



May 28, 2015

Mr. Gregg Kellogg, President
Paul Mitchell The School Arkansas
4156 N. Steele Boulevard
Fayetteville, AR 72703

Certified Mail
Return Receipt Requested
7014 1200 0001 7275 5200

RE: **Final Program Review Determination**
OPE ID: 00792100
PRCN: 201330628257

Dear Mr. Kellogg:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on July 10, 2013 covering Paul Mitchell The School Arkansas' (PMAR'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 2011-2012 and 2012-2013 award years. PMAR's final response was received on January 31, 2014.

The Dallas School Participation Division has reviewed PMAR's responses to the Program Review Report. A copy of the program review report (and related attachments) and PMAR's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by PMAR upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to close the review.

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

PMAR's responses have resolved all other findings. In addition PMAR has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. No further action is required.

Federal Student

ASSISTANT SECRETARY FOR FEDERAL STUDENT AID
Dallas School Participation Division
1990 Bryan Street, Suite 1100, Dallas, TX 75201-6817
StudentAid.gov

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report 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 Regina Krob at 214-661-9453.

Sincerely,

(b)(6)

Cynthia Thornton, Director
Dallas School Participation Division

Enclosure:

Final Program Review Determination letter (with attachments)

cc: Nick Harper, Financial Aid Administrator
Arkansas State Board of Cosmetology
National Accrediting Commission of Career Arts and Sciences
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Board

Prepared for

Paul Mitchell the School Arkansas

FederalStudent
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OPE ID: 00792100

PRCN: 201330628257

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division - Dallas

Final Program Review Determination May 28, 2015

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A. Institutional Information

Paul Mitchell the School Arkansas
4156 N. Steele Boulevard
Fayetteville, AR 72703

Type: Proprietary

Highest Level of Offering: Certificate

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 63 (2012-2013)

% of Students Receiving Title IV: 83% (2012-2013)

Title IV Participation (PEPS):

Title IV Program	2011-2012 Amount Disbursed
Federal Pell Grant (Pell)	\$309,386
William D. Ford Federal Direct Loan Program (FDL)	\$914,107

	Year	Percentage
3 Year Default Rate FFEI/DL:	2011	22.0%
	2010	37.5%
	2009	30.0%

B. Scope of Review

The U. S. Department of Education (the Department) conducted a program review at Paul Mitchell the School (PMAR) from April 22, 2013 to April 26, 2013. The review was conducted by Ms. Regina Krob and Ms. Catherine Smoker.

The focus of the review was to determine PMAR'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 PMAR'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 2011-2012 and 2012-2013 (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. A Program Review Report (PRR) was issued on July 10, 2013.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning PMAR'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 PMAR 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

PMAR has taken the corrective actions necessary to resolve findings 1, 2, 3, 4, 6, 7, 8, 9, 10, and 12 of the program review report. Therefore, these findings may be considered closed. Findings requiring further action by PMAR 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 PMAR's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on July 10, 2013 is attached as Appendix B.

Finding 1. Verification Violations

Citation: *An institution is responsible for verifying the information used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for student financial assistance. The Student Assistance General Provisions regulations have incorporated a verification process as a part of the Title IV, HEA financial aid program requirements. Verification is required to determine the accuracy of the information submitted by applicants for need-based financial assistance. The regulations also require an institution to verify discrepancies in information received from different sources regarding a student's financial aid application. 34 C.F.R. C.F.R. §§ 668.51 through 668.61*

Noncompliance: *PMAR failed to properly document and complete verification of applicant information used to determine the EFC for 2011/2012 students #2/16, #3, #9, and #12 who were selected for verification by the central processor.*

Student #2/16: The student reported \$0 in taxes paid on the 2011-2012 Institutional Student Information Record (ISIR). The 2010 Tax Transcript reported \$1,333 in taxes paid. Although this is an auto zero, PMAR failed to resolve the discrepancy and resubmit the ISIR for recalculation of the EFC.

Student #3: There is no verification worksheet or other documentation in the file to support the household size or number in college listed on the ISIR, although the institution's checklist indicates a worksheet was submitted by the student.

Student #9: The parents' 2010 tax return reported an \$800 Making Work Pay income credit; however, this amount was not included on the 2011-2012 ISIR.

Student #12: The student began attendance on 9/19/2011. Verification was completed and submitted to the central processor on 12/19/2011, resulting in an EFC of 3276 for transaction #6. PMAR made the following disbursements based on the EFC for transaction #6:

<i>Date</i>	<i>Transaction Description</i>	<i>Amount</i>
<i>1/2/2012</i>	<i>Federal Pell Grant (Pell)</i>	<i>\$1,150</i>
<i>1/12/2012</i>	<i>Subsidized William D. Ford Federal Direct Loan Program (FDL)</i>	<i>1,742</i>
<i>1/12/2012</i>	<i>Unsubsidized FDL</i>	<i>995</i>
<i>3/26/2012</i>	<i>Pell</i>	<i>\$1,150</i>
<i>3/26/2012</i>	<i>Subsidized FDL</i>	<i>1,742</i>
<i>3/26/2012</i>	<i>Unsubsidized FDL</i>	<i>995</i>

PMAR made a correction to report an \$800 Making Work Pay income credit on 5/14/2012. After the correction was submitted to the central processor, the EFC changed to 3447 on transaction #7, reducing the amount of the Pell award to \$2,100. The student

had been paid \$2,300 Pell from transaction #6. The \$200 difference has not been returned to the Department.

Required Action: *A complete file review is not required because each finding of non-compliance is specific to that individual student and does not appear to be systemic. However, the institution must resolve the verification deficiencies and demonstrate that verification has been properly completed for the students referenced above by providing documentation that resolves the inconsistencies or by providing a copy of the student's recalculated ISIR. If the students' EFC, scheduled award, or expected disbursement changes as a result of verification corrections, PMAR is liable for the difference between the correct disbursement and the actual disbursement. If verification cannot be completed, all funds disbursed to that student will become a liability. PMAR must submit the verification results of the students in the program review sample with the institutional response to the program review report.*

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

PMAR's Response: PMAR recalculated the EFCs, as necessary, and provided a spreadsheet with the required information. PMAR provided a completed verification worksheet for student #3 and documentation that a downward adjustment in COD was made on 5/18/2012 for student #12.

Final Determination: The recalculated EFCs for students #2/16, #3, and #9 from the PRR were examined. It was determined that the Federal Pell Grant (Pell) award remained the same for each student; therefore, no liabilities exist for these students. The Department accepts the documentation showing the downward adjustment in COD for student #12. This finding is now considered closed.

Finding 2. Return to Title IV, HEA Programs Not Made and/or Made Late

Citation: *When a student withdraws from an institution during a payment period or period of enrollment, the institution must return the lesser of the total amount of unearned Title IV assistance or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. 34 C.F.R. § 668.22(g)*

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

Noncompliance: *PMAR failed to make a required return for Student #9. A R2T4 calculation was performed on 11/28/2011, and resulted in a return of \$647.20 in Subsidized FDL funds and \$995 in Unsubsidized FDL funds. PMAR returned the*

S647.20 of Subsidized FDL funds on 12/12/2011 but did not return the \$995 in Unsubsidized FDL funds.

Required Action: *PMAR returned the \$995 in Unsubsidized FDL funds while the reviewers were on-site. The reviewers determined that this was an isolated incident. PMAR has taken the corrective actions necessary to resolve this finding; therefore, PMAR may consider this finding closed, with no further action required.*

PMAR's Response: PMAR returned \$995.00 in in Unsubsidized FDL funds on 4/23/2013 while the reviewers were on-site and provided documentation of the downward adjustment in COD.

Final Determination: The Department accepts the documentation submitted showing the downward adjustment in COD for student #9. Therefore, this finding is considered closed.

Finding 11. Crime Awareness Requirements Not Met

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

The ASR must be prepared and actively distributed as a single document. The only exception to this requirement is that the ASR may cross-reference information regarding the institution's alcohol and other drug abuse prevention programs required by § 120(a)-(d) of the Higher Education Act. 34 C.F.R. §668.46(a)(10).

Acceptable means of distribution include regular U. S. Mail, campus mail, hand delivery, or by posting the ASR on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and a link to its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. §668.41(e)(1). These regulations also require institutions to provide a notice containing this information to all prospective students and employees. All such notices must be conspicuous and inform interested parties about how to obtain a paper copy of the ASR. 34 C.F.R. §668.41(e)(4).

An institution's ASR must include statistics for incidents of crimes reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assault, burglary, motor vehicle theft, and arson. Statistics for

certain hate crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs, illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2) on-campus student residential facilities (as a subset of category # 1); 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property. 34 C.F.R. §668.46(c)(4).

An institution must report by category of prejudice the crimes reported to local police agencies or to a campus security authority that manifest evidence that the victim was intentionally selected because of the victim's actual or perceived race, gender, religion, sexual orientation, ethnicity or disability.

The Hate Crimes Prevention Act (HCPA) of 2009 expanded the definition of hate crime to include assault on people based on sexual orientation, gender, and gender identity, in addition to race, religion, and national origin. With the HCPA, the Clery Act was amended to include mandatory reporting of hate crimes that occurred during any of the following crimes: larceny-theft, simple assault, intimidation, destruction/damage/vandalism of property. The reporting of these hate crime categories on the ASR went into effect with the 2009 calendar year.

Finally, an institution also must submit its crime statistics to the Department in the manner prescribed by the Secretary for inclusion in the Office of Postsecondary Education's "Campus Safety and Security Data Analysis Cutting Tool." 34 C.F.R. §668.41(e)(5).

Non-compliance Summary: *PMAR does not have all required statements in its 2012 ASR, which covered the 2009, 2010 and 2011 calendar years.*

- *Crime statistics are published in the student handbook; however, the crimes are not listed by year.*
- *The method for distribution of the required annual notice is not documented.*
- *An Emergency Response and Evacuation policy was not available. Additionally, the testing of the Emergency Response and Evacuation system, including the date, time, and whether the testing is announced or unannounced is not documented.*

Failure to prepare an accurate and complete ASR and to actively distribute it to current students and employees in accordance with Federal regulations deprives the campus community of important security information.

Required Action Summary: *PMAR must review its annual security report to ensure that it contains all required crime statistics and statements as specified in 34 C.F.R. §668.46. To assist institutions, the Department provides guidance on complying with campus security in The Handbook for Campus Safety and Security Reporting, which can be*

obtained at the following website: <http://www2.ed.gov/admins/lead/safety/campus.html>. While the reviewers were on-site, PMAR developed an Emergency/Evacuation policy and procedures. PMAR also updated the annual notice policy. These policies and procedures were provided to the reviewers. In response to this finding, please submit the revised annual security report showing the required crime statistics by year.

PMAR's Response: In its official response, PMAR concurred with the finding and stated that remedial action was taken as directed in the program review report. In support of its claims, institutional officials submitted a revised 2012 ASR. PMAR management represented that the modified report included all required statistics and policy disclosures.

Final Determination: Finding 11 of the program review report cited PMAR for its failure to include crime statistics for the three most-recent calendar years in the 2012 ASR. The institution also did not develop an emergency response and evacuation procedure as required and as a result, was unable to include this required information in its report. Moreover, the review team found that PMAR did not have a clearly established process for distributing its ASRs to enrolled students and current employees. As noted in the program review report, institutional officials developed the omitted emergency policies and procedures once the review team brought this deficiency to their attention. The draft policy was provided to the review team during the site visit. The institution also was required to review its original 2012 ASR and to produce a modified report that included all of the information required by *34 C.F.R. §668.46(b)* and then to actively distribute it to all required recipients. In its response, PMAR concurred with the finding, stated that remedial action was taken, and submitted documents in support of its claims.

The Department carefully examined PMAR's narrative response and supporting documentation. The review team's examination showed that the identified violations were, for the most part, satisfactorily addressed by the revised 2012 ASR. Based on that review and the institution's admission of noncompliance, the violations identified in the finding are sustained. The Department has also determined that PMAR's corrective action plan meets minimum requirements. For these reasons, the Department has accepted PMAR's response and considers this finding to be closed for program review purposes. Nevertheless, the officials and directors of PMAR must take any additional action that may be necessary to fully address the deficiencies and weaknesses identified by the Department as well as those that were detected during the preparation of its response to the program review report and as may otherwise be needed to ensure that these violations do not recur.

Although the finding is now closed, PMAR is reminded that the exceptions identified above constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to "correct" violations of this type once they occur. PMAR asserted that it has taken adequate remedial actions and that by doing so, that it is now in compliance with the *Clery Act* as required by its Program Participation Agreement. Nevertheless, PMAR officials must understand that the production and distribution of an accurate and complete ASR is the most basic requirement of the *Clery Act* and is fundamental to its

campus safety and crime prevention goals. Any failure to comply with this standard deprives students and employees of important campus safety information to which they are entitled. For these reasons, PMAR is advised that its remedial actions cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective actions as a result.

Because of the serious consequences of such violations, the Department strongly recommends that PMAR officials re-examine its campus safety and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with Federal requirements. To that end, PMAR officials are encouraged to consult the Department's "Handbook for Campus Safety and Security Reporting" (2011) as a reference guide on *Clery Act* compliance. The Handbook is online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The Department also provides a number of other *Clery Act* training resources. The institution can access these materials at: www2.ed.gov/admins/lead/safety/campus.html. The regulations governing the *Clery Act* can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

PMAR management is also reminded that Section 304 of the Violence Against Women Reauthorization Act of 2013 (VAWA) amended the *Clery Act* to require institutions to compile and disclose statistics for incidents of dating violence, domestic violence, and stalking. VAWA also requires institutions to include new policy, procedural, and programmatic disclosures regarding sexual assault prevention and response in their ASRs. All institutions are currently obligated to make a documented good-faith effort to comply with the statutory requirements of VAWA and were required to include all new required content in the 2014 ASR. The Department issued Final Rules on the VAWA amendments on October 20, 2014 and therefore, these regulations will go into effect on July 1, 2015, per the Department's Master Calendar. PMAR officials may access the Final Rule at: <http://ifap.ed.gov/fregisters/attachments/FR102014FinalRuleViolenceAgainstWomenAct.pdf>.

Finally, PMAR officials are strongly advised to review the accuracy and completeness of its Drug and Alcohol Abuse Prevention Program (DAAPP) as required by the Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations. FSA is now responsible for monitoring institutional compliance with the *DFSCA*. Therefore, it is essential that PMAR makes sure that it has developed and implemented a comprehensive DAAPP, actively distributes program materials to students and employees, and conducts substantive biennial reviews and produces its reports on the proper schedule. For more information about the *Clery Act* and/or the *DFSCA*, please contact your program review team or another member of the Dallas School Participation Division.

D. Appendices

Appendix A: Student Sample

Appendix A, Student Sample, contains personally identifiable information and will be emailed to PMAR 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.

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Appendix B: Copy of the Program Review Report

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Prepared for

Paul Mitchell the School Arkansas

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

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OPE ID 00792100

PRCN 201330628257

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division-Dallas

Program Review Report

July 10, 2013

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Paul Mitchell the School
OPE ID: 00792100
PRCN: 201330628257

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A. Institutional Information

Paul Mitchell the School Arkansas
4156 N. Steele Boulevard
Fayetteville, AR 72703

Type: Proprietary

Highest Level of Offering: Certificate

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 63 (2012-2013)

% of Students Receiving Title IV: 83% (2012-2013)

Title IV Participation (PEPS):

	2011-2012
Title IV program	Amount Disbursed
Federal Pell Grants (Pell)	\$309,386
William D. Ford Federal Direct Loan Program (FDL)	\$914,107

	Year	Percentage
Default Rate FFEL/DL:	2010	25.0%
	2009	25.6%
	2008	13.7%

Paul Mitchell the School

OPE ID: 00792100

PRCN: 201330628257

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B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Paul Mitchell the School (PMAR) from April 22, 2013 to April 26, 2013. The review was conducted by Ms. Regina Krob and Ms. Catherine Smoker.

The focus of the review was to determine PMAR'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 PMAR'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 2011-2012 and 2012-2013 (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 PMAR'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 PMAR 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 PMAR to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Verification Violations

Citation: An institution is responsible for verifying the information used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for student financial assistance. The Student Assistance General Provisions regulations have incorporated a verification process as a part of the Title IV, HEA financial aid program requirements. Verification is required to determine the accuracy of the information submitted by applicants for need-based financial assistance. The regulations also require an institution to verify discrepancies in information received from different sources regarding a student's financial aid application. *34 C.F.R. §§ 668.51 through 668.61*

Noncompliance: PMAR failed to properly document and complete verification of applicant information used to determine the EFC for 2011/2012 students #2/16, #3, #9, and #12 who were selected for verification by the central processor.

Student #2/16: The student reported \$0 in taxes paid on the 2011-2012 Institutional Student Information Record (ISIR). The 2010 Tax Transcript reported \$1,333 in taxes paid. Although this is an auto zero, PMAR failed to resolve the discrepancy and resubmit the ISIR for recalculation of the EFC.

Student #3: There is no verification worksheet or other documentation in the file to support the household size or number in college listed on the ISIR, although the institution's checklist indicates a worksheet was submitted by the student.

Student #9: The parents' 2010 tax return reported an \$800 Making Work Pay income credit; however, this amount was not included on the 2011-2012 ISIR.

Student #12: The student began attendance on 9/19/2011. Verification was completed and submitted to the central processor on 12/19/2011, resulting in an EFC of 3276 for transaction #6. PMAR made the following disbursements based on the EFC for transaction #6:

Date	Transaction Description	Amount
1/2/2012	Federal Pell Grant (Pell)	\$1,150
1/12/2012	Subsidized William D. Ford Federal Direct Loan Program (FDL)	1,742
1/12/2012	Unsubsidized FDL	995
3/26/2012	Pell	\$1,150
3/26/2012	Subsidized FDL	1,742
3/26/2012	Unsubsidized FDL	995

Subsequently, PMAR realized that an \$800 Making Work Pay income credit had not been correctly reported on the ISIR when verification was completed. Officials submitted a corrected ISIR to include the income credit on 5/14/2012. After the correction was submitted, the EFC changed to 3447 on transaction #7, reducing the amount of the Pell award to \$2,100. The student had been paid \$2,300 Pell from transaction #6. The \$200 difference has not been returned to the Department.

Required Action: A complete file review is not required because each finding of non-compliance is specific to that individual student and does not appear to be systemic. However, the institution must resolve the verification deficiencies and demonstrate that verification has been properly completed for the students referenced above by providing documentation that resolves the inconsistencies or by providing a copy of the student's recalculated ISIR. If the students' EFC, scheduled award, or expected disbursement changes as a result of verification corrections, PMAR is liable for the difference between the correct disbursement and the actual disbursement. If verification cannot be completed, all funds disbursed to that student will become a liability. PMAR must submit the verification results of the students in the program review sample with the institutional response to the program review report.

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

Finding 2. Improper Disbursements Without Valid SAR/ISIR

Citation: If an institution does not have reason to believe that an applicant's Free Application for Federal Student Aid (FAFSA) information is inaccurate prior to verification, the institution may make one disbursement from the Pell, Perkins and FSEOG programs for the applicant's first payment period of the award year. The institution may also originate the Direct Subsidized loan, but may not disburse the proceeds.

If, after completing verification, the institution determines that changes will not impact the applicant's Title IV, HEA program fund eligibility, the institution may, prior to receiving a corrected ISIR, make one disbursement of Pell, Perkins, and FSEOG funds and may originate and disburse the Direct Subsidized loan.

If the institution chooses to make a disbursement prior to receiving a valid ISIR, the institution is liable for any overpayment discovered as a result of verification to the extent that the overpayment is not recovered through the reduction of subsequent disbursements. *34 C.F.R. §§ 668.58*

Noncompliance: PMAR disbursed FDL funds, and made a second disbursement of Pell funds prior to the completion of verification.

Student #7: The student began attendance on 7/5/2011. ISIR transaction #1 had an EFC of 4410. Verification was completed on 7/4/2011 which resulted in an increase in the EFC to 4635, changing the Pell award from \$1,100 to \$900. The correction was not submitted to the central processor until 3/14/2012.

The school made a second Pell disbursement of \$550 on 11/17/2011, prior to the receipt of a valid ISIR. In addition, the first and second disbursements of the subsidized and unsubsidized FDL were made on 8/9/2011 and 10/28/2011. PMAR subsequently returned the \$200 Federal Pell overaward on 4/2/2012.

Date	Transaction Description	Amount
7/12/2011	Pell	\$550
08/09/2011	Subsidized FDL	\$1,742
08/09/2011	Unsubsidized FDL	\$995
10/28/2011	Subsidized FDL	\$1,742
10/28/2011	Unsubsidized FDL	\$995
11/17/2011	Pell	\$550

Student #11: The student began attendance on 12/19/2011. ISIR transaction #1 had an EFC of 4476. Verification was completed on 8/31/2011 which resulted in an increase in the EFC to

4670, changing the Pell award from \$1,100 to \$900. The correction was not submitted to the central processor until 5/10/2012.

The school made a second Pell disbursement of \$550 on 4/9/2012, prior to the receipt of a valid ISIR. In addition, the first and second disbursements of the subsidized and unsubsidized FDL were made on 1/23/2012 and 4/11/2012. PMAR subsequently returned the \$200 Federal Pell overaward on 5/18/2012.

Date	Transaction Description	Amount
12/28/2011	Pell	\$550
01/23/2012	Subsidized FDL	\$1,742
01/23/2012	Unsubsidized FDL	\$2,985
04/09/2012	Pell	\$550
04/11/2012	Subsidized FDL	\$1,742
04/11/2012	Unsubsidized FDL	\$2,985

Required Action: PMAR must create an interim disbursement policy for students selected for verification and implement procedures to ensure that a student is eligible at the time of disbursement and that it adheres to the regulations. The policy must be submitted in response to this report.

Finding 3. Ineligible Disbursement/Student Attendance Not Verified Prior to Disbursement

Citation: Recalculation of Federal Pell Grant is required if a student's projected enrollment status changes during a payment period before the student begins attendance in all of his/her classes for that payment period. The institution must recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. *34 C.F.R. §§ 690.80(b) and 691.80(b)*

An institution must have a procedure in place to determine whether a student attends at least one day of class for each course in which that student's enrollment status was determined for Federal Pell Grant, ACG and SMART Grant eligibility. A student is considered not to have begun attendance if the institution is unable to document attendance.

Noncompliance: Student #21 enrolled on 12/3/2012 but never began attendance. PMAR did not verify the student's enrollment status prior to disbursing federal funds. A Pell disbursement of \$1,950 was made on 12/19/2012. PMAR returned the ineligible Pell disbursement on 12/20/2012.

Required Action: PMAR must revise its disbursement procedures to ensure that student enrollment status is verified prior to disbursement. PMAR must submit a copy of the revised procedures with its response to the program review report.

Finding 4. Return of Title IV Funds (R2T4) Calculation Errors

Citation: When a recipient of Title IV, HEA 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, HEA assistance the recipient earned as of the date he/she withdraws. The institution must determine how much aid a recipient earned by determining the percentage of the payment period the student was scheduled to complete and then multiplying that percentage by the amount of Title IV, HEA funds the student received or could have received.

The institution must also determine the amount of unearned charges by calculating the institutional charges for the period by the percentage of the payment period completed. The institution must include all institutional charges in the return calculation, unless demonstrated otherwise.

Examples of educationally related charges are all charges for tuition, fees, and room and board (if contracted with the school) and expenses for required course materials (books, kits, tools, supplies, etc.) if the student does not have a real and reasonable opportunity to purchase the required course materials from any place but the school. *34 C.F.R. §§ 668.22 and 668.164(g)*

Noncompliance: PMAR did not properly complete a R2T4 calculation for Student #9 who withdrew during the 2011-2012 award year. Specifically, PMAR did not use the correct amount of institutional charges for the payment period in the R2T4 calculation. Student #9 was charged \$3,600 in tuition and \$2,850 for books and supplies on the Student Ledger; however, \$3,600 was used in computing the R2T4 calculation.

Required Action: PMAR must recalculate the return for student #9 using the correct amount of institutional charges for the payment period in which the student withdrew and submit the results in its response to the program review report.

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

Finding 5. Return to Title IV, HEA Programs Not Made and/or Made Late

Citation: When a student withdraws from an institution during a payment period or period of enrollment, the institution must return the lesser of the total amount of unearned Title IV assistance or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. *34 C.F.R. § 668.22(g)*

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

Noncompliance: PMAR failed to make a required return for Student #9. A R2T4 calculation was performed on 11/28/2011, and resulted in a return of \$647.20 in Subsidized FDL funds and

\$995 in Unsubsidized FDL funds. PMAR returned the \$647.20 of Subsidized FDL funds on 12/12/2011 but did not return the \$995 in Unsubsidized FDL funds.

Required Action: PMAR returned the \$995 in Unsubsidized FDL funds while the reviewers were on-site. The reviewers determined that this was an isolated incident. PMAR has taken the corrective actions necessary to resolve this finding; therefore, PMAR may consider this finding closed, with no further action required.

Finding 6. Title IV Funds Paid Toward Prior Year Charges

Citation: An institution may use Title IV, HEA program funds to credit a student's account at the institution to satisfy current year charges for tuition, fees, room and board if the student contracts with the institution, and other educationally related expenses if the institution obtains the student's or parent's authorization. In addition, an institution may use Title IV, HEA funds to pay prior year charges for a total of not more than \$200 for tuition, fees, room, board, and other authorized educationally related expenses. *34 C.F.R. § 668.164(d)*

Non-Compliance: The account ledger for Student #15 indicates that prior year charges were paid from the current year's financial aid award.

As of 6/30/2011, the student had an outstanding balance of \$1,623 on her account from the 2010-2011 award year. On 11/17/2011, PMAR applied \$1,815 of Title IV, HEA Pell funds from the 2011-2012 award year toward the 2010-2011 outstanding balance.

Required Action: PMAR must develop a policy describing how it will ensure that prior year charges paid from current year Title IV, HEA awards will not exceed the \$200 maximum tolerance in accordance with the regulations and submit a copy with the institutional response to the program review report.

Finding 7. Enrollment Reporting Inaccurate

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

Noncompliance: PMAR failed to report the correct enrollment status to the Department within the required timeframes for 23 out of the 30 students in the sample.

Student #2/16: PMAR certified on 4/2/2012 that the student's enrollment status was fulltime with an effective date of 6/4/2012; however, the student transcript indicates that the student began attendance on 3/26/2012.

Student #17: PMAR certified on 4/5/2013 that the student's enrollment status was fulltime with an effective date of 4/1/2013; however, the student transcript indicates that the student began attendance on 1/28/2013.

Student # 24: PMAR certified on 12/8/2011 that the student's enrollment status was halftime with an effective date of 12/1/2011; however, the student transcript indicates that the student began attendance on 9/19/2011.

Student # 26: PMAR certified on 4/5/2013 that the student's enrollment status was fulltime with an effective date of 4/1/2013; however, the student transcript indicates that the student re-enrolled and began attendance on 3/12/2013.

The following students' enrollment statuses were reported late:

Student	Status	Eff. Date	Cert Date
#3	Graduated	2/2/2013	4/5/2013
#4	Withdrawn	9/27/2011	2/14/2012
#5	Graduated	1/10/2013	4/5/2013
#7	Withdrawn	1/13/2012	8/3/2012
#8	Graduated	2/17/2012	8/3/2012
#9	Withdrawn	11/22/2011	4/11/2012
#10	Graduated	10/16/2012	2/6/2013
#11	Graduated	11/17/2012	2/6/2013
#14	Withdrawn	8/8/2011	2/14/2012
#15	Graduated	2/9/2012	8/3/2012
#18	Graduated	12/21/2012	4/5/2013
#19	Fulltime	12/19/2011	2/14/2012
#20	Fulltime	7/30/12	10/6/2012
#22	Graduated	11/1/2012	2/6/2013
#25	Withdrawn	11/13/2010	6/10/2011
#26	Fulltime	9/10/2012	12/7/2012
	Withdrawn	11/30/2012	2/6/2013
#28	Graduated	1/31/2013	4/5/2013
#29	Fulltime	12/19/2011	4/11/2012
#30	Fulltime	7/30/2012	10/6/2012

Required Action: PMAR revised its enrollment reporting procedures and provided a copy of the policy to the reviewers while on-site.

PMAR must perform a file review for all students who enrolled in 2011-2012 through the date of this report to verify the correct enrollment status and effective dates. PMAR must correct the

information in NSLDS and provide a copy of the corrected NSLDS information with the institutional response to the program review report.

PMAR must electronically submit the results of the file review in the following format for every student whose information was corrected on NSLDS:

1. Student's Name
2. Social Security Number (Last 4)
3. Incorrect Enrollment Status
4. Correct Enrollment Status
5. Incorrect Effective Date
6. Correct Effective Date

Finding 8. Conflicting Information

Citation: An institution must develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for assistance from the Title IV, HEA programs. This includes information regarding a student's citizenship, previous educational experience, documentation of the student's social security number, and other factors relating to the student's eligibility for funds under the Title IV, HEA programs *34 C.F.R. § 668.16(f)*

Noncompliance: PMAR failed to resolve conflicting information for the following students:

Student #4: The student's ISIR showed that \$2,664 in child support had been paid, and that \$2,664 in child support had been received.

Student #29: The student's 2011-2012 ISIR showed one in the household and one in college, but the 2012-2013 ISIR showed four in the household and one in college. The student's status was unmarried on both ISIRs. No documentation was found in the file to explain the inconsistent information.

Student #30: The student was Independent due to answering "yes" to the "Homeless Child or Youth" question on the FAFSA, but PMAR failed to adequately document the student's status.

Required Action: Since the resolution of the inconsistent child support information would not impact the EFC for student #4, no recalculation is required. While the reviewers were on site, PMAR resolved the inconsistent information for students #29 and #30, and provided additional documentation to demonstrate both students' eligibility for Title IV funds. PMAR has taken the corrective actions necessary to resolve this finding; therefore, PMAR may consider this finding closed, with no further action required.

Finding 9. Exit Loan Counseling Deficiencies

Citation: An institution must ensure that exit counseling is conducted with each Federal Direct Loan borrower shortly before the student borrower ceases at least half-time enrollment at the

institution either in person, by audiovisual presentation, or by interactive electronic means. If a student borrower withdraws without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either electronic means or by mailing written counseling materials to the student borrower's last known address within 30 days of learning that the student failed to complete the required exit counseling. *34 C.F.R. § 685.304(b)*

Noncompliance: PMAR failed to provide documentation of exit counseling for Student #6. In addition, PMAR stated that students are mailed an exit counseling packet after they graduate, instead of PMAR performing exit counseling prior to the students' graduation.

Required Action: PMAR must execute the required FDL exit counseling for student #6 and submit adequate documentation that exit loan counseling has been completed. In addition, PMAR must develop a policy and procedure, with control mechanisms, to ensure that FDL exit counseling will be completed for all student borrowers prior to graduating.

Please review the above referenced regulation in developing the policy and procedure and submit a copy with the institutional response to the program review report.

Finding 10. Inadequate Authorization to Hold Credit Balance Funds

Citation: Title IV, HEA funds are to be used to pay for educational expenses a student incurs in the period for which the funds are provided. If an institution credits a student's account with Title IV, HEA funds, those funds can only be applied to allowable charges such as:

- Tuition and fees
- Board, if the student contracts with the institution for board,
- Room, if the student contracts with the institution for room, and
- Book Charges

An institution must obtain a student's or parent's written authorization to use Title IV, HEA funds to pay other costs or allowable charges. However, the institution may not require or coerce the student or parent to provide an authorization to pay for other charges or to hold credit balance funds. In addition, the student has the right to rescind the authorization at any time.

Notwithstanding any Title IV credit balance authorization, an institution must pay any remaining balance on FDL funds by the end of the loan period and any remaining other Title IV, HEA funds by the end of the last payment period in the award year for which they were awarded. Title IV, HEA funds are held in trust for the intended student beneficiaries and the Secretary. These funds may not be used or hypothecated (i.e. serve as collateral) for any other purpose. *34 C.F.R. §§ 668.161, 668.164(e) and 668.165(b)(5)(iii)*

Noncompliance: The current credit balance authorization language does not comply with the requirement to pay any remaining loan funds by the end of the loan period and/or any other

remaining Title IV, HEA funds by the end of the last payment period in the award year for which the funds were awarded.

Required Action: PMAR provided a revised policy and a revised credit balance authorization form to the reviewers while on-site.

PMAR must either obtain authorization to retain credit balance funds from all currently enrolled students using the revised form or disburse credit balance funds immediately. In response to this report, please provide assurances that the appropriate authorizations have been obtained, or funds were disbursed.

Finding 11. Crime Awareness Requirements Not Met

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

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

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

In addition, the ASR must include several policy statements. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of programs and resources as well as channels for victims of crime to seek recourse.

In general, these policies include topics such as the law enforcement authority and practices of campus police and security forces, incident reporting procedures for students and employees, and policies that govern the preparation of the report itself. Institutions are also required to disclose alcohol and drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies of the issuance of timely warnings and emergency notifications as well as its emergency response and evacuation procedures. All required information referenced in *34 C.F.R. § 668.46(b)* must be published in the ASR. With the exception of certain drug and alcohol program information, cross referencing to other publications is not sufficient to meet the publication and distribution requirements of the Act. *34 C.F.R. § 668.46(b)*.

Finally, each institution must also submit its crime statistics to the Secretary for inclusion in the Department's "Campus Safety and Security Data Analysis Cutting Tool." *34 C.F.R. § 668.41(e)(5)*.

Noncompliance: PMAR does not have all required statements in its annual security report.

- Crime statistics are published in the student handbook; however, the crimes are not listed by year.
- The method for distribution of the required annual notice is not documented.
- An Emergency Response and Evacuation policy was not available. Additionally, the testing of the Emergency Response and Evacuation system, including the date, time and whether the testing is announced or unannounced is not documented.

Required Action: PMAR must review its annual security report to ensure that it contains all required crime statistics and statements as specified in *34 C.F.R. § 668.46*. To assist institutions, the Department provides guidance on complying with campus security in *The Handbook for Campus Safety and Security Reporting*, which can be obtained at the following website: <http://www2.ed.gov/admins/lead/safety/campus.html>.

While the reviewers were on-site, PMAR developed an Emergency/Evacuation policy and procedure. PMAR also updated the annual notice policy. These policies and procedures were provided to the reviewers.

In response to this finding, please submit the revised annual security report showing the required crime statistics by year.

Finding 12. Bank Account Not Properly Identified

Citation: Institutions are required to maintain at least one bank account into which the Department transfers, or the institution deposits, Title IV program funds. For each bank account that contains Title IV program funds, an institution must identify that federal funds are maintained in the account by:

- Including the phrase "federal funds" in the name of the account, or

- Notifying the bank or investment company that the account contains Title IV program funds and, except for public institutions, filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds.

The institution must keep a copy of any notice to banks or investment companies as well as any UCC-1 in its records. *34 C.F.R. § 668.163*

Noncompliance: PMAR did not properly identify the bank accounts into which it deposited Federal Pell Grant and Federal Direct Loan funds as accounts that contain federal funds.

Required Action: While the reviewers were on site, PMAR provided documentation that the phrase “federal funds” had been included in the name of the Federal Pell Grant and Federal Direct Loan bank accounts. PMAR has taken the corrective actions necessary to resolve this finding; therefore, PMAR may consider this finding closed, with no further action required.

D. Recommendations

The following is a recommendation based upon observations made by the review team during the program review. PMAR is not required to provide a response to, nor is PMAR required to act upon, this recommendation. However, the review team believes that adoption of this recommendation will assist the institution in its administration of Title IV, HEA program funds.

Currently, PMAR provides the Standard Occupational Classification (SOC) and Classification of Instructional Programs (CIP) codes on their website under Program Codes. The review team recommends that PMAR define the Program Codes listed on the website to include the names of potential careers.

E. Appendices

Appendix A (Student Sample) contains personally identifiable information and will be emailed to PMAR 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.