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Gary McCullough, President
Career Education Corporation
2895 Greenspoint Parkway, Suite 600
Hoffman Estates, IL 60169-7258

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RE: Final Program Review Determination
Katharine Gibbs School
New York, NY
OPE ID: 00739800
PRCN: 200710225674

Dear Mr. McCullough:

The U.S. Department of Education's (Department's) School Participation Team – New York/Boston issued a program review report on July 3, 2008 covering Katharine Gibbs School's administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2005/2006 and 2006/2007 award years. Katharine Gibbs School's final response was received on August 28, 2008.

The School Participation Team – New York/Boston has reviewed Katharine Gibbs School's responses to the Program Review Report. A copy of the program review report (and related attachments) and Katharine Gibbs School's responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Katharine Gibbs School 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.

Although the findings in the program review report identified serious concerns, this office has made a decision to close the review based on the length of time that has passed since the examination of those records, and the institution's subsequent closure on December 19, 2009.

As a result, Katharine Gibbs School may consider the program review closed with no further action required.

If you have any questions please call Christopher Curry at (646) 428-3738.

Sincerely,

(b)(6)

Betty Coughlin
Division Director

Enclosure: Program Review Report (with attachments)
Katharine Gibbs School's Response to the Program Review Report

bcc: Reading file, Correspondence file, Chris Curry, Lydia Gonzalez, ERM

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

School Participation Division – New York/Boston
Financial Square, 32 Old Slip, 25th Floor, New York, NY 10005
StudentAid.gov

Program Review Report



JUL 03 2008

Gary E. McCullough,
Chief Executive Officer
Career Education Corp
2895 Greenspoint Parkway, Suite 600
Hoffman Estates, IL 60195-5258

Overnight Mail, Tracking # 8660 3792 9213

RE: **Program Review Report**
Katherine Gibbs School
50 West 40th Street
New York, NY 10018-2602
OPE ID: 00739800
PRCN: 200710225674

Dear Mr. McCullough:

From November 27, 2006 through December 8, 2006, Christopher Curry, Lydia Gonzalez, Sherry Blackman and Kathleen Hochhalter conducted a review of Katherine Gibbs School's (Gibbs-NY's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all

Federal Student Aid, School Participation Team – New York/Boston Team
32 Old Slip, 25th Floor
New York, NY 10005
www.FederalStudentAid.ed.gov

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Katherine Gibbs School
OPEID: 007398
PRCN: 200710225674

correspondence relating to this report. If you have any questions concerning this report, please contact Christopher Curry at 646-428-3738 or at christopher.curry@ed.gov.

Sincerely,

(b)(6)

Betty Coughlin
Team Leader

Encl.

cc: Wynn Blanton, School President
Irena Hoxha, Financial Aid Administrator

bcc: Reading file
Correspondence file
Chris Curry
Bob James
Doug Laine
ERM



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Prepared for

Katherine Gibbs School

OPE ID 00739800
PRCN 200710225674

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Team New York/Boston Team

Program Review Report

July 3, 2008

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Katherine Gibbs School

OPE ID: 00739800

PRCN: 200710225674

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A. Institutional Information

Katherine Gibbs School
50 & 232 West 40th Street
New York, NY 10018-2602

Additional Location: Norristown, PA

Type: Proprietary

Highest Level of Offering: Associates Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools (ACICS)

Current Student Enrollment: 2519 (2006/07)

% of Students Receiving Title IV: 91 % (2006/07)

Title IV Participation - Source: Postsecondary Educational Participants System (PEPS):

	<u>2006/07</u>
Pell Grant Program	\$ 7,389,318
FFEL Program	\$18,998,314
Federal SEOG Program	\$ 1,162,110
Federal Work Study Program	\$ 449,908

Default Rate FFEL/DL:	2005	11.8%
	2004	16.0%
	2003	19.4%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Gibbs-NY (the institution) from November 11, 2006 to December 8, 2006. The review was conducted by Christopher Curry, Sherry Blackman, Lydia Gonzalez and Kathleen Hochhalter.

The primary focus of the review was to determine Gibbs-NY's compliance with the statutes and federal regulations for accurate and timely payments of returns to Title IV programs, and verification. The review consisted of an examination of Gibbs-NY'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 files was identified for review from the 2004/05 and 2005/06 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year, and who were either selected for verification, or had withdrawn from school.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning the institution's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Gibbs-NY 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 Gibbs-NY to bring operations of the financial aid programs into compliance with the statutes and regulations.

1. Failure to Monitor Satisfactory Academic Progress (SAP)

Citation: For purposes of determining student eligibility for assistance under a Title IV, HEA program, an institution must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress (SAP) in his or her educational program. 34 C.F.R. § 668.16(e)

One of the required elements of the standards is a quantitative component that consists of a maximum timeframe in which the student must complete his/her educational program. That timeframe must:

- for an undergraduate program be no longer than 150% of the published length of the program;
- be divided into increments not to exceed the lesser of one academic year or half the published length of the program;
- include a schedule designating the minimum percentage or amount of work a student must complete at the end of each increment to complete his or her program within the maximum timeframe, and
- include specific policies defining the effect of incompletes, withdrawals, repetitions, and noncredit remedial courses on SAP. 34 C.F.R. §668.16(e)(2)(ii).

Noncompliance: The reviewers found several instances where Gibbs-NY failed to adequately monitor SAP as noted in the following cases.

Gibbs-NY's SAP policy states that students will be placed on "Warning" status after the first term in which they fail to meet the qualitative or quantitative standards. Students are placed on "Probation" after a second consecutive term of failing to meet the standards, and they are subject to dismissal and/or loss of Title IV eligibility after a third term.

Student #31's academic transcript shows that he was not meeting Gibbs-NY's SAP standards, and was subject to dismissal/loss of Title IV eligibility as of the end of the Summer 2004 term. Gibbs-NY's SAP standards include a requirement that a student complete at least 67% of attempted classes. The student had completed three consecutive periods of enrollment without meeting the 67% completion rates as of the end of the Summer 2004 term. The student was awarded Federal Pell Grant funds for the following Fall 2004 term. There was no documentation of an appeal for special circumstances.

Gibbs-NY's computerized records system, Campus Vue, did not identify the student as being subject to dismissal until after the Fall 2004 term. The student apparently was dismissed at the end of the Fall 2004 term, did not attend the Winter 2005 term, and returned for the Spring 2005 term. The student then received Federal Pell Grant and Federal Family Education Loan (FFEL) funds for the Spring 2005 term, even though there was no documentation demonstrating what had occurred to bring the student into compliance with the SAP standards. Records show the student never brought his completion percentage up to the minimal requirement before finally withdrawing from school during the Summer 2005 term. This student attended the Norristown location.

Student #34 enrolled at the Norristown location on 4/14/03. The student completed 71% of her classes in her first term but, after failing 50% of her attempted credits in her second term, the student's cumulative completion percentage dropped below the 67% requirement. Thereafter, the student never attained a cumulative completion rate higher than 36% over eight terms. Based on Gibbs-NY's policy, the student would have been subject to dismissal/loss of Title IV eligibility after the end of the Winter 2004 term. She did not attend the Spring 2004 term, but returned for the Summer 2004 term and received Title IV funds for that term, and for five subsequent terms. There was no documentation that an appeal of the SAP standards had been approved. By the time the student withdrew, during the Winter 2006 term, she had completed only 36 of 128 attempted credits (28%). Based on the 150% maximum timeframe, the student would have had to complete the program within 135 credits attempted. The institution's failure to monitor the student's academic progress resulted in the student continuing on in the program well beyond the point there was any possibility of her completing the program within the required timeframes.

Student #67 enrolled at Gibbs-NY's Norristown location on 1/13/03. The student withdrew from that first term, returned to school beginning on 7/14/2003, and failed to pass any classes in that term, or the following one. At the end of her 4th term, the student had a cumulative GPA of 0.53, and had successfully completed only 9 of 56 credits attempted, for a 16% completion rate. According to Gibbs-NY's published SAP standards, the student should have been subject to dismissal/loss of Title IV eligibility at the end of that 4th term, on 3/28/04. Over the course of the next seven terms, the student never achieved a cumulative completion rate that met the stated 67% requirement. The student received Title IV disbursements over that entire period.

Student #23's file contained a letter, dated 10/2/03, notifying her that she was not maintaining SAP as of the end of her first term. However, the Academic Transcript provided at the time of the program review appeared to indicate that she was meeting Gibbs-NY's SAP standards as reported in the catalog. The student's cumulative grade point average (GPA) was 1.62 against the minimum requirement of 1.0, and she had completed 68 % of her attempted credits, just above the minimal 67% completion requirements. It is therefore unclear why this student was identified as not maintaining

SAP. Gibbs-NY did continue to disburse Title IV funds to the student. A similar situation was noted for **student #51**.

Student #66 Enrolled in the Office Administration Associate Degree program beginning with the Winter 2004 term on 1/12/04. It appears as though the student fell below the SAP standards upon completion of her second (Spring 2004) term, when she failed four of her five classes. Although she passed all classes in the Summer 2004 term, she was still just under the 67% completion requirements. At the end of the Fall 2004 term, her cumulative GPA was below the stated requirements. As a result, she had not met the SAP standards for three consecutive terms, and was subject to dismissal/loss of Title IV eligibility. The student did not attend the next two terms, then returned for the Summer 2005 term. Although the student was not meeting SAP requirements when she left, she was awarded Title IV funds for the Summer 2005 term. There was no documentation that an appeal of the SAP requirements had been approved.

Required Action: The cases discussed in this finding appear to indicate significant deficiencies in Gibbs-NY's monitoring of students' SAP, over extended periods of time. This appears to be especially true at the Norristown location. In most cases, Gibbs-NY's computer-based tracking system, Campus Vue, did not identify students who failed to meet the standard SAP criteria.

Gibbs-NY must immediately review its procedures for monitoring SAP, institute new procedures to ensure this vital element of determining Title IV eligibility is properly monitored, and apprise this office of the cause(s) of the problem, and steps that have been taken to redress them.

Due to the prevalent nature of this problem in the sample of students chosen from the Norristown location, Gibbs-NY will be required to perform a review of all Title IV recipients for 2004/05 and 2005/06 award years at that location to confirm whether the students were eligible for the Title IV funds disbursed to them. Given the apparent problem with Campus Vue identifying students with SAP issues, Gibbs-NY must describe the process it used to ensure that it identified and evaluated all students potentially affected in performing this file review.

Please note, retroactive review of students' SAP status to determine if special circumstances might have existed is not acceptable in response to this finding.

Gibbs-NY must also provide a report of all students who received Title IV funds when they were not meeting the SAP standards, identifying the amount of Title IV liabilities in the following format.

Award Year
Student Name
Last 4 digits of Social Security #
Ineligible Periods
Title IV Aid Disbursed (by Title IV program)

Gibbs-NY must also provide this information for student #66, from the New York location.

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

Instructions for the repayment of the any determined liabilities will be provided in the final program review determination (FPRD) letter.

2. Improper FFEL Certification/Disbursement

Citation: An institution shall certify that the information it provides in connection with a loan application about the borrower and, in the case of a parent borrower, the student for whom the loan is intended, is complete and accurate. 34 C.F.R. § 682.603(a).

Regulations specify that, for the period under review, in the case of an undergraduate student who has not successfully completed the first year of a program of study, the total amount the student may borrow for any academic year may not exceed \$2625. 34 C.F.R. § 682.204(a).

A student is eligible to receive FFEL funds for a period of enrollment only if the student enrolls as at least a half-time student for the period of enrollment. 34 C.F.R. § 682.604(b).

Noncompliance: Gibbs-NY improperly certified and disbursed FFEL subsidized and/or unsubsidized loans for the following students:

For **student #27**, Gibbs-NY improperly certified and disbursed a \$3500 second-level subsidized FFEL loan for the period beginning 4/12/04, prior to the student meeting the institutional requirement of achieving 36 credits. The student had accumulated only 26 credits at the time of the loan disbursement.

In addition, the student's ledger card showed disbursements of \$1131.99 in subsidized FFEL funds, and \$1293.01 in unsubsidized FFEL funds for the Summer 2004 term. However, the student's academic transcript showed that she was enrolled for only three credits that term. Therefore, all FFEL funds should have been returned when her enrolled

status was finalized. When this issue was raised during the program review, school officials replied that the student had originally enrolled for two additional classes. However, she only attended the first day of those other two classes, so they were removed from her transcript. School officials explained that classes were not reflected on academic transcripts in such situations so as not to negatively reflect on academic progress when there was no real attempt by the student to take the class.

As such, it is then inconsistent for Gibbs-NY to choose to recognize student attendance for that one day to justify enrollment status for Title IV eligibility purposes.

Gibbs-NY certified that student #31 had reached his second academic year, making him eligible for a \$3500 subsidized loan, and subsequently disbursed those funds even though the student had not completed the required 36 credits. The student had successfully completed only 25 credits at the time of the 2nd level loan disbursement.

Required Action: In response to this finding, Gibbs-NY must describe procedures it has implemented to confirm that students have attained the appropriate academic level to justify the amount of funds certified, prior to the disbursement of those funds.

Additionally, Gibbs-NY's response must address the apparent inconsistent treatment of classes with minimal student attendance where, as noted with student #27, the classes were removed from the official academic records, but were recognized to justify enrollment status for Title IV eligibility purposes.

Both of the students who received improper FFEL disbursements based on their academic level were from the Norristown location, out of eight Norristown students in that 2004/05 sample. As a result of the high percentage of students receiving FFEL disbursements for an improper grade level at that location, a file review must be performed of all FFEL recipients from that location in 2004/05 to confirm the students attained the appropriate grade level to justify the amount disbursed. Students who received inappropriate disbursements must be reported in the following format:

Student Name
Last 4 digits of Social Security #
Loan Period
Amount Certified
Amount Eligible
Difference

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

Instructions for the repayment of the any determined liabilities will be provided in the final program review determination (FPRD) letter.

3. Inadequate Internship Information in Student Files

Citation: An institution must maintain documentation of each student's or parent borrower's eligibility for Title IV, HEA funds. 34 C.F.R. § 668.24(c)(iii). This documentation must substantiate the coursework that the student attempted or completed.

The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of its administrative capability. The regulation requires institutions to develop an adequate system to ensure consistency of information related to a student's application for Federal student aid, regardless of the source of information. The institution is responsible for reconciling all information received. 34 C.F.R. § 668.16(f).

An institution is also required to develop academic standards that include a qualitative component that consists of grades, work projects completed, or comparable factors that are measurable against the norm. 34 C.F.R. § 668.16(e).

Noncompliance: Staff interviews disclosed that internship/externship grades are based on upon receipt of internship/externship attendance sheets and evaluation reports. However Gibbs-NY was unable to provide proof of internship attendance sheets and /or evaluation reports to justify the internship/externship grades indicated on the academic transcripts for six of the eight student in the review sample whose transcripts showed they had completed an internships/externship. The following student files did not contain adequate documentation:

Copies of **student #11's** externship attendance sheets were provided, however, there was no documentation that the externship evaluation had been provided by the on-site supervisor. In response to repeated request for internship evaluations for this student, the institution's Director of Compliance stated that they "do not do Internship grade evaluations." This contradicts the institution's policies and procedures disclosed as it relates to externship site requirements. In addition, the student received an "A" grade for the Internship class on his transcript. In the absence of an evaluation of the student's work from the internship site, the basis for the assignment of this grade is unclear. Similarly, no supervisor evaluation form was provided for **student #6**.

Copies of **student #23's** externship attendance sheets were provided, but no supervisor evaluations were provided. In addition, the Weekly Intern Time Sheet forms provided for this student document that she completed 130 hours, instead of the 150 hours required for the 5-credit course. Furthermore, the number of hours the student completed were incorrectly calculated for November 1st, 8th, 9th, and 29th. Using the correct number of hours on those days, the correct cumulative number of hours completed in the Internship

was 126.5. Nevertheless, the student received an "A" grade for this course on her transcript.

Copies of student #35's externship attendance sheets were provided. However, Gibbs-NY was unable to provide a supervisor's evaluation for this student. In addition, attendance sheets for weeks #7, 8, and 9 do not contain the supervisor's signature. The externship attendance documents also indicate completion of only 102 hours of the 150 hours required for the 5-credit course. The student received an "A" grade for this course.

The documentation in student #60's file shows that she failed in her initial attempt to complete her Internship course during the Winter 2006 term. She attempted the class again the following term, and received an "I" grade because she had not yet completed the required number of hours. Her file contained a "Change of Grade Form" for the Internship class, dated 8/14/06, indicating the grade change from an "F" grade to an "A." The file also contained time sheets that documented the student completed 197 hours at the internship site, however Gibbs-NY was unable to provide a supervisor's evaluation. Therefore, it is unclear how the grade was determined for this class. The student's final program GPA was 2.01. If the student had received anything less than a "B" grade for this course, she would not have met the GPA requirement for the degree that was granted.

Student #66's file contained a "Petition for Incomplete Grade" form, dated 6/16/06, that indicated additional hours needed to be completed to pass her externship. There was also a "Change of Grade Form" in her file, dated 7/10/06, reporting the grade for the Externship program changed from an "I" grade to a "B-." Gibbs-NY provided a copy of an "On-Site Evaluation Form, which was dated 5/6/06 which appears to have been completed prior to the completion of all the Externship hours. Gibbs-NY was unable to provide any Externship timesheets for this student.

Required Action: In response to this finding, Gibbs-NY must provide information describing how internships/externship grades were assigned for the individual students identified in this finding. Any supervisor evaluations submitted in response to this finding must clearly identify the date the evaluation was performed. Evaluations performed retroactively as a result of this finding are not acceptable justification for grades assigned.

Any procedures supporting the assignment of grades without input from student's on-site supervisor must be accompanied by confirmation from the institution's accrediting and licensing bodies that such determinations are in keeping with accrediting/licensing standards.

In addition, Gibbs-NY must address the apparent prevalent failure to collect evaluations from externship sites, contrary to institutional procedures, and the steps that will be taken

to correct the deficiency. The Department will apprise Gibbs-NY of any additional requirements after review of the institution's response.

4. Improper Disbursements

Citation: Regulations specify that an institution must disburse Title IV, HEA program funds on a payment period basis and, except for late disbursements; an institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds. 34 C.F.R. § 668.164(b)

Additionally, the Federal Pell Grant award for a payment period for a student in a program using standard terms with at least 30 weeks of instructional time is calculated by determining his/her enrollment status for the term, determining the annual award from the payment schedules based on that enrollment status, then dividing the annual award by the number of quarters in the award year. 34 C.F.R. § 690.63(b)

Noncompliance: Student #1's expected family contribution (EFC) for the 2004-05 award year was \$3656. Based on this, Gibbs-NY disbursed \$133 in Federal Pell Grant funds to her account for the Summer 2004 term, and \$134 to her account for the Fall 2004 term. The student enrolled for 8.5 credits in the Winter 2005 term, which would have entitled her to an additional \$133 in Federal Pell Grant funds for that term. However, no further Federal Pell Grant funds were disbursed to her account.

Similarly, in the previous award year, the student was eligible for a Federal Pell Grant disbursement for her 4th quarter, based on her part-time enrollment status for the Summer 2003 term, but the additional Federal Pell Grant funds were not disbursed.

Gibbs-NY adjusted student #2's EFC in the 04/05 award year based on the student's alleged unemployment. Finding #9 discusses issues with the documentation on file supporting that adjustment. However, having approved the adjustments for the student and securing a revised Institutional Student Information Report (ISIR), it appears that Gibbs-NY did not disburse the additional Federal Pell Grant funds to the student based on the revised ISIR. The student's EFC prior to the income adjustment was \$2299. After the income adjustment the student's EFC was \$0. The student received a Federal Pell Grant payment of \$600 based on the \$2299 EFC instead of \$2025 based on the \$0 EFC for Summer 2004 term.

Student # 18's academic transcript shows that she was enrolled for eight credits for the Spring 2005 term, which began on 4/11/05. Her ledger card shows a \$1350 Federal Pell Grant disbursement to her account for this term on 4/20/05. However, she was only eligible for a \$675 Federal Pell Grant disbursement for that term, based on half-time

enrollment. Gibbs-NY later determined that the student stopped attending classes on 4/12/05, and returned all Federal Pell Grant funds on 6/10/05.

Student #23 appears to have met all eligibility criteria for the Summer 2004 and Fall 2004 terms, but no Title IV funds were disbursed to her for those terms.

The initial academic transcript the reviewers were presented for **student #38** showed that he had enrolled for 13 credits for the Summer 2006 term, but had failed the three-credit Internship course. However, during the course of the program review, the reviewers were presented with a revised transcript, dated 12/5/06, dropping the Internship course from the list of classes taken for the Summer 2006 term, with a notation explaining that the student and externship advisor could not come to an agreement on the site. The notation further explained that the student had enrolled for the externship class for the Fall 2006 term, which began on 10/9/06. Due to the apparent incorrect reporting of the student's enrollment in the Internship class, and subsequent assignment of a failing grade, the student was incorrectly awarded \$1350 in Federal Pell Grant funds as a fulltime student for the Summer 2006 term. It should be noted that the revised transcript did not show any class registration for the Fall 2006 term.

Student #45's academic transcript shows the student was enrolled for three classes, totaling nine credits, for the Fall 2005 term. His ledger shows a \$134 Federal Pell Grant disbursement to his account for this term on 11/11/05. However, he would not be eligible for any Pell Grant disbursements that term, based on $\frac{3}{4}$ -time enrollment, and his \$3803 EFC. Further research into the CampusVue system uncovered an entry in the Academic Comments field that indicated the student was unregistered from the GE310 class, with his enrollment status reduced to $\frac{3}{4}$ -time. It appears as though this adjustment was made on 10/31/05, but other necessary adjustments were not made to ensure the Federal Pell Grant disbursement was paid based on the appropriate enrollment status. Apparently this was discovered when the student subsequently withdrew from all classes, and the Federal Pell Grant award was refunded on 12/13/05, when the Return to Title IV (R2T4) calculation was performed.

Student #51 began the third term of his program at Gibbs-NY in the July 2005 term. His ISIR for the 2005/06 award year was processed and received on 8/26/05, with a \$0 EFC. However, the student's account record shows that he did not receive a Federal Pell Grant for the Summer 2005 term. The student was enrolled in, and received Federal Pell Grant disbursement for three subsequent terms, thus he did eventually receive his full Federal Pell Grant eligibility for the 2005/06 award year. But it is unclear why no funds were disbursed for the July 2006 term. If the student had stopped attending school before completing the program, it is possible that he may not have received all the funds for which he was eligible.

Student #52's academic transcript shows the student enrolled for one class (Keyboarding I) for four credits for the Summer 2005 term, which began on 7/11/05, and then withdrew from that class during the term. The student's ledger shows a \$1350 Federal Pell Grant disbursement on 7/19/05. The student would be eligible for this amount only if enrolled as a full-time student for the term. The Federal Pell Grant funds were eventually refunded. Further research into Campus Vue appears to indicate that the student originally enrolled for 19 credits, but the other classes were de-registered at some point.

Required Action: The cases noted in this finding appear to indicate that Gibbs-NY does not have an adequate system in place to monitor and confirm students' enrollment prior to disbursing Title IV assistance. Gibbs-NY eventually identified and corrected the cases resulting in overawards, except for student #38. However, there appear to be many situations where students did not receive all the Title IV assistance they were eligible for.

As a result of this finding, Gibbs-NY must review its procedures for monitoring enrollment to confirm students' Title IV eligibility, make any adjustments necessary to ensure accurate determinations are made before Title IV disbursements are made, and apprise this office of the steps that have been taken.

One specific issue Gibbs-NY must consider is the audit-trail issue that was noted for students #45 and 52, where changes to students' enrollment status were not historically recorded in the system records available for review.

5. Incorrect Return to Title IV (R2T4) Calculations

Citation: An institution is required to determine the amount of funds to be returned to the Title IV programs for a student who withdraws from the institution based on criteria established in regulation at 34 C.F.R. § 668.22. A primary element of the calculation is the determination of the percentage of the payment period that students completed.

Regulations specify that, in the case of a program that is measured in credit hours, that percentage is determined by dividing the total number of calendar days in the payment period into the number of calendar days completed in that period as of the student's withdrawal date. 34 C.F.R. § 668.22 (f)(1)(i).

Noncompliance: Gibbs-NY used the wrong dates when reporting the duration of the payment period, resulting in incorrect calculation of the percentage of the payment period completed by students.

For example, **student #56's** R2T4 calculation worksheet identified the student's payment period start date as 7/11/05 and the end date as 9/25/05. These dates correlate with the dates reported on the student's academic transcript. However, 9/25/05 was a Sunday.

This student was not enrolled in a program that included weekend hours. Therefore, the last possible date of academic attendance for this student would have been Friday, 9/23/05.

The impact on the R2T4 calculation was, instead of the payment period lasting 77 days, as reflected in Gibbs-NY's R2T4 calculation, the proper length should have been 75 days. Student #56 completed 32 days in that payment period. The corrected completion percentage, although only slightly changed, resulted in a \$39.91 over-refund of Federal Pell Grant funds; funds that could have reduced the student's receivable.

Similar problems were also noted for students # 3, 27, 32, 37, and 39. The reviewers found that this was apparently common practice in the New York location. However, the R2T4 calculations performed for students attending the additional location in Norristown used the appropriate dates.

Similarly, student #13's R2T4 calculation identified an \$888 return due to the Federal Pell Grant program. Based on the correct term end date of 6/24/05, the return should have been \$867.11. However, the student's ledger card shows that the whole \$1,350 Pell Grant award was returned. Gibbs-NY was asked for an explanation of the overpayment during the on-site review, but none was provided.

Student #47's file contains conflicting information regarding the student's last date of attendance (LDA). The R2T4 calculation form identifies a 2/14/06 withdrawal date, but the LDA on the school's withdrawal form specifies a last date of attendance of 2/23/06.

Required Action: Gibbs NY's response to this finding must provide a description of the steps that have been taken to correct this deficiency. The institution's response must also clarify the actions that were taken with student #13's return to the Federal Pell Grant program.

Since there were no additional returns due to the Title IV programs as a result of this finding, the institution will not be required to perform any file reconstructions. However, the resultant over-refunds caused by this deficiency could potentially cause a hardship for students, since it might result in the students needing to pay additional funds to the school to cover remaining tuition charges that might have been paid by Title IV funds. Therefore, it is vital that Gibbs-NY take appropriate steps to ensure correct R2T4 calculations are performed in the future.

Gibbs-NY will be apprised of any additional requirements upon review of the response to this finding.

6. Late Payment of Returns to Programs

Citation: For the period under review, regulations identify the following criteria for the timely payment of returns due to the Title IV programs at 34 C.F.R. § 668.22(j), as follows:

- (1) An institution must return the amount of Title IV funds for which it is responsible under 34 C.F.R. § 668.22 (g) as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew, as defined in 34 C.F.R. § 668.22(j)(1)(3).
- (2) An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the –
 - i. Payment period or period of enrollment, as appropriate, in accordance with 34 C.F.R. § 668.22(e)(5);
 - ii. Academic year in which the student withdrew; or
 - iii. Educational program from which the student withdrew.

The timeframe for returning funds to the Title IV programs was changed to 45 days for students whose withdrawal dates were later than 7/1/06.

In addition, the date of the institution's determination that a student withdrew is defined at 34 C.F.R. § 668.22(1)(3) as follows:

- for a student who provides notification to the institution of his/her withdrawal, the student's date of withdrawal as determined by the institution, or the date of notification of withdrawal, whichever is later, and
- for a student who did not provide notification of his/her withdrawal to the institution, the date that the institution becomes aware that the student ceased attendance.

Noncompliance: The reviewers identified cases where Gibbs-NY failed to make R2T4 payments in a timely manner.

Student #17 was administratively withdrawn from the Summer 2005 term by Gibbs-NY on 8/2/05, after it determined that she had not attended classes since 7/13/05. The R2T4 calculation was dated 9/20/05, and the ledger card showed the funds were not returned to the programs until 10/3/05, 62 days after the determination was made.

Gibbs-NY determined that **student #18** withdrew from the Spring 2005 term, on 5/6/05. Records showed that the student had stopped attending classes on 4/12/05, the second day of classes for that term. All the Federal Pell Grant funds disbursed for that term were returned to the Title IV programs on 6/10/05, 35 days after the date of determination. The R2T4 calculation provided to the reviewers, which was performed on 6/6/05, did not

identify any Title IV disbursements, although account records show Federal Pell Grant funds were disbursed on 4/20/05. It is unclear why, in retrospect, Gibbs-NY determined that the student was not entitled to any Federal Pell Grant funds for the Spring 2005 term. This student is also discussed in Finding #5.

Student #37's file contained a Student Status Change Form that was completed by school officials on 5/31/06, indicating that there had been some contact with the student, and the student was being withdrawn due to transportation problems. However, the R2T4 calculation form identified the date of determination of the student's withdrawal as 6/2/06. The Title IV returns were paid to the programs promptly, so the misreported determination date had no impact. However, it is important that the institution's records reflect the appropriate dates. A similar issue was noted for **student #39**.

Student # 45's R2T4 calculation form noted that the school determined the student had withdrawn on 11/4/05, which coincided with his last date of attendance. However, there was a Student Status Change Form in his file containing a note that the student was no longer attending, which was signed and dated by a Student Services employee on 12/6/05. Gibbs-NY returned the funds to the Title IV programs on 12/13/05. Given the conflicting dates, the date of determination is unclear.

Required Action: Gibbs-NY must take appropriate measures to ensure that all returns to the Title IV programs are paid in a timely manner when students withdraw from school, including making accurate and timely determinations of when students are no longer attending.

In response to this finding, Gibbs-NY must provide this office with a description of the changes that have been implemented.

Untimely returns to the Title IV programs was also cited as a finding in Gibbs-NY's institution's compliance audit for the period 1/1/05 through 12/31/05, which also correlates to the timeframe for most of the students identified in this finding. Gibbs-NY performed a file review to resolve the audit finding, therefore no additional reconstructions will be required for this finding.

7. Incomplete Verification

Citation: An institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary of Education, to verify all of the applicable items specified in 34 C.F.R § 668.56, except that no institution is required to verify the applications of more than 30% of its total number of applicants for assistance under the Federal Pell Grant, Federal Direct Loan, Campus Based, and Federal Stafford Loan programs in an award year. 34 C.F.R. § 668.54(a)(2)(i)

Noncompliance: Gibbs-NY failed to verify required information for the following students, who were selected for verification:

Student #33- The student's 2005/06 Institutional Student Information Record (ISIR) transaction 02 indicated that the student's parents had been married since 1979, and both parents were listed as part of the family on the verification worksheet. However, the 2004 tax return was filed by the student's mother as head-of household and does not include the father. In addition, a copy of the Federal PLUS Loan Application and Master Promissory Note indicates that the father is self-employed. There was no other documentation in the file relating to the father's 2004 income or assets.

Student #37- The student's 2005/06 ISIR indicates that the student earned income from work in 2004. However, there was no supporting document in the student's file and the student failed to confirm her earnings on the verification worksheet.

Student #50- The student's income tax paid amount reported on the 2005/06 ISIR reflects taxable income of \$291 line 42 instead of \$29 total tax paid indicated in the student's 2004 U.S. Income Tax Return Form 1040 line 56.

Student #63- The \$785 Education Credits reported on the parent's 2004 Income Tax Returns line 49 is not included as Schedule C income in the 2005/06 ISIR.

Required Action: In response to this finding, Gibbs-NY must confirm the eligibility for all the students identified in this finding.

For student #33, the father's income and assets from the year 2004 must be determined and included in the EFC for 2005/06, and provide this office with documentation of the father's income.

Copies of supporting income documentation confirming student #37's earned income listed on the 2005/06 ISIR must also be provided.

Gibbs-NY must also perform and document a need analysis calculation for student #50, using the correct amount of income tax paid, and for student #63 including the \$785 Worksheet C income.

In addition, Gibbs-NY must describe procedures that have been implemented to correct the deficiencies in the verification process.

Gibbs-NY will be apprised of any additional requirements upon review of the response to this finding.

8. Failure to Document Eligibility-PLUS Loan

Citation: A parent borrower is eligible to receive a Federal PLUS Program loan if the parent meets the requirements pertaining to citizenship and residency that apply to the student in 34 C.F.R. §§ 682.201(b)(1) and 668.33(a).

Noncompliance: Gibbs-NY failed to determine if student #33's parent was eligible to borrow a Federal PLUS Loan in the amount of \$11,015 in January 2006. The student's father had reported on the Federal PLUS Loan Master Promissory note that he was a permanent resident, but there was no documentation in the file confirming that the father's residency status.

Required Action: In response to this finding, Gibbs-NY must describe procedures in place to ensure proper documentation is maintained to document Federal PLUS loan eligibility.

Gibbs-NY must provide documentation confirming student #33's parent's eligibility in response to this finding. If documentation cannot be provided confirming the parent's eligibility for the Federal PLUS loan, the funds disbursed are an institutional liability.

The FPRD letter will provide the institution with repayment instructions for the repayment of any determined liabilities.

9. Improper/Undocumented Adjustments to Students' EFC

Citation: Section 479A of The HEA states that, a financial aid administrator, on the basis of adequate documentation, may make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances.

Regulations specify that if an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate, it shall require the applicant to verify the information that it has reason to believe is inaccurate. 34 C.F.R. § 668.54(a)(3)

Noncompliance: Gibbs-NY failed to correctly document how the income amounts that were used to recalculate the student's EFC were derived.

Student #2 – Gibbs-NY adjusted this student's EFC for 04/05 based on the student's unemployment. The estimated income reported on the 04/05 ISIR as a result of the adjustment was \$16,617. The letter the student wrote requesting the income adjustment indicated that she was providing a copy of her last pay stub, however there was no copy of that document in her file. As noted in finding #4, no additional funds were paid to the student based on the reduced EFC, but it appears that this was an oversight, as there is no documentation in the student's records stating the decision to adjust the student's EFC had been rescinded.

Student # 56 - There was no documentation clarifying how the parent's estimated-year's income was derived. Gibbs-NY adjusted the EFC based on the parent's unemployment. The ISIR was adjusted to reflect that the parent's estimated income for 2005 was \$10,530. The only information that related to expected income for 2005 stated that the parent's unemployment benefits of \$405.00 per week began 9/29/04 and ended 1/23/05. It appears as though the institution calculated the income reported for unemployment insurance for a six-month period (\$405 x 26 weeks). The professional judgment was approved on 4/1/05. There was no further documentation indicating whether the parent had subsequently received an extension of the benefits, or any other explanation for the basis for arriving at the amount reported on the ISIR.

Required Action: Gibbs-NY must ensure that accurate information is used when performing income adjustments. In response to this finding, Gibbs-NY must review its records to determine if there is any further documentation for student #56 clarifying how the parent's expected income was derived.

Gibbs-NY must also provide assurances that procedures have been implemented to ensure that adjustments are properly documented in the future.

Gibbs-NY will be apprised of any additional requirements upon review of the response to this finding.

10. Conflicting Information – Student Eligibility

Citation: An institution is required to develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to the student's application for financial aid under Title IV programs. 34 C.F.R. § 668.16(f).

Noncompliance: The reviewers found instances where Gibbs-NY failed to resolve conflicting information in students' records relating to the eligibility for Title IV funds.

Student # 44's file contained conflicting information regarding his eligibility status. The student reported on his FAFSA that he had received a high school diploma/GED, and had also completed a certification statement that he was a high school graduate. However, the documentation that Gibbs-NY collected from the high school the student identified certified that the student had only completed the 11th Grade.

Student # 67's file also contained conflicting information regarding whether she graduated from high school/attained a GED. The student reported on her Profile Evaluation Form, dated 11/8/02, that she graduated from West Philadelphia High School in April 2000. However, the student then reported on the Attestation of High School Graduation or Equivalency Form, completed on 11/15/02, that she earned a GED at Philadelphia Job Corps in April 2000. Faced with two different responses, Gibbs-NY should have collected documentation to resolve the discrepancy, but no such documentation was present in the student's file.

It should also be noted that the school's Accrediting Body, Accrediting Council for Independent Colleges and Schools (ACICS) requires that institutions obtain documentation of the students' high school diplomas or GEDs. Such documentation was missing from the files of **students #8, 14, 25, 34, 36, 38, 43, 47, and 50**. All these students attended the Norristown location.

Required Action: In response to this finding, Gibbs-NY must attempt to resolve the conflicting information for students # 44 and 67, and notify this office of its findings.

Gibbs-NY will be apprised of any additional requirements upon review of the response to this finding.

With regard to the missing documentation of high school graduation, since this is an ACICS requirement, the issue will be referred to that agency for its determination of the appropriate required action.

Appendix A: Student Sample

2004/05 Award Year

Student's Name	Student's SSN (last four digits)
1.	(b)(6)
2.	
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31.	
32.	

Katherine Gibbs School

OPE ID: 00739800

PRCN: 200710225674

2005/06 Award Year

Student's Name

Student's
SSN (last
four digits)

- 33.
- 34.
- 35.
- 36.
- 37.
- 38.
- 39.
- 40.
- 41.
- 42.
- 43.
- 44.
- 45.
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- 62.
- 63.
- 64.
- 65.
- 66.
- 67.
- 68.

(b)(6)

(N) = Student Attended Normstown Location

* = Student Added to Sample, Tested for FWS

** = Student Added to Sample, Tested for Internship Documentation

Institution's Response



August 27, 2008

Christopher Curry
U.S. Department of Education
Federal Student Aid
School Participation Team-New York/Boston Team
32 Old Slip, 25th Floor
New York, NY 10005

AUG 23 2008

OPE ID: 00739800
PRCN: 200710225674 Via FedEx #866736878016

Dear Mr. Curry:

The following is provided in response to the program review of Katharine Gibbs School that was conducted by the U.S. Department of Education from November 27, 2006 through December 8, 2006.

Finding 1: Failure to Monitor Satisfactory Academic Progress (SAP)

The institution concurs with the finding.

The institution has reviewed its computer system (Campus Vue) relative to the monitoring of SAP at the Norristown location. It has determined that the SAP table entered into the Campus Vue system relative to the 2004-05 and 2005-06 award years did not accurately reflect SAP policy at the Norristown location. The SAP table was subsequently corrected and SAP was re-run for all students enrolled at the Norristown location during the 2004-05 and/or 2005-06 award years for each term in those award years.

Based on the recalculation of SAP standards, the institution has completed its review of all students who attended the Katharine Gibbs School Norristown location during the 2004-05 and/or 2005-06 award years. Enclosed is a spreadsheet, in the required format, of those students identified who received Title IV funds for which they were not eligible based on failure to meet SAP standards (note: those students who were in a Probation or Warning status that did not impact their eligibility to receive Title IV funds were not included on the spreadsheet).

Of the students cited:

- Student #31: The institution agrees the student should have been dismissed at the conclusion of the Summer 2004 term and should not have returned (and received Title IV funds) for the Fall 2004 term and subsequent terms. These disbursements are listed on the attached spreadsheet.
- Student #34: The institution agrees the student should have been dismissed at the conclusion of the Winter 2004 term and should not have returned (and received

Title IV funds) for the Summer 2004. These disbursements are listed on the attached spreadsheet.

- Student #67: The institution agrees the student should have been dismissed at the conclusion of the Winter 2004 term and should not have returned (and received Title IV funds) for the Summer 2004. These disbursements are listed on the attached spreadsheet.
- Student #23: The Campus Vue system did not identify this student as not meeting the SAP requirements. It is assumed that the institution made a clerical error in identifying the student as not meeting the SAP requirements. While the institution incorrectly generated a letter that she was not meeting SAP at the end of her first term, there was no impact on the student's receipt of Title IV funds.
- Student #51: The Campus Vue system did not identify this student as not meeting the SAP requirements. It is assumed that the institution made a clerical error in identifying the student as not meeting the SAP requirements. While the institution incorrectly generated a letter that she was not meeting SAP at the end of her first term, there was no impact on the student's receipt of Title IV funds.
- Student #66: The student transferred program versions (i.e., day classes to evening classes or visa versa or curriculum changes) twice during the time she was enrolled at the institution. When such program version transfers occur, the institution is required to manually reassign courses within the Campus Vue system to ensure SAP is properly calculated. In the case of the student cited the course reassignment was not completed. Therefore, she was not identified subject to dismissal at the end of Summer 2005 term. The student was dismissed after the Summer 2005 term, but appealed and the appeal was approved. Based on the evaluation, the student was not eligible for return during the Summer 2005 term without an appeal being approved and, thus, was not eligible for the Title IV funds disbursed for that term.

The institution has strengthened its review procedures at the New York and Norristown locations to ensure SAP is accurately monitored and notifications are provided relative to those students not meeting SAP requirements. The review procedures include ensuring the SAP table is properly updated in the Campus Vue system and manual monitoring of exceptions to the standard review due to program transfers.

Finding 2: Improper FFEL Certification/Disbursement

The institution concurs with the finding.

The institution's concurrence with the finding relates to improper FFEL disbursement. The certification was correct for both students cited based on the information the institution used at the time of certification. Specifically,

- Student 27: The student earned 26 credits as of the end of the Fall 2003 term (12/20/03) and was enrolled in 10 credits during the Winter 2004 term (ending 3/28/04). When certification occurred on 2/26/04, the institution anticipated grade level 2 based on the successful completion of the 10 credits at the end of the Winter 2004 term (36 credits is grade level 2). When the student did not earn the credits at the end of the Winter 2004 term (all F grades), the institution did not

make the necessary change to the grade level. The first disbursement of the subsidized Stafford (the unsubsidized Stafford was also disbursed, but was not effected by the grade level 2 instead of grade level 1) at grade level 2 occurred 4/6/04, which was before the grades for the term were posted. As the student earned 11 credits at the end of the Spring 2004 term (6/27/04), which was within the loan period for the grade level 2 FFEL loan, no liability exists (had the institution corrected the grade level on the original loan, the institution would have certified a second loan for the same loan period for the difference at grade level 2). However, the institution has strengthened its procedures to wait for necessary credits to be earned before authorizing disbursement of a FFEL loan. Further, if the student does not earn the necessary credits to achieve the grade level as certified, the loan certification will be changed to the proper grade level to ensure the lender disbursement is correct based on the correct grade level.

With reference to the subsidized and unsubsidized Stafford Loan disbursements made on 7/7/04, the disbursement was made prior to the beginning of the term on 7/12/04. While the student's transcript does not identify the term, and no credits are designated, the three courses in which the student was enrolled during the Summer 2004 term are listed on the transcript. In addition, the courses are listed on the student's schedule and attendance records were maintained. Improper coding within the Campus Vue system by the Registrar's Office caused the confusing record within Campus Vue. The student withdrew from the Summer 2004 with a date of determination of 8/10/04 and the R2T4 refund was according made on 9/7/04. As the enclosed documentation, and the explanation above indicate, the description provided by the school officials, as described in the program review report, does not accurately describe the situation. Nonetheless, additional training has been provided to the Registrar's Office to ensure this confusion regarding course enrollments does not reoccur.

- Student 31: The student earned 22 credits at the end of the Summer 2003 term (9/27/03) and was enrolled in 22 credits during Fall 2003 term (ending 12/20/03). When certification occurred on 1/5/04 (at that time all grades had not been posted for the Fall 2003 term), the institution anticipated grade level 2 based on successful completion of at least 14 of the 22 credits at the end of the Fall 2003 term (36 credits is grade level 2). When the student earned only 3 credits at the end of the fall 2003 term (15 credits with F grades and 4 credits with a W, in addition to the 3 earned credits), the institution did not make the necessary change to the grade level. The first disbursement of the subsidized Stafford (the unsubsidized Stafford was also disbursed, but was not effected by the grade level 2 instead of grade level 1) at grade level 2 occurred disbursed 1/9/04, which was before the grades for the term were posted (note: a second disbursement received 4/6/04 was returned to the lender on 4/16/04). As the student did not earn the necessary credits to achieve grade level 2 within the loan period for the grade level 2 subsidized Stafford Loan, the difference between the amounts disbursed during the loan period at grade level 2 (\$1,131.99) and the amounts the student was eligible to receive at grade level 1 (\$848.75) represents a liability of \$283.24.

The institution has strengthened its procedures to wait for necessary credits to be earned before authorizing disbursement of a FFEL loan. Further, if the student does not earn the necessary credits to achieve the grade level as certified, the loan certification will be changed to the proper grade level to ensure the lender disbursement is correct based on the correct grade level.

The institution completed a review of all students who received FFEL disbursements during the 2004-05 award year for attending the Norristown location to determine those students who received inappropriate FFEL disbursements based on academic (grade) level. Enclosed is a spreadsheet, in the required format, of those students identified during the review as having receiving loan disbursements at the inappropriate academic (grade) level that resulted in a liability. Please note that those students who received disbursements at the incorrect grade level, but achieved the grade level during the loan period, were included separately on the spreadsheet, as no liability occurred (i.e., although disbursements may have been made at the incorrect grade level, if the disbursements made at the incorrect grade level had been returned, the institution would have certified a second loan during the same loan period at the higher grade level for the difference, as is permitted under federal regulations).

The institution has strengthened its procedures to ensure FFEL disbursements are not made at the improper grade level. These procedures include requiring that FFEL loans are not authorized for disbursements until it is confirmed that the student has earned the necessary credits to receive a loan at the certified grade level and submitting a corrected grade level to the lender (so the loan amount can be corrected) if it is determined that an anticipated grade level was not achieved.

Finding 3: Inadequate Internship Information in Student Files

The institution disagrees with the finding.

The program review report states the basis for the non compliance is that "Gibbs-NY was unable to provide proof of internship attendance sheets and/or evaluation reports to justify the internship/externship grades indicated on the academic transcripts for six of the eight student in the review sample whose transcripts showed they had completed an internships/externship." The report references 34 CFR 668.16(e) which pertains to the institution applying "reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program"; 34 CFR 668.16(f) which pertains to the institution developing and applying "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 Title IV, HEA programs"; and 34 CFR 668.24 (c) (iii) "documentation of each student's or parent borrower's eligibility for title IV, HEA program funds." 34 CFR 668.16(e) relates to the institution's satisfactory academic progress policy, 34 CFR 668.16(f), based on the documentation that is stated in the regulation, relates to documentation the institution collects, such as FAFSA/ISIR information and verification information, and 34 CFR 668.24 (c)(iii) is within the records retention and examinations regulation and, as is listed in the regulation, pertains to documents related to the

administration of the Title IV programs (e.g., ISIR, loan documents, Title IV disbursement records, etc.).

The essence of the finding is that the institution did not program attendance records and/or evaluation documents to justify the grades the students cited received for their internships/externships. Neither the regulations cited, nor any other federal regulation, governs how an institution determines the grade a student is awarded for a given course (and the internships/externships are courses within the student's academic program). Furthermore, there is no federal requirement that the institution maintain daily attendance record, as long as the institution has a method of confirming that the student did attend the classes for which he or she was enrolled, and there is no federal regulation that requires the institution to maintain particular documents to substantiate the basis which the individual student's performance in a class is evaluated for purposes of awarding a grade (other than the academic record such as an academic transcript to confirm credits attempted, completed and grades).

Further, the institution is concerned that the program review requires that the institution not only "provide information describing how internships/externship grades were assigned for the individual students identified in this finding", but, if its grading procedures related to an internship/externship course do not include "input from student's on-site supervisor," the institution must contact its accrediting and licensing bodies to obtain "confirmation from the institution's accrediting and licensing bodies that such determinations are in keeping with accrediting/licensing standards." As the institution has both the necessary accreditation and state license, based on their independent evaluations, to require each to provide confirmation relative the institution's grading policy if "input from the student's on-site supervisor" is not required, in effect, questions whether, if that were the case, the accrediting and licensing body evaluations were adequate.

While the institution disagrees with the finding, does not believe the regulations cited pertain to the grades an institution awards for particular courses, and has serious concerns about the appropriateness of the U.S. Department of Education evaluating the appropriateness of an institution's academic grading process or the grades an instructor awards to students, the institution is providing the Master Course Outlines for courses BA201A (Student #6), SA2021 (Student #23 and Student #66) and DF340 (Student #11, Student #35, and Student #60). As will be noted, the grading standards include criteria that include evaluations from the internship, weekly log sheets, and class participation for BA201A and SA 201 and class participation, motivational effort, and assignments for DF 340. While the documentation to support the grades issued (e.g., timesheets, evaluations, etc.) were not maintained for each student enrolled in an internship course, maintenance of such documentation is not a federal, accreditor, or state regulator requirement.

The program review report, finally, requires that "Gibbs-NY must address the apparent failure to collect evaluations from externship sites, contrary to institutional procedures, and the steps that will be taken to correct the deficiency." The institution collected the necessary records to evaluate, and provided a grade, to the students enrolled in the

internship course. As with any other course, instructors are not required to maintain all tests and other evaluation documents for all students in the respective classes to support the grades awarded. While there is not a regulatory requirement to maintain evaluation documentation, the institution has strengthened its training with the appropriate departments to ensure that appropriate documentation is maintained to support have evaluations of internship/externship courses are made. Based on the grading methodology for the particular internship/externship course, such documentation may include the retention of evaluations from internship/externship sites.

Finding 4: Improper Disbursements

The institution concurs with the finding.

The institution has strengthened its procedures to ensure Pell Grant eligibility is properly calculated and enrollment status confirmed before disbursements are made. Receipt of ISIRs is continually monitored to ensure each ISIR is processed and the Pell award is consistent with the EFC. The authorization procedures include confirming enrollment status is consistent with the amount scheduled for disbursement prior to the authorization that such funds be disbursed. If it is determined that a change in enrollment status has changed the scheduled disbursement amount, the student award is changed and the authorized disbursement amount is changed accordingly. Further, Pell disbursements are monitored to identify students who, due to less than full-time status during the award year, have not received their full scheduled award and are, therefore, eligible for a fourth Pell disbursement during the award year. Finally, to ensure an audit trail is maintained when enrollment status changes occur after disbursement due to a course(s) being retroactively cancelled, procedures include the Registrar's Office informing the Financial Aid of such cancellations to ensure documentation of the course enrollments and attendance are maintained.

The program review report states that "Gibbs-NY eventually identified and corrected the cases of overawards, except for student #38." As student #38 was not listed as an exception, with detail, in the program review report, the institution reviewed the awarded and disbursed Pell amounts. It was determined that the student was disbursed \$1350 on 7/16/06 for the Summer 06 term. However, as the student was enrolled in 10 credits during that term, the student should have received \$1013 as a three-quarter time student. While the student was overawarded \$337 for that term, the student was also enrolled in 3 credits during the Fall 2006 term. The student received no Pell disbursement for that term, but, as a less than half-time student, with a 0 EFC, the student was eligible for \$337. Thus, the student did not receive Pell Grant funds in excess of his eligibility for that award year.

Finding 5: Incorrect Return to Title IV (R2T4) Calculations

The institution concurs with the finding.

- In the cases of students #3, #27, #32, #37, and #39, the institution incorrectly entered the Sunday that followed the last day of instruction or scheduled exams

for the term, rather than the last day of the term, as the end date of the term in the Campus Vue system table of term begin and end dates.

- Student #13: The R2T4 calculation for Student #13 was also based on a Sunday term end date. The entire \$1350 Pell Grant was returned June 6, 2005.
- Student #47: Attached is documentation that 2/14/06 is the correct last date of attendance for Student #47. Therefore, the R2T4 calculation was correct. The date of 2/23/06 noted on the withdrawal form as the last date of attendance was an error.

The institution has since corrected the Campus Vue table of term begin and end dates for subsequent terms and has confirmed that the correct term end dates for the 2008-09 award year. Staff has been trained to ensure that, as term begin and end dates are entered into the Campus Vue table, they proper reflect the dates during which classes begin and end for the term.

Finding 6: Late Payment of Returns to Programs

The institution concurs with the finding.

- Student #17: The R2T4 return of funds for Student #17 was 32 days late, as indicated in the program review report.
- Student #18: Student #18 attended only the first day of class (4/12/05) for the two courses in which she was enrolled during the Spring 2005 term. While Pell Grant funds were posted on 4/20/05, based on her attendance on 4/12/05, the institution determined that, because she only attended the first day of classes for the term, that it would cancel all tuition and fee charges (not book sales) on 5/9/05. The date of determination of the withdrawal was 5/6/05. Because tuition and fee charges were cancelled for the term, in effect cancelling her enrollment for the term, although the classes remain on her transcript as a withdrawal, the institution determined the Pell Grant disbursement for the term should be returned and did so 6/10/05 rather than the R2T4 calculated amount. Based on the date of determination, the funds were returned 5 days late.
- As the program review report indicates, Students #37 and #39 did not have funds returned late. The discrepancy between the date the Status Change Form was completed by school officials and the date of determination reflected in Campus Vue (and on the R2T4 calculation forms) represents the time it took to enter the withdrawal into the Campus Vue system. To ensure the Campus Vue system accurately reflects the date of determination, procedures have been strengthened to ensure that withdrawals are entered into the Campus Vue system the same day the appropriate school officials complete the Student Status Change Form.

make the necessary change to the grade level. The first disbursement of the subsidized Stafford (the unsubsidized Stafford was also disbursed, but was not effected by the grade level 2 instead of grade level 1) at grade level 2 occurred 4/6/04, which was before the grades for the term were posted. As the student earned 11 credits at the end of the Spring 2004 term (6/27/04), which was within the loan period for the grade level 2 FFEL loan, no liability exists (had the institution corrected the grade level on the original loan, the institution would have certified a second loan for the same loan period for the difference at grade level 2). However, the institution has strengthened its procedures to wait for necessary credits to be earned before authorizing disbursement of a FFEL loan. Further, if the student does not earn the necessary credits to achieve the grade level as certified, the loan certification will be changed to the proper grade level to ensure the lender disbursement is correct based on the correct grade level.

With reference to the subsidized and unsubsidized Stafford Loan disbursements made on 7/7/04, the disbursement was made prior to the beginning of the term on 7/12/04. While the student's transcript does not identify the term, and no credits are designated, the three courses in which the student was enrolled during the Summer 2004 term are listed on the transcript. In addition, the courses are listed on the student's schedule and attendance records were maintained. Improper coding within the Campus Vue system by the Registrar's Office caused the confusing record within Campus Vue. The student withdrew from the Summer 2004 with a date of determination of 8/10/04 and the R2T4 refund was according made on 9/7/04. As the enclosed documentation, and the explanation above indicate, the description provided by the school officials, as described in the program review report, does not accurately describe the situation. Nonetheless, additional training has been provided to the Registrar's Office to ensure this confusion regarding course enrollments does not reoccur.

- Student 31: The student earned 22 credits at the end of the Summer 2003 term (9/27/03) and was enrolled in 22 credits during Fall 2003 term (ending 12/20/03). When certification occurred on 1/5/04 (at that time all grades had not been posted for the Fall 2003 term), the institution anticipated grade level 2 based on successful completion of at least 14 of the 22 credits at the end of the Fall 2003 term (36 credits is grade level 2). When the student earned only 3 credits at the end of the fall 2003 term (15 credits with F grades and 4 credits with a W, in addition to the 3 earned credits), the institution did not make the necessary change to the grade level. The first disbursement of the subsidized Stafford (the unsubsidized Stafford was also disbursed, but was not effected by the grade level 2 instead of grade level 1) at grade level 2 occurred disbursed 1/9/04, which was before the grades for the term were posted (note: a second disbursement received 4/6/04 was returned to the lender on 4/16/04). As the student did not earn the necessary credits to achieve grade level 2 within the loan period for the grade level 2 subsidized Stafford Loan, the difference between the amounts disbursed during the loan period at grade level 2 (\$1,131.99) and the amounts the student was eligible to receive at grade level 1 (\$848.75) represents a liability of \$283.24.

- **Student #45:** The date of determination for Student #45 is 12/7/05 in Campus Vue (and 12/6/05 per the note on the Student Status Change Form). The 11/4/05 date, which was the last date of attendance, was improperly entered on the R2T4 calculation form as the date of determination. As the funds were returned on 12/13/05, they were not returned late.

The institution has strengthened its monitoring procedures to ensure that R2T4 calculated funds are returned on a timely basis. The program review report notes that the Title IV compliance audit, for the period 1/1/05 through 12/31/05, cited the late return of R2T4 calculated funds as a finding. The institution notes that there Title IV compliance audit for the period 1/1/07 through 12/31/07 did not cite the institution for late return of R2T4 funds.

Finding 7: Incomplete Verification

The institution concurs with the finding.

- **Student #33-**The institution attempted to obtain the 2004 federal income tax return of Student 33's father or a signed income statement if no tax return was filed. However, as the father is deceased, the institution was unable to obtain the document. Documentation is provided to indicate that the mother and father did not believe they were married because "we were joined together by a common Ashanti traditional marriage rite, which of course is not a legal marriage in accordance to the United States law." (it is noted that the 2006-07 ISIR indicates the mother's marital status as widowed, as the father died April 24, 2006).
- **Student #37-**The institution attempted to obtain the 2004 federal income tax return or signed income statement from Student #37, but was unable to obtain the document.
- **Student #50-**The institution recalculated eligibility and determined the EFC did not change. It is also noted that the difference in the reported taxes paid on the ISIR and the amount on the tax return is within the tolerance.
- **Student #63:** The institution recalculated eligibility and determined that the EFC declined. As the institution may pay on the higher EFC, no liability would be associated with this recalculation.

The institution has strengthened internal procedures to ensure verification is accurately completed before Title IV funds are authorized and disbursed. These procedures include staff training relative to document review to ensure all required verification documents are received and accurately reviewed and internal quality control to review student files to confirm verification is accurately completed. Internal quality control reviews are particularly important in identifying general staff training needs and specific staff training and supervision requirements.

Finding 8: Failure to Document Eligibility-PLUS Loan

The institution concurs with the finding.

The institution was unable to obtain further documentation regarding Student #33's father's citizenship status, as the father is deceased. The father's death certificate is provided as documentation.

The institution has strengthened internal procedures to confirm parent citizenship status in cases when the parent indicates on a PLUS application that the parent is an eligible non-citizen.

Finding 9: Improper/Undocumented Adjustments to Students' EFC

The institution concurs with the finding with reference to Student #2.

- Student #2: The institution concurs that pay stub documentation to support how the income adjustment was determined was not included in Student #2's file. However, as indicated in the program review report, no additional funds were disbursed based on the reduced EFC.
- Student #56: The institution disagrees with the finding with reference to Student #56. The institution made a professional judgment estimate of the parents' 2005 income based on the weekly unemployment payments for six months (26 weeks) based on the NYS Department of Labor document that the benefit year would end 07/03/05. While the parent stated that the unemployment benefits ended January 23, 2005, the professional judgment assumption was that, in the absence of any additional information regarding income for the remainder of the year, it was reasonable to use the weekly benefit rate through the end of the benefit year as an estimate of parent income.

The institution has strengthened procedures to ensure adequate documentation is maintained to support professional judgment decisions. The internal quality control procedures include monitoring that adequate supporting documentation is maintained and appropriate sign-off approvals are obtained.

Finding 10: Conflicting Information-Student Eligibility

The institution concurs with the finding relative to Student #44.

- Student #44: The institution concurs that the documentation only confirms that Student #44 attained the eleventh grade.
- Student #67: Student #67 completed an attestation that she earned her GED after taking the exam in April 2000 at the Philadelphia Job Corps. She indicated on her Application for Admission that she attended West Philadelphia High School, but not graduate. The institution believes this resolves the conflict relative to the Profile Evaluation Form.

The institution disagrees with the statement in the program review report that "the school's Accrediting Body, Accrediting Council for Independent Colleges and Schools (ACICS) requires that institutions obtain documentation of the students' high school

diplomas or GEDs." Per the ACICS Accreditation Criteria: Policies, Procedures, and Standards 3-1-303(d) "for high school graduates or those with high school equivalency, the institution shall have on file evidence that the student received a high school diploma or its equivalent. A signed statement by the student is acceptable documentation." Thus, a student attestation is acceptable documentation of high school graduation or its equivalent. The Norristown location, because federal, state, and accreditation regulatory agencies accept the attestation as acceptable documentation, the attestations which were maintained for students #8, #14, #25, #36, #38, #43, #47, and #50 is sufficient.

The institution has strengthened procedures to monitor the appropriate documentation is maintained relative to student high school graduation or its equivalent, including resolution of conflicting information.

Please contact me if you have questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Wynn Blanton". The signature is fluid and cursive, with the first name "Wynn" being more prominent than the last name "Blanton".

Wynn Blanton
President

Attachments