its policies and procedures for the disbursement of Title IV funds, and 2) revising its policies and procedures on resolution of conflicting information.

For all of these reasons, and based upon the full array of narratives, file reviews and corrective actions presented in response to the program review report, CHI Institute respectfully submits that the instances of noncompliance cited in Findings

#2 through #7 do not support a finding of lack of administrative capability under 34 CFR 668.16.

Finding #1 does not cite any non-compliance with respect to 11 of the 13 administrative capability provisions. 34 CFR 668.16(b)-(e), (g)-(o). The finding only references sections 668.16(a) and 668.16(f). Section 668.16(a) requires an institution to administer the Title IV programs in accordance the statutory and regulatory provisions applicable to the program. For the reasons previously identified, we believe that Findings #2 through #7 do not support an administrative capability finding under the general compliance standard set forth in section 668.16(a).

The remaining subsection at 668.16(f) focuses on the resolution of conflicting information, and only Finding #7 pertains to conflicting information. That finding involved only four students. Two were addressed during the program review, and the other two were shown not to have any conflicting information. See response to Finding #7. We respectfully submit that these isolated instances fall well short of a lack of administrative capability under section 668.16(f).

For all of these reasons, after accounting for our responses to the program review report, Findings #2 through #7 do not provide a basis for concluding that CHI lacks administrative capability. CHI has fully cooperated with the program review process, implemented all requested corrective actions, and demonstrated that the magnitude of the remaining findings are not as serious as originally alleged. We respectfully request that Finding #1 be closed.

**FINDING #3: ALLEGED MISREPRESENTATION OF THE NATURE OF THE
EDUCATIONAL PROGRAM/INSUFFICIENT HOURS OFFERED**

I. EXECUTIVE SUMMARY OF RESPONSE

CHI Institute strongly disagrees with Finding #3. As detailed in this response, CHI did not misrepresent the nature and length of its courses and programs.

Finding #3 focuses on the number of clock hours actually scheduled for courses offered by CHI during the program review period. CHI has performed each of the file reviews required by this finding. Those extensive reviews demonstrate that Finding #3 is incorrect and that CHI did not misrepresent the number of clock hours in its programs for the following reasons:

- CHI provided the vast majority of its courses – over 89 percent – without shortfalls in scheduled course hours. The limited instances of under-scheduled hours in the few remaining courses were nominal: less than one percent of CHI's courses had shortfalls of more than one quarter credit hour.
- The overwhelming majority of CHI students experienced no shortfalls in instruction across their programs during the program review period. Less than three percent of CHI's students experienced a shortfall of more than one quarter credit hour.
- The limited instances of under-scheduling which did occur were the result of inadvertent oversight, and were, in many cases, so small that they would not have resulted in a change in the amount of Title IV funds originally disbursed by CHI. The remaining instances yield potential reductions in the original Title IV disbursements amounting to only \$17,662 in Pell funds and \$87,159 in Loan funds.
- Finding #3 presents no evidence to support its suggestion that CHI's program lengths did not meet entry-level employment requirements. The evidence demonstrates the contrary: 1) CHI programs met or exceeded program length averages for comparable programs even with isolated instances of under-scheduling, and 2) the under-scheduled hours typically did not exceed 10 percent of the length of the program, the amount of scheduled hours the Department's own excused absence regulation allows students to miss without make up. CHI students were not harmed by the limited instances of under-scheduling.
- Finding #3 asserts that CHI misrepresented program length but presents no information indicating that CHI intended to do so in any way. CHI did provide the full amount of scheduled hours to a majority of its students in all programs. The limited exceptions resulted from inadvertent oversight on the part of the school and did not result in significant shortfalls in scheduled hours provided to students.
- CHI implemented corrective actions designed to prevent the recurrence of any shortfalls – significant or otherwise – in scheduled hours of instruction. See Section IV below.

For all of these reasons, the substantial misrepresentation finding should be closed. Additionally, please note that CHI is, of course, prepared to repay the modest differential in Title IV disbursements identified in its file review in accordance with repayment instructions from the Department.

In the Response below, CHI presents the following:

- The particulars on the methodology and results of the file reviews we conducted in response to Finding #3 (section II);
- Detailed information demonstrating that CHI did not misrepresent the nature and length of its programs (section III); and
- The corrective actions implemented by CHI in response to Finding #3 (section IV).

II. THE VAST MAJORITY OF CHI STUDENTS EXPERIENCED LITTLE OR NO SHORTFALL IN SCHEDULED HOURS DURING THEIR PROGRAMS.

Finding #3 contends that CHI taught certain courses for fewer than the required number of hours during the program review period. The finding contends that shortfalls existed in certain courses ranging from 1 to 50 clock hours and that students in its file review sample experienced a shortfall in at least one course. The finding does not examine what, if any, impact these shortfalls in hours would have had on the amount of Title IV funds disbursed to CHI students.

Our file review – discussed in detail in the following three sections – demonstrates that the magnitude of this finding is substantially less than suggested. As requested by Finding #3, we reviewed the course hours actually scheduled for each student who received Title IV funds during the 2005-2006, 2006-2007, and 2007-2008 award years. The file review results are presented in Exhibits 3-1, 3-2, and 3-3. As discussed below, the results demonstrate that only a small number of students experienced a shortfall in scheduled hours for their programs during the file review period. Moreover, the results demonstrate that these modest shortfalls in scheduling had little or no impact on the amount of Title IV disbursed to these students.

A. CHI File Review Part 1 – Our Review of Hours of Instruction For Each Course Established That More Than 89 Percent of the Courses Offered During the Program Review Period Had No Shortfall In Clock Hours Of Instruction.

The first step in our file review process was to review each course provided by CHI during the file review period and to identify the number of hours of instruction provided. Finding #3 requested a review of all students who received Title IV funds during the period from July 1, 2005 through June 30, 2008. Therefore, we examined each and every course provided during this file review period. This process included updating similar program review data that

CHI Institute Response to Finding 3
Program Review Report (PRCN 200840326787)

CHI had previously furnished to the Department in November 2008 with respect to a longer period from January 1, 2005 through October 28, 2008.¹

In total, we analyzed 2,170 courses.² For each course, we compared its length in clock hours to the number of clock hours actually scheduled for that course as reported in CampusVue. We determined scheduled hours for each course using data in CampusVue, including the start and end dates for each course and the days and hours for which instruction was scheduled. The spreadsheet in Exhibit 3-1 includes columns for each of these data items and shows the calculations for each course³ The results of our analysis are reported in the Exhibit 3-1 spreadsheet.⁴ The following table summarizes the results of this portion of the file review:

¹ We conducted an updated review of all courses offered by CHI during this timeframe for purposes of this file review. We identified additional courses that did not appear on the previously furnished spreadsheet. Those courses are now included on the spreadsheet in Exhibit 3-1.

² Each of these 2,170 courses appears on the first tab of the Exhibit 3-1 spreadsheet. This total includes our review of hours provided for all 191 of our externship courses in our non-degree programs. This hours data was obtained from CampusVue, but not in the class schedule folder, and, therefore does not appear in the Exhibit 3-1 spreadsheet. Instead, we reviewed data obtained from externship attendance reports and documentation of student attendance and participation in the externships. The review confirmed that all hours were provided in each of these courses. Each of these courses is identified with an "X" in the "Over/Under" column in the Exhibit 3-1 spreadsheet.

³ We did not include in our analysis the following three categories of courses: 1) the 608 courses contained within one of CHI's two degree programs and, therefore, as recognized by Finding #3, not subject to the clock to credit conversion formula (see program review report at page 16); 2) 252 courses which started prior to CHI's conversion to CampusVue and prior to the July 1, 2005 through June 30, 2008 file review period (see program review report at page 18 which excluded these courses from its count of courses); and 3) 8 courses which had no Title IV students or no students at all. The courses in these three categories are identified in column B with a designation of "A" for the first category, "C" for the second category, and "Z" for the third category. These three categories appear on the second tab in the Exhibit 3-1 spreadsheet.

⁴ The spreadsheet includes a column ("Adjusted Over/Under") which treats as scheduled the hours in certain classes which were cancelled due to weather conditions, electrical outages, or other class cancellations for other reasons (such as, for example, instructor illness). We treated these hours as scheduled in our data analysis consistent with their treatment in Finding #3 (see program review report at 16) and the Department's treatment of excused absences which do not need to be made up (see section III.B.1 below). Each of these courses is identified with a "C" in the "Cancellation Flag" column on the spreadsheet in Exhibit 3-1. The spreadsheet identifies in the "Comments" and "Reasons" columns the precise dates of the class cancellations as requested in Finding #3. For comparison purposes, the spreadsheet also provides the scheduled hours data for each course without these adjustments.

CHI Institute Response to Finding 3
 Program Review Report (PRCN 200840326787)

Shortfall In Scheduled Hours	Number of Courses	Percentage of All Courses
No Shortfall	1,937	89.3%
1 Hour	43	2.0%
2 Hours	35	1.6%
3-5 Hours	72	3.3%
6-9 Hours	27	1.2%
10-20 Hours	38	1.8%
21-30 Hours	11	0.5%
30+ Hours	7	0.3%
Total	2,170	100%

The results demonstrate that more than 89 percent of the courses analyzed had no shortfall in clock hours of instruction. CHI provided the required number of scheduled hours for the vast majority of its courses.

Second, more than 99 percent of the courses experienced shortfalls of less than 1 quarter credit hour (i.e., 20 hours of instruction). Thus, the vast majority of shortfalls ranged from 1 to 20 clock hours, rather than the 1 to 50 clock hours suggested in Finding #3. Moreover, over half of the under-scheduled courses had shortfalls of no more than 5 hours, and in many cases, as little as one or two hours.⁵

⁵ Our file review of courses entailed a full review and analysis of the source data for course scheduling contained in CampusVue. Due to time constraints, we could not engage in an extra data validation process to test the file review results obtained from the source data in CampusVue against other data. We did review the attendance records for students enrolled in a very limited group of courses reporting a larger than average number of over-scheduled or under-scheduled hours. We identified a few instances in this limited group in which courses listed as over-scheduled in CampusVue were taught the exact number of program hours based on student attendance records, and a few instances in which courses were under-scheduled by far fewer hours than reported in CampusVue based on additional data in student attendance records. We identified these instances with additional explanation in the "Comments" column in the Exhibit 3-1 spreadsheet and made corresponding adjustments on the spreadsheet to those courses with a designation of "A" in the "Course Type" column in the first tab of the spreadsheet. While we do not believe that the results in this very limited subjective sample are representative of the file review population, we have not had enough time to conduct a data validation to determine whether other instances of under- or over-reported hours might exist. An extra data validation process of this magnitude would have entailed the review of attendance records and other data for all 2,368 students collectively enrolled in the 2,170 courses and could not have been performed within the existing program review response deadlines. Our review already examined the course scheduling source data in CampusVue for all 2,170 courses, but we could perform if requested a full validation or a partial validation on a sample of courses.

B. CHI File Review Part 2 – Our Review Of Hours Of Instruction Revealed That The Majority Of Students Experienced No Shortfalls In Instruction Across Their Program During The Program Review Period.

In the next step in the file review process, we reviewed each student to determine whether she experienced shortfalls in scheduled program hours during the file review period. As requested by Finding #3, CHI prepared a spreadsheet listing each student who received Title IV funds during the 3-award year file review period (i.e., July 1, 2005 through June 30, 2008). The spreadsheet includes all of the data requested on page 18 of the program review report: 1) the student's name, social security number, and educational program; 2) the clock and credit hours approved for the student's program, 3) the Title IV funds disbursed to the student by award year and Title IV program, and 4) the clock and credit hours actually provided for the student's program as determined using the steps described in the next paragraph. This data is included on the spreadsheet in Exhibit 3-2.

In order to determine the clock and credit hours actually provided for each student's program, we started with Campus Vue data for course hours scheduled by CHI during the 3-award year file review period.⁶ For each of the 2,368 students who received Title IV funds during the file review period, we compiled a list of each individual student's courses and identified the corresponding number of clock hours and credit hours actually provided for each course (applying the course data described in the previous section of this response). We then added up the clock and credit hours for all of each student's courses in the file review period, in order to identify the total clock hours actually provided to each student for the program. We then compared this total with the total number of published hours in the program.⁷ We entered this resulting data onto the Exhibit 3-2 spreadsheet for all 2,368 students who received Title IV funds during the file review period.⁸

The following chart summarizes the results of this portion of the review:

⁶ See Section II.A regarding the process of obtaining this course data.

⁷ We included on the Exhibit 3-2 spreadsheet both "over/under calculations" which reflect the *net* amount of instruction under-scheduled based on over-scheduled and under-scheduled courses, as well as an "under calculation" which counted only under-scheduled courses and did not make adjustments for cancelled classes. The data discussed in this section of the response focuses on the "over/under calculations."

⁸ The file review included a limited number of students with courses that pre-dated the file review period start date of July 1, 2005, and CHI's conversion to CampusVue on July 12, 2005. For these 222 students (out of the population of 2,368 students), we included calculated scheduled hours for courses starting on or after July 1, 2005. Therefore, the totals for these students are limited to courses from the file review period and do not incorporate course data for periods prior to the file review period. These students have been clearly identified on the Exhibit 3-2 spreadsheet.

Shortfall In Scheduled Program Hours During File Review Period	Number of Students	Percentage of Students
No shortfall	1,745	73.7%
Shortfall of 1-10 Hours	467	19.7%
Shortfall of 11-20 Hours	92	3.9%
Shortfall of More Than 20 Hours (i.e., more than 1 quarter credit)	64	2.7%
Total Students ⁹	2,368	100%

This chart shows that a majority of students experienced no shortfalls in hours across their program during the program review period.

Second, the chart also shows that among the remaining students who experienced program hours shortfalls, those shortfalls were small, in most cases not exceeding 1 quarter credit hour (i.e., 20 clock hours of instruction) and in some cases as little as 1 or 2 hours of instruction. All told, less than 3 percent of CHI students were under-scheduled by more than 1 quarter credit hour. As discussed in the next section, these shortfalls had little or no impact on the amount of Title IV disbursements made during the program review period.

C. CHI File Review Part 3 – Our Recalculation of Title IV Disbursements Revealed That Any Shortfall In Scheduled Hours Has Minimal Impact On The Amount Of Title IV Funds.

We concluded our file review by conducting an additional step to identify the impact, if any, of scheduled hour shortfalls on the original calculation of Title IV disbursements. Finding #3 concludes that CHI was required to use the clock/credit conversion formula to calculate Title IV disbursements for certain of its credit-hour, non-degree programs.¹⁰ The finding suggests that the shortfalls in scheduled clock hours would have resulted in smaller Title IV disbursements, but does not reach a conclusion on this issue. Therefore, we conducted the steps described in the following three paragraphs to determine whether any of the Title IV disbursements would have been smaller if calculated using hours actually provided.

First, we determined the number of hours actually scheduled for each payment period for each of the 2,368 students in the file review population. We accomplished this by identifying

⁹ Note that this total counts 61 students twice because they enrolled in the school more than once during the file review period.

¹⁰ Under the clock/credit conversion formula, an institution must provide at least 20 hours of instruction for each quarter credit hour of instruction. 34 CFR 668.8(l)(3). This formula is used to measure program length for Title IV purposes, including the calculation of Title IV disbursements. 34 CFR 668.9. However, as noted in Finding #3, the clock/credit conversion formula does not apply to a degree-granting program that is at least two academic years, or to a non-degree program in which each course within the program is acceptable for full credit toward a degree program at the institution. 34 CFR 668.8(k).

each term the student attended during the file review period, and the courses contained within each term. We obtained this data from CampusVue.¹¹

Next, we calculated the number of clock hours actually provided for all courses within each term and compared that total to the approved clock hours for those same courses. We determined the number of hours provided for each course in the term using the course-by-course data provided in Exhibit 3-1.¹² Using this process, we were able to determine whether there was a clock hour shortfall in any of the terms the student attended during the program review period by each of the 2,368 students in the file review population.¹³

Next, we analyzed any student identified in the previous step as under-scheduled for any term during the file review period. For each such student, we recalculated the Title IV disbursements for any under-scheduled term. We did this by using data from CampusVue to determine the number of financial aid credits in which the student was enrolled for the term using the clock/credit conversion formula referenced in Finding #3. We then reviewed the number of financial aid credits for the term based on the net number of hours under-scheduled for the term. We compared these two totals to determine whether the hours actually provided would have resulted in a change in the student's enrollment status. If so, we compared the total amount of Title IV funds originally disbursed for that term to the amount of Title IV funds that would have been disbursed under the reduced enrollment status. The differentials in Title IV disbursements are listed in the spreadsheet in the "Under/Over" columns in the Exhibit 3-3 spreadsheet, which only lists students with differentials in their Title IV disbursements.

The results of this portion of the file review are summarized in the chart below:

¹¹ We also compared the term data in the term schedules used by the CHI Financial Aid Department to calculate and disburse Title IV funds. As discussed in our separate response to Finding #5, we identified isolated instances in which the terms reported on the transcripts differed from the term schedules. We identified on the Exhibit 3-3 spreadsheet the few instances in which that occurred.

¹² The process of obtaining this course data was discussed above in section II.A.

¹³ For the reasons discussed in section II.B., our analysis did not extend to courses and disbursements which pre-dated the July 1, 2005 start date of the file review period.

Hours Shortfall In One or More Payment Periods	Number of Students	Percentage of Students	Title IV Differential
No Impact on Amount of Title IV Disbursed for the Payment Period(s)	2,290	96.7%	\$0
Impact on Amount of Title IV Disbursed for the Payment Period(s)	78	3.3%	\$104,821

First, these results show that over 96 percent of the 2,368 students in the file review sample would have received the same Title IV disbursements for the program review period, notwithstanding any shortfalls in scheduling.

Second, we did identify students who would have received a smaller amount of Title IV funds if their disbursements had been calculated based on hours actually provided; however, the collective differential for all students totaled \$104,821, consisting of \$17,662 in Pell funds and \$87,159 in Title IV loans.¹⁴ Consequently, our file review demonstrates that the shortfall in scheduled hours has limited impact on the amount of Title IV funds to which students were entitled to receive during the program review period.¹⁵ As discussed in section IV below, CHI has implemented corrective actions directed at preventing a recurrence of any shortfall in the future.

III. CHI BROOMALL DID NOT MISREPRESENT THE NATURE AND LENGTH OF ITS EDUCATIONAL PROGRAMS.

We strongly disagree with the assertion that CHI misrepresented the nature and length of its educational programs. Finding #3 asserts that CHI provided a smaller number of clock hours than scheduled. As demonstrated below, the finding’s assertions regarding course and program length do not support the conclusion that CHI engaged in any misrepresentations to its students, “substantial” or otherwise.

¹⁴ Exhibit 3-3 also provides data for this same calculation if over-scheduled hours and class cancellations are not included in the computation. The Title IV differentials increase modestly under this approach to \$224,225, consisting of \$63,337 in Pell funds and \$160,888 in Title IV loans.

¹⁵ We note that these totals may overlap in part with amounts identified in our separate responses to Findings #4 and #5. There may be instances in which the same Title IV disbursements are at issue in Finding #3 and also in Finding #4 (loans) or Finding #5 (Pell). We have not conducted an analysis to determine the extent of the overlap among these findings, but anticipate that there will be some overlap.

A. The Facts Presented By Finding #3 Do Not Meet The Regulatory Definition of Substantial Misrepresentation.

The Title IV regulations define a misrepresentation as any "false, erroneous or misleading statement an eligible institution makes to a student enrolled at the institution, to any prospective student, to the family of an enrolled or prospective student, or to the Secretary."¹⁶ However, not every misrepresentation constitutes a "substantial" misrepresentation. The Title IV regulations define a substantial misrepresentation as any "misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment."¹⁷ The Department's case precedent indicates that a substantial misrepresentation requires a prevailing weight of evidence showing an intent on the part of the institution to mislead potential students.¹⁸

Based on this authority, a substantial misrepresentation requires the presence of all four of the following elements:

- 1) A false, erroneous or misleading statement;
- 2) Detriment to the person to whom the statement was made (i.e., harm);
- 3) Intent to mislead on the part of the institution; and
- 4) A reasonable expectation of reliance by the person to whom the statement was made.

If any of these factors is lacking, there can be no substantial misrepresentation. In this situation, we believe that none of these factors are present for the reasons discussed below.

B. Element #1 Does Not Exist: CHI Did Not Make False, Erroneous or Misleading Statements or Other Misrepresentations to Students.

As an initial matter, the facts show that CHI did not make any false, erroneous or misleading statements. Finding #3 contends that CHI made misrepresentations in two ways. We disagree with both assertions.

1. Small Shortfalls In Scheduled Hours for a Minority of Students Do Not Constitute Deficiencies in Meeting Entry-Level Employment Requirements.

Finding #3 first contends that CHI stated through its program participation agreement that there was a reasonable relationship between the length of the programs it offers and the typical entry-level requirements to obtain employment in those fields. Finding #3 suggests that the

¹⁶ 34 C.F.R. § 668.71(b).

¹⁷ Id. (emphasis added).

¹⁸ See In The Matter of Chris Logan Career College, Dkt No. 95-126-ST (March 28, 1996) at 7.

CHI Institute Response to Finding 3
 Program Review Report (PRCN 200840326787)

length of CHI's programs as offered did not bear a reasonable relationship to typical entry-level requirements for employment in the associated fields.¹⁹ We disagree for several reasons.

First, the finding does not provide any basis for the suggestion that the scheduled length of the programs did not meet typical entry-level requirements. The majority of CHI students received their programs without shortfalls in scheduled course hours. The remaining students experienced only modest shortfalls in scheduled hours. The finding does not explain how these small discrepancies – in some cases, as little as one clock hour – could raise a concern with the ability of CHI programs to train students for entry-level positions in their chosen fields.

Second, the evidence demonstrates that CHI's programs were of sufficient length to enable students to obtain employment in their fields, even in those limited instances of under-scheduled hours. The chart below demonstrates this by comparing CHI program lengths to average program lengths of similar programs at certain other accredited postsecondary institutions during the same time period.²⁰

Program	CHI Program Length in Clock Hours (07/08 Catalog)	ACICS Average Contact Hours (Day) (2007/2008)	Difference Between CHI and ACICS Average Program Lengths
Computer Networking	900	720	180
Dental Assistant	920	851	69
Electrician	920	944	(24)
HVAC	920	904	16
Medical Assistant w/ Phlebotomy	1020	841 ²¹	179
Pharmacy Technician	830	747	83
Surgical Technology	1240	1018	222

The chart shows that our programs met or exceeded the average length of comparable accredited programs. Even with the shortfalls in scheduled hours identified in the Exhibit 3-1 spreadsheet,

¹⁹ See Program Review Report at 17.

²⁰ Exhibit 3-4 contains an excerpt from a publication of key operating statistics of programs accredited by the Accrediting Council for Independent Colleges and Schools (ACICS), an accrediting body recognized by the U.S. Department of Education for the purpose of approving institutions and their educational programs to participate in the Title IV programs. The excerpt lists the average number of hours of instruction provided to students enrolled in programs approved by ACICS during the 2007-2008 period.

²¹ The 841 hour figure represents the average contact hours for the Medical/Clinical Assistant programs. The second figure (506 hours) represents the average contact hours for a Phlebotomy program. The key operating statistics do not include data on a combined program. The goal of the program is to train the student for entry-level positions as a Medical Assistant or a Phlebotomist. The average number of contact hours for a Phlebotomy program is 506 hours. The benchmark for the longer Medical Assistant program is listed in the table.

CHI's program lengths still typically met or exceeded the average number of clock hours approved for similar programs in the same field.²² Consequently, CHI's programs did provide sufficient training to meet entry-level requirements in field even in the limited instances in which shortfalls occurred in scheduled hours.

Third, the Department's regulations on "excused absences" recognize that a program still prepares a student for entry-level employment in the student's field even if the student misses a small portion of hours. Specifically, the regulatory definition of a payment period requires students in non-term and clock hour programs to successfully complete the clock hours in a payment period before they can proceed to the next period and receive more Title IV aid. Yet, the regulation allows schools to count "excused absences" of up to 10 percent of the clock hours in the payment period as successfully completed.²³ The regulation places no such limit on credit hour term programs.

The excused absence regulation contradicts the suggestion in Finding #3 that a program does not prepare a student for employment if the student misses certain program hours. The regulation explicitly allows a student to miss up to 10 percent of the program each payment period, not make up the course work, and still receive Title IV funds for this course work. The excused absence scenario is similar to the current situation in which a limited group of students also did not receive a small portion of the overall hours in the program.²⁴ Yet, the regulations

²² The few instances in which scheduled shortfalls would result in hours going below ACICS averages do not establish that insufficient training was provided for those few particular students. The hours listed are averages and, therefore, ACICS has approved programs at shorter lengths than those listed in the table.

²³ The regulation provides:

"(e) Excused absences. For purposes of this section, in determining whether a student successfully completes the clock hours in a payment period, an institution may include clock hours for which the student has an excused absence (i.e., an absence that a student does not have to make up) if –

- (1) The institution has a written policy that permits excused absences; and
- (2) The number of excused absences under the written policy for purposes of this paragraph (e) does not exceed the lesser of—
 - (i) The policy on excused absences of the institution's accrediting agency or, if the institution has more than one accrediting agency, the agency designated under 34 CFR 600.11(b);
 - (ii) The policy on excused absences of any State agency that licenses the institution or otherwise legally authorizes the institution to operate in the State; or
 - (iii) **Ten percent of the clock hours in the payment period.**"

34 CFR 668.4(e)(emphasis added). We also note that the regulations do not place any explicit limitations on the number of excused absences for students enrolled in credit hour term programs.

²⁴ Here all but a few of the students in the 2,368-student file review sample experienced a scheduled shortfall of greater than 10 percent of the scheduled hours in their program. These percentage differences

recognize that students can still be prepared for entry-level employment in their field even if they do not receive a portion of their program.

For all of these reasons, the limited occurrence of shortfalls in hours does not constitute a misrepresentation as to the relationship between the length of the program and entry-level requirements for employment in the relevant field. The shortfalls were not sufficiently numerous or sizable to affect this relationship.

2. CHI Provided the Intended Clock Hours for the Majority of its Students And Any Remaining Shortfalls Were Not Material.

Finding #3 also contends that CHI was required to schedule its courses for a fixed and specific number of clock hours. The finding contends that CHI applied to its accreditation and state agencies for approval of its various programs at specific lengths and that the Department approved the program based on these approvals. The finding suggests that CHI misrepresented the number of clock hours to be provided but subsequently did not provide those hours to certain students.

We disagree for the reasons already stated in sections II and III.B.1 of this response: CHI provided the full number of scheduled hours to the majority of its students, and the limited shortfalls which did occur do not constitute a material departure from the approved program lengths. For those same reasons, these small shortfalls do not constitute a deviation from – or a different program from – the program approved by the Department. The references in Finding #3 to the Department's accreditation regulations,²⁵ its procedures for approval of an educational program,²⁶ and its institutional information regulations²⁷ do not support a different conclusion or establish the existence of a misrepresentation.

can be observed for each student in **Exhibit 3-2** by comparing the shortfall of scheduled hours for a student to the overall length of the student's program.

²⁵ See 34 CFR 602.16(a)(requiring accrediting agencies to establish standards addressing program length). The standards of CHI's accrediting agency state that a change in an educational program of less than 25 percent of the clock hours in a program is not a substantive change and does not require agency approval. See Section IV.E.6.a.1, Rules of Process and Procedure, Standards of Accreditation of ACCSCT. As noted above, the vast majority of the limited discrepancies which did occur did not measure more than 20 clock hours, let alone 25 percent of the entire program.

²⁶ See 34 CFR 600.10(c)(2). The regulations do not require an institution to obtain approval of a change in the length of an educational program if the program continues to train students for gainful employment in the same or related occupation as an educational program already approved by the Department. CHI did not change its programs, nor offer new programs in a new field.

²⁷ 34 CFR 668.43(a)(5). This regulation does not explicitly discuss the length of the program. Moreover, Finding #3 does not establish a misrepresentation of program length for the reasons already established.

C. Element #2 Does Not Exist: No Substantial Misrepresentation Occurred Because No Students Were Harmed.

As set forth above, a "substantial misrepresentation" requires a showing of harm. Finding #3 contends that there were two types of harm arising from allegedly misleading statements by CHI.²⁸ We disagree with this contention, and address each type of alleged harm below.

First, Finding #3 suggests that the purported program shortfalls resulted in students being "ill prepared" to enter the workforce. As explained above in section III.B.1., that assertion is incorrect. The majority of students received their programs without under-scheduled hours. The few remaining shortfalls were small and did not impact the ability of the program to prepare students when measured against program lengths of other institutions and the Department's regulations regarding excused absences.

Second, the finding concludes that CHI's failure to deliver the program courses as approved may result in the receipt of funding to which it is not otherwise entitled. We disagree for the reasons already discussed at length in section II.C. Our file review demonstrated that the shortfalls in scheduled hours resulted in only limited differentials between original Title IV disbursements and recalculated disbursements based on actually scheduled hours.

D. Elements #3 and #4 – Intent To Mislead And Reliance – Are Also Absent.

As discussed in Section III.A., a "substantial misrepresentation" also requires "intent to mislead on the part of the institution." No information has been presented in connection with Finding #3 that establishes any intent on the part of CHI to mislead students about the nature and length of its programs, and, in fact, CHI never had any such intent whatsoever. The facts demonstrate that CHI scheduled the entire program for the majority of its students and that the limited discrepancies were the result of oversights, not intent to mislead students by shortening the length of the program.

Furthermore, Finding #3 has not established the other factor required for a substantial misrepresentation: a reasonable expectation of reliance by the person to whom the purported statement was made. The limited discrepancies were not significant enough to impact the program's capacity to train students for their occupation or to constitute a meaningful departure from the overall program. Additionally, the finding does not point to any evidence that students relied upon an assumption that scheduled hours would not deviate at all from the published length of the program.

Thus, as explained in section III.A., four factors are required to establish a substantial misrepresentation. The absence of even one of these four factors is sufficient to set aside any the assertion that CHI substantially misled its students. In this situation, none of the four factors are

²⁸ Program Review Report at 11-12.

present for the reasons explained in this section III. Therefore, we respectfully request that the finding be closed.

IV. CHI INSTITUTE HAS IMPLEMENTED CORRECTIVE ACTION TO ADDRESS THE CONCERNS IN FINDING #3

CHI disagrees with the suggestion that it misrepresented the length of its programs to students and has demonstrated that the shortfalls which did occur were limited in number and size. Nevertheless, CHI recognizes the need for a process to prevent the recurrence of these small shortfalls. To that end, CHI implemented the following comprehensive corrective measures:

- **Registrar Schedule Audit.** Each term, the master schedule is built using data submitted by CHI's Program Chairs to the Director of Education (DOE) and Registrar. The Registrar inputs the data into CampusVue, runs the *Term Class Schedule* report, and exports the data to Excel. The Excel spreadsheet lists all courses for the term, the required number of hours as entered in each course setup, and the total scheduled minutes for each course. A formula has been added to the spreadsheet in order to identify any variance from the hours required. The Registrar is responsible for correcting variances, if any do arise.
- **Director of Education and President Approval.** The Registrar meets with the DOE to review and approve the master schedule for each term. Reports required at this meeting include the planned schedule sheets from the Program Chairs, the above-referenced spreadsheet, and the school catalog. Together, the DOE and Registrar verify the required course hours and the scheduled hours for each term. Once satisfied that all scheduling requirements are met, the DOE approves the master schedule and forwards it to the campus President for further approval. The President reviews, approves and retains the master schedule.
- **Software Configuration.** We implemented a configuration control in the scheduling module of CampusVue that does not allow an under-scheduled course to be saved when building the master schedule. The Registrar receives a warning message stating that the course is under-scheduled and will not be able to continue scheduling the course without correcting the scheduled hours.
- **Monitoring and Schedule Audit Reports.** Our management team monitors our course scheduling through the use of regular schedule audit reports which identify variances between required hours and scheduled hours.
- **Training:** The CHI Registrar and Director of Education have attended training sessions on course scheduling.

In short, CHI has implemented corrective action directed at preventing a recurrence of the limited occurrence of shortfalls in scheduled hours of instruction in its courses reported in Finding #3.

V. CONCLUSION

CHI strongly disagrees with Finding #3 and the suggestion that it substantially misrepresented the nature and length of its programs and courses. Our file reviews and this response demonstrate that CHI provided the majority of its courses without shortfalls in scheduled hours and that its students received their programs with little or no shortfalls. The limited instances of shortfalls which did occur were so small that they had no impact on the Title IV disbursements to over 96 percent of the file review students and only modest impact on the remaining disbursements. Furthermore, the programs consistently provided the scheduled hours necessary to prepare students for entry-level employment – even with the limited instances of under-scheduled hours – when compared to comparable programs at other accredited institutions and to the hours the Department allows students to miss without make-up under its excused absences regulation. In addition, CHI has implemented corrective actions aimed at ensuring it schedules the full amount of hours for all, rather than the vast majority, of its courses and programs. For all of these reasons, CHI respectfully requests that the finding be closed.

FINDING #4: INELIGIBLE TITLE IV LOANS DISBURSED

I. EXECUTIVE SUMMARY OF FINDING #4 FILE REVIEW RESULTS

Finding #4 consists of three components under headings A, B, and C, which we refer to as Findings #4A, #4B, and #4C, respectively.

Finding #4A contends that CHI improperly disbursed Title IV loans to 16 students whose enrollment status was less than half-time. The finding required CHI to review the files of all students who received Title IV loans during the 2005-2006, 2006-2007, and 2007-2008 award years, and to evaluate each student's eligibility based on enrollment status. CIII has conducted the file review, which encompassed more than 11,000 disbursements for 2,394 students.¹ The results are reported in the spreadsheet in Exhibit 4-1.²

The file review did identify disbursements made to students enrolled on a less-than-half-time basis.³ However, the file review also demonstrated that CHI had refunded a significant amount of these loan disbursements prior to the program review.⁴ After deducting the refunded amounts, the net total of loan over-awards over a three-year period is \$443,548. This amount consists solely of Title IV loan funds and, therefore, is subject to application of the Département's actual loss formula. We believe this amount would total approximately \$109,524 using CHI's current cohort default rate for FY 2007. As discussed in section V below, CHI has revised its policies to prevent recurrence of this finding.

Finding #4B relates to loan disbursements made to students enrolled in the now discontinued Surgical Technology program. The finding alleges that CHI improperly disbursed second grade level one loans to 7 students enrolled in the non-standard term version of the Surgical Technology program prior to February 2006. The finding contends that these students received additional loans after completing the requisite number of weeks, but before they had completed the requisite number of quarter credit hours of instruction.

¹ The file review methodology and the process for validating the file review results are discussed in section II below.

² As requested by Finding #4A, we have provided in Exhibit 4-2 hard copies of the student ledger cards and transcripts for each student on the file review spreadsheet.

³ These totals are listed in the "Subsidized Amount" and "Unsubsidized Amount" columns on the spreadsheet in Exhibit 4-1.

⁴ These refunded amounts are listed in the "Refunds applied to term" column on the spreadsheet in Exhibit 4-1.

**CHI Institute Response to Finding 4
Program Review Report (PRCN 200840326787)**

CHI has conducted the required file review, which encompassed the review of disbursements for 229 students.⁵ The file review results are detailed in section III below and are reported in the spreadsheet in Exhibit 4-3.⁶ While the file review identified some exceptions involving premature second-level loan disbursements, it also demonstrated that some of these funds were either refunded by CHI or earned by students through completion of subsequent coursework. After deducting the refunded and subsequently earned amounts, the net total of loan over-awards from this two-year period is \$190,194. This amount also consists solely of Title IV loan funds subject to application of the actual loss formula. We believe this amount would total approximately \$49,131 using CHI's FY 2007 cohort default rate. As discussed in Section V below, CHI has revised its policies to prevent a recurrence of this finding. CHI ceased new enrollments in the Surgical Technology program in question two years ago.

Finding #4C, which involves only one student, alleges that CHI improperly disbursed aid before this student began attendance at CHI. We reviewed the individual student's file as requested and respectfully disagree with Finding #4C for the reasons discussed in section IV below.

The next two sections describe the file review methodology and results for Finding #4A (section II) and Finding #4B (section III). Section IV addresses the one student at issue in Finding #4C. Section V concludes our response by describing the corrective actions taken by CHI to prevent a recurrence of these findings.

II. CHI CONDUCTED THE FILE REVIEW REQUESTED BY FINDING 4A AND VALIDATED ITS RESULTS.

A. CHI Generally Used A Six-Quarter Credit Hour Standard To Determine Half-Time Enrollment Status For The Term.

Finding #4A notes that, at an institution offering its programs in quarter credit hours, a half-time student must be enrolled in at least six quarter credits per term. The finding required CHI to conduct a file review of all students who received federal student loans during the 2005-2006, 2006-2007, and 2007-2008 award year. CHI was further required to list the term dates for any term in which the student enrolled for fewer than six credits and, for each such instance, to list the amount of subsidized and unsubsidized loans disbursed in that term. CHI conducted the file review using the methodology described below, and the results are found in the spreadsheet attached as Exhibit 4-1.

⁵ The file review methodology for the Finding #4B file review is discussed in Section III below.

⁶ As requested by Finding #4B, we have provided in Exhibit 4-4 hard copies of the student ledger cards and transcripts for each student on the file review spreadsheet.

**CHI Institute Response to Finding 4
Program Review Report (PRCN 200840326787)**

The Title IV regulations require institutions with term-based programs to disburse Title IV funds by term. The regulations require a student to be enrolled on at least a half-time basis to be eligible to receive Title IV loan funds.⁷ For standard-term programs, a student must be enrolled in at least six quarter credits per term in order to be enrolled on a half-time basis.⁸ With one exception noted in the next paragraph, we used this standard to determine whether a student's term should be listed as containing less than six quarter credits of instruction.⁹

For programs offered in credit hours and using non-standard terms, a student could be enrolled in five quarter credits for the term and still be enrolled on a half-time basis. Specifically, CHI offered two versions of its Medical Assistant diploma program in a non-standard term format during the file review period. Both versions of the program were offered in five eight-week terms using an academic year of 32 weeks. The programs measured 65 and 67 quarter credits. Under the regulations,¹⁰ the student's enrollment status in a non-standard term program is calculated by dividing the number of weeks of instructional time in the term (8) by the number of weeks in the academic year (32) multiplied by the number of credit hours in the program's academic year (36) for a total of nine quarter credits. Therefore, under this format, a student would be full-time for a term with nine quarter credits, and at least half-time if enrolled in at least five quarter credits for the term.

B. CHI Reviewed The Enrollment Status For Each Term For Each Student.

CHI began the file review by identifying all students who received Title IV loans during the three-year file review period. CHI identified 2,394 students who had received a Title IV loan during the review period. The review included students whose disbursements were derived from the previous award year. The file review also included loans for the three award years even if disbursed after the end of the third award year.

Second, CHI reviewed the 2,394 students using CampusVue data to determine whether the students were enrolled for at least six credits in the term for which disbursements were paid. This initial computer-generated review identified those

⁷ 34 C.F.R. §§ 682.201(a); 685.200(a)(1)(i).

⁸ For certain non-degree programs, the institution was required to calculate the credit-hour work load for the term using the clock-to-credit conversion formula in 34 C.F.R. § 668.8(k) & (l). CHI used this formula where required in performing its file review for Finding #4A.

⁹ Because Finding #4A required the file review to identify and provide disbursement data for students enrolled in less than six quarter credits in a term, the file review did not include students who were enrolled in non-term programs as these students were not enrolled in terms.

¹⁰ 34 C.F.R. § 668.2(b)(3)(definition of a full-time student).

**CHI Institute Response to Finding 4
Program Review Report (PRCN 200840326787)**

students who received six or more Title IV credits during each and every term in which they received a Title IV disbursement.

Third, CHI reviewed a sample drawn from this group of students who received six or more Title IV credits during each and every term to determine whether the computer review had accurately identified them to have been enrolled at least half-time. Based on the review of the sample, CHI determined that students in this sample had been identified as students enrolled on at least a half-time basis with 100% accuracy.

Fourth, CHI conducted a more detailed review of the remaining students whose half-time status had not been confirmed, in order to determine their enrollment status for each term. CHI identified these students for further review based on three factors: (1) if the student appeared to be enrolled in less than six Title IV credits for a term, (2) if the computer review could not identify the precise term for which disbursements were made or (3) if multiple disbursements appeared to be made in a single term.

For each of these remaining students, the more detailed review consisted of a re-examination by CHI of the student's enrollment status for each loan disbursement made during the file review period using the student's transcript, ledger card, and the term structures utilized by the CHI Financial Aid Department for purposes of calculating student disbursements. This process entailed identifying the terms for each student in the file review, recalculating the student's enrollment status, and determining whether the student was enrolled in at least six credits during the term.

As was detailed in our response to Finding #5, CHI used the term structures described in Packaging Guides entitled "Broomall 028 Program Structure" to identify a student's term and to determine whether the student had enrolled in enough credits to reach half-time status for the term. The Packaging Guides outline the term structures used for each program during the three-year file review period.¹¹ The CHI Financial Aid Department used these documents, rather than consulting the student transcripts, to identify the terms in a program and to disburse Title IV loan funds to students in each program. Copies of these Packaging Guides and Term Schedules were provided with our response to Finding #5 as Exhibits 5-2 and 5-3 and are incorporated herein by reference.

Fifth, as detailed in our response to Finding #5, CHI identified limited instances where the terms identified in student academic transcripts did not accurately reflect the appropriate terms shown by the source documents used by the Financial Aid Department (i.e., the Term Schedules and Packaging Guides) and did not correspond with the start and end dates of courses listed for that term. In some instances, the term dates entered

¹¹ These Packaging Guides – one for each of the subject award years – describe the term structures for each program offered by CHI during the award year. Similarly, the CHI Term Schedule would detail the term structure for each program, the number of weeks in each program, individual start dates for each cohort, and the schedules for Pell and loan disbursements. The information from the detailed Term Schedule enabled CHI to determine the appropriate disbursements for each student.

**CHI Institute Response to Finding 4
Program Review Report (PRCN 200840326787)**

into the transcripts did not correspond to the actual term dates reflected in the Term Schedules and the Packaging Guides. When such instances were identified, the CHI file reviewers examined the start and end dates of each course to determine the appropriate term. Using this data, they examined the courses included in each term and reviewed the students' enrollment status for each term (using the clock-to-credit conversion formula if required).

Sixth, based on the data review in steps one through five, CHI formatted the data requested by Finding #4A in the spreadsheet in Exhibit 4-1. The spreadsheet lists the name and social security number for each student reviewed. The finding requested additional data for a student only if the student had any term in which he or she enrolled in fewer than six credits. If a student had no such terms, then no further data was provided for the student.

If a student was enrolled in fewer than six credits in one or more terms, then for each such term, CHI included the following data on the spreadsheet: 1) term dates for the pertinent terms; 2) number of quarter credits completed within the term; and 3) amounts of subsidized loans and unsubsidized loans disbursed for the pertinent term and the dates of those disbursements. The spreadsheet identifies each student who enrolled in fewer than six quarter credits in one or more terms during the file review period. CHI has also provided in separate columns any loan dollars that CHI refunded to the Title IV programs. As discussed in section I, CHI refunded over 55 percent of the subsidized and unsubsidized loans listed on the spreadsheet.

C. CHI Completed A Validation Process Demonstrating the Overall Accuracy Of The File Review Results.

CHI completed the file review process for Finding #4A by conducting a validation process to test the overall accuracy of the file review results. First, CHI designed and conducted its validation process to determine the accuracy of the data in the final file review spreadsheet in Exhibit 4-1. CHI selected and analyzed a sample of 341 students from the larger file review universe for a sample size of 14.3%. This sample size is a large enough statistical sample to accurately reflect the population at a 95% confidence interval. The validation process identified certain instances of missing or incorrect data at an error rate of 3.2%, but confirmed the overall accuracy and reliability of the file review spreadsheet.

The results of the validation process demonstrate the overall accuracy of the Exhibit 4-1 spreadsheet. The overall accuracy rate of 96.8% shows only limited instances of omissions or discrepancies in the spreadsheet. CHI has corrected all omissions or discrepancies identified in its 341 student validation sample on the Exhibit 4-1 spreadsheet. CHI is prepared to conduct a full 100 percent validation if requested for the remaining 2,053 students in the file review population, which would entail the validation of several thousand additional disbursements. However, we believe the

**CHI Institute Response to Finding 4
Program Review Report (PRCN 200840326787)**

validation performed to date demonstrates the overall accuracy and reliability of the Exhibit 4-1 spreadsheet.

III. CHI CONDUCTED THE FILE REVIEW REQUESTED BY FINDING #4B.

Finding #4B contends that CHI improperly disbursed second grade level one loans to seven students enrolled in the non-standard term version of the discontinued Surgical Technology program. The finding contends that these students received these loans before completing the required number of credits.¹²

CHI was required to review the files of all students who were enrolled in the non-standard term version of the Surgical Technology program during the 2005-2006 and 2006-2007 award years. The finding further instructed CHI to identify the amounts of subsidized and unsubsidized loan funds disbursed to students before they had successfully completed the requisite 30 weeks and 36 credits to become eligible for additional loan funds.

CHI conducted the required file review and has provided the results of the review in the spreadsheet in Exhibit 4-3. CHI identified each of the 229 students who enrolled in the non-standard term version of the Surgical Technology program during the identified timeframe. CHI reviewed the amount and timing of each Title IV loan disbursement to these students and has provided the requested data on the spreadsheet including: 1) the student's name and social security number; 2) number of credits completed during the first 30 weeks; 3) the date the student completed 36 credits; 4) the dates subsidized and unsubsidized loans were disbursed; and 5) the amounts of any such loans disbursed prior to completion of 36 credits.

CHI's file review demonstrates that CHI correctly determined eligibility for a second grade level loan for most students enrolled in the Surgical Technology program. CHI did identify certain students who received a loan before they successfully completed 36 credits.¹³ The total subsidized and unsubsidized loan amounts disbursed prior to completion of 36 credits are listed in columns F and H, respectively.

¹² To become eligible for additional loan funds, students enrolled in a non-standard term program are required to successfully complete 30 weeks and 36 quarter credits, the minimum number of weeks and credit hours required to comprise an academic year. 34 C.F.R. § 668.4.

¹³ Although not requested as part of the finding, we also identified and included on the spreadsheet 5 instances in which loan funds were disbursed in excess of loan limits (Bolton, Dunbar, Negron, Dancey, and Hawkes); 3 instances in which a second year loan was made in excess of second year loan limits (Hurst, Carlin, and Sykes); 1 instance in which loan funds were paid too early (Boaz); and 2 instances in which loan funds were paid too early, but ultimately earned through successful completion of subsequent coursework (Teterus and Woodley). Note in certain instances the spreadsheet includes an entry of 'N/A' if the student did not receive a second loan.

**CHI Institute Response to Finding 4
Program Review Report (PRCN 200840326787)**

The file review results demonstrate that in some cases CHI had already refunded all or a portion of the identified over-awards prior to the program review. In other cases, students subsequently completed coursework sufficient to gain eligibility for the loan funds disbursed. Taken together, amounts attributed to refunds or later earned by students totaled \$37,376.¹⁴

After excluding the amounts previously refunded to the lender and amounts later earned by students through completion of additional coursework, CHI listed the remaining dollars in the 'Net Subsidized Overaward' and 'Net Unsubsidized Overaward' columns. After deducting these and all other refunds of Title IV loans, the net total amount of ineligible funds totals \$190,194. As noted above, we believe the total after application of the actual loss formula would be \$49,131.

IV. THE DISBURSEMENTS TO THE ONE STUDENT CITED IN FINDING #4C WERE PERMISSIBLE.

Finding #4C contends that CHI improperly disbursed Title IV funds to student #7. The reviewers noted that the student's Enrollment Agreement indicated that the student started attendance on January 18, 2005, but that the student's transcript and attendance records indicated the student started on June 6, 2005. The finding questioned all disbursements made prior to June 6, 2005.

CHI respectfully disagrees with the Finding. CHI has furnished attendance records with this response documenting attendance between January 2005 and June 2005. Therefore, the student was eligible to receive Title IV disbursements prior to June 6, 2005.

We believe that this finding results from prior enrollment history data that did not carry over onto the CampusVue system when CHI converted to that system in July 2005. The CampusVue data reflects attendance data subsequent to June 6, 2005.¹⁵ However, the hard copy attendance records provided with this response show that the student did attend classes prior to July 6, 2005, and dating back to the January 18, 2005. This is consistent with the January 18, 2005, enrollment agreement referenced in Finding #4C.¹⁶

Based on the student's enrollment agreement and attendance records during the time period January 2005 through June 2005, the student was eligible to receive the Title IV funds disbursed prior to June 6, 2005.

¹⁴ This number is calculated by adding the total amount of subsidized and unsubsidized loans listed in columns 'F' and 'H' of the spreadsheet attached at Exhibit 4-3 and subtracting the total Net Subsidized and Unsubsidized Overaward amounts listed in columns 'I' and 'J.'

¹⁵ See Exhibit 4-5.

¹⁶ See Exhibit 4-6.

**CHI Institute Response to Finding 4
Program Review Report (PRCN 200840326787)**

V. CHI HAS REVIEWED AND REVISED ITS POLICIES AND PROCEDURES IN ORDER TO PREVENT A RECURRENCE OF THIS FINDING.

CHI has updated its disbursement policies and procedures to ensure that the institution appropriately calculates student enrollment status when making loan disbursements. Specifically, the policy and procedures contain provisions defining enrollment status, identifying the consequences of less than full-time enrollment in different Title IV programs, and reinforcing the requirement that financial aid personnel determine enrollment status prior to disbursing Title IV funds. Copies of our improved disbursement policies and procedures were submitted with our prior response to Findings #5 as Exhibit 5-10.

CHI also has strengthened its policy addressing term and enrollment status monitoring. As discussed in our prior response to Finding #5, the policy is aimed at ensuring that 1) courses are assigned to terms in a consistent manner for all programs and 2) Title IV funds are disbursed in accordance with the correct term structure and enrollment status. The Term and Enrollment Status Monitoring policy addressing these two items was included with our prior response to Finding #5 in Exhibit 5-11. With respect to the first item, the policy details the multi-step process for assigning term codes and dates and for regular monitoring of this information. With respect to the second item, the policy's process for establishing terms is aimed at ensuring that student enrollment status will be properly calculated based on correct and consistent term data using the procedures for determining enrollment status discussed in the disbursement policy and procedures in Exhibit 5-10. The policy also provides for periodic monitoring of these processes to ensure campus compliance with these policies and procedures.

March 4, 2010

CONFIDENTIAL
VIA E-MAIL AND UPS OVERNIGHT

RECEIVED

MAR 05 2010

FEDERAL STUDENT AID

Ms. Nancy Della Vecchia
Senior Institutional Review Specialist
U.S. Department of Education
School Participation Team NE – Philadelphia
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323

Re: CHI Institute, OPE ID No. 00778100
PRCN: 200840326787

Dear Ms. Della Vecchia:

We are writing in response to your letter of February 12, 2010. Per your e-mail on February 19, 2010, the deadline for submission was extended to March 5, 2010. Below we have responded to each question in your letter and enclosed supporting documentation as exhibits to our response.

Response

- 1) CHI's Exhibit 3-1 indicates that the Legal Aspects of Surgery course offered from February 16, 2006 through April 20, 2006 (term code: 060228S) was scheduled for 16 hours. However, the Department's review of the CampusVue student-level "Detail Attendance" records for five of the students enrolled in that class show that the class was scheduled for 10 hours. The manual "Attendance Rosters" also show that only 10 hours were scheduled. Please explain the difference and provide any available documentation to support the 16 hours of class time.**

The school's Legal Aspects of Surgery course offered from February 16, 2006, through April 20, 2006, (term code: 060228S) was scheduled for 16 hours. We have provided additional documentation from CampusVue demonstrating that the school scheduled the Legal Aspects of Surgery course properly for 16 hours of class time. Exhibit 1 contains a Class Schedule screen from CampusVue for this course. The Class Schedule screen shows the dates, days, and times on which the school schedules a course. In this case, the Class Schedule screen shows the school scheduled the course to meet every Monday through Friday ("Day(s) of Week") from 9:00am to 9:20am ("Time") from February 13, 2006, through April 20, 2006, ("Start Date" and "Section End"). The school scheduled, and expected students to attend, 16 hours of instruction under this schedule.

The difference in hours referenced in Question 1 appears to result from the school inadvertently not recording and posting attendance to CampusVue for six of these hours. Exhibit 1 also includes an

Edit Detail screen from CampusVue generated by selecting the "Edit Detail" tab in the Class Schedule screen. The Edit Detail for the course shows monthly calendars indicating dates on which the school posted attendance to CampusVue. The lighter squares show that attendance was posted from February 13, 2006, through March 24, 2006. The darker squares show that the school did not post attendance from March 27, 2006 through April 20, 2006. The Class Schedule screen demonstrates that the school did schedule instruction in the course on these dates, but did not record attendance.

Additionally, the school has provided further documentation illustrating that students in this course were in attendance during these same dates in other courses. Exhibit 1 includes Class Schedule screens detailing three other courses scheduled immediately after this course on the same days and dates. All of the students enrolled in the Legal Aspects of Surgery course were enrolled in two or more of these three courses. We have provided "Detail Attendance" records for these students showing that students were in attendance for all three courses for the period of March 27, 2006, through April 20, 2006.

In short, the Class Schedule screen for the Legal Aspects of Surgery course demonstrates that the school scheduled the course for 16 hours of class time. The documents referenced in Question 1 reveal only that the school inadvertently did not record and post attendance on certain days. However, the hours for Legal Aspects of Surgery were not unscheduled. CampusVue lists the course as scheduled for 16 hours and does not list any other course replacing or pre-empting the course during its regular time slot to further our conclusion.

- 2) **CHI's Exhibit 3-1 indicates that the Fundamental Surgical Procedures course offered from April 24, 2006 through July 11, 2006 (term code: 060428S) was scheduled for 112 hours. However, the Department's review of the CampusVue student-level "Detail Attendance" records for five of the students enrolled in that class show that the was scheduled for 109 hours and 40 minutes. Please explain the difference and provide any available documentation to support the 112 hours of class time.**

The Fundamental Surgical Procedures course offered from April 24, 2006, through July 11, 2006, (term code: 060428S) was scheduled for 112 hours. We have provided additional documentation demonstrating that the school properly scheduled the course for 112 hours of class time, but inadvertently did not post attendance to CampusVue for one day.

Exhibit 2 contains a Class Schedule screen from CampusVue for the Fundamental Surgical Procedures course. The document shows the school scheduled the course to meet Monday through Friday from 11:00am to 1:20pm from April 24, 2006, through July 11, 2006. The school scheduled, and expected students to attend, 112 hours of instruction under this schedule.

Exhibit 2 also includes an Edit Detail screen from CampusVue for the Fundamental Surgical Procedures course showing monthly calendars indicating dates that the school posted attendance to CampusVue. The lighter squares illustrate that attendance was posted for every day in the course with the exception of June 22, 2006. The darker square on June 22, 2006 in the calendar indicates that the school inadvertently did not post attendance on this day. The Class Schedule screen demonstrates that



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the school did schedule instruction in the course on June 22, 2006, notwithstanding the apparent instance of unrecorded attendance.

Additionally, the school has provided further documentation illustrating that students in this course were in attendance during this same day in another course. Exhibit 2 includes a Class Schedule screen showing a Surgical Techniques & Procedures course scheduled before the Fundamental Surgical Procedures course on the same days and dates. All of the students enrolled in the Fundamental Surgical Procedures course were enrolled in the Surgical Techniques & Procedures course. We have provided "Detail Attendance" records for these students showing that students were in attendance in the Surgical Techniques & Procedures course on June 22, 2006.

In summary, the Class Schedule screen for the Fundamental Surgical Procedures course documents that the school scheduled the course for 112 hours of class time. The documents referenced in Question 2 show that the school inadvertently did not record and post attendance on one day, not that the hours on that day were unscheduled. CampusVue lists the course as scheduled for 112 hours and does not list any other course replacing or pre-empting the course during its regular time slot.

- 3) CHI's Exhibit 3-1 indicates that the Anatomy and Physiology course offered from March 28, 2006 through June 6, 2006 (term code: 060328SN) was scheduled for 112.5 hours. However, the Department's review of the CampusVue student-level "Detail Attendance" records show that the class was scheduled for 108 hours and 20 minutes. Please explain the difference and provide any available documentation to support the 112.5 hours of class time.**

The Anatomy and Physiology course offered from March 28, 2006, through June 6, 2006, (term code: 060328SN) was scheduled for 112.5 hours. We have provided additional documentation demonstrating that the school properly scheduled the course for 112.5 hours of class time, but inadvertently did not post attendance to CampusVue for one day.

Exhibit 3 contains a Class Schedule screen from CampusVue for this course. The document shows the school scheduled the course to meet Monday through Wednesday from 6:00pm to 10:10pm from March 28, 2006, through June 6, 2006. The school scheduled, and expected students to attend, 112.5 hours of instruction under this schedule.

Exhibit 3 also includes an Edit Detail screen from CampusVue for this course showing monthly calendars indicating dates on which the school posted attendance to CampusVue. The lighter squares on the calendar show that attendance was posted for every day in the course with the exception of May 16, 2006. The darker square on the calendar for May 16, 2006, shows that the school inadvertently did not post attendance on this day.

Nonetheless, the Class Schedule screen shows that the school did schedule instruction in the course on that date notwithstanding the May 16, 2006, apparent instance of unrecorded attendance. The Class Schedule screen shows that the school scheduled the course for 112.5 hours of class time. The documents referenced in Question 3 demonstrate that the school inadvertently did not record and



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post attendance on one day, not that the hours on that day were unscheduled. CampusVue lists the course as scheduled for 112.5 hours and does not list any other course replacing or pre-empting the course during its regular time slot.

- 4) CHI's Exhibit 3-1 indicates that the Introduction to Microbiology course offered from February 26, 2007 through March 5, 2007 (term code: 070228S) was scheduled for 30 hours. However, the Department's review of the CampusVue student-level "Detail Attendance" records show that the class was scheduled for 29 hours and 10 minutes. Please explain the difference and provide any available documentation to support the 30 hours of class time.**

The Introduction to Microbiology course offered from February 26, 2007, through March 5, 2007, (term code: 070228S) was scheduled for 30 hours. We have provided additional documentation from CampusVue demonstrating that the school scheduled the course for 30 hours of class time. Exhibit 4 contains a Class Schedule screen from CampusVue showing the school scheduled the course to meet Monday through Friday from 9:00am to 2:00pm from February 26, 2007, through March 5, 2007. The school scheduled, and expected students to attend, 30 hours of instruction under this schedule.

Exhibit 4 includes an Edit Detail screen for the course with calendars showing that attendance was posted to CampusVue for each day in the course without exception. The Exhibit also includes a CampusVue report listing entire class attendance detail for the 21 students in the course and showing 30 hours of scheduled class time with one or more students attending on each day in the course. Our review of the date did not reveal any students with 29 hours and 10 minutes of posted attendance. The Class Schedule screen demonstrates that the school scheduled the course for 30 hours.

- 5) CHI's Exhibit 3-1 indicates that the Surgical Techniques and Procedures course offered from July 21, 2006 through September 19, 2006 (term code: 060728S) was scheduled for 84 hours. However, the Department's review of the CampusVue student-level "Detail Attendance" records show that the class was scheduled for 78 hours. Please explain the difference and provide any available documentation to support the 84 hours of class time.**

The Surgical Techniques and Procedures course offered from July 21, 2006 through September 19, 2006 (term code: 060728S) was scheduled for 84 hours. We have provided additional documentation from CampusVue demonstrating that the school scheduled the course for 84 hours of class time. Exhibit 5 contains a Class Schedule screen from CampusVue showing the school scheduled the course to meet Monday through Friday from 9:00am to 11:00am from July 21, 2006, through September 19, 2006. The school scheduled, and expected students to attend, 84 hours of instruction under this schedule.

Exhibit 5 includes an Edit Detail screen for the course showing that attendance was posted to CampusVue for each day in the course without exception. The Exhibit also includes a CampusVue report listing entire class attendance detail for the 20 students in the course showing 84 scheduled



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hours for 17 of these students. The three exceptions appear to involve instances in which attendance was not posted to CampusVue on certain days. However, the Detail Attendance Records show one or more students in attendance each day. The Class Schedule screen demonstrates that the school scheduled the course for 84 hours.

- 6) **CHI's Exhibit 3-2 provided a listing of the number of program hours provided to students who received Title IV aid during the file review period, including the net "over/under" and "under only" hours as compared to the total number of approved hours for the program. However, this data does not seem to carry directly into Exhibit 3-3. The attached spreadsheet identifies students for whom the number of "hours under" on Exhibit 3-2 exceeds the number listed on Exhibit 3-3. Please explain the reason for the difference and provide an update to Exhibit 3-3, if necessary.**

Finding #3 contended that the school taught certain courses for fewer than the required number of hours during the program review period. The finding did not examine what, if any, impact these shortfalls in hours would have had on the amount of Title IV funds disbursed to the school's students. Our program review response of September 30, 2009 analyzed the scheduling shortfalls to determine their impact on Title IV disbursements. Our analysis demonstrated that the shortfalls were so small that they had little or no impact on the amount of Title IV disbursed to the affected students.

Exhibits 3-2 and 3-3 address two separate issues and therefore contain different data. We prepared Exhibit 3-2 to document our review of each student to determine whether the student experienced a shortfall in scheduled program hours during the program review period. Exhibit 3-2 lists all 2,368 students reviewed. The exhibit includes data showing that the total number of students with shortfalls of one hour or more was 623. (The process for preparing this spreadsheet is described on pages 5-6 of our September 30, 2009, response to Finding #3.)

In contrast, Exhibit 3-3 only lists students who would have received smaller Title IV disbursements if recalculated based on the shorter hours. For this purpose, we analyzed the number of hours actually scheduled for each term and recalculated the Title IV disbursements in any term with a shortfall. See pages 6-8 of our September 30, 2009 program review response for an explanation of the process we followed. Our original analysis determined that, of the 623 students with a shortfall of one hour or more, only 59 of those students would have received a smaller amount of Title IV funds for one or more of their disbursements if they had been calculated based on net "over/under" hours actually provided.

Exhibit 3-2 lists a student's total scheduled clock hour shortfalls for the file review period whereas Exhibit 3-3 only lists the scheduled clock hours in the term(s) in which the student would have received a smaller Title IV disbursement. In some cases, the shortfalls would have resulted in smaller Title IV disbursements to a student in one term, but not in the others. In those cases, Exhibit 3-3 listed only the shortfalls for the affected term. Therefore, the scheduled clock hour shortfalls on Exhibit 3-2 will be higher than those on Exhibit 3-3 for some students. We concluded that this was the case with all but 2 of the students on the list provided with Question 6. As explained in the next



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paragraph, we have determined that the disbursements to the remaining 2 students ((b)(6); (b)(7)(C), (b)(7)(C)) and ((b)(6); (b)(7)(C), (b)(7)(C)) were not affected by the shortfalls and should not have been listed on Exhibit 3-3.

In response to your letter, we conducted an additional review of the 623 students identified on Exhibit 3-2 with a scheduled shortfall of one hour or more. We determined that only one additional student ((b)(6); (b)(7)(C), (b)(7)(C)) should be added to Exhibit 3-3 and one additional disbursement should be added to Exhibit 3-3 for an already listed student ((b)(6); (b)(7)(C), (b)(7)(C)). However, we also determined that 7 students originally listed on Exhibit 3-3 should not have been listed because the shortfalls would not have resulted in smaller Title IV disbursements under either a net "over/under" or "under only" calculation ((b)(6); (b)(7)(C), (b)(7)(C)) ((b)(6); (b)(7)(C), (b)(7)(C))). We have provided in Exhibit 6 an updated version of Exhibit 3-3 which makes these adjustments and results in only 55 students listed with smaller Title IV disbursements based on net "over/under" hours.

- 7) Exhibit 3-2 also identified many students who received fewer than the approved number of hours in their program, but who are not identified in Exhibit 3-3. Please explain the reason for the difference and provide an update to Exhibit 3-3, if necessary.**

In many cases, the scheduled clock hour shortfalls were so small that they would not have resulted in a change in Title IV disbursements. Under our updated calculations described in the response to Question 6, only 55 of the 623 students listed on Exhibit 3-2 with a shortfall in hours would have received one or more smaller Title IV disbursements and appear on Exhibit 3-3. As a result, most students listed with a shortfall on Exhibit 3-2 do not appear on Exhibit 3-3 because the shortfalls did not have an impact on the Title IV disbursements calculated for those students for any of the terms.

Conclusion

We believe that our responses and the enclosed documentation fully address each of the 7 questions in your letter. Please do not hesitate to contact me with any questions concerning this submission.

Sincerely,

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

~~James Blackburn~~

Vice President – Financial Aid

cc: Jeffrey J. Conlon, President and Chief Executive Officer
Janice L. Block, General Counsel and Chief Compliance Officer
Elaine M. Neely, Senior Vice President, Regulatory Affairs & Compliance