



June 10, 2015

Mr. Gregory Salter  
President and Chief Financial Officer  
Prism Career Institute  
8040 Roosevelt Boulevard  
Philadelphia, PA 19152-2901

UPS Tracking# 1ZA879640297754363

**RE: Final Program Review Determination**  
OPE ID: 02558700  
PRCN: 201310328148

Dear Mr. Salter:

The U.S. Department of Education's (Department's) School Participation Division – Philadelphia issued a program review report on August 16, 2013, covering Prism Career Institute's (Prism) 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. Prism's final response was received on January 14, 2014. A copy of the program review report (and related attachments) and Prism's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Prism 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: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, (4) close the review and (5) notify Prism of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

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

*School Participation Division- Philadelphia*  
The Wanamaker Building | 100 Penn Square East, Suite 511 | Philadelphia, PA 19107  
[StudentAid.gov](http://StudentAid.gov)

This FPRD contains one or more findings regarding Prism's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (*Clery Act*) in Section 485(f) of the HEA, 20 U.S.C. §1092(f), and the Department's regulations at 34 C.F.R. §§668.41, 668.46, and 668.49. Because *Clery Act* findings do not result in financial liabilities, such findings may not be appealed. If an adverse administrative action is initiated, additional information about Prism's appeal rights will be provided under separate cover.

The total liabilities due from the institution from this program review are \$1,174.65.

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

**Protection of Personally Identifiable Information (PII):**

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

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the August 16, 2013 program review report. If Prism wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Prism receives this FPRD. An original and four copies of the information Prism submits must be attached to the request. The request for an appeal must be sent to:

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

Prism's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that

include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and

(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

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

**Record Retention:**

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Nancy Della Vecchia at (215)656-6444. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Nancy Paula Gifford  
Division Director

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

cc: Eddie Alkhal, Financial Aid Administrator  
PA Department of Education  
Accrediting Commission of Career Schools and Colleges  
Department of Defense  
Department of Veterans Affairs  
Consumer Financial Protection Bureau

Prepared for

Prism Career Institute

OPE ID 02558700

PRCN 201310328148

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division - Philadelphia

# Final Program Review Determination

## June 10, 2015

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**A. Institutional Information**

Prism Career Institute  
8041 Roosevelt Boulevard  
Philadelphia, PA 19152-2924

**Type:** Proprietary

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

**Accrediting Agency:** Accrediting Council for Continuing Education & Training

**Current Student Enrollment:** 359 (2012-13 award year)

**% of Students Receiving Title IV, HEA funds:** 98% (2012-13 award year)

**Title IV, HEA Program Participation:**

<u>2012-2013</u>	<u>Amount Disbursed</u>
Federal Pell Grant (Pell)	\$2,078,127
Federal Supplemental Opportunity Grant (FSEOG)	60,553
Federal Direct Loan	4,092,567
Federal Parent Loan for Undergraduate Students (PLUS)	189,532

**Default Rate FFEL/DL(2-yr rate):**

FY2011	27.1%
FY2010	24.1%
FY2009	20.0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Prism Career Institute (Prism) from December 10, 2012 to December 14, 2012. The review was conducted by Ms. Tara Johnston and Ms. Heidi Kovalick.

The focus of the review was to determine Prism'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 Prism'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 social security numbers of the students whose files were examined during the program review. A program review report was issued on August 16, 2013.

In addition, please note that this FPRD addresses Finding #13-1 Excess Cash, which was cited in the institution's non-federal audit report for Fiscal Year Ending December 31, 2013 (ACN: 03-2013-42326).

### **Disclaimer:**

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

Finding # 2: Ineligible Title IV Loans Disbursed

Finding # 4: Return to Title IV Funds Calculation Errors

Finding # 5: Improper Credit Balance Authorization Form

Prism has taken the corrective actions necessary to resolve findings # 2, 4, and 5 of the program review report. Therefore, these findings may be considered closed. The institution's response concerning this finding is included in Appendix C. Findings requiring further action by Prism 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 Prism's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on August 16, 2013 is attached as Appendix B.

### **Finding # 1: Excess Cash Maintained**

**Citation Summary:** The Secretary has sole discretion to determine the method under which the Secretary provides Title IV, HEA program funds to an institution. In accordance with procedures established by the Secretary, the Secretary may provide funds to an institution under the advance, reimbursement, just-in-time, or cash monitoring payment methods. 34 C.F.R. § 668.162(a).

Under the advance payment method, an institution submits a request for funds to the Secretary through the Department's G5 system. The institution's request for funds may not exceed the amount of funds the institution needs immediately for disbursements the institution has made or will make to eligible students and parents. If the Secretary approves that request, the Secretary initiates an electronic funds transfer (EFT) of that amount to a bank account designated by the institution. The institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds. 34 C.F.R. § 668.162(b).

An institution makes a disbursement of Title IV funds on the date that the institution credits a student's account at the institution. The Secretary considers excess cash to be any amount of Title IV, HEA program funds that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary. 34 C.F.R. § 668.164(a) and § 668.166(a).

An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Secretary any amount of excess cash over the one-percent tolerance and any amount remaining in its account after the seven-day tolerance period. 34 C.F.R. § 668.166(b).

Upon a finding that an institution maintains excess cash for any amount or timeframe over that allowed in the tolerance provisions, the Secretary may require the institution to reimburse the Secretary for the costs the Secretary incurred in providing that excess cash to the institution. 34 C.F.R. § 668.166(c)(1).

Except for funds received by an institution for administrative expenses and for funds used for the Job Location and Development Program under the FWS Programs, funds received by an institution under the title IV, HEA programs are held in trust for the intended student beneficiaries, the Secretary, or lender or a guaranty agency under the FFEL programs. The

institution, as a trustee of Federal funds, may not use or hypothecate (i.e., use as collateral) title IV, HEA program funds for any other purpose. 34 C.F.R. § 668.161(b).

**Noncompliance Summary:** Prism continuously maintained excess cash from the Direct Loan program for more than the seven-day tolerance period; in some instances Prism maintained excess cash above the one percent tolerance amount.

An institution's failure to disburse Federal funds in a timely manner results in increased expense for the Department and creates the opportunity for the misuse of Federal funds.

**Required Action Summary:** The Department required Prism to conduct a review of all drawdowns from G5 for the 2011-2012 and 2012-2013 award years date in order to determine if excess cash was maintained from each drawdown and the amount of time that the funds were maintained by the institution.

In addition, the Department required Prism to review its policies and procedures regarding the drawdown and posting of Title IV funds. The Department required Prism to submit a copy of any policy changes with its response to the program review report.

**Prism's Response:** In its January 13, 2014 response, Prism explained that it contracted with a third-party servicer to provide fiscal services to Prism from January 2007 through April 2013, i.e., the entirety of the period covered by the finding. Prism's contract with the third-party specified that the third-party had sole access to initiate drawdowns and refunds on behalf of Prism.

Prism was unable to complete the file review specified in the program review report. Prism stated that it attempted to contact the third-party servicer to obtain student-level drawdown information, but the third-party was unable or unwilling to provide it.

Prism's response further stated that it recognized the importance of minimizing excess cash and has implemented procedures to ensure that funds are disbursed within three business days of receipt. Prism stated that it has maintained a zero excess cash balance since July 2013.

On April 8, 2014, the review team held a conference call with Prism to discuss Prism's response to this finding. During that call, the Department requested a spreadsheet detailing the name and disbursement dates for all students who received Federal Pell Grant and Direct Loan funds for the 2011-2012 and 2012-2013 award years. Prism provided a spreadsheet, entitled "Cash Data 2011 – 2014" on May 13, 2014. Prism described that the spreadsheet as "[an] Excel file which includes student name and disbursement dates for all students that received Pell Grant and DL for the 2011-2012, 2012-2013, and 2013-2014 (through May 9, 2014) award years."

**Final Determination:** The review team compared Prism's Direct Loan cash draws from G5 to its May 13, 2014 "Cash Data 2011 – 2014 spreadsheet." Based on its comparison, the Department has determined that Prism maintained excess cash from the Direct Loan program in both the 2011-2012 and 2012-2013 award years, as detailed in the chart below.

Date	Running Direct Loan Excess Cash Balance Maintained by Prism
<u>2011/2012</u>	
11/14/2011	\$ 6,654.00
11/16/2011	\$ 29,697.00
11/21/2011	\$ 4,983.00
11/29/2011	\$ 81,258.00
12/05/2011	\$ 73,012.00
12/08/2011	\$ 16,438.00
12/14/2011	\$ 118,664.00
12/16/2011	\$ 183,434.00
12/29/2011	\$ 232,728.00
01/05/2012	\$ 216,936.00
01/11/2012	\$ 288,633.00
01/17/2012	\$ 285,741.00
01/24/2012	\$ 336,628.00
02/01/2012	\$ 282,888.00
02/06/2012	\$ 235,839.00
02/08/2012	\$ 400,914.00
02/15/2012	\$ 534,862.00
02/16/2012	\$ 528,079.00
02/27/2012	\$ 351,687.00
03/07/2012	\$ 307,788.00
03/14/2012	\$ 339,497.00
03/26/2012	\$ 353,735.00
04/04/2012	\$ 211,173.00
04/11/2012	\$ 203,547.00
04/17/2012	\$ 134,648.00
04/19/2012	\$ 134,120.00
<u>2012/2013</u>	
7/18/2012	\$ 2,557.00
8/10/2012	\$ 40,985.00
8/23/2012	\$ 45,802.00
9/10/2012	\$ 7,914.00
9/26/2012	\$ 10,821.00

The Department incurs a cost when it makes funds available to an institution because it borrows those funds from the U.S. Treasury and must pay interest charges on those funds. The Department has determined that the cost to the government of the improperly maintained excess cash is \$1,174.65. The result of that calculation is included as Appendix D.

The total liability for this finding is \$1,174.65. Section D of this letter provides payment instructions.

### Finding # 3: Improper Pell Grant Proration

**Citation Summary:** For a student enrolled in an eligible program that measures progress in clock hours, that is more than one academic year in length:

- The first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year; and
- The second payment period is the period of time in which the student successfully completes the academic year;
- For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length—
  - The first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half of the number of weeks of instructional time remaining in the program; and
  - The second payment period is the period of time in which the student successfully completes the remainder of the program. 34 C.F.R. § 668.4(c).

The Federal Pell Grant for a payment period, for a student in a program that measures progress clock hours, is calculated by:

- (1) Determining the student's Scheduled Federal Pell Grant using the Payment Schedule; and
- (2) Multiplying the amount determined using the Payment Schedule by the lesser of—

$$\frac{\text{The number of credit or clock hours in the payment period}}{\text{The number of credit or clock hours in the program's academic year}}$$

Or

$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

34 C.F.R. § 690.63(a) and (e).

**Noncompliance Summary:** Prism improperly calculated second award year Federal Pell Grants for students # 17, 18, 19, 21, and 25 who were enrolled in the Practical Nursing Program. In the calculations, the institution used an incorrect number of weeks of instructional time for the program's academic year.

**Required Action Summary:** Prism was required to conduct a file review of Federal Pell Grant recipients enrolled in the Practical Nursing program on or after July 9, 2012. Prism was to evaluate each student's eligibility for Federal Pell Grant funds during the second academic year of the Practical Nursing program.

In addition, Prism was required to review its policies and procedures regarding the calculation of Federal Pell Grant funds. The institution was to submit a copy of any policy changes with its response to this program review report.

**Prism's Response:** In its November 14, 2013 response to the program review report, Prism concurred with the finding. Prism submitted the results of the file review and supporting documentation, as required. In the file review, Prism identified 93 Federal Pell Grant recipients enrolled in the Practical Nursing Program on or after July 9, 2012. The institution stated that it was able to make all necessary adjustments to the Federal Pell Grant awards.

**Final Determination:** The Department reviewed the results of the file review and supporting documentation Prism submitted in response to this finding. The Department reviewed the Federal Pell Grant disbursements as reported in COD for a sample of 50 students from the 93 students identified in the file review. The Department did not find any discrepancies with the updated information as reported in COD.

Prism must follow its awarding policies and procedures to ensure that in the future Federal Pell Grant awards are calculated and disbursed in accordance with federal regulations.

#### **Finding # 6: Inadequate Policy for Awarding Stafford Loan Funds**

**Citation Summary:** A borrower's Direct Loan eligibility is based on the student's dependency status, grade level, and the student's annual and/or aggregate loan limits. 34 C.F.R § 685.203.

An institution must determine the borrower's eligibility and notify the borrower of its maximum loan eligibility. If the borrower would like to borrow less than the full amount of the Direct Loan funds available to borrow, then the institution must collect documentation from the student stating the amount they wish to borrow. The loan certification should then be certified for the lesser amounts specified by the student. 34 C.F.R § 685.301(a)(8).

**Noncompliance Summary:** Prism had an inadequate policy for awarding Stafford loan funds. Specifically, the institution did not notify student borrowers of the full amount of Direct Loan funds that each student was eligible to receive. Prism only awarded Direct Loans for the amount needed to cover each student's school charges (or direct cost), and it did not notify students of the maximum annual loan amounts available to each student.

**Required Action Summary:** Prism was required to review, and to revise if necessary, its policies and procedures to ensure that all students are notified of the full amount of loan funds that the each student was eligible to receive under the Direct Loan Program. If revisions were made, the institution was required to submit a copy of its revised policies and procedures with its response to this program review report.

**Prism's Response:** In its November 14, 2013, response, Prism stated that it did not concur with the Department's finding. Prism stated that it provided its students with adequate notification of each student's eligibility by providing the Department's Entrance Counseling Guides, and again when each student received the Direct Loan Origination Disclosure. The institution further stated that certain programs' costs exceed the maximum amount of Title IV funding available.

**Final Determination:** The Department has determined that Prism did not notify its students of the full amount of Direct Loan funds that the students were eligible to receive. There was no

documentation that Prism notified its students of each student's full loan eligibility, or that student borrowers who received less than the full amount of eligible funds did so knowingly and voluntarily as a result of an informed decision.

Two examples are as follows:

Student # 23 was eligible to receive a Direct Unsubsidized Loan of up to \$4,400 in their final award year. This amount was disclosed to the student on their financial aid award letter, dated July 29, 2011, which was signed by both the student and Prism's financial aid representative. Prism originated the loan for only \$3,207. Moreover, during the student's first award year, the aid package was changed to include \$232 of FSEOG. Prism notified the student of this in a letter dated October 17, 2011, which stated that the "Retail Installment Contract" would remain unchanged but the federal Direct Unsubsidized Loan was reduced. Prism's installment contract carried an interest rate of 9% and required immediate payments while in school.

Student # 24 was eligible to receive a Direct Unsubsidized Loan of up to \$4,400 in their final award year. Instead, Prism originated the loan for only \$3,174. In the previous award year, the unsubsidized loan was also reduced to \$5,766, from the full amount of \$6,000 that the student was eligible to receive. As a result, the student was required to make additional cash payments towards the tuition balance of \$1,478. If Prism had originated a Direct Loan for the student's full eligibility amount, the student's tuition balance would have been reduced to \$94. It is noted that Prism's financial aid file for this student contained a letter from the student stating that they were experiencing extreme financial hardship, necessitating a leave of absence. The student subsequently withdrew from the institution.

The *2012-2013 Federal Student Aid Handbook* states that an institution cannot engage in a practice of originating Stafford Loans only in the amount needed to cover the school charges or to limit unsubsidized Stafford borrowing by independent students. *2012-2013 Federal Student Aid Handbook, Vol. 3, Chapter 7, Page 3-130.*

Prism must ensure that students are informed of their maximum federal loan eligibility at the same time as receiving their financial aid notification letter, and prior to origination of the loan amounts. In cases where the borrower requests less than the maximum loan amount for which they are eligible, Prism must adequately document that the borrower made this decision knowingly and voluntarily.

#### **Finding # 7: Drug and Alcohol Abuse Prevention Program Requirements Not Met**

**Citation Summary:** The Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations require each institution of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse prevention program (DAAPP). The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.

On an annual basis, each IHE must provide the following information in writing to all current students (enrolled for any type of academic credit except for continuing education units) and all current employees:

- A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;
- A written description of legal sanctions imposed under Federal, state, and local laws and ordinances for unlawful possession or distribution of illicit drugs and alcohol;
- A description of the health risks associated with the use of illicit drugs and alcohol abuse;
- A description of any drug or alcohol counseling, treatment, and rehabilitation/re-entry programs that are available to students and employees; and,
- A statement that the IHE will impose disciplinary sanctions on students and employees for violations of the institution's codes of conduct and a description of such sanctions.

The distribution plan must make provisions for providing the DAAPP disclosure annually to students who enroll at a date after the initial distribution and for employees who are hired at different points throughout the year.

In addition, each IHE must conduct a biennial review to determine the effectiveness of its DAAPP and to ensure consistent enforcement of applicable drug and alcohol-related statutes, ordinances, and institutional policies against students and employees found to be in violation. The biennial review materials must be maintained by the IHE and made available to the Department upon request. 34 C.F.R. §§86.3 and 86.100.

**Noncompliance Summary:** Prism violated multiple requirements of the DFSCA. First, the School failed to develop and implement a comprehensive DAAPP and as a result, also failed to actively distribute an annual DAAPP disclosure to all employees and students enrolled for academic credit. In addition, Prism failed to conduct a biennial review to: 1) evaluate the effectiveness of its DAAPP, 2) identify areas requiring improvement or modification, and 3) assess the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct. Consequently, Prism also failed to prepare a biennial review report of findings.

Failure to comply with the DFSCA's DAAPP requirements deprived students and employees of important information regarding the educational, disciplinary, health, and legal consequences of illegal drug use and alcohol abuse. Failure to comply with the biennial review requirements also deprived the institution of important information about the effectiveness of its own drug and alcohol programs. Such failures may have contributed to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime.

**Required Action Summary:** Prism was required to develop and implement a comprehensive DAAPP that includes all of the required elements found in the DFSCA and the Department's Part 86 regulations.

In addition, Prism was required to develop policies and procedures to ensure that all subsequent biennial reviews are conducted in a timely manner and are fully documented. Moreover, Prism was required to take all other necessary action to ensure that these violations do not recur. These new policies must address how Prism will ensure that the DAAPP disclosure will be distributed annually to every student who is currently enrolled for academic credit and to all employees.

Prism was required to submit a draft copy of its DAAPP and new policies with its response to the program review report. Prism was required to distribute the DAAPP, and provide documentation evidencing the distribution in accordance with the Part 86 regulations as well as a statement of certification attesting to the fact that the materials were distributed in accordance with the DFSCA.

Furthermore, Prism was required to: 1) conduct a biennial review to evaluate the effectiveness of its drug and alcohol programs, to identify necessary improvements, and to assess the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct and 2) prepare a detailed report of its findings.

The biennial review report was to describe the research methods and data analysis tools that were used to assess the program's effectiveness and the consistency of its enforcement strategy. Additionally, the report must have identified the responsible official(s) who conducted the biennial review. Finally, the biennial review report was to be approved by the institution's chief executive. Finally, Prism was required to establish policies and procedures to ensure that all subsequent biennial reviews are conducted in a timely manner and are fully documented. The School must have taken all other necessary action to ensure that these violations do not recur. Copies of Prism's new and revised policies and procedures, draft DAAPP disclosure, and biennial review report and supporting documentation were to accompany the School's response to this program review report.

**Prism's Response:** In its official response dated November 14, 2013, Prism concurred with the finding and stated that remedial action was taken as directed in the program review report. In summary, institutional officials reported the following: After the Department's site visit, Prism officials claimed that the existing drug and alcohol program was revised and enhanced. Per the response, Prism appointed a panel of five director-level officials to evaluate the effectiveness the program. The institution's president also represented that all recommendations made by the committee were implemented and were reflected in its revised program materials dated October 1, 2013. Finally, Prism submitted documents that purported to substantiate its remedial actions.

**Final Determination:** Finding #7 of the program review report identified multiple violations of the DFSCA and the Part 86 Regulations. Specifically, Prism's DAAPP did not address the legal sanctions that may be imposed for violations of Federal, state and local laws prohibiting the possession, use, or sale of illicit drugs and for alcohol abuse. In addition, Prism failed to produce an annual DAAPP disclosure and as a result, was unable to distribute program materials to enrolled students and current employees. Finally, Prism failed to conduct a biennial review to assess the effectiveness of the institution's DAAPP and as a result, also failed to produce a report of review findings.

These separate and distinct violations necessarily follow from each other because the biennial review is primarily a study of the effectiveness of the DAAPP. Therefore, an institution cannot conduct a proper biennial review until it has a fully-functional DAAPP in place and program requirements and standards of conduct are communicated to all members of the campus community. As a result of these violations, Prism was required to review and revise its DAAPP, produce and distribute an annual disclosure, and conduct a substantive biennial review as soon as initial program data was available. In its response, Prism concurred with the finding, described its remedial actions, and submitted documents in support of its claims.

The Department carefully examined Prism's narrative response and supporting documentation. Based on the Department's review and Prism's admission of noncompliance, each of the violations identified in the initial finding are sustained. Notwithstanding these serious and persistent violations, the review team's examination also showed that the identified violations were, for the most part, satisfactorily addressed by Prism's enhanced DAAPP, inaugural biennial review report, and new internal policies and procedures. As such, the Department determined that Prism's remedial action plan meets minimum requirements. For these reasons, the Department has accepted the response and considers this finding to be closed for purposes of this program review. Nevertheless, the officials and directors of Prism are put on notice that the institution must take all other action that may be necessary to address the deficiencies and weaknesses identified by the Department as well as those that were detected during the preparation of the response to the Department's report and as may otherwise be needed to ensure that these violations do not recur.

In this regard, Prism officials are advised to continue to improve its drug and alcohol programs. The Department also notes that the institution's procedures for distributing program materials to all enrolled student and current employees still require improvement. As such, Prism officials must take immediate action to ensure that an accurate and complete DAAPP disclosure is produced and that adequate procedures are in place that will result in the active dissemination of these program materials to every member of the campus community. Moreover, the new committee established by management must also conduct substantive biennial reviews to assess the program's effectiveness and also must produce detailed reports about the conduct of each review. Care must be taken to ensure that all review findings and recommendations are supported by valid evidence and that the report is approved by the institution's President.

Once again, Prism is reminded that the exceptions identified above constitute serious and persistent violations of the DFSCA that by their nature cannot be cured. There is no way to truly "correct" violations of this type once they occur. Prism asserted that it has taken adequate remedial actions and that by doing so, that it is now in compliance with the DFSCA as required by its Program Participation Agreement (PPA). Nevertheless, Prism officials must understand that compliance with the DFSCA is essential to maintaining a safe and healthy learning environment. Data compiled by the Department shows that the use of illicit drugs and alcohol abuse is highly correlated to increased incidents of violent crime on campus. DFSCA violations deprive students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use and deprive institutions of important information about the effectiveness of any drug and alcohol programs that may have been in place during the review period. For these reasons, Prism is advised that its remedial

measures 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 additional remedial measures as a result.

Because of the serious consequences associated with compliance failures of this type, the Department strongly recommends that Prism re-examine its drug and alcohol policies and procedures on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with the DFSCA. Please be advised that the Department may request information on a periodic basis to test the effectiveness of the institution's new policies and procedures.

**Finding #8: Crime Awareness Requirements Not Met - Failure to Distribute the Annual Security Report in Accordance with Federal Regulations**

**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 participating in the Title IV, HEA, student financial aid programs must prepare a comprehensive annual security report (ASR) that contains, at a minimum, all of the statistical and policy disclosures listed in 34 C.F.R. §668.46 (b). The ASR must be prepared and 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 HEA. 34 C.F.R. §668.46(a)(10).

Federal regulations also require institutions to provide the ASR to all current students and employees through appropriate publications and mailing. Acceptable means of delivery include regular 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 and a statement that a paper copy will be provided upon request. 34 C.F.R. §668.41(e)(1).

Participating institutions must also provide a conspicuous notice to prospective students and prospective employees that includes a statement of the security report's availability, a description of its contents, and an opportunity to request a copy. An institution must provide its annual security report, upon request, to a prospective student or prospective employee. If the institution chooses to provide its annual security report to prospective students and prospective employees by posting the disclosure on an Internet Web site, the notice must include the exact electronic address at which the report is posted, a brief description of the report, and a statement that the institution will provide a paper copy of the report upon request. 34 C.F.R. §668.41(e)(4).

**Noncompliance Summary:** Prism failed to actively distribute the 2012 ASR to all current students and employees in accordance with Federal regulations. Prism officials stated that the ASR is merely posted to the School's website; however, the School has not delivered the ASR or an adequate notification by acceptable means during the review period. In addition, the School

failed to notify prospective students and employees about the availability of the ASR in the required manner.

Failure to publish a materially-complete ASR and to actively distribute it in accordance with Federal regulations deprived the campus community of important security information that can empower its members to make informed decisions and play a more active role in their own safety and security.

**Required Action Summary:** As a result of these violations, Prism was required to develop and implement policies that will govern the preparation, publication, and distribution of the ASR and ensure that all facets of the process are carried out in a manner that meets Federal regulations. The procedures were required to also specially articulate how prospective students and employees will be notified of the report's availability. Using the policies as a guide, Prism was required to prepare and publish an accurate and complete 2013 ASR that includes all of the statistical disclosures and policy, procedure, and programmatic information required under 34 C.F.R. §668.46(b). A draft of the 2013 ASR was to accompany the School's response to this program review report. Prism was also required to actively distribute it to all current students and employees by October 1, 2013, in accordance with 34 C.F.R. §668.41(e).

Finally, Prism was required to provide documentation to the Department evidencing the ASR distribution as well as a certification statement attesting to the fact that the materials were distributed in accordance with the *Clery Act*. This certification must also affirm that Prism understands all of its *Clery Act* obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur.

As noted above, the exceptions identified in this finding constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. Prism was given an opportunity to develop and distribute an accurate and complete ASR, and in so doing, began to bring its overall campus security program into compliance with the *Clery Act* as required by its PPA. However, the School was advised that these remedial measures 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 measures.

**Prism's Response:** In its official response dated November 14, 2013, Prism concurred with the finding and stated that remedial action was taken as directed in the program review report. In summary, institutional officials reported the following: Prism conceded that it has not distributed its ASRs to enrolled student and current employees and also has not provided adequate notice regarding the availability of these reports to prospective students and employees. Prism stated in its response that its practice was to publish the report on the institution's website; however, no active distribution or notification efforts were performed.

After the program review, Prism submitted evidence of the notification provided to students and employees for the ASR on October 1, 2013. This notification contains the URL of Prism's ASR, a brief description of the report, and a statement that a paper copy will be provided upon request. In its narrative response, Prism stated that the revised procedures now include a statement that a

copy of this notification will be provided to each prospective student or employee. Prism also submitted an attestation, signed by the institution's president, that notification was distributed in accordance with all requirements of the *Clery Act*.

**Final Determination:** Finding # 8 of the program review report cited Prism for its failure to actively distribute the 2012 ASR to enrolled students and current employees. Prism officials stated that the ASR is merely posted to the School's website; however, the School had not properly distributed the ASR. In addition, the School failed to notify prospective students and employees about the availability of the ASR in the required manner. As a result of this violation, Prism was required to review and revise its internal policies and procedures related to *Clery Act* compliance and develop and implement new policies and procedures to ensure that these violations do not recur. In its response, Prism concurred with the finding, described its remedial actions, and submitted documents in support of its claims.

The Department carefully examined Prism's narrative response and supporting documentation. Based on that review and Prism's admission of noncompliance, the violation identified in the initial finding is sustained. The review team's examination also showed that the identified violation was, for the most part, satisfactorily addressed by the institution's new and revised internal policies and procedures. As such, the Department also determined that Prism's remedial action plan meets minimum requirements. For these reasons, the Department has accepted Prism's response and considers this finding to be closed for the purposes of this program review. Nevertheless, the institution's officers and directors are on notice that the institution must take all additional actions that may be necessary to address the violations identified above as well as any other deficiencies and weaknesses were detected during the preparation of the institution's response and/or as may otherwise be needed to ensure that these violations do not recur. In this regard, the Department notes that Prism's current ASR does not include information that is responsive to 34 C.F.R §668.46(4)(ii). This provision requires institutions to include a statement in the ASR that encourages the prompt reporting of incidents of crime to local law enforcement officials and to campus security authorities. This information must be added to the next ASR. The review team recommends that this information be placed in the section entitled "Reporting Crimes and Emergencies." This information is located on page six of the current report.

Although the finding is now closed, Prism is reminded that the exception identified above constitutes a serious violation of the *Clery Act* that by its nature cannot be cured. There is no way to truly "correct" violations of this type once they occur. The requirement to actively distribute an ASR is one of the most basic requirements of the *Clery Act* and is fundamental to its campus safety and crime prevention goals. Prism asserted that it has taken adequate remedial actions and is now in compliance with the *Clery Act* as required by its PPA. Nevertheless, the institution 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.

In light of the serious consequences associated with compliance failures of this type, the Department strongly recommends that Prism re-examine its campus security, fire 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 regulations. As part of these

periodic reviews, Prism officials are encouraged to consult the Department’s “Handbook for Campus Safety and Security Reporting” (2011) as a reference guide for *Clery Act* compliance. The Handbook is online at: [www2.ed.gov/admins/lead/safety/handbook.pdf](http://www2.ed.gov/admins/lead/safety/handbook.pdf). The Department also provides a number of other *Clery Act* training resources. Prism officials can access these materials at: [www2.ed.gov/admins/lead/safety/campus.html](http://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.

Finally, Prism 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 sexual assault, dating violence, domestic violence, and stalking. VAWA also requires institutions to include new policy, procedural, and programmatic disclosures in their ASRs regarding sexual assault prevention, response, and adjudication. 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. Prism officials may access the text of the Final Rule at: <http://ifap.ed.gov/fregisters/attachments/FR102014FinalRuleViolenceAgainstWomenAct.pdf>

**D. Summary of Liabilities**

Unduplicated Liabilities, by finding and program, for 2011-2012 and 2012-2013 award years						
	Finding #1	Finding	Finding	Finding	Finding	Finding
Pell	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Loans	\$ 1,174.65	\$ -	\$ -	\$ -	\$ -	\$ -
SEOG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FWS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Perkins	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ACG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SMART	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TEACH	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Finding Totals</b>						
	Finding #1	Finding	Finding	Finding	Finding	Finding
All Title IV	\$ 1,174.65	\$ -	\$ -	\$ -	\$ -	\$ -

### **E. Payment Instructions**

Prism owes to the Department \$1,174.65. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

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

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

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. The following identification data must be provided with the payment:

Amount: \$1,174.65  
DUNS: 082094082  
TIN: 200653870  
PRCN: 201310328148

If ED does not receive payment within the 45-day period, interest will accrue in monthly increments until the date of receipt of Prism's payment. If you have any questions regarding interest accruals or payment credits, you may telephone (202) 377-3843 and ask to speak to your institution's account representative.

If within forty-five days of the date of this letter, Prism has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the U.S. Department of Education, the Department intends to collect the amount due and payable by administrative offset against payments due your organization from the Federal Government. Prism may object to the collection by offset only by challenging the existence or amount of the debt. Prism makes this challenge by timely appealing this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset.

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

If full payment cannot be made within 45 days of the date of this letter, contact the Debt Management Group at (202) 245-8080 to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

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

## **F. Appendices**

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

Prism Career Institute  
OPE ID: 02558700  
PRCN: 201310328148  
Appendices A, B, C, D

## **Appendix B: Program Review Report**

Prepared for

**Prism Career Institute**

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OPE ID: 02558700

PRCN: 201310328148

Prepared by:

U.S. Department of Education

Federal Student Aid

School Participation Division-Philadelphia

**Program Review Report**  
August 16, 2013

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## A Institutional Information

Prism Career Institute  
8040 Roosevelt Boulevard  
Philadelphia, PA 19152-2923

Type: Proprietary

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

Accrediting Agency: Accrediting Council for Continuing Education & Training

Current Student Enrollment: 359 (2012-13 academic year)

% of Students Receiving Title IV: 98.3% (2012-13 academic year)

Title IV Participation:

### 2011-12 Award Year

Federal Pell Grant (Pell)	\$2,183,859
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$91,820
William D. Ford Federal Direct Loan Program (Direct Loan)	\$4,791,390

Default Rate FFEL/DL:	2007: 14.3%
	2008: 16.8%
	2009: 20.0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Prism Career Institute (Prism) from December 10, 2012 to December 14, 2012. The review was conducted by Ms. Tara Johnston and Ms. Heidi Kovalick.

The focus of the review was to determine Prism'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 Prism'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 Prism'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 Prism 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 Prism to bring operations of the financial aid programs into compliance with the statutes and regulations.

**Finding #1: Excess Cash Maintained**

**Citation:** The Secretary has sole discretion to determine the method under which the Secretary provides Title IV, HEA program funds to an institution. In accordance with procedures established by the Secretary, the Secretary may provide funds to an institution under the advance, reimbursement, just-in-time, or cash monitoring payment methods. 34 C.F.R. § 668.162(a).

Under the advance payment method, an institution submits a request for funds to the Secretary through the Department’s G5 system. The institution’s request for funds may not exceed the amount of funds the institution needs immediately for disbursements the institution has made or will make to eligible students and parents. If the Secretary approves that request, the Secretary initiates an electronic funds transfer (EFT) of that amount to a bank account designated by the institution. The institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds. 34 C.F.R. § 668.162(b).

An institution makes a disbursement of Title IV funds on the date that the institution credits a student’s account at the institution. The Secretary considers excess cash to be any amount of Title IV, HEA program funds that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary. 34 C.F.R. § 668.164(a) and § 668.166(a).

An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Secretary any amount of excess cash over the one-percent tolerance and any amount remaining in its account after the seven-day tolerance period. 34 C.F.R. § 668.166(b).

**Non-Compliance:** Prism continuously maintained excess cash that exceeds the seven-day tolerance period and in some instances the institution maintained excess cash above the one percent tolerance amount. The review team tested the following Title IV, HEA drawdowns:

Award Year	Date	Program	Roster Number	Drawdown Amount
11-12	05/08/12	Pell	Roster CK # 14704 - 14759	\$64,808.00
12-13	09/16/12	Pell	Roster CK # 15373 - 15380	\$16,062.00
11-12	05/08/12	DL	Roster # J2G2558720120504073856	\$116,616.00
12-13	08/08/12	DL	Roster # J2G2558720120806173426	\$352,830.00

The Roster Numbers were provided by the institution on a spreadsheet titled: *FEDERAL FUNDS Activity~Transfer Worksheet PrisMed July2011 Dec5 2012*. This spreadsheet provided a running balance of Pell Grant and Direct Loan funds received, funds posted, any remaining amount of funds received and a running bank balance of funds. According to this spreadsheet, the institution continuously maintained a running balance of Pell Grant funds that ranged from \$1,533 to \$25,198 and Direct Loan funds that ranged from \$3,221 to \$162,711.

The *FEDERAL FUNDS Activity~Transfer Worksheet PrisMed July2011 Dec5 2012* spreadsheet provided the following data for each drawdown tested:

Date	Program	Roster Number	Received Cash	Cash on Hand	Total of Roster	Refunded	Posted Date	Posted Cash Received	Posted Cash On Hand	Remaining	Running Balance
05/03/12	Pell										1,898
05/08/12	Pell		64,808	0	64,808	0	05/09/12	(64,808)	0	0	1,898
09/18/12	Pell										19,174
09/19/12	Pell		16,062	87	16,149	0	09/21/12	(16,062)	(87)	(87)	19,087
05/07/12	DL										81,938
05/08/12	DL		116,616	16,505	133,121		05/09/12	(97,708)	(16,505)	2,403	84,341
08/08/12	DL										21,769
08/08/12	DL		352,830	0	352,830		08/09/12	(310,026)	0	42,804	64,573

The supporting documentation for each drawdown reinforced the total provided in the “Posted Cash Received” column, so for the August 8, 2012 drawdown of Direct Loan funds the institution received \$352,830 in DL funds and only posted \$310,026 to student accounts. The remaining amount was added to the “Running Balance” column, which continuously maintained a balance of excess cash.

At times the institution would apply “Cash on Hand” to a drawdown, but it was not clear how that amount was determined. For example, on May 7, 2012, the spreadsheet indicated that the institution

was maintaining a "Running Balance" of \$81,938, but for the May 8, 2012 drawdown of DL funds the institution only applied \$16,505 of "Cash on Hand" to that drawdown roster.

Because the "Running Balance" column was updated for each drawdown and the "Cash on Hand" column did not correlate to the "Remaining Balance" for a drawdown, the Department was not able to determine when the excess cash for each drawdown was resolved.

An institution's failure to disburse Federal funds in a timely manner results in increased expense for the Department and creates the opportunity for the misuse of Federal funds.

**Required Action:** Prism must conduct a review of all drawdowns from G5 for the 2011-2012 and 2012-2013 award years date in order to determine if excess cash was maintained from each drawdown and the amount of time that the funds were maintained by the institution. Prism should provide the results of the file review in a spreadsheet, in the following format:

1. Title IV Program;
2. Award year;
3. Drawdown Date;
4. Drawdown Amount;
5. Date Funds Were Received from G5;
6. Amount of Title IV Funds Posted;
7. Amount Remaining;
8. Date Excess Cash was Resolved;
9. Indicate How Excess Cash was Resolved (Funds Returned to G5, Cash on Hand Applied to Future Drawdown etc.);
10. Number of Days Excess Cash was Maintained; and
11. Any remaining Amount of Excess Cash for Each Drawdown.

In addition, Prism must review its policies and procedures regarding the drawdown and posting of Title IV funds. The institution should submit a copy of any policy changes with its response to this program review report.

Instructions for the payment of any liability associated with this finding will be included in the Final Program Review Determination letter.

## **Finding # 2: Ineligible Title IV Loans Disbursed**

**Citation:** Every eligible program must have a defined academic year. Federal regulations set the minimum standards for coursework earned by a full-time student in an academic year, in an undergraduate educational program. For a program offered in semester credit hours an academic year must be defined as at least 30 weeks of instructional time and 24 semester credit-hours. 34 C.F.R. § 668.3(a).

Sections 668.8(k) and (l) of the Code of Federal Regulations, require an institution to use the clock/credit hour conversion formula to determine the number of credit hours in a program, unless—

- The program is at least 2 academic years in length and provides an associate degree, a bachelor's degree, a professional degree, or an equivalent degree as determined by the Department; or
- Each course within the program is acceptable for full credit toward that institution's associate degree, bachelor's degree, professional degree, or equivalent degree as determined by the Department, provided that 1) the school's degree requires at least two academic years of study; and 2) the school demonstrates that students enroll in, and graduate from, the degree program.

Prior to July 1, 2011, a semester hour was defined as at least 30 hours of instruction.

On October 29, 2010, the Department published final regulations on program integrity that included a new clock/credit hour conversation formula. Effective July 1, 2011, a semester hour is at least 37.5 hours of instruction.

For current students enrolled continuously in both the 2010-2011 and 2011-2012 award years, in programs subject to the clock/credit hour conversion formula, an institution could either:

- Apply the pertinent regulations as they existed prior to Oct 29, 2010, until these students completed the program; or
- Apply the new conversion formula for all students enrolled in payment periods assigned to the 2011- 2012 and subsequent award years.

For a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are not substantially equal in length:

- The first payment period is the period of time in which the student successfully completes half of the number of credit hours in the academic year and half of the number of weeks of instructional time in the academic year;
- The second payment period is the period of time in which the student successfully completes the academic year; and
- For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program. 34 C.F.R. § 668.4(b).

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

**Noncompliance:** Prism improperly disbursed Direct Loan (DL) funds to Students # 4, 7, 8, 9, 10, 12, 14, 26, and 28 whose enrollment status was less than half-time.

Prism's Medical Assistant with Externship program is 38 weeks and 900 clock hours. The institution defined the academic year for this program as 32 weeks and 720 clock hours. Therefore, the program consisted of one full academic year of 32 weeks and 720 clock hours with the remaining portion of the program consisting of one term of 6 weeks and 180 clock hours.

Effective for the July 11, 2011 start date, the institution started using the new conversion formula and defined a semester credit hour as 37.5 hours of instruction. Under the new conversation formula, the first academic year is 19 credits and the remaining portion of the program is 4 credits.

At an institution offering its programs in semester credit hours, a half-time student must be enrolled in at least six semester credits per term. Therefore all students who received loan funds during their final term in the Medical Assistant with Externship program were less than half time and ineligible for DL funds.

Prism's failure to accurately determine a student's eligibility for Title IV loan funds prior to disbursing those funds may result in the institution's receipt of funding to which it is not otherwise entitled. This could cause increased expense for both the Department and the student borrowers.

**Required Action:** Prism must conduct a file review of all students enrolled in the Medical Assistant with Externship program from the July 11, 2011 start date to the July 9, 2012<sup>1</sup> start date in order to ensure that all loan funds disbursed during that timeframe were disbursed to students who were eligible to receive those funds. Prism must evaluate the student's eligibility for DL funds based on the number of Title IV credits the student enrolled in during the final term of the Medical Assistant with Externship program. Prism should provide the results of the file review in a spreadsheet, in the following format:

1. Student Name;
2. Social Security Number;
3. Award Year;
4. Did Student Receive DL funds in Final Term (Y/N);
5. If yes, Identify the Amount of Subsidized Loan Funds Disbursed by Award Year;
6. The Amount of Unsubsidized Loan Funds Disbursed by Award Year; and
7. The Amount of PLUS Loan Funds Disbursed by Award Year.

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

Instructions for the repayment of any determined liability will be provided in the Final Program Review Determination.

### **Finding # 3: Improper Pell Grant Proration**

**Noncompliance:** Every eligible program must have a defined academic year. Federal regulations set the minimum standards for coursework earned by a full-time student in an academic year, in an undergraduate educational program. For a program offered in clock hours an academic year must be defined as at least 26 weeks of instructional time and 900 clock hours. 34 C.F.R. § 668.3(a).

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<sup>1</sup> Effective July 9, 2012, the institution started offering the Medical Assistant with Externship program as a clock hour program.

For a student enrolled in an eligible program that measures progress in clock hours, that is more than one academic year in length:

- The first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year; and
- The second payment period is the period of time in which the student successfully completes the academic year;
- For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length—
  - The first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half of the number of weeks of instructional time remaining in the program; and
  - The second payment period is the period of time in which the student successfully completes the remainder of the program. 34 C.F.R. § 668.4(c).

The Federal Pell Grant for a payment period, for a student in a program that measures progress clock hours, is calculated by:

- (1) Determining the student's Scheduled Federal Pell Grant using the Payment Schedule; and
- (2) Multiplying the amount determined using the Payment Schedule by the lesser of—

$$\frac{\text{The number of credit or clock hours in the payment period}}{\text{The number of credit or clock hours in the program's academic year}}$$

or

$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

34 C.F.R. § 690.63(a) and (e).

**Noncompliance:** Prism improperly calculated the Federal Pell Grant for students # 17, 18, 19, 21, and 25 in the Practical Nursing program. The institution used an incorrect number of weeks of instructional time in the program's academic year as the denominator. This impacted the Federal Pell Grant calculation for the second academic year of the program.

Prism's Practical Nursing program was 60 weeks and 1560 clock hours. Effective July 9, 2012, the institution defined the academic year for this program as 36 weeks and 900 clock hours. Therefore, the program consisted of one academic year of 36 weeks and 900 clock hours with a remaining portion of the program of 24 weeks and 660 clock hours.

In the Federal Pell Grant calculation for the second academic year, Prism used 35 weeks as the weeks of instructional time in the program's academic year. This resulted in overawards of Federal Pell Grant funds for the second academic year.

The Department notes that the students who started the Practical Nursing program on July 9, 2012, were not scheduled to begin their second academic year until March of 2013. Although, the Federal Pell Grants on the student award letters were incorrect, the funds had not been disbursed yet.

The Department recommended that Prism review the Federal Pell Grant eligibility for all students that started the Practical Nursing program on or after July 9, 2012 so that they could make any necessary adjustments prior to disbursement.

Prism's failure to properly prorate a Federal Pell Grant award could result in the institution receiving funds to which it is not entitled to and caused an increased expense for the Department.

**Required Action:** Prism must conduct a file review of Federal Pell Grant recipients enrolled in the Practical Nursing program on or after July 9, 2012. Prism must evaluate the student's eligibility for Federal Pell Grant funds during the second academic year of the Practical Nursing program. Prism should provide the results of the file review in a spreadsheet, in the following format:

1. Student Name;
2. Social Security Number;
3. Award Year;
4. Original Pell Grant Award for Second Academic Year;
5. Revised Pell Grant Award Amount;
6. Was Adjustment Made Prior to Disbursement (Y or N);
7. If No, Provide Amount that Must be Returned; and
8. The G5 Award Number (P063Pxxxxxx) Associated with that Amount.

Prism must also provide hardcopy ledger cards, transcripts and, if applicable, the revised award letter for each of the students identified in the spreadsheet.

In addition, Prism must review its policies and procedures regarding the calculation of Federal Pell Grant funds. The institution should submit a copy of any policy changes with its response to this program review report.

Instructions for the repayment of any determined liability will be provided in the Final Program Review Determination.

#### **Finding #4: Return of Title IV Funds Calculation Errors**

**Citation:** If a student withdraws from an institution, federal regulations require the institution to determine the amount of Title IV assistance the student has earned as of his or her withdrawal date from the institution. If the amount of Title IV assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV programs. 34 C.F.R. § 668.22(a).

The Department has developed worksheets and software to assist the schools in implementing the Return of Title IV (R2T4) regulations for clock-hour and credit-hour programs. The use of the Department's worksheets is optional; however institutions are required to calculate the return in accordance with Federal regulations regardless of the form used.

The R2T4 calculation should include all Title IV grant and loan funds disbursed, or that could have been disbursed, to a student for the period of time for which the calculation is being performed (payment period or period of enrollment). 34 C.F.R. § 668.22(a)(2).

**Noncompliance:** Prism failed to perform an accurate R2T4 calculation for students # 7 and 15.

For student #7, the institution opted to use the R2T4 worksheet developed by the Department; however, Prism did not use the correct worksheet. The institution used the clock-hour worksheet for a credit hour program. The institution recalculated the R2T4 using the proper worksheet and the result remained unchanged. The student earned 100% of the amount disbursed.

For student #15, the institution failed to include FSEOG funds disbursed for the period in the amount disbursed. The institution recalculated the R2T4, including the FSEOG funds, while the Department was onsite and it resulted in the institution retaining an additional \$58 of unearned Subsidized DL funds. The Department confirmed that the institution returned the additional funds due back to the student's Subsidized loan.

An institution's failure to perform the R2T4 calculations accurately may result in additional expense to both the Department and the individual student involved. The Department continues to incur interest expense on funds not returned to the appropriate programs.

**Required Action:** Prism must review its policies and procedures to ensure that accurate R2T4 calculations are performed for all student withdrawals. The institution should submit a copy of any policy changes with its response to this program review report.

#### **Finding #5: Improper Credit Balance Authorization Form**

**Citation:** When an institution disburses Title IV program funds by crediting a student's account and the total amount of all Title IV funds credited exceeds the amount of tuition and fees assessed the student, the institution must pay the resulting credit balance as soon as possible, but no later than 14 days after the balance has occurred. 34 C.F.R. § 668.164(e).

The only exception is if a student has authorized the institution to retain a credit balance in order to assist the student in managing those funds for the remainder of the academic year. The authorization must be optional and the student or parent must have the option to cancel or modify the authorization at any time. Title IV credit balance funds retained on the basis of an authorization must be paid by the end of the last payment period in the award year for which they were awarded, or, for loan funds, by the end of the loan period. 34 C.F.R. § 668.165(b).

**Noncompliance:** Prism's method of obtaining a student's permission to hold his or her credit balance funds was via the student's signature on the "Authorization and Certification Statements" form. The institution uses the Authorization and Certification Statements form to collect several certifications and acknowledgements from students during the enrollment process. A single signature is collected to acknowledge all of the certifications/authorizations on the form, including a Cash Management Statement that gives the institution authorization to return any and all credit balances that may result after Title IV HEA funds are applied to the student's tuition account. However, the form does not provide the student the option to decline or opt-out of the Cash Management Statement while acknowledging the other certifications on the form.

An institution's failure to obtain the proper authorization to retain credit balances may result in students being deprived of Title IV assistance needed for living expenses and other indirect educational costs.

**Required Action:** Prism must review and revise its "Authorization and Certification Statements" form so that it provides the student the option to decline or opt-out of the Cash Management Statement. The institution must ensure the revised procedures are sufficient to prevent a reoccurrence of this finding and submit a copy the revised procedures with its response to this program review report.

#### **Finding #6: Inadequate Policy for Awarding Stafford Loan Funds**

**Citation:** A participating institution must provide the following information about financial assistance available at a school:

- The costs of attending the school, which includes tuition and fees, books and supplies, room and board, and applicable transportation costs, and any additional costs of the program in which the student is enrolled or has expressed an interest; and
- The Title IV funds (need-based and non-need-based) that is available to student. 34 C.F.R. § 668.42 (a).

The institution determines the Title IV funds available to a student by completing the process that is traditionally called packaging. Packaging is a process that varies from school to school, depending on the types of scholarship and other aid available at the school, but an institution must consider a student's Pell Grant eligibility as the first source of aid and then consider all other sources Title IV funding.

A student's Stafford loan eligibility is based on the student's dependency status, grade level, and the student's annual and/or aggregate loan limits. 34 C.F.R § 685.203.

An institution must determine the student's eligibility and notify the student of its maximum loan eligibility. If the student would like to borrow less than the full amount of the Stafford loan funds available to borrow, then the institution must collect documentation from the student stating the amount they wish to borrow. The loan certification should then be certified for the lesser amounts specified by the student. 34 C.F.R § 685.301(a).

The *2012-2013 Federal Student Aid Handbook* states that an institution cannot engage in a practice of originating Stafford Loans only in the amount needed to cover the school charges or to limit unsubsidized Stafford borrowing by independent students. *2012-2013 Federal Student Aid Handbook, Vol. 3, Chapter 7, Page 3-130.*

**Noncompliance:** Prism has an inadequate policy for awarding Stafford loan funds. Specifically, the institution does not notify student borrowers of their full Stafford Loan eligibility. It only awards Stafford Loans for the amount needed to cover the student school charges (or direct cost) and does not notify students of their maximum annual loan amounts at the time of or with the financial aid award/notification materials provided to each student.

The institution utilizes all eligible COA components in constructing the budget when originating a loan. However, the institution limits the amount of loan funds that the student is eligible to borrow to only direct cost, regardless of the student's "remaining need."

Failure to publish and distribute accurate and complete student consumer information deprives students of important information that may affect their educational choices.

**Required Action:** Prism must review and revise its policies and procedures to ensure that students are notified of their full loan eligibility under the Direct Loan Program. The institution must submit a copy of its policies and procedures with its response to this program review report.

#### **Finding #7: Drug and Alcohol Abuse Prevention Program Requirements Not Met**

**Citation:** The Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations require each institution of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse prevention program (DAAPP). The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.

On an annual basis, each IHE must provide the following information in writing to all current students (enrolled for any type of academic credit except for continuing education units) and all current employees:

- 1) A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;
- 2) A written description of legal sanctions imposed under Federal, state, and local laws and ordinances for unlawful possession or distribution of illicit drugs and alcohol;
- 3) A description of the health risks associated with the use of illicit drugs and alcohol abuse;
- 4) A description of any drug or alcohol counseling, treatment, and rehabilitation/re-entry programs that are available to students and employees; and,
- 5) A statement that the IHE will impose disciplinary sanctions on students and employees for violations of the institution's codes of conduct and a description of such sanctions.

The distribution plan must make provisions for providing the DAAPP disclosure annually to students who enroll at a date after the initial distribution and for employees who are hired at different points throughout the year.

In addition, each IHE must conduct a biennial review to determine the effectiveness of its DAAPP and to ensure consistent enforcement of applicable drug and alcohol-related statutes, ordinances, and institutional policies against students and employees found to be in violation. The biennial review materials must be maintained by the IHE and made available to the Department upon request. 34 C.F.R. §§ 86.3 and 86.100.

**Noncompliance:** Prism violated multiple requirements of the *DFSCA*. First, the School failed to develop and implement a comprehensive DAAPP and as a result, also failed to actively distribute an annual DAAPP disclosure to all employees and students enrolled for academic credit. In addition, Prism failed to conduct a biennial review to: 1) evaluate the effectiveness of its DAAPP, 2) identify areas requiring improvement or modification, and 3) assess the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct. As a result of that violation, Prism also failed to prepare a biennial review report of findings.

Failure to comply with the *DFSCA*'s DAAPP requirements deprives students and employees of important information regarding the educational, disciplinary, health, and legal consequences of illegal drug use and alcohol abuse. Failure to comply with the biennial review requirements also deprives the institution of important information about the effectiveness of its own drug and alcohol programs. Such failures may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime.

**Required Action:** Prism is required to take all necessary corrective actions to resolve these violations. At a minimum, the School must develop and implement a comprehensive DAAPP that includes all of the required elements found in the *DFSCA* and the Department's Part 86 regulations.

In addition, the School must develop policies and procedures to ensure that all subsequent biennial reviews are conducted in a timely manner and are fully documented. Moreover, Prism also must take all other necessary action to ensure that these violations do not recur. These new policies also must address how Prism will ensure that the DAAPP disclosure will be distributed annually to every student who is currently enrolled for academic credit and to all employees.

Prism must submit a draft copy of its DAAPP and new policies with its response to this program review report. Prism must distribute them in accordance with the Part 86 regulations, and provide documentation evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed in accordance with the *DFSCA*.

Furthermore, Prism must: 1) conduct a biennial review to evaluate the effectiveness of its drug and alcohol programs, to identify necessary improvements, and to assess the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct and 2) prepare a detailed report of its findings.

The biennial review report must describe the research methods and data analysis tools that will be used to assess the program's effectiveness and the consistency of its enforcement strategy. Additionally, the report must identify the responsible official(s) who conducted the biennial review. Finally, the biennial review report must be approved by the institution's chief executive. Finally, Prism must establish

policies and procedures ensure that all subsequent biennial reviews are conducted in a timely manner and are fully documented. The School also must take all other necessary action to ensure that these violations do not recur. Copies of Prism's new and revised policies and procedures, draft DAAPP disclosure, and biennial review report and supporting documentation must accompany the School's response to this program review report.

As noted above, violations of the *DFSCA* are serious and by their nature, cannot be cured. Prism will be given an opportunity to conduct a meaningful review of its DAAPP and to bring its drug and alcohol programs into compliance with the *DFSCA* for the first time as required by its PPA. Therefore, the Department must review this material for compliance with the *DFSCA* and the Part 86 regulations. The School is advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose additional corrective or administrative actions.

Based on an evaluation of all available information, including Prism's response, the Department will determine if additional action will be required and will advise the School accordingly in the FPRD.

**Finding #8: Crime Awareness Requirements Not Met - Failure to Distribute the Annual Security Report in Accordance with Federal Regulations**

**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 participating in the Title IV, HEA, student financial aid programs must prepare a comprehensive annual security report (ASR) that contains, at a minimum, all of the statistical and policy disclosures listed in 34 C.F.R. § 668.46 (b). The ASR must be prepared and 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 HEA. 34 C.F.R. § 668.46(a)(10).

Federal regulations also require institutions to provide the ASR to all current students and employees through appropriate publications and mailing. Acceptable means of delivery include regular 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 and a statement that a paper copy will be provided upon request. 34 C.F.R. § 668.41(e)(1).

Participating institutions must also provide a conspicuous notice to prospective students and prospective employees that includes a statement of the security report's availability, a description of its contents, and an opportunity to request a copy. An institution must provide its annual security report, upon request, to a prospective student or prospective employee. If the institution chooses to provide its annual security report to prospective students and prospective employees by posting the disclosure on an Internet Web site, the notice must include the exact electronic address at which the report is posted, a brief description of the report, and a statement that the institution will provide a paper copy of the report upon request. 34 C.F.R. § 668.41(e)(4).

**Noncompliance:** Prism failed to actively distribute the 2012 ASR to all current students and employees in accordance with Federal regulations. Prism officials stated that the ASR is merely posted to the School's website; however, the School has not delivered the ASR or an adequate notification by acceptable means during the review period. In addition, the School failed to notify prospective students and employees about the availability of the ASR in the required manner.

Failure to publish a materially-complete ASR and to actively distribute it in accordance with Federal regulations deprives the campus community of important security information that can empower its members to make informed decisions and play a more active role in their own safety and security.

**Required Action:** As a result of the above violations, Prism must develop and implement policies that will govern the preparation, publication, and distribution of the ASR and ensure that all facets of the process are carried out in a manner that meets Federal regulations. The procedures must also specially articulate how prospective students and employees will be notified of the report's availability. Using the policies as a guide, Prism must prepare and publish an accurate and complete 2013 ASR that includes all of the statistical disclosures and policy, procedure, and programmatic information required under *34 C.F.R. § 668.46(b)*. A draft of the 2013 ASR must accompany the School's response to this program review report. Once the comprehensive ASR is evaluated by the review team for accuracy and completeness, Prism will be required to actively distribute it to all current students and employees by October 1, 2013, in accordance with *34 C.F.R. § 668.41(e)*.

Finally, Prism will be required to provide documentation to the Department evidencing the ASR distribution as well as a certification statement attesting to the fact that the materials were distributed in accordance with the *Clery Act*. This certification must also affirm that Prism understands all of its *Clery Act* obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur.

As noted above, the exceptions identified in this finding constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. Prism will be given an opportunity to develop and distribute an accurate and complete ASR, and in so doing, begin to bring its overall campus security program into compliance with the *Clery Act* as required by its PPA. However, the School is advised that these remedial measures 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 measures.

Prism officials may wish to review the Department's "Handbook for Campus Safety and Security Reporting" (2011) during the preparation of the School's response. The handbook is available online at: <http://www2.ed.gov/admins/lead/safety/handbook.pdf>. The regulations governing the *Clery Act* can be found at *34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49*.

Based on the evaluation of all available information including the Prism's response, the Department will determine if additional actions are appropriate and advise the School accordingly in our FPRD.

**D. Appendices**

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

## **Appendix C: Prism's Written Response to the PRR**