

Index Sheet

Ope Id No: 02285000

School Name: SCIENTIFIC BEAUTY ACADEMY

Subfolder: Program Review/FPRD

Doc Type: FPRD with Attachments

Rec Date:

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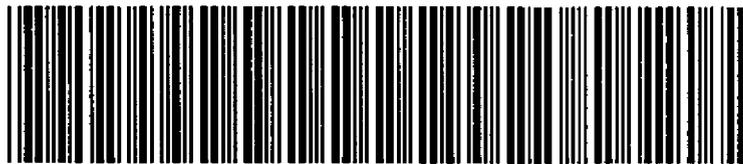
School Year: 2013

ACN:

PRCN: 201240427977

Box ID: 1431

Unique ID: SC1000000803075





December 21, 2012

Mr. Robert W. Brown, Jr.
Owner/Director
Paul Mitchell The School Huntsville
3810 Sullivan St., Suite F
Madison, AL 35758

UPS – Next Day Air
Tracking # 1ZA5467Y0192232375

RE: **Final Program Review Determination**
OPE ID: 02285000
PRCN: 201240427977

Dear Mr. Brown:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on September 26, 2012 covering Paul Mitchell The School Huntsville's (Paul Mitchell'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 and 2012 award years. Paul Mitchell's response was received on October 29, 2012. The Program Review Report included a finding concerning Failure to Reconcile Records for NSLDS and Student Account Ledgers for Direct Loans. Based on the response submitted by Paul Mitchell, the Atlanta School Participation Division has determined that finding 5 should not have been included in the Program Review Report. Paul Mitchell did fail to address adequately 2 of the 8 findings, as detailed in the attached report. A copy of the program review report (and related attachments) and the institution's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Paul Mitchell upon request. The Department has made final determinations based on information obtained during the program review and from documentation already submitted by Paul Mitchell. 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 identify findings that require further action by Paul Mitchell and to close the review.

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).

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

School Participation Division – Atlanta
Union Center Plaza, 830 First St., NE, 7th Floor, Washington, DC, 20002
StudentAid.gov

Paul Mitchell The School Huntsville

OPE ID: 02285000

PRCN Number: 201240427977

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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 was encrypted and sent separately to the institution via e-mail.

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 LaTonya Nesbitt at (202)377-3210.

Sincerely,

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

Charles L. Engstrom
Division Director

Enclosure:

Protection of Personally Identifiable Information

cc: Ms. Tammy Burkfield, Financial Aid Administrator
Alabama Board of Cosmetology
National Accrediting Commission of Cosmetology Arts and Science

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

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

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.

Prepared for

**Paul Mitchell The School
Huntsville**

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

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the AMERICAN MIND™

**OPE ID: 02285000
PRCN: 201240427977**

**Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division - Atlanta**

Final Program Review Determination

December 21, 2012

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A. Institutional Information

Paul Mitchell The School Huntsville
3810 Sullivan St., Suite F
Madison, AL 35758

Type: Proprietary

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

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Science

Current Student Enrollment: 67 (as of 7/2012)

% of Students Receiving Title IV, HEA funds: 89.56% (as of 7/2012)

Title IV, HEA Program Participation (G5):

	2010-2011
Federal Pell Grant Program (Pell)	\$488,318.26
Federal Direct Loan (DL)	\$925,189.00

Default Rate FFEL/DL:	2009 – .0%
	2008 – .0%
	2007 – .0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Paul Mitchell The School Huntsville (Paul Mitchell) from July 9, 2012 to July 13, 2012. The review was conducted by LaTonya Nesbitt and Jean Kelly.

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

A sample of 30 files was identified for review from the 2011 and 2012 (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 social security numbers of the students whose files were examined during the program review. A program review report was issued on September 26, 2012.

Disclaimer:

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

C. Findings and Final Determinations

Resolved Findings

Paul Mitchell has taken the corrective actions necessary to resolve findings 1, 2, 3, 5, 6, and 8 of the program review report. Therefore, these findings may be considered closed. Appendix C containing the institution's written response related to the resolved findings is enclosed. Findings requiring further action by Paul Mitchell 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 Paul Mitchell's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on September 26, 2012 is attached as Appendix B.

Finding 4. Inaccurately Reporting Disbursement Information to COD

Citation Summary:

34 C.F.R. § 690.83 requires institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit Federal Pell Grant and/or Federal Direct Loan disbursement records to the Common Origination and Disbursement (COD) system no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement (COD Technical Reference, 2011-2012, Volume II). The disbursement date is the date that the institution:

- (a) Credits funds to a student's account, or;*
- (b) Pays funds to a student directly.*

Refer to the COD Technical Reference, 2011-2012 and the June 29, 2012 Federal Register for the most recent reporting deadlines and requirements.

Noncompliance Summary:

Disbursement dates reported to COD were not accurate. The following chart illustrates a sample of the difference between dates that Title IV funds were disbursed to the student's accounts versus disbursement dates reported to COD:

Student	COD	Student Account Ledger	Program	Amount
4	08/21/2010	8/26/2010	Pell	\$2,775.00
17	05/20/2012	06/06/2012	Pell	\$2,775.00

Required Action Summary:

Paul Mitchell had to review COD reporting procedures to determine why disbursement dates were not accurate for its students. Paul Mitchell had to correct its procedures so that disbursement dates reported to COD were the dates that Federal Pell Grant funds were credited to the student's account or paid to the student directly. Paul Mitchell's response had to describe procedures that the institution will put into place in order to correct this deficiency. In addition, the institution had to correct the dates in COD. To show the correction had been made in COD, the institution was required to provide this office with a copy of the "Award Disbursements Information" page from the COD system.

Paul Mitchell's Response:

Paul Mitchell stated it utilizes a 3rd party servicer for reconciling and reporting to COD. The school referred the Department to several reconciled statements.

Final Determination:

Paul Mitchell did not provide this office with a copy of the "Award Disbursements Information" page from the COD system to show that the corrections were made in COD for students #4 and #17. Also, Paul Mitchell did not provide its updated procedures for reporting correct disbursement dates in COD. Even though Paul Mitchell utilizes a 3rd party servicer, the school is ultimately responsible. Therefore, this finding has not been resolved.

To resolve this finding, Paul Mitchell must correct the dates in COD for the students listed above and correct its procedures so that disbursement dates reported to COD are the dates that Federal Pell funds are credited to the student's account or paid to the student directly. Paul Mitchell's auditor must verify that the corrections to COD have been made for the student's listed in this finding and Paul Mitchell's procedures have been updated. These results should be stated in the "Prior Audit" section of the next regularly scheduled non-Federal audit.

The institution is advised that failure to satisfactorily resolve this finding, may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668, Subpart G.

Finding 7. Return of Title IV Policy – Missing Components

Citation Summary:

The institution must have a published refund policy that conforms to state and accrediting agency requirements.

Additionally, the institution must have a written policy that describes how it will meet the requirement to return unearned Title IV funds to the Department when a student withdraws from the institution. This policy is titled the Return of Title IV (R2T4) policy. The R2T4 policy instructs an institution how to determine the amount of Title IV aid an institution earns when a student does not complete the period of enrollment.

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or a period of enrollment in which the recipient began attendance, the institution must determine the amount of Federal Student Aid program

assistance (not including FWS or the non-federal share of FSEOG) that the student earned as of the student's withdrawal date. 34 C.F.R. § 668.22, General Provisions.

Noncompliance Summary:

The institution failed to include all of the following required items in its Return of Title IV policy listed below. The R2T4 policy had to include the following:

- *A system to determine the withdrawal date for a student who withdraws officially or unofficially;*
- *Guidelines pertaining to the 45 day time frame for the return of Title IV program funds;*
- *Guidelines pertaining to the order in which Title IV program funds must be returned.*

Required Action Summary:

In response to this finding, the institution had to revise its current Return of Title IV policy to comply with federal regulations. A copy of the revised policy had to be submitted to this office.

Paul Mitchell's Response:

Paul Mitchell stated it revised its Return of Title IV Funds policy to comply with federal regulations and it included the following:

- A system to determine the withdrawal date for a student who withdraws officially or unofficially;
- Guidelines pertaining to the 45 day time frame for the return of Title IV program funds;
- Guidelines pertaining to the order in which Title IV program funds must be returned.

Final Determination:

Even though Paul Mitchell updated its R2T4 policy, it failed to include its process to determine the withdrawal date for a student who withdraws officially or unofficially. This process should clearly be stated in its R2T4 policy for all of its Title IV students. To resolve this finding, Paul Mitchell must revise its current R2T4 policy to include a process to determine the withdrawal date for a student who withdraws officially or unofficially. Paul Mitchell should incorporate its withdrawal policy into its R2T4 policy.

Paul Mitchell's auditor must verify that the R2T4 policy has been updated. These results should be stated in the "Prior Audit" section of the next regularly scheduled non-Federal audit.

The institution is advised that failure to satisfactorily resolve this finding, may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668, Subpart G.

**Paul Mitchell The School Huntsville
OPEID# 02285000
Student Statistical Sample (Appendix A)
2010-2011 and 2011-2012 Award Years**

2010 - 2011 Award Year

<u>Name</u>	<u>SSN</u>
1.	(b)(6); (b)(7)(C),(b)(7)(C)
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	

2011-2012 Award Year

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

Final Program Review Determination
PRCN #: 201240427977

Appendix B
Program Review Report



FILE COPY

September 26, 2012

Mr. Robert W. Brown, Jr.
Owner/Director
Paul Mitchell The School Huntsville
3810 Sullivan St., Suite F
Madison, AL 35758

UPS -- Next Day Air
Tracking #1ZA5467Y0194719202

RE: **Program Review Report**
OPE ID: 02285000
PRCN: 201240427977

Dear Mr. Brown:

From July 9, 2012 through July 13, 2012, LaTonya Nesbitt and Jean Kelly conducted a review of Paul Mitchell The School Huntsville's (Paul Mitchell) 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 Paul Mitchell. The response should include a brief, written narrative for each finding that clearly states Paul Mitchell's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Paul Mitchell 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;

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).

Federal Student

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

Atlanta School Participation Division
830 First Street, N.E., 7th Floor
Washington, DC 20202

- (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 inspection by Paul Mitchell 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 LaTonya Nesbitt of this office within 30 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. Appendix A was given to Paul Mitchell in the entrance conference held on July 9, 2012. Upon request, Appendix A can be encrypted and 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.

Paul Mitchell The School Huntsville
OPE ID Number: 02285000
PRCN Number: 201240427977
Page 3 of 3

If you have any questions concerning this report, please contact LaTonya Nesbitt at (202) 377-3210 or LaTonya.Nesbitt@ed.gov.

Sincerely,

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

Christopher Miller
Compliance Manager

cc: Ms. Tammy Burkfield, Financial Aid Administrator

Enclosure:
Protection of Personally Identifiable Information

Prepared for
**Paul Mitchell The School
Huntsville**

OPE ID: 02285000
PRCN: 201240427977

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Team - Atlanta

Program Review Report

September 26, 2012

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Paul Mitchell The School Huntsville
OPE ID: 02285000
PRCN: 201240427977
Page 2

A. Institutional Information

Paul Mitchell The School Huntsville
3810 Sullivan St., Suite F
Madison, AL 35758

Type: Proprietary

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

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Science

Current Student Enrollment: 67 (as of 7/2012)

% of Students Receiving Title IV: 89.56% (as of 7/2012)

Title IV Participation (G5):

	2010-2011
Federal Pell Grant Program (Pell)	\$490,067.80
Federal Direct Loan (DL)	\$782,277.00

Default Rate FFEL/DL:	2009 - .0%
	2008 - .0%
	2007 - .0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Paul Mitchell The School Huntsville (Paul Mitchell) from July 9, 2012 to July 13, 2012. The review was conducted by LaTonya Nesbitt and Jean Kelly.

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

A sample of 30 files was identified for review from the 2011 and 2012 (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 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 Paul Mitchell'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 Paul Mitchell 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 Paul Mitchell to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Incomplete Verification

Citations:

The purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount. (34 C.F.R. §§ 668.16 [f], 668.51 through 668.61, and the U.S. Department of Education's Application and Verification Guide.) Students are selected for verification on the basis of application edits specified by the Secretary. An institution must establish procedures to request, receive, and verify applicant data for each award year. Institutions are also responsible for resolving conflicting information related to a student's application for federal student aid. There are five required data elements that must be verified. These five items are:

- Household size (HHS);
- Number enrolled in college;
- Adjusted Gross Income (AGI);
- U.S. income tax paid; and,
- Other untaxed income and benefits.

Supporting documentation collected from the student (and parents or spouse) is compared to the information reported on the student's Institutional Student Information Record (ISIR). Verification documentation collected must be retained in the student's file as evidence that the process was completed.

Noncompliance:

The institution failed to accurately complete verification for the following students who were selected for verification:

Student #25: The 2010-2011 ISIR revealed 3 in the household, but the 2010-2011 Dependent Verification Worksheet lists 2 in the household. For 2010-2011, the student received \$2,775 in Federal Pell Grant funds, \$995 in DL (Unsubsidized) and \$1,742 (Subsidized).

Student #28: The 2011-2012 ISIR revealed \$1,254 as Adjusted Gross Income (AGI), but there were no 2010 income tax returns in the student's file to support the AGI. For 2011-2012, the student received \$2,000 in Federal Pell Grant funds and \$1,169 in DL (Subsidized).

Required Action:

Paul Mitchell must complete verification by resolving conflicting data and recalculating the accuracy of Title IV aid disbursed for the students listed above. Your recalculations and

verification documentation for all students listed above must be forwarded to this office in response to this report.

If necessary, instructions for repayment of any ineligible amounts will be provided in the Final Program Review Determination letter.

Your response to this finding must explain corrective actions the institution will take to avoid unresolved verification discrepancies in the future.

Finding 2. Conflicting Return of Title IV Calculations

Citations:

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of 668.22. 34 C.F.R. § 668.22(a), General Provisions.

The amount of Title IV grant or loan assistance that is earned by the student is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student. Applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date. 34 C.F.R. § 668.22(e), General Provisions.

Noncompliance:

In reviewing the R2T4 calculation for student #15, it was determined that two R2T4 calculations were calculated for this student. On the "computerized" R2T4 calculation, the institution determined in step 2 (Percentage of Title IV Earned) that the student had 682.50 scheduled hours to complete, and on the "handwritten" R2T4 calculation, the student had 450 scheduled hours to complete in the payment period. Even though the student earned 100% of their Title IV funds in both calculations, having two different calculations does not present a clear audit trail and it displays conflicting information.

Required Action:

The amount of Title IV grant or loan assistance that is earned by the student is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student. Applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on

the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

In response to this finding, the institution must review and resolve the discrepancies listed above by determining which R2T4 calculation in student #15's financial aid file has the correct scheduled hours in step 2 of the R2T4 calculation, and submit the corrected R2T4 calculation to this office. Paul Mitchell must submit an explanation for the discrepancy referenced in this finding.

If applicable, the institution is liable for all additional refunds, which are due. Payment instructions will be provided in the Final Program Review Determination letter.

Finding 3. Failure to Reconcile Federal Pell Grant and Direct Loan Discrepancies Between G5, Common Origination & Disbursement (COD) and Institutional General Ledgers for 2010-2011

Citations:

An institution shall account for the receipt and the expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis financial records that reflect each HEA, Title IV program transaction, general ledger control accounts, and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. 34 C.F.R. § 668.24, General Provisions.

An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the *Federal Register*. 34 C.F.R. § 690.83(b), Federal Pell Grant Program.

Noncompliance:

An examination of the institution's general ledgers, COD, and G5 revealed discrepancies for the total amount of expenditures for the Federal Pell Grant program for the 2010-2011 award year. COD reported \$491,092.49, G5 reported \$490,067.80, and the institution's general ledgers reported \$490,067.03 as the total expenditures for the 2010-2011 award year.

An examination of the institution's general ledgers, COD, and G5 revealed discrepancies for the total amount of expenditures for the Direct Loan program for the 2010-2011

award year. COD reported \$925,189, G5 reported \$782,277, and the institution's general ledgers reported \$786,844 as the total expenditures for the 2010-2011 award year.

Required Action:

The institution must reconcile its reports for the 2010-2011 award period so that the reported Federal Pell Grant and Direct Loan expenditures and the institution's accounting records are all in agreement.

In response to this report, the institution must state what actions have been taken or are being taken to correct this problem. The institution must provide this office with a copy of its reconciliation. Once the Department receives the institution's response to this finding, further guidance will be provided to the institution.

Finding 4. Inaccurately Reporting Disbursement Information to COD

Citation:

34 C.F.R. § 690.83 requires institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit Federal Pell Grant and/or Federal Direct Loan disbursement records to the Common Origination and Disbursement (COD) system no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement (COD Technical Reference, 2011-2012, Volume II). The disbursement date is the date that the institution:

- (a) Credits funds to a student's account, or;
- (b) Pays funds to a student directly.

Refer to the COD Technical Reference, 2011-2012 and the June 29, 2012 Federal Register for the most recent reporting deadlines and requirements.

Noncompliance:

Disbursement dates reported to COD were not accurate. The following chart illustrates a sample of the difference between dates that Title IV funds were disbursed to the student's accounts versus disbursement dates reported to COD:

Student	COD	Student Account Ledger	Program	Amount
4	08/21/2010	8/26/2010	Pell	\$2,775.00
17	05/20/2012	06/06/2012	Pell	\$2,775.00

Required Action:

Paul Mitchell must review COD reporting procedures to determine why disbursement dates are not accurate for its students. Paul Mitchell must correct its procedures so that disbursement dates reported to COD are the dates that Federal Pell Grant funds are credited to the student's account or paid to the student directly. Paul Mitchell's response must describe procedures that the institution will put into place in order to correct this deficiency. In addition, the institution must correct the dates in COD. To show the correction has been made in COD, the institution must provide this office with a copy of the "Award Disbursements Information" page from the COD system.

Finding 5. Failure to Reconcile Records for NSLDS and Student Account Ledgers for Direct Loans

Citations:

An institution must maintain accurate records showing the amounts of federal funds drawn down and the amounts posted to the student accounts. This disparity in the amounts posted to student accounts and the amounts reported to NSLDS and COD reflects failure on the institution's part to maintain accurate records, which is a critical element in the evaluation of administrative capability. 34 C.F.R. § 668.16 and 34 C.F.R. § 668.163, General Provisions.

Noncompliance:

Upon reviewing the following student file, the reviewers noted conflicting information between the information reported to NSLDS and the information contained on the student's account ledger:

Student #17: According to the student account ledger for the 2010-2011 award year, a total of \$1,750 of Federal Subsidized Direct loan payments were disbursed and \$1,000 of Federal Unsubsidized Direct loan funds were disbursed, while NSLDS was reporting \$0 of Federal Subsidized Direct loan payments and \$0 of Federal Unsubsidized Direct loan payments were disbursed for the 2010- 2011 award year.

Required Action:

The institution must obtain and submit to this office the necessary documentation¹ to resolve the conflicting information for the student mentioned above.

¹ The necessary documentation to resolve conflicting documentation should include all cancelled checks (front/back), electronic transfers, etc. to show the monies were either returned to the lender or the Department of Education. Also, the institution must provide the corrected copies of the NSLDS reports.

Also, the institution must institute procedures to ensure Federal funds drawn down and posted to student accounts are accurately reported to NSLDS. A copy of the institution's procedures must be submitted to this office along with the supporting documentation to resolve the conflicting documentation in response to this finding.

Finding 6. Missing Exit Counseling

Citation:

The institution must conduct exit counseling with each Stafford loan borrower either in-person, by audiovisual presentation, or by computer assisted technology.

In each case, the institution must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. 34 C.F.R. § 685.304, Direct Loan Program.

Noncompliance:

The records for student #12 contained no documentation to support that the borrower was provided exit counseling.

Required Action:

The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that an individual with expertise in the Title IV programs is reasonable available shortly after the counseling to answer the student borrower's questions.

If a student borrower withdraws from the school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete the exit counseling as required. A copy of all of the material provided to the students must be placed in his/her file to substantiate the school's compliance with this requirement.

In response to this finding, the institution must provide assurance exit counseling interviews will be conducted with borrowers in accordance with the regulatory requirements and the borrowers' records contain adequate documentation to support

appropriate counseling was provided. Also, the institution must institute procedures to ensure all Title IV borrowers receive exit counseling. A copy of the procedures must be submitted with the institution's response to this finding.

Finding 7. Return of Title IV Policy – Missing Components

Citation:

The institution must have a published refund policy that conforms to state and accrediting agency requirements.

Additionally, the institution must have a written policy that describes how it will meet the requirement to return unearned Title IV funds to the Department when a student withdraws from the institution. This policy is titled the Return of Title IV (R2T4) policy. The R2T4 policy instructs an institution how to determine the amount of Title IV aid an institution earns when a student does not complete the period of enrollment.

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or a period of enrollment in which the recipient began attendance, the institution must determine the amount of Federal Student Aid program assistance (not including FWS or the non-federal share of FSEOG) that the student earned as of the student's withdrawal date. 34 C.F.R. § 668.22, General Provisions.

Noncompliance:

The institution failed to include the following required items in its Return of Title IV policy listed below. The R2T4 policy must include the following:

- A system to determine the withdrawal date for a student who withdraws officially or unofficially;
- Guidelines pertaining to the 45 day time frame for the return of Title IV program funds;
- Guidelines pertaining to the order in which Title IV program funds must be returned.

Required Action:

In response to this finding, the institution must revise its current Return of Title IV policy to comply with federal regulations. A copy of the revised policy must be submitted to this office.

Finding 8. Withdrawal Policy – Missing Components

Citation:

Institutional information that the institution must make readily available to enrolled and prospective students includes but is not limited to the requirements and procedures for officially withdrawing from the institution. 34 C.F.R. §.668.43(a)(3), General Provisions.

Noncompliance:

In its consumer information, a school must make available upon request to prospective and enrolled students the requirements and procedures for officially withdrawing from the school. A school should provide sufficient information for a student or prospective student to be able to determine the procedures for withdrawing and the financial consequences of doing so.

In reviewing the institution's withdrawal policy, it was determined that the institution did not include in its withdrawal policy its policy for officially and unofficially withdrawing from the school.

Required Action:

In response to this finding, the institution must revise its current withdrawal policy to comply with federal regulations. A copy of the revised policy must be submitted to this office.

D. Appendices

Appendix A (Student Sample) contains personally identifiable information and will be emailed to Paul Mitchell as an encrypted WinZip file using Advanced Encryption Standard, 256-bit, upon request. The Student Sample was given to the institution at the Entrance Conference held on July 9, 2012.

Appendix B contains the instructions for encrypting files.

Paul Mitchell The School Huntsville
OPEID# 02285000
Student Statistical Sample (Appendix A)
2010-2011 and 2011-2012 Award Years

2010 - 2011 Award Year

<u>Name</u>	<u>SSN</u>
1.	(b)(6); (b)(7(C),(b)(7)(C)
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	

2011-2012 Award Year

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

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

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

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.

Final Program Review Determination
PRCN #: 201240427977

Appendix C

Paul Mitchell's Response to the Program Review Report

Program Review Report Response
October 26, 2012

Paul Mitchell the School Huntsville
OPE ID: 02285000
PRCN: 201240427977

Finding 1. Incomplete Verification

Student #25 had conflicting data on her ISIR and her Verification Form. She had failed to list her father in the family information section of the verification worksheet and this was not caught by the school. The school was aware of her family situation and processed her financial aid accordingly. The student has now listed her father on the verification worksheet. No recalculations are necessary.

Student #28 had incorrectly stated her tax filing status on her FAFSA. A correction was processed to correct the data elements. When the corrected ISIR was received, the corrections were not reflected. The financial aid staff did not notice this and processed her accordingly. In order to resolve this conflict, we have contacted our 3rd party servicer to make the correction. After the correction was made, no recalculation was necessary. The student was awarded the proper amounts.

The direct cause of these findings was simply human error. The school has guidelines in place to avoid verification discrepancies and will endeavor to follow them more closely in the future.

Finding 2. Conflicting Return of Title IV Calculations

Student #15 was terminated and the two different R2T4 calculations were performed. One was generated by the Freedom software and the other was a hand calculation. The scheduled hours on the hand calculation were posted incorrectly. After making the correction, there is no difference in the outcome. As a result of this mistake, the school will now have two different people involved in the refund calculations.

Finding 3. Failure to Reconcile Federal Pell Grant and Direct Loan Discrepancies Between G5, Common Origination & Disbursement (COD) and Institutional General Ledgers for 2010-2011 & **Finding 4.** Inaccurately Reporting Disbursement Information to COD

Paul Mitchell the School utilizes a 3rd party servicer for reconciling and reporting to COD. Enclosed are the reconciled statements.

Finding 5. Failure to Reconcile Records for NSLDS and Student Account Ledgers for Direct Loans.

Student #17 was not enrolled during the 2010/2011 award year therefore there couldn't be conflicting information. These amounts were disbursed in the 2011/2012 award year and are reflected on his NSLDS report.

Finding 6. Missing Exit Counseling

The exit counseling documentation was in students #12's file and must have been inadvertently overlooked. The school utilizes a Graduate Exit Interview form that must be completed before a student will be allowed to graduate or to apply to take their State Board Licensure Exam.

Finding 7. Return of Title IV Policy – Missing Components

Paul Mitchell the School Huntsville has revised our Return of Title IV Funds policy to comply with federal regulations and to include the following:

- A system to determine the withdrawal date for a student who withdraws officially or unofficially.
- Guidelines pertaining to the 45 day time frame for the return of Title IV program funds.
- Guidelines pertaining to the order in which Title IV program funds must be returned.

Finding 8. Withdrawal Policy – Missing Components

Paul Mitchell the School Huntsville has revised our withdrawal policy to comply with federal regulations and to include requirements and procedures for officially and unofficially withdrawing from the school.