



April 10, 2015

Mr. Gary Yasuda
President
Milan Institute
1720 W. Walnut
Visalia, CA 93277-8109

Certified Mail
Return Receipt Requested
#: 70070710000106755110

RE: **Final Program Review Determination**
OPE ID: 02497300
PRCN: 201340928383

Dear Mr. Yasuda:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report on December 10, 2013, covering Milan Institute's (Milan's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2011-12 and 2012-13 award years. Milan's response was received on January 23, 2014. Milan failed to adequately address 2 of the 4 findings, as detailed in the attached report. A copy of the program review report and the institution's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Milan upon request. The Department has made final determinations based on information obtained during the program review and from documentation already submitted by Milan. This Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$5,489.19.

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

Protection of Personally Identifiable Information (PII):

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

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
50 Beale Street, Suite 9800, San Francisco, CA 94105
StudentAid.gov

and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Files Reviewed. In addition, Appendix B, Student Level Detail, also contains PII. These appendices were encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the December 10, 2013 program review report. If Milan wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Milan receives this FPRD. An original and four copies of the information Milan submits must be attached to the request. The request for an appeal must be sent to:

Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

Milan's appeal request must:

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

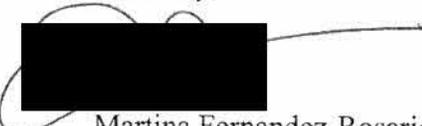
If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Milan's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Adeline Espinosa at (415) 486-5532. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Martina Fernandez-Rosario
Division Director
San Francisco/Seattle School Participation Division

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

cc: Linda Sanchez, Vice President of Financial Aid
Kami Carranza, Corporate Compliance Director
CA Bureau for Private Postsecondary Education
Accrediting Council for Continuing Education & Training
Department of Defense (via e-mail at osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil)
Department of Veterans Affairs (via e-mail at INCOMING.VBAVACO@va.gov)
Consumer Financial Protection Board (via e-mail at CFPB_ENF_Students@cfpb.gov)

Prepared for

Milan Institute

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

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the AMERICAN MIND™

OPE ID 02497300
PRCN 201340928383

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

Final Program Review Determination

April 10, 2015

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A. Institutional Information

Milan Institute
6500 South Mooney Boulevard
Visalia, CA 93277-8109

Type: Proprietary

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

Accrediting Agency: Accrediting Council for Continuing Education & Training

Current Student Enrollment: 357 (2013-14 Award Year)

% of Students Receiving Title IV: 94.4% (2013-14 Award Year)

Title IV Participation: from Postsecondary Education Participants System

	<u>2011-12 Award Year</u>
Federal Pell Grant (Pell) Program	\$3,136,021
Federal Subsidized Direct Loan (DL) Program	\$2,043,967
Federal Unsubsidized Direct Loan (DL) Program	\$2,964,799
Federal PLUS Direct Loan (DL) Program	\$277,086
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$25,500

Default Rate FFEL/DL:	2010	16.6%
	2009	18.8%
	2008	15.2%

B. Scope of Review

The U.S. Department of Education (the Department) conducted an on-site program review at Milan Institute (Milan) from August 26, 2013 to August 30, 2013. The review continued off-site until September 6, 2013. The review was conducted by DeNise McMillian and Adeline Espinosa.

The focus of the review was to determine Milan's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of Milan's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and consumer information requirements.

A sample of 30 files was identified for review from the 2011-12 and 2012-13 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. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A Program Review Report was issued on December 10, 2013.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Milan'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 Milan of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Finding

Finding 3. Incomplete Externship Records

Milan has taken the corrective action necessary to resolve Finding 3 of the Program Review Report. In addition, Milan has reviewed its current policies and procedure for managing externship time and attendance records to ensure all information is accurate on the forms. Milan also provided training for its Career Services staff on January 7, 2014, where they reviewed the proper existing policies and procedures. Therefore, this finding may be considered closed. Please refer to Appendix C for a copy of Milan's written response to this finding. Findings requiring further action by Milan are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Milan's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on December 10, 2013 is attached as Appendix D.

Finding 1. Verification Violations

Citation Summary: *34 C.F.R. Part 668, Subpart E, Verification of Student Aid Application Information, specifically §§ 668.53, 668.54, 668.55, 668.56, 668.57, and 668.61, states that in order to be eligible to receive a Federal Pell Grant, a student must have a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR). A valid ISIR or SAR is one in which all the information used in calculating the applicant's expected family contribution is accurate and complete as of the date the application is signed.*

An institution must require each applicant whose application is selected for verification on the basis of edits specified by the Secretary to verify all of the applicable items noted in 34 C.F.R. § 668.56. The institution must require the applicant to submit acceptable documentation as described in 34 C.F.R. § 668.57 that will verify or update the information listed in 34 C.F.R. § 668.56. Copies of student and parent tax returns, signed by the student and parent, as applicable, must be obtained and reviewed to accurately verify the adjusted gross income, income taxes paid, and tax filing status. The tax returns may reveal other untaxed income items that must appear on the ISIR.

Until all information is verified with required documentation, students whose applications are selected for verification:

- (i) may only receive one disbursement of any combination of Federal Pell Grant, ACG, or FSEOG funds for the applicant's first payment period; and*
- (ii) may be employed under the Federal Work-Study Program for the first 60 consecutive days after the student's enrollment in that award year; and*
- (iii) may originate a Direct Subsidized Loan provided that the institution does not disburse Direct Subsidized Loan proceeds.*

If an institution fails to obtain the necessary verification documentation, any disbursements made to the student must be returned. In this case, the institution is liable for any overpayment to the extent that the overpayment is not recovered from the student. If an institution has reason to believe that the information included on the financial aid application is inaccurate, or if there is discrepant information in a student's file, the institution may not disburse Title IV funds until the applicant verifies or corrects the information included on his or her application. 34 C.F.R. § 668.16(f) and 668.58(a)(1).

Noncompliance Summary: *Milan failed to properly verify the following students' information:*

Student #25's 2012-2013 ISIR 02 (application completed by the student on January 28, 2013) was marked for verification by the Department. The ISIR reflects that the student's marital status is separated from her spouse since August of 2012. The ISIR also contains zero income for the student, and she reported two members in the household. The student submitted a 2011 federal income tax return reflecting she and her spouse filed a joint tax return. On January 28, 2013, the student signed a 2012-13 Separation of Income Form, reflecting her separation from her spouse and, consequently, removed his income from their joint income. This left her with zero income. On February 4, 2013, Student #25 completed and signed a 2012-13 Verification Worksheet reporting only herself as a member in the household. On March 13, 2013, the student completed and signed a 2012-13 Low Income Verification form stating she is living with her ex-husband, who supports her and her daughter. The information provided by Student #25 fails to support that she is separated from her spouse.

Student #29 submitted a statement reporting that her father's address was only used for mailing purposes. The student used her mother's income for the purpose of applying for Title IV aid and for verification purposes. However, all other documents (the student's driver's license, application for admission, enrollment agreement, etc.) bear the father's address. For Student #29, documentation on file suggests that she resides with the father and is, therefore, dependent on him and must provide the father's income.

Required Action Summary: *Milan must ensure that each student selected for verification is properly verified, with adequate supporting documentation. Milan was required to complete verification and resolve the inconsistent information for the students cited above for whom verification was not completed, and conflicting information was not resolved. Any documentation collected that resolves the discrepancies were to be submitted with Milan's response to the Program Review Report (PRR).*

If the correct information cannot be determined, Milan will be required to repay any Title IV funds disbursed to the student(s). If the reconciliation of the discrepant information above results in inaccurate information on these students' ISIRs, all Title IV funds disbursed to the students are considered liabilities due from Milan to the Department. Milan was required to provide information on the total amounts of Title IV funds disbursed to these students for the 2012-13 award year, by Title IV program (Pell Grant, Subsidized Direct Loan, Unsubsidized Direct Loan, PLUS Loan).

Milan was also required to establish and implement written policies and procedures to assure that the ISIRs of students that are marked for verification by the Secretary are verified in accordance with the applicable regulations. A copy of the policies and procedures were to be provided with Milan's response to the PRR.

Milan's Response: In response to this finding, Milan disagreed and provided additional information on its position, along with a copy of one student's statement as supporting documentation. Milan also provided its updated Verification Procedures.

For Student #25, Milan stated that the student was independent and was divorced after filing taxes. The husband left home while the student stayed with their daughter. Milan performed a separation of income. Milan also indicated that the student's mother moved in with the student. In reference to Student #29, Milan provided another copy of the student's statement regarding using her father's address as permanent mailing address, which is the same statement that was collected during the program review. Please refer to Appendix C for a copy of Milan's written response to this finding.

Final Determination: For Student #25, Milan's explanation of the student's marital status, income, and living situation do not resolve this finding. The evidence showed several pieces of conflicting information. For example, the student completed and signed a verification form, dated March 13, 2013, indicating that she and her daughter lived with her ex-husband, who was supporting both of them. No supporting documentation, that would clearly resolve the inconsistencies, was attached to the PRR response.

Based on this and as the Department stated in the PRR, since the student's correct information has not been determined, Milan must repay any Title IV funds disbursed to the student. Funds must be returned in accordance with the instructions provided in this FPRD. The total amount to be returned includes \$2775 for one Pell Grant disbursement to this student and \$17.94 in interest on the Pell disbursement. In addition, Milan will be responsible for repaying the estimated loss to the federal government on the subsidized and unsubsidized loans disbursed to this student, rather than the principal amount of the loans (the total principal amount is \$4750). The estimated loss for the ineligible loans is based on Milan's most recent cohort default rate available. The estimated loss that Milan must pay to the Department for the ineligible loans is \$127.18. A copy of the results of the estimated loss calculation is included as Appendix F. This amount includes interest from the time the loans were disbursed up until the date of the issuance of the PRR. See Section E of the FPRD for payment instructions.

In reference to Student #29, Milan did not provide any new evidence to resolve this finding and the inconsistencies noted in the student's file. Therefore, as the Department stated in the PRR, Milan must repay all Title IV funds disbursed to the student. Funds must be returned in accordance with the instructions provided in this FPRD. The total amount includes \$2300 from one Pell Grant disbursement to this student and \$14.71 in interest. In addition, Milan will be responsible for repaying the estimated loss to the federal government on the subsidized and unsubsidized loans disbursed to this student, rather than the principal amount of the loans (the total principal amount is \$9500). The estimated loss for the ineligible loans is based on Milan's most recent cohort default rate available. As a result, the estimated loss that Milan must pay to the Department for the

ineligible loans is \$254.36. A copy of the results of the estimated loss calculation is included as Appendix F. This amount includes interest from the time the loans were disbursed up until the date of the issuance of the PRR. See Section E of the FPRD for payment instructions.

Finding 2. Limiting Access to Federal Direct Loans

Citation Summary: *In order to receive Title IV funds, a student must have "financial need." See 20 U.S.C. § 1087kk. To determine a student's financial need, an institution must consider a student's cost of attendance, minus the expected family contribution for the student, minus the estimated financial assistance received from sources other than Title IV (as defined at § 480(i) of the HEA, 20 U.S.C. § 1098vv(i)). Section 471 of the HEA defines costs of attendance for students enrolled at least half-time as: (1) tuition and fees normally assessed students carrying the same academic workload, (2) an allowance for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, for a student attending the institution on at least a half-time basis, (3) an allowance (as determined by the institution) for room and board costs incurred by the student which (A) must be an allowance determined by the institution for a student without dependents residing at home with parents; (B) for students without dependents residing in institutionally owned or operated housing must be a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board; and (C) for all other students, must be an allowance based on the expenses reasonably incurred by such students for room and board. See 20 U.S.C. § 1087ll.*

34 C.F.R. § 685.301(a)(8) provides that a school may refuse to originate a Federal Direct Loan or may reduce the borrower's determination of need for the loan if the reason for that action is documented and provided to the borrower in writing and if the determination is made on a case-by-case basis; the documentation supporting the determination is retained in the student's file; and the school does not engage in any pattern or practice that results in a denial of a borrower's access to Federal Direct Loans because of the borrower's race, gender, color, religion, national origin, age, disability status, or income. See also 20 U.S.C. § 1087tt(c).

Noncompliance Summary: *Milan awarded a Direct Loan to a student at a lesser amount than the student's maximum eligibility. Student #28 was awarded a Direct Loan in the amount of \$3,972 for the 2012-13 award year, which the student accepted. However, the student was entitled to a maximum amount of \$6,000. There is no documentation on file that the student chose to apply for a lesser amount or declined the full amount and requested a reduced amount of \$3,972. There is also no documentation that the student received information on the maximum loan amount for which the student qualified.*

Required Action Summary: *Milan was required to establish policies and procedures that ensure students are aware of the maximum amount of loans for which they may apply and that financial aid staff certify loans for the amount to which a student is entitled and has declared his/her intent to apply. A copy of the revised policies and procedures were to be submitted to the Department with its response to the report.*

Milan's Response: Milan disagreed with this finding. Milan indicated that the determination of a student's need was not reduced. According to Milan, the student was awarded loans and grants in accordance with the regulations; however, the student chose a reduced amount of loan debt. In addition, Milan stated that the student was counseled at multiple points in time regarding the maximum awards via the Entrance Counseling and the Master Promissory note. The student completed and signed Milan's Student Loan Request Form indicating the amount of loan she wanted to borrow.

Final Determination: The student completed and signed Milan's Student Loan Request Form indicating the amount of loan that the student wanted to borrow and Milan counseled the student on her loan debt during the Entrance Counseling and upon completion of her Promissory Note. The Department accepts that Milan counseled the student with respect to her loan eligibility, providing full information. However, there was no documentation in the student file to suggest that the student had received complete information and had, with that knowledge, decided to apply for a lesser loan amount. This information should be clear in student files so there is no doubt that students have received appropriate counseling. Milan must establish policies and procedures that ensure students are aware of the maximum amount of loans for which they may apply and that financial aid staff certify loans in accordance with students' needs, taking into account eligibility requirements. A copy of the revised policies and procedures must be submitted to the Department with its response to this FPRD.

Finding 4. Entrance/Exit Counseling Deficiencies

Citation Summary: *Federal regulations at 34 C.F.R. § 685.304(a) and 685.304(b) specify that "a school must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan" and "a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school."*

Noncompliance Summary: *During the review of Milan's files, it was noted that documentation of entrance and exit counseling were missing for the following students:*

Documentation of Student #20's entrance counseling was missing. The following students were withdrawn from their academic programs and were missing documentation of exit counseling: Students #3, #5, #7, and #25. Withdrawal dates are as follows: Student #3 withdrew on February 14, 2012. Student #5 withdrew on January 2, 2013. Student #7 withdrew on February 16, 2012. Student #25 withdrew on July 8, 2013.

Required Action Summary: *Milan was required to enhance its policies and procedures to conduct Direct Loan entrance and exit counseling for all students who receive Federal Direct Loans, and to ensure all recipients have adequate information regarding borrower responsibilities prior to exiting the school. For borrowers who exit the school without notice, Milan was required to develop a process to confirm completion of the online exit counseling through the Department's website. In instances where such confirmation is not available, Milan must mail the required exit counseling materials to the borrower's last known address and document such action. The revised policies and procedures were to be provided with the response to this PRR.*

Milan's Response: Milan disagreed with this finding. Milan provided documentation of Student #20's entrance counseling. In addition, Milan disagreed with the exit counseling portion of the finding for Students #3, #5, #7, and #25, indicating that 3 of these students were sent letters regarding exit counseling requirements and the fourth student (#7) had all loan funds returned as a result of the student's withdrawal so no exit counseling was required. With respect to the 3 students who were sent letters, Milan indicated that the letter contained the link to on-line exit counseling and that this information was sufficient and in accordance with Milan's institutional policies and procedures. Milan also indicated the institution does follow-up with students who are sent letters to ensure their receipt and completion of the on-line counseling.

Final Determination: For Student #20, the entrance counseling documentation provided by Milan resolved the finding related to this specific student. Therefore, no further action is required by Milan.

However, for the remaining students, the letter sent to each student was not sufficient evidence of the completion of exit counseling and does not resolve this finding. The letter directed students to complete the exit counseling at www.studentaid.gov. There was no documentation that Milan either followed-up with the student or mailed additional exit counseling materials to the students as a follow-up and in order to ensure that the students received the exit counseling materials. As the Department stated in the PRR, Milan must enhance its policies and procedures to conduct Direct Loan entrance and exit counseling for all students who receive Federal Direct Loans, and to ensure all recipients have adequate information regarding borrower responsibilities prior to exiting the school. For borrowers who exit the school without notice, Milan must develop a process to confirm completion of the online exit counseling through the Department's website. When confirmed, this must be documented in a student's file so it is evident that Milan complied with this requirement. In instances where such confirmation is not available,

Milan must mail the required exit counseling materials to the borrower's last known address and document such action. The revised policies and procedures must be provided with the response to this FPRD.

D. Summary of Liabilities

The total amount calculated as liabilities from the verification finding in the program review is as follows.

Established Liabilities	
Finding 1	\$5,489.19
TOTAL	\$5,489.19
Payable To:	
Department	\$5,489.19

Liabilities of \$2,920.12 and \$2,569.07 were established for Student #25 and Student #29 in Finding #1.

Milan must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

E. Payment Instructions

Section I. Liabilities Owed to the Department

Milan owes to the Department \$5,489.19. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount:	\$5,489.19
DUNS:	858605066
TIN:	751640547
PRCN:	201340928383

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Milan is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to Milan's account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
Office of the Chief Financial Officer
Accounts Receivable Group
550 12th Street, SW, Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, Milan has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due Milan from the federal government. **Milan may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Milan must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to

offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

Section II. Instructions by Title IV, HEA Program

Pell Grant Closed Award Year - Payment Instructions

Finding: #1

Milan must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$2775.00 (#25)	\$17.94	Pell	2012-13
\$2300.00 (#29)	\$14.71	Pell	2012-13
Total Principal	Total Interest		
\$5075.00	\$32.65		

The disbursement record for each student identified in Appendix B must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount (principal) of aid. Adjustments in COD must be completed prior to remitting payment to the Department. **Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. Interest will be applied to the general program account.**

A copy of the adjustment to each student's COD record must be sent to Adeline Espinosa **within 45 days of the date of this letter.**

Direct Loan Estimated Actual Loss (EAL)

Finding: #1

DL Estimated Actual Loss	
Amount	Award Year
\$127.18 (#25)	2012-13
\$254.36 (#29)	2012-13
Total \$381.54	

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

F. Appendices

Appendix A: Student Files Reviewed and **Appendix B: Student Level Detail**, contain personally identifiable information and will be emailed to Milan as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email.

Appendix C: Institution's Written Response (dated January 7, 2014).

Appendix D: Program Review Report (dated December 10, 2013).

Appendix E: Cost of Funds

Appendix F: Estimated Actual Loss

Final Program Review Determination

Appendix A

Student Files Reviewed

Final Program Review Determination

Appendix B

Student Level Detail

Final Program Review Determination

Appendix D

Program Review Report (dated December 10, 2013)



December 10, 2013

Mr. Gary Yasuda
President
Milan Institute
1720 W. Walnut
Visalia, CA 93277-8109

Certified Mail
Return Receipt Requested
#: 70070710000106750627

RE: **Program Review Report**
OPE ID: 02497300
PRCN: 201340928383

Dear Mr. Yasuda:

From August 26, 2013 through August 29, 2013, DeNise Hill and Adelinc Espinosa conducted an on-site program review of Milan Institute's (Milan'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). This program review continued off-site until September 6, 2013. 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 Milan. The response should include a brief, written narrative for each finding that clearly states Milan's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Milan must provide supporting documentation as required in each finding.

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

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

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for

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

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inspection by Milan upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to DeNise Hill within 30 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

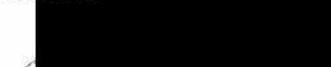
PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity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

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).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact DeNise Hill at (206) 615-3638 or at DeNise.L.Hill@ed.gov.

Sincerely,



Erik Fosker
Compliance Manager
San Francisco/Seattle School Participation Division

cc: Ms. Linda Sanchez, Vice President of Financial Aid

Enclosures:
Protection of Personally Identifiable Information
Program Review Report

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Prepared for
Milan Institute

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

Program Review Report December 10, 2013

50 Beale Street, Suite 9800, San Francisco, CA 94105
StudentAid.gov

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A. Institutional Information

Milan Institute
6500 South Mooney Boulevard
Visalia, CA 93277-8109

Type: Proprietary

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

Accrediting Agency: Accrediting Council for Continuing Education & Training

Current Student Enrollment: 357 (2013-14 Award Year)

% of Students Receiving Title IV: 94.4% (2013-14 Award Year)

Title IV Participation: from Postsecondary Education Participants System

	<u>2011-12 Award Year</u>
Federal Pell Grant (Pell) Program	\$3,136,021
Federal Subsidized Direct Loan (DL) Program	\$2,043,967
Federal Unsubsidized Direct Loan (DL) Program	\$2,964,799
Federal PLUS Direct Loan (DL) Program	\$277,086
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$25,500

Default Rate FFEL/DL:	2010	16.6%
	2009	18.8%
	2008	15.2%

B. Scope of Review

The U.S. Department of Education (the Department) conducted an on-site program review at Milan Institute (Milan) from August 26, 2013 to August 30, 2013. The review continued off-site until September 6, 2013. The review was conducted by DeNise Hill and Adeline Espinosa

The focus of the review was to determine Milan's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of Milan's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and consumer information requirements.

A sample of 30 files was identified for review from the 2011-12 and 2012-13 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Milan'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 Milan 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 Milan to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Verification Violations

Citation: 34 C.F.R. Part 668, Subpart E, Verification of Student Aid Application Information, specifically §§ 668.53, 668.54, 668.55, 668.56, 668.57, and 668.61, states that in order to be eligible to receive a Federal Pell Grant, a student must have a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR). A valid ISIR or SAR is one in which all the information used in calculating the applicant's expected family contribution is accurate and complete as of the date the application is signed.

An institution must require each applicant whose application is selected for verification on the basis of edits specified by the Secretary to verify all of the applicable items noted in 34 C.F.R. § 668.56. The institution must require the applicant to submit acceptable documentation as described in 34 C.F.R. § 668.57 that will verify or update the information listed in 34 C.F.R. § 668.56. Copies of student and parent tax returns, signed by the student and parent, as applicable, must be obtained and reviewed to accurately verify the adjusted gross income, income taxes paid, and tax filing status. The tax returns may reveal other untaxed income items that must appear on the ISIR.

Until all information is verified with required documentation, students whose applications are selected for verification:

- (i) may only receive one disbursement of any combination of Federal Pell Grant, ACG, or FSEOG funds for the applicant's first payment period; and
- (ii) may employ or allow an employer to employ an eligible student under the Federal Work-Study Program for the first 60 consecutive days after the student's enrollment in that award year; and
- (iii) may originate the Direct Subsidized Loan provided that the institution does not disburse Direct Subsidized Loan proceeds.

If an institution fails to obtain the necessary verification documentation, any disbursements made to the student must be returned. In this case, the institution is liable for any overpayment to the extent that the overpayment is not recovered from the student.

If an institution has reason to believe that the information included on the financial aid application is inaccurate, or if there is discrepant information in a student's file, the institution may not disburse Title IV funds until the applicant verifies or corrects the information included on his or her application. 34 C.F.R. § 668.16(f) and 668.58(a)(1)

Noncompliance: Milan failed to properly verify the following students' information:

Student #25's 2012-2013 ISIR 02 (application completed by the student on January 28, 2013) was marked for verification by the Department. The ISIR reflects that the student's marital status is separated from her spouse since August of 2012. The ISIR also contains zero income for the student, and she reported two members in the household. The student submitted a 2011 federal income tax return reflecting she and her spouse filed a joint tax return. On January 28, 2013, the student signed a 2012-13 Separation of Income Form, reflecting her separation from her spouse and, consequently, removed his income from their joint income. This left her with zero income. On February 4, 2013, Student #25 completed and signed a 2012-13 Verification Worksheet reporting only herself as a member in the household. On March 13, 2013, the student completed and signed a 2012-13 Low Income Verification form stating she is living with her ex-husband, who supports her and her daughter. The information provided by Student #25 fails to support that she is separated from her spouse.

Student #29 submitted a statement reporting that her father's address was only used only for mailing purposes. The student used her mother's income for the purpose of applying for Title IV aid and for verification purposes. However, all other documents (the student's driver's license, application for admission, enrollment agreement, etc.) bear the father's address. For Student #29, documentation on file suggests that she resides with the father and is, therefore, dependent on him and must provide the father's income.

Required Action: Milan must ensure that each student selected for verification is properly verified, with adequate supporting documentation. Milan must complete verification and resolve the inconsistent information for the students cited above for whom verification was not completed, and conflicting information was not resolved. Any documentation collected that resolves the discrepancies must be submitted with Milan's response to the Program Review Report (PRR).

If the correct information cannot be determined, Milan will be required to repay any Title IV funds disbursed to the student(s). If the reconciliation of the discrepant information above results in inaccurate information on these students' ISIRs, all Title IV funds disbursed to the students are considered liabilities due from Milan to the Department. Milan must provide information on the total amounts of Title IV funds disbursed to these students for the 2012-13 award year, by Title IV program (Pell Grant, Subsidized Direct Loan, Unsubsidized Direct Loan, PLUS Loan). Repayment information will be provided in the Final Program Review Determination (FPRD).

Milan must also establish and implement written policies and procedures to assure that the ISIRs of students that are marked for verification by the Secretary are verified in accordance with the applicable regulations. A copy of the policies and procedures are to be provided with Milan's response to this PRR.

Finding 2. Limiting Access to Federal Direct Loans

Citation: In order to receive Title IV funds, a student must have "financial need." See 20 U.S.C. § 1087kk. To determine a student's financial need, an institution must consider a student's cost of attendance, minus the expected family contribution for the student, minus the estimated financial assistance received from sources other than Title IV (as defined at § 480(i) of the HEA, 20 U.S.C. § 1098vv(i)). Section 471 of the HEA defines costs of attendance for students enrolled at least half-time as: (1) tuition and fees normally assessed students carrying the same academic workload, (2) an allowance for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, for a student attending the institution on at least a half-time basis, (3) an allowance (as determined by the institution) for room and board costs incurred by the student which (A) must be an allowance determined by the institution for a student without dependents residing at home with parents; (B) for students without dependents residing in institutionally owned or operated housing must be a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board; and

(C) for all other students, must be an allowance based on the expenses reasonably incurred by such students for room and board. See 20 U.S.C. § 108711.

34 C.F.R. § 682.603(f)(2) and 685.301(a)(8) provide that a school may refuse to originate a Federal Direct Loan or may reduce the borrower's determination of need for the loan if the reason for that action is documented and provided to the borrower in writing and if the determination is made on a case-by-case basis; the documentation supporting the determination is retained in the student's file; and the school does not engage in any pattern or practice that results in a denial of a borrower's access to Federal Direct Loans because of the borrower's race, gender, color, religion, national origin, age, disability status, or income. See also 20 U.S.C. § 1087tt(c).

Noncompliance: Milan awarded a Direct Loan to a student at a lesser amount than the student's maximum eligibility. Student #28 was awarded a Direct Loan in the amount of \$3,972 for the 2012-13 award year, which the student accepted. However, the student was entitled to a maximum amount of \$6,000. There is no documentation on file that the student chose to apply for a lesser amount or declined the full amount and requested a reduced amount of \$3,972. There is also no documentation that the student received information on the maximum loan amount for which the student qualified.

Required Action: Milan must establish policies and procedures that ensure students are aware of the maximum amount of loans for which they may apply and that financial aid staff certify loans for the amount to which a student is entitled and has declared his/her intent to apply. A copy of the revised policies and procedures must be submitted to the Department with its response to this report.

Finding 3. Incomplete Externship Records

Citation: An institution shall establish and maintain, on a current basis, any application for Title IV, HFA program funds and program records that document its eligibility to participate in the Title IV, HEA programs; the eligibility of its educational programs for Title IV, HEA program funds; its administration of the Title IV, HEA programs in accordance with all applicable requirements; its financial responsibility; information included in any application for Title IV, HEA program funds; and its disbursement and delivery of Title IV, HEA program funds. In general, an institution shall maintain required records in a systematically organized manner. 34 C.F.R. § 668.24

Noncompliance: Forms are maintained in the student's file which is used to record the beginning and anticipated end dates of the student's externship; however, the school failed to note an actual completion date of the externship requirement.

The files of Student #13 and Student #26 have the Externship Forms. However, each form is missing an actual end date of the externship. An end date would provide clarity with respect to the student's completion of this important facet of his/her academic program.

Required Action: Milan must review its policy and procedures for managing its externship time and attendance records to ensure an accurate end date is recorded on its externship form in a timely manner. In addition, Milan must provide a copy of a completed externship form for both Student #13 and Student #26 reflecting an end date, along with each student's timecard to validate the correct hours and completion of each student's externship hours. Milan must submit these documents with its response to the PRR.

Finding 4. Entrance/Exit Counseling Deficiencies

Citation: Federal regulations at 34 C.F.R. § 685.304(a) and 685.304(b) specify that "a school must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan" and "a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school."

Noncompliance: During the review of Milan's files, it was noted that documentation of entrance and exit counseling were missing for the following students:

Documentation of Student #20's entrance counseling was missing. The following students were withdrawn from their academic programs and were missing documentation of exit counseling: Students # 3, #5, #7, and #25. Withdrawal dates are as follows: Student #3 withdrew on February 14, 2012. Student #5 withdrew on January 2, 2013. Student #7 withdrew on February 16, 2012. Student #25 withdrew on July 8, 2013.

Required Action: Milan must enhance its policies and procedures to conduct Direct Loan entrance and exit counseling for all students who receive Federal Direct Loans, and to ensure all recipients have adequate information regarding borrower responsibilities prior to exiting the school. For borrowers who exit the school without notice, Milan must develop a process to confirm completion of the online exit counseling through the Department's website. In instances where such confirmation is not available, Milan must mail the required exit counseling materials to the borrower's last known address and document such action. The revised policies and procedures must be provided with the response to this PRR.

D. Appendix

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