



JUL 16 2014

Gloria Santiago
President
Rogie's School of Beauty Culture
Ponce de Leon Avenue, #1315
Parada 18
Santurce, PR 00907-1828

Certified Mail Return Receipt Requested
Domestic Return Receipt 70062760000217347518

RE: **Final Program Review Determination**
OPE ID: 02563500
PRCN: 201010227069

Dear Ms. Santiago:

The U.S. Department of Education's (Department's) School Participation Team – New York/Boston issued a program review report on September 28, 2012 covering Rogie's School of Beauty Culture's (Rogie's – SBC's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2007/2008, 2008/2009, and 2009/2010 award years. Rogie's – SBC's final response was received on 2/21/14. A copy of the program review report (and related attachments) and Rogie's - SBC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Rogie's – SBC 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, and (4) close the review.

The total liabilities due from the institution from this program review are \$70,326.00.

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

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division – New York/Boston

Financial Square, 32 Old Slip, 25th Floor, New York, NY 10005

StudentAid.gov

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. In addition, Appendix B, Student Level Detail for Students with Liabilities also contains PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the 9/28/12 program review report. If Rogie's – SBC 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 Rogie's – SBC receives this FPRD. An original and four copies of the information Rogie's – SBC submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, 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

Rogie's – SBC'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 Rogie's – SBC'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 Rosario-Velez at (646) 428-3752. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Betty Coughlin
Division Director

Enclosure:

Protection of Personally Identifiable Information

Program Review Report (and appendices)

Final Program Review Determination Report (and appendices)

cc: Elba Santiago, Financial Aid Administrator
National Accrediting Commission of Cosmetology Arts and Sciences
Consejo de Educacion de Puerto Rico

Prepared for

Rogie's School of Beauty Culture

Federal Student Aid
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OPE ID 02563500
PRCN 201010227069

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

Final Program Review Determination

JUL 16 2014

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A. Institutional Information

Rogie's School of Beauty Culture
Ponce de Leon #1315, Parada 18
Santurce, PR 00907-1828

Type: Proprietary

Highest Level of Offering: Non-degree 1 Year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 50 (2012-2013)

% of Students Receiving Title IV, HEA funds: 98% (2012-2013)

Title IV, HEA Program Participation PCNet:

2012/2013

Federal Pell Grant	\$670,244
Federal Supplemental Educational Opportunity Grant (SEOG)	\$ 35,905

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Rogie's School of Beauty Culture (Rogie's - SBC) from December 14, 2009 to December 17, 2009. The review was conducted by Nancy Rosario-Velez, Judith Ortiz-Velazquez, and Janelle Jacobs.

The focus of the review was to determine Rogie's - SBC's compliance with student aid application processing procedures and practices and its administration of the Title IV programs. The review consisted of, but was not limited to, an examination of Rogie's - SBC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records. The review consisted of an examination of Rogie's - SBC's student files, and subsequent student interviews.

A judgmental sample of 59 files was identified for review from the 2007/2008, 2008/2009, and 2009/2010 award years. A judgmental sample of those students with an Adjusted Gross Income in the top 75% was selected, and from that sample, the reviewers selected Dependent students with a household size greater than 2, and all Independent students with a household size greater than 1. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

Findings 1 and 4

Rogie's - SBC has taken the corrective actions necessary to resolve findings 1 and 4 of the program review report. Therefore, these findings may be considered closed. Appendix D contains the institution's responses to those findings. Findings requiring further action by Rogie's - SBC 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 Rogie's - SBC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on September 28, 2012 is attached as Appendix C.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

Finding 2. Falsification of Records

Noncompliance:

To begin and to continue to participate in any Title IV, HEA program, an institution must demonstrate to the Secretary that it is financially responsible under the standards set forth at 34 C.F.R. Part 668, Subpart L. The Secretary determines whether an institution is financially responsible based on the institution's ability to administer properly the Title IV, HEA programs in which it participates. An institution must also meet the fiduciary standard of conduct set forth at 34 C.F.R. § 668.82. In the capacity of a fiduciary, a participating institution is subject to the highest standard of care and diligence in administering the Title IV, HEA programs, and in accounting for the funds received under those programs. 34 C.F.R. § 668.82(b)(1). An institution must also demonstrate to the Secretary that the institution is capable of adequately administering the Title IV programs. The Secretary considers an institution to have that administrative capability if the institution is not, and does not have any principal or affiliate of the institution engaging in any activity that is a cause for debarment or suspension. 34 C.F.R. § 668.16(k)(2).

Only eligible students enrolled in eligible programs may receive Title IV program funds. 20 U.S.C. § 1091; 34 C.F.R. § 668.32. The amount of Title IV assistance received by an eligible student is based on the student's cost of attendance at the institution, the student's need, and the student's expected family contribution (EFC). 20 U.S.C. §§ 1087I-1087ss. A student's need is affected by factors such as marital status, household size, dependency status and student or parent income.

The School Participation Division – New York/Boston received a complaint that Rogie's – SBC was submitting false information on students' Free Application for Federal Student Aid (FAFSA) applications in order to increase students' eligibility for Title IV funds. Specifically, this office was informed that Rogie's – SBC was falsely reporting an increase to the number of family members in a student's or parent's household, falsely reporting the number of family members in college, and/or changing income information. As noted above, the amount of Title IV aid received by an eligible student is based on those factors. Therefore, the falsification of any of those factors can significantly affect the amount of Federal Pell Grant funds a student is entitled to receive.

Rogie's – SBC is located in Puerto Rico, where the student population at a school such as Rogie's – SBC is predominantly low-income. Reviewers therefore selected a judgmental sample in order to focus specifically on the student population with an Adjusted Gross Income (AGI) in the top 75% of the Title IV recipient population. Reviewers selected a sample that, based on the AGI reported, would typically render a student ineligible for a full Federal Pell Grant. Reviewers focused on that particular student population since they would be the most likely candidates for whom information would be falsified.

While on-site, reviewers examined a total of 59 student files. While conducting the on-site program review, reviewers interviewed the financial aid administrator (FAA) concerning the financial aid process at Rogie's – SBC. The FAA stated that students are provided with the FAFSA in Spanish, and are asked to answer the general questions on the FAFSA where it asks for the student's name, address, and other contact information. The FAA confirmed that she answers the rest of the questions on the FAFSA from the income tax returns and other documents students are asked to provide when they first enroll. The student is then asked to sign the application and the FAA then transmits the information for processing. The FAA also stated that if a student is selected for verification, she fills out the verification worksheet. When reviewers asked how is she able to verify the information reported, she stated that she verifies the information based on the tax returns collected at the time of a student's initial enrollment.

Reviewers explained to Rogie's – SBC that the number of household members that need to be reported on a student's financial aid application are those members who are currently living in the same household as the student, or in cases of dependent students, including dependent children not living with the student and his/her parent but for whom the parents provide more than 50% of their support. Students and/or their parents should not be reporting any dependents listed on respective income tax forms, since the information on those tax returns correspond to a year prior to the one the student is applying for Title IV aid; and (2) the dependents listed on the income tax return may not fit the dependent criteria for Title IV aid purposes.

Subsequent to the onsite review, reviewers began the process of attempting to locate and interview students in order to verify the information reported on students' respective FAFSA applications, and other Title IV related documents collected during the on-site review. Student interviews were conducted jointly with members of the Office of the General Counsel, and the Administrative Actions and Appeals Service Group. In addition, an Investigator from the Department's Office of Inspector General also accompanied the reviewers for some interviews. The student interviews appeared to confirm that Rogie's – SBC submitted false information when transmitting students' FAFSA applications in order to obtain Title IV funds to which it was not entitled.

Students repeatedly told the Department that employees at Rogie's – SBC, rather than the students themselves, actually filled in the information on the financial aid application. Students would provide the Rogie's – SBC employee the necessary information to complete the FAFSA and other Title IV related documents, and then rely on the institutional employee to correctly enter and transmit the information.

After reviewing all of the information obtained, the Department concluded that Rogie's falsified FAFSAs, and other documents directly related to the receipt of Title IV funds, for Students 6, 14, 22, 24, 26, 36, 40, 43, 49, 58, 59 and 60. Details regarding the falsified records noted for each of the students were fully outlined in the program review report.

Rogie's – SBC's inaccurate understanding of the individuals allowed to be listed as household members on students' applications for Federal aid is what reviewers believe led them to falsify information on FAFSAs, tax returns, and verification worksheets. If a student's and/or parent's AGI was too high, rendering the student ineligible, or partially eligible for a Federal Pell Grant award, and there were not enough household members listed on the Income Tax Return, Rogie's – SBC officials would add dependents on the tax return (as was done on the tax return for parents of Students 26), in order for that information to match the false information reported on the application for Federal Aid. Rogie's – SBC also purposely did not include spousal income information on Federal aid applications, deleted untaxed income, and reported net worth of businesses and investments from the applications for Title IV aid. Rogie's – SBC admitted that they collect the tax returns at the onset of a student's enrollment, fill out the FAFSA applications on behalf of the students, and transmit the information for processing. Based on this information and the corroborating student statements, the Department concluded that Rogie's – SBC was intentionally falsifying information on behalf of students in order to increase student's eligibility for Federal student aid.

Directives From Program Review Report:

Rogie's – SBC was provided detailed information regarding the issues involved with each student. In addition, as relevant here, Rogie's – SBC was informed that it would be liable for all Title IV funds disbursed to students 6, 14, 22, 26, 36, 40, 43, 49, 58, 59 and 60. The issues for Student 24 have been resolved, and therefore, are not included in this final determination.

Final Determination:

A. General Argument on Liabilities

In response to the program review report, Rogie's –SBC made a general claim that it had responded to the issue of whether Rogie's – SBC falsified FAFSAs and other documents related to the receipt of Title IV funds in a prior revocation proceeding initiated by the Department and the issues were ultimately resolved in Rogie's – SBC's favor. Rogie's – SBC further stated that the doctrine of issue preclusion should be applied in the present case to prevent retrying the issues previously resolved in the revocation proceeding. In support, Rogie's – SBC maintains that the allegations in the revocation proceeding and the findings in Finding 2 are substantially identical and involve the same student files.

Rogie's – SBC also argued that similar to the rationale for the prohibition against double jeopardy in the criminal context, the Department should not attempt to punish Rogie's – SBC for the same alleged misconduct in multiple proceedings. Based on its alleged evidence of misconduct, the Department opted to pursue a revocation proceeding against Rogie's – SBC. Now the Department is imposing a different punishment – penalties in the amount of all the Title IV funds disbursed to the students in Finding 2 – based on the exact same allegations. Rogie's – SBC contends that the revocation proceedings outcome determined that Rogie's – SBC had not intentionally falsified student eligibility documentation. Therefore, the Department cannot now use such alleged falsification as a basis to impose penalties.

Based on these arguments, Rogie's – SBC requested that Finding 2 be withdrawn in its entirety.

The Department does not agree with Rogie's –SBC's legal argument. First, the revocation action and the program review serve two separate and distinct purposes. The revocation action sought to revoke Rogie's-SBC's Program Participation Agreement (PPA) and terminate the school from participating in the Title IV programs based on the institution's conduct. There were no findings regarding liabilities owed as a result of Rogie's – SBC's disbursement of Title IV funds to ineligible students. Liability determinations are simply outside the scope of the revocation proceedings.

The purpose of the program review report, and this subsequent final program review determination letter, is to identify liabilities due from Rogie's – SBC for the disbursement of ineligible Title IV funds. The liability findings outlined below have not previously been issued by the Department, nor have they been adjudicated. Further, liability determinations are not punishment as Rogie's –SBC suggests. They are a recoupment of misspent Federal funds. Consequently, neither the doctrine of "Issue Preclusion" nor the doctrine of "Double Jeopardy" apply here.

Rogie's – SBC's request to have this finding withdrawn in its entirety is hereby denied. This office however, has conceded to accept and review Rogie's – SBC's response to this finding and make liability determinations on a student-by-student basis. Any contradicting statements, and any documents submitted by Rogie's – SBC that do not agree with the information obtained and verified by this office through student interviews, has been rejected.

B. Student Liability Determinations

The issue for Student 24 has been resolved, and therefore, no liability exists for this student.

Students 6 and 14 –

Students 6 and 14 are related. Student 6 is student 14's daughter. Each student is considered independent for Title IV purposes. Student 6's 2008/2009 and 2009/2010 application for Federal student aid reported she had a household size of 2, and that she had dependents other than children. Student 6's 2008/2009 FAFSA application was selected for verification by the central processing system (CPS). Student 6 reported her mother and niece on the verification worksheet as household members who received more than 50% of their support from the student. Reviewers interviewed Student 6 who confirmed that she only answered questions 1–13 of the FAFSA application, where it asks for her name, address, date of birth, social security number, telephone number and email address. Student 6 stated that a Rogie's – SBC official by the name of "Norma", filled out the rest of the application, including the questions on household size and dependents. In fact, the FAFSA application clearly shows that the household size information was whited-out and changed to 2. The student also confirmed that she included her niece and mother on the verification worksheet because the Rogie's – SBC official told her to do so. However, when she enrolled at Rogie's – SBC she only lived with her mother, and both she and her mother were working full time, so neither one received more than 50% of their support from the other. Student 6 confirmed that she was independent and working full time, and that the only people residing in her home were the student and her mother.

Student 14's 2008/2009 FAFSA reported a household size of 2 family members. However, the ISIR that was generated identified a household size of 4 family members. Student 14 was selected for verification, and the verification worksheet indicates a household size of 4. The family members listed are: the student, her daughter (student 6) and a nephew and niece. Based on student 6's written declaration, reviewers concluded that student 14's application for Federal student aid and the verification worksheet used to verify the information reported was also falsified, since it included student 6, and a niece and nephew as household members. Student 6 confirmed to reviewers that the only household members were student 6 and her mother, student 14. The reporting of more than 1 (one) household member on student 6 and student 14's respective applications for Federal aid resulted in a full Federal Pell Grant award for each student. However, based on the Student 6's statement, each student should have reported just themselves, a household size of 1 (one), on their respective FAFSA applications. As independent students with no dependents, and each working, the students would not have been eligible for a full Federal Pell Grant award.

In its response to the program review report, Rogie's – SBC maintained that the household size and dependent information is accurate based on the verification worksheet in the student's file, and the tax return provided that indicated that another person was being claimed and supported by Student 6.

As noted above, this is inconsistent with the information obtained from Student 6 during her interview. The student stated she had no dependents while enrolled at Rogie's – SBC, and the only other household member was her mother, and neither was dependent on the other. From Rogie's – SBC's response, it is apparent that the institution still does not comprehend that the individuals allowed to be listed as household members on a student's FAFSA application are those members who are currently living in the same household as the student, or dependent children not living with the student and his/her parent but for whom the parents provide more than 50% of their support. Students and/or their parents should not be reporting any dependents listed on respective income tax forms, since the information on those tax returns correspond to a year prior to the one the student is applying for Title IV aid; and (2) the dependents listed on the income tax return may not fit the dependent criteria for Title IV aid purposes.

Rogie's – SBC failed to recalculate Student 6's Title IV eligibility based on the correct information, as verified through student interviews. The institution therefore failed to accurately complete verification for student 6 and as a result, all Title IV funds disbursed to the student are an institutional liability. Rogie's – SBC is liable for all Federal Pell Grant funds disbursed to student 6 during the 2008/2009 and 2009/2010 award years totaling \$4,731 and \$2,675.00, respectively. Rogie's – SBC is also liable for the \$400 in SEOG funds disbursed to student 6 during the 2008/2009 award year.

With respect to Student 14, Rogie's – SBC responded that it incorrectly reported Student 6 (above) as a household member, and that the student's household size consisted of 3 household members. Rogie's- SBC performed a recalculation based on that information and determined there was no change to the student's Title IV eligibility.

Reviewers interviewed Student 14's daughter (Student 6), who confirmed that the only household members during the periods of enrollment at Rogie's – SBC was Student 6, and her mother, Student 14. There were no other household members.

Rogie's – SBC failed to recalculate student 14's Title IV eligibility based on the correct information, as verified through student interviews. Rogie's – SBC therefore failed to accurately complete verification and as a result, Rogie's – SBC is liable for all Title IV funds disbursed to student 14 during the 2008/2009 award year totaling \$4,731.00 in Federal Pell Grant funds.

Student 22 –

Student 22 is a dependent student. The student's 2008/2009 FAFSA application reported no income for the student, and a household size of 5, and 3 in college. The student was selected for verification by the CPS. Reviewers on two separate occasions interviewed the student's parent and Student 22. Student 22 and her parent both confirmed that student 22 was working in 2007, the year in which income information had to be reported on the 2008/2009 FAFSA application and that the household only consisted of 4 family members, of which only 2 were in college. Rogie's – SBC falsely reported a household size of 5, and 3 in college, and failed to include on the application for Federal aid student 22's income. As a result, an EFC of 1399 was generated, which rendered the student eligible for a partial Federal Pell Grant award. However, if the correct information had been reported (a household size of 4 family members, 2 in college, and the student's income), Student 22's Title IV eligibility would have been impacted making the student eligible for less Federal Pell Grant funds. Student 22 stated to reviewers that she did not fill out Section C or D of the verification worksheet where it asks for her and her parent's income information. Student 22 stated that a Rogie's – SBC school official named (b)(6) filled out the FAFSA application, and she only signed it.

In response to the program review report, Rogie's–SBC recalculated the student's EFC based on the correct information of 4 household members and 2 in college. Rogie's–SBC, however, failed to include the student's income in the calculation. This office will accept the recalculation without the student's income, since the student informed reviewers (when interviewed) that she was no longer working. The recalculation that was submitted, however, contained errors. Rogie's–SBC calculated an EFC of 451, and a revised Federal Pell Grant award of \$4,281 for the 2008/2009 award year. The recalculation performed by this office resulted in a revised EFC of 2336, and a revised Federal Pell Grant award of \$2,381. Rogie's–SBC is liable for the \$1,000 Federal Pell Grant overpayment made to Student 22 for the 2008/2009 award year (\$3,381 (original award) - \$2,381).

Student 26 –

Student 26 is a dependent student. In the student's file was a transaction 2 ISIR for the 2008/2009 award year. The ISIR shows that changes were made to the number of family members and exemptions claimed, and that untaxed income was changed to 0 (zero). The ISIR now reported a total of 6 household members, and reported 6 exemptions claimed on the parent's tax return. The student was selected for verification. The parent's income tax return found in the student's file shows that the data on the income tax return was changed to include the names of two additional dependents, for a total of 6 exemptions. It appears that the tax return was falsified in order for the information on the income tax return to match the data reported on the ISIR. It is also apparent that the data was modified after the filing of the tax return since the numeric number of exemptions claimed on the income tax return still indicates 4, and the tax credits that was granted the tax filers was also based on 4 exemptions. The income tax return also shows untaxed income that should have been reported on the FAFSA application, but was removed from the student's application for Federal aid. A verification worksheet in the student's file identified a total of 6 household members, including the names of the additional two family members that were added to the income tax return, purportedly an additional brother and a cousin of Student 26. Reviewers interviewed Student 26 who confirmed that her household only consists of 4 family members: herself, her parents, and one brother. Student 26 informed reviewers that she has only one brother, and she does not know of anyone by the name identified on the tax return as her parent's niece, or on the verification worksheet as her cousin. By changing the student's household size; exemptions claimed; and, deleting the untaxed income from the student's application for Federal aid, an EFC of 459 was generated for Student 26. The student was thereby eligible for a partial Federal Pell Grant award. However, had the information been reported correctly (a total of 4 exemptions and a household size of 4, and the untaxed income included in the student's application for Federal aid), the student would have been eligible for less Federal Pell Grant funds. Student 26 confirmed that a Rogie's – SBC official helped her with the application for Federal aid.

In response to the program review report Rogie's –SBC responded that the student herself completed the FAFSA with the false information, and that there is no indication that the institution had any knowledge of the falsification of tax documents. Rogie's – SBC responded that it followed the verification procedures and protocol and no liabilities should be assessed.

This office does not accept Rogie's – SBC's response. Reviewers interviewed Student 26 and she confirmed that a Rogie's – SBC's school official helped the student fill out the application for Federal aid. The changes that were made to the tax returns, and the information reported on the verification worksheets, all coincide with similar changes made for other students from Rogie's – SBC's improper understanding of who is allowed to be listed as household members on a student's FAFSA application.

Rogie's – SBC is liable for the Federal Pell Grant funds disbursed in excess of Student 26's Title IV eligibility. Student 26's 2008/2009 transaction 1 ISIR was correct, as confirmed through student interviews. The information on that ISIR generated an EFC of 2603. Based on that EFC, Student 26 was eligible for a Federal Pell Grant award of \$2,081.00 for the 2008/2009 award year, and not the \$4,281.00 in Federal Pell Grant funds that was disbursed to the student as a result of the falsified information reported on the FAFSA. Rogie's –SBC is liable for the Federal Pell Grant overpayment made to Student 26 totaling \$2,200.00 (\$4,281 - \$2,081).

Students 36 and 40 –

Students 36 and 40 are married. Student 40 was selected for verification. Student 40 and Student 36 each reported a household size of 5, and 2 in college for the 2007-2008 award year.

Reviewers interviewed Student 40 on two separate occasions, and he confirmed at each interview that when he enrolled at Rogie's –SBC in 2007, his household consisted of 4 family members: the student, his wife, his stepdaughter, and his mother-in-law. Student 40 informed reviewers that he included his sister as a household member because the Rogie's – SBC official who assisted him with filling out the application for Federal aid told him to include all dependents listed on his 2006 income tax return who he identified as a dependent. However, when he enrolled at Rogie's – SBC in 2007, his sister was not living with him. By including Student 40's sister as a household member, on each of their respective applications, Student 36 and Student 40 were each eligible for a Federal Pell Grant award.

In response to the program review report, Rogie's –SBC recalculated the students' Federal Pell Grant awards based on the correct information, as confirmed by this office through student interviews, and has identified a Federal Pell Grant liability of \$50.00 for each student for the 2007/2008 award year. Rogie's – SBC is liable for the \$50.00 Federal Pell Grant overpayment made to Students 36 and 40. Rogie's – SBC is liable for a total liability of \$100.00 for these two students.

Student 43 –

Student 43's FAFSA for the 2006/2007 award year shows a household size of 3 and 2 in college. The FAFSA shows that the number in college was changed, and the marital status was left blank. The first ISIR that was generated for 2006/2007 award year (transaction 1), has a reported 3 family members and 2 in college, and the student as not married. It resulted in an EFC of 1257. Changes were made to the student's information, and a transaction 2 ISIR was generated. It shows that the number in college was increased to 3. By changing the number in college to 3, it resulted in a lower EFC of 1029, thereby making the student eligible for an increased Federal Pell Grant award. The student was selected for verification, and the verification worksheet identifies three household members: the student, her daughter, and a nephew. All three are reported as attending college.

The student also applied for Federal aid for the 2007/2008 award year. The FAFSA shows a household size of 3 and a reported 3 family members attending college, and the student as not married. The student was once again selected for verification. The verification worksheet identifies the same 3 household members as reported on the verification worksheet for the 2006/2007 award year, and all three attending college. It resulted in an EFC of 1112.

Reviewers interviewed Student 43 on two separate occasions and obtained statements confirming that the student is married, and her husband works also. The student stated that she informed Rogie's – SBC that she was married, but they did not request any income information about her husband. Student 43 confirmed that her household consists of 3 family members: the student, the student's husband, and their daughter, and that there were only 2 household members in college, the student and her daughter. Student 43 stated that the third person listed on the verification worksheets is her nephew, and while he does attend college, and Student 43 assists him financially, he does not reside in her household. Student 43 confirmed that a Rogie's – SBC official assisted the student with answering the questions on the application for Federal Aid. Had the student's husband's income been reported, and the correct number in college listed as 2, Student 43 would have eligible for less Federal Pell funds.

In response to the program review report, Rogie's – SBC acknowledged that there were some discrepancies with the student's household size and number in college, and recalculated the student's Title IV eligibility for the 2006/2007 and 2007/2008 award years based on a household size of 2, and 2 in college. Rogie's –SBC however, excluded the student's spouse and spouse's

income from the calculation claiming that at "...no point during the student's enrollment were any documents, discussions, or materials provided that indicated the student was married." As noted above, reviewers interviewed Student 43 who confirmed that she is married, and her spouse works. The student informed reviewers that the information was reported to the Rogie's – SBC official who helped her with the application for Federal aid, but the school official did not request any additional income information concerning her spouse.

Rogie's – SBC failed to properly calculate aid for Student 43 for the 2006/2007 and 2007/2008 award years. As a result, all Title IV funds disbursed to the student for those two award years are an institutional liability. Rogie's – SBC is liable for all Federal Pell Grant funds disbursed to Student 43 during the 2006/2007 and 2007/2008 award years totaling \$1,500.00 and \$1,931.00, respectively.

Student 49 –

Student 49 is a dependent student. The student's 2007/2008 FAFSA application identified a total of 4 household members. The student was selected for verification. The verification worksheet identified the student, her mother, sister and brother as household members. Reviewers interviewed Student 49 on two separate occasions, and she confirmed that when she enrolled at Rogie's – SBC her brother was not living with them. The student informed reviewers that a Rogie's – SBC official instructed her on what information to include on the verification worksheet, and a Rogie's – SBC official filled out the FAFSA. By adding the additional family member, Student 49 had an EFC of 108. Had the correct family size of 3 been reported, Student 49 would have been eligible for less Federal Pell Grant funds.

In response to the program review report, Rogie's – SBC recalculated the student's Federal Pell Grant award based on the correct information, as confirmed by this office through student interviews. Rogie's – SBC identified a revised EFC of 1074, and a revised Federal Pell Grant award of \$3,260.00 for the 2007/2008 award year. Rogie's – SBC is liable for the \$900 Federal Pell Grant overpayment made to student 49 for the 2007/2008 award year (\$4,160 - \$3,260).

Student 58 –

Student 58 is a dependent student. The student's FAFSA for the 2008/2009 award year identified a total of 7 household members. The student's FAFSA shows the household size was whited-out and changed to 7. The FAFSA reports the parents as married and each of their respective incomes were reported on the application, resulting in an EFC of 3767. The student was selected for verification. The tax returns collected during the verification process reported a total of 7 dependents, which included the student, her parents, two siblings, and two grandmothers. The 2008/2009 verification worksheet also identified a total of 7 household members.

Student 58 also applied for Federal aid for the 2009/2010 award year. The student's FAFSA reported the student's parents as married. However, only the mother's income was reported on the application, and a reported household size of 4 that included: the student, her parents, and 1 sibling. On the verification worksheet these same individuals were identified as household members. Reviewers interviewed Student 58 who confirmed that while attending Rogie's – SBC the student's grandparents did not live with the student, as reported on the 2008/2009 FAFSA application. In addition, the student confirmed that her stepfather worked during the entire time that she was attending Rogie's – SBC which would include the 2008 tax year which was required to be reported on the 2009/2010 FAFSA application. By falsely reporting a household size of 7 on the 2008/2009 FAFSA application, Student 58 had an EFC of 3767 and was eligible for a

partial Federal Pell Grant award. Further, by excluding the stepfather's income information from the 2009/2010 FAFSA application, Student 58's EFC was 0 (zero) resulting in the student receiving a full Federal Pell Grant award. Student 58 confirmed that a Rogie's – SBC official named (b)(6) helped her fill out the applications for Federal aid.

In response to the report, Rogie's – SBC stated that for the 2008/2009 award year there was no conflicting information to suggest that a household size of 7 was incorrect, and therefore no financial impropriety occurred, as evidenced by the student and parents' completion of the verification materials. Rogie's – SBC did not recalculate the student's Title IV eligibility for the 2008/2009 award year.

As stated above, reviewers interviewed Student 58 who confirmed that a Rogie's – SBC school official helped the student fill out the financial aid application and supporting documents. The changes made to the household size were based on the number of dependents reported on the tax return documents. School officials confirmed during staff interviews that they were using the number of dependents reported on a student's and/or parent's tax returns to verify and correct the number of household members that a student reported on their application for financial aid. It is therefore, as a result of Rogie's – SBC improper guidance and assistance that the information was reported incorrectly, and not the students.

Rogie's – SBC failed to properly perform verification for Student 58 for the 2008/2009 award year, and failed to recalculate the student's eligibility based on the correct information, as confirmed by this office through student interviews. As a result, Rogie's – SBC is liable for all Title IV funds disbursed to Student 58 for the 2008/2009 award year totaling \$981.00 in Federal Pell Grant funds.

For the 2009/2010 award year, Rogie's – SBC acknowledged that it failed to properly complete verification for Student 58, and identified an ineligible Federal Pell Grant award of \$2,675.00. Rogie's - SBC is also liable for the \$200 SEOG disbursement made to the student for that award year.

Student 59 –

Student 59's 2008/2009 FAFSA reported that she has dependents other than children whom she supports. However, the number of family members was left blank on the FAFSA. On the ISIR that was generated, a reported household size of 4 family members is identified, and an EFC of 0 (zero). By reporting that she has dependents that she supports, the student was classified as an independent student. The student was selected for verification. On the verification worksheet it identifies as family members: the student, her mother, and two siblings. Reviewers interviewed Student 59 on two separate occasions, and she confirmed that she was not working when she enrolled at Rogie's – SBC, and was therefore not supporting her mother or siblings. The student reported that her mother was receiving government income benefits from a nutritional assistance program for her and her siblings during the time she studied at Rogie's – SBC. Student 59 confirmed that she provided that information to the school, but the school requested that she provide her 2007 income tax return and a letter from her mother stating that her mother was unemployed. By reporting that Student 59 has dependents and a family size of 4, the student was classified as an independent student with an EFC of 0 (zero) and eligible for a full Federal Pell Grant award. Student 59 did not have dependents that she supports, and therefore was not an independent student for financial aid purposes. As a dependent student, Student 59 would have been required to report her mother's untaxed income, and along with her AGI of \$12,069 from the prior tax year, the student would not have been eligible for a full Federal Pell Grant award. Student 59 confirmed that she only filled out questions 1 – 12 on the FAFSA, such as her name

and address, and other general questions, and that a Rogie's – SBC official answered the rest of the questions on the FAFSA. Student 59 also confirmed that she only signed the verification worksheet, all of the questions on the verification worksheet, concerning household size and income information, were answered by a school official at Rogie's – SBC named (b)(6)

In response to the program review report, Rogie's –SBC contends that it properly processed the student as an independent student based on the tax return documents provided by the student in which the parent is identified as a dependent of the student, as well as other dependents. Once again, it is Rogie's – SBC's inaccurate understanding of Title IV regulations that continue to result in the institution's failure to properly complete verification for its students. The federal tax code laws and regulations pertaining to dependency status are different than those applicable for Title IV purposes. While a student may claim certain individuals as dependents for tax filing purposes, does not necessarily mean that those same individuals can be claimed as dependents for Title IV purposes.

Rogie's – SBC further responded that based on the tax documents provided by the student, the institution did not have contradictory information to merit any change in the processing of the student's financial aid, and that it followed the required protocols for verification with respect to Student 59, and therefore no liabilities should be assessed.

As noted above, reviewers interviewed Student 59 on two separate occasions. Based on the information provided, the student's eligibility for Title IV aid should have been processed as a dependent student. Consequently, her mother's untaxed income, as well as her own, should have been included in the aid calculation. The student stated that a Rogie's – SBC filled out the pertinent questions concerning family size, income, and dependents on the FAFSA application, and the verification worksheet. It is therefore, as a result of Rogie's – SBC improper guidance and assistance that the information was reported incorrectly, and not the student.

Rogie's – SBC failed to properly calculate aid for Student 59. As a result, Rogie's – SBC is liable for all Title IV funds disbursed to student 59 for the 2008/2009 award year totaling \$4,731.00 in Federal Pell Grant funds; and an SEOG disbursement of \$200.

Student 60 –

Student 60 is a dependent student. The student's 2008/2009 FAFSA showed a household size of 5, and a reported 2 exemptions on the parent's income tax return, cash savings of \$1,000, Net Worth of Investments of \$2,000, and Net Worth of Business \$2,000. The student's ISIR demonstrates that all this information was changed; the household size and exemptions increased to 7, and all of the reported cash savings and net worth of businesses and investments changed to \$0. The student was selected for verification. On the verification worksheet, there is listed a total of 6 household members, which included the student, 3 sisters, the student's mother and father. Reviewers interviewed Student 60 who confirmed that she was living with her grandmother at the time she enrolled at Rogie's – SBC, along with one sister, but her father supported them both. Student 60 informed reviewers that her parents were not together during the time that she enrolled at Rogie's, nor were two of the sisters living with her at her grandmother's house. The only two people who the student's father supported that were living in the grandmother's home were the student and 1 other sister. The father's income was over \$80,000, and with the 7 family members and 7 exemptions reported, and the removal of the savings and net worth of businesses and investments, it resulted in an EFC of 3048, thereby making the student eligible for a partial Federal Pell Grant award. Had the information reported on the FAFSA not been changed, the student would have not been eligible for a Federal Pell Grant.

Student 60 confirmed that a Rogie's – SBC school official named (b)(6) helped her fill out the application for Federal aid.

In response to the report, Rogie's – SBC concurred that there is conflicting information in the student's file and that verification was not completed correctly. Rogie's –SBC has identified all Title IV funds disbursed to Student 60 during the 2008/2009 award year an institution liability. Rogie's – SBC is liable for the \$1,641.00 in Federal Pell Grant funds disbursed to the student.

Rogie's – SBC's response to this finding is attached as Appendix D.

The following tables identify the total liabilities owed by Rogie's – SBC for this finding:

2006/2007 Award Year

Student #	Federal Pell Grant	Federal SEOG
43	\$1,500.00	
Total	\$1,500.00	

2007/2008 Award Year

Student #	Federal Pell Grant	Federal SEOG
36	\$50.00	
40	\$50.00	
43	\$1,931.00	
49	\$900.00	
Total	\$2,931.00	

2008/2009 Award Year

Student #	Federal Pell Grant	Federal SEOG
6	\$4,731.00	\$400.00
14	\$4,731.00	
22	\$1,000.00	
26	\$2,200.00	
58	\$981.00	
59	\$4,731.00	\$200.00
60	\$1,641.00	
Total	\$20,015.00	\$600.00

2009/2010 Award Year

Student #	Federal Pell Grant	Federal SEOG
6	\$2,675.00	
58	\$2,675.00	\$200.00
Total	\$5,350.00	\$200.00

Rogie's – SBC is liable for a total of \$29,796.00 in Federal Pell Grant funds and \$800.00 in SEOG funds for this finding.

Instructions for the payment of this liability are included in Section E.