



September 21, 2015

Mr. Fred Davis
President
Salon 496 Barber Academy
496 S. Pleasantburg Drive
Suite D
Greenville, SC 29607

UPS Tracking Number
1Z A87 964 NY 9712 0320

RE: **Revised - Final Program Review Determination**
OPE ID: 04172600
PRCN: 201210427753

Dear Mr. Davis:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on August 20, 2012 covering Salon 496 Barber Academy's (Salon 496'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 2010-2011 and 2011-2012 award years. Salon 496's responses were received on January 13, 2013 and November 1, 2013. A copy of the program review report (and related attachments) and the institution's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Salon 496 upon request.

The Department previously issued a Final Program Review Determination on September 4, 2015. However, additional information has been obtained which changes the total liabilities since we issued that report.

The Department has made final determinations based on information obtained during the program review and from documentation submitted by Salon 496. This Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

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

The total liabilities due from the institution from this program review are \$98,805.

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division – Atlanta

61 Forsyth Street SW, Room 18T40

Atlanta, Georgia 30303

www.StudentAid.gov

This FPRD 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 the Department's Office of Federal Student Aid. The student numbers were assigned in Appendix D, Student Sample. In addition, Appendices B thru H also contain PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the August 20, 2012 program review report. If Salon 496 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 Salon 496 receives this FPRD. An original and four copies of the information Salon 496 submits must be attached to the request. The request for an appeal must be sent to:

Director – Susan Crim
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

Salon 496'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 Salon 496'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 notes.

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 Melody Parker-Venable at (404) 974-9299. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Chris Miller
Division Director

Enclosure:
Protection of Personally Identifiable Information

cc: Charlene M. Scott, Financial Aid Administrator
SC Board of Barber Examiners
National Accrediting Commission of Cosmetology Arts and Sciences
Consumer Financial Protection Bureau
Department of Defense
Department of Veterans Affairs

Prepared for

**Salon 496 Barber
Academy**

OPE ID 04172600
PRCN 201210427753

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

Revised
Final Program Review Determination
September 21, 2015

School Participation Division – Atlanta
61 Forsyth Street SW, Room 18T40
Atlanta, Georgia 30303-8918
www.FederalStudentAid.ed.gov

Table of Contents

	Page
A. Institutional Information.....	4
B. Scope of Review.....	5
C. Findings and Final Determinations.....	5
Resolved Findings.....	5
Findings with Final Determinations.....	6
Finding 1 Discrepancies in Hours of Attendance.....	6
Finding 2 Incorrect Refund Calculations.....	14
Finding 3 Incomplete Verification/ Conflicting Documentation.....	19
Finding 8 Ineligible Disbursements - Student in Default.....	24
Finding 9 Ineligible Disbursements – Student not in Attendance.....	25
Finding 15 Bank Charges on Federal Account not Reimbursed.....	26
D. Summary of Liabilities.....	27
E. Payment Instructions.....	28
F. Appendices.....	31

Appendix A: Program Review Report

Appendix B: Institution's Response

Appendix C: Institution's File Review Results

Appendix D: Student Sample

Appendix E: Estimated Loss & Cost of Funds for Ineligible
Disbursements – Finding 1

Appendix F: Cost of Funds for Late/Unmade Returns – Finding 1

Appendix G: Cost of Funds – Finding 2

Appendix H: Estimated Loss & Cost of Funds – Finding 3

Appendix I: Estimated Loss Formula Description

A. Institutional Information

Salon 496 Barber Academy
496 S. Pleasantburg Drive
Suite D
Greenville, SC 29607

Type: Proprietary

Highest Level of Offering: Vocational/ Non-degree Program

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 19 (2013-2014 year-to-date)

% of Students Receiving Title IV, HEA funds: 100% (2013-2014)

Title IV, HEA Program Participation as reported in the Postsecondary Education Participants System:

	<u>2012-2013</u>
Federal Pell Grant (Pell)	\$69,225
Federal Direct Loan Program (FDLP)	<u>\$118,083</u>
Total Funding	\$187,308

Default Rate DL:	2009	0.0%
	2010	0.0%
	2011	0.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Salon 496 Barber Academy (Salon 496) from December 5, 2011 to December 9, 2011. The review was conducted by Pamela Clemmer and Melody Parker-Venable.

The focus of the review was to determine Salon 496'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 Salon 496'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 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, two files were selected based on information concerning student attendance. Appendix D lists the names and social security numbers of the students whose files were examined during the program review. A program review report (PRR) was issued on August 20, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Salon 496'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 Salon 496 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 4, 5, 6, 7, 10, 11, 12, 13, 14, 16, and 17

Salon 496 has taken the corrective actions necessary to resolve findings 4, 5, 6, 7, 10, 11, 12, 13, 14, 16, and 17 of the PRR. Therefore, these findings may be considered closed. Findings requiring further action by Salon 496 are discussed below.

Findings with Final Determinations

The PRR findings requiring further action are summarized below. At the conclusion of each finding is a summary of Salon 496's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on August 20, 2012 is attached as Appendix A.

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 1. Discrepancies in Hours of Attendance

Citation Summary: 34 C.F.R. § 668.32(a)(1), Student Assistance General Provisions, states that a student is eligible to receive Title IV, HEA program assistance if the student either meets all of the requirements in paragraphs (a) through (m) of this section or meets the requirement in paragraph (n) of this section as follows:

- Is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution.

34 C.F.R. § 690.75, Federal Pell Grant Program, states that for each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that –

- The student qualifies as an eligible student under 34 C.F.R. Part 668, Subpart C; and
- Is enrolled in a credit hour without terms or a clock hour program, has completed the payment period as defined in § 668.4 for which he or she has been paid a Federal Pell Grant.

34 C.F.R. § 685.200, Federal Direct Loan Program, states that a student is eligible to receive a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a combination of these loans, if the student meets the following requirements:

- The student is enrolled, or accepted for enrollment, on at least a half-time basis; and
- The student meets the requirements for an eligible student under 34 C.F.R. Part 668.

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

Noncompliance Summary: An analysis of the sign-in sheets subsequent to November 30, 2010, the electronic time sheets from SMART, and the school's attendance report dated December 5, 2011, identified 126 students who are either enrolled or were previously enrolled at Salon 496.

Of the 126 students, 17 students had hours on their electronic time sheets which did not correspond with the sign-in sheets, producing a 13% error rate.

Sign-in sheets certified by the instructor showed 17 students (10 of whom are from the original sample), who failed to continue to sign-in and later withdrew. However, hours were added to the time sheets of these students after the last date of attendance. The discrepant hours are as follows:

W = Withdrawn G = Graduate NA = Never Attended

#	Status	LDA	Payment Period	Total Actual Hours at LDA	Total Scheduled Hours at LDA	Title IV % Earned	Scheduled Hours Added after LDA	Changed % Earned
5	G*	06/18/2011	1201-1500	1442.32	1127	100%	154	100%
6	W	08/18/2011	451-900	493.76	511	13%	252	69%
#	Status	LDA	Payment Period	Total Actual Hours at LDA	Total Scheduled Hours at LDA	Title IV % Earned	Scheduled Hours Added after LDA	Changed % Earned
11	W	09/09/2011	451-900	552.10	630	40%	217	88%
13	W	07/26/2011	0-450	443.16	504	12%	7	13%
20	NA	-----	0-450	0	0	0%	35	7%
22	W	10/20/2011	1201-1500	1480.67	1477	92%	42	100%
26	W	9/7/2011	0-450	253.70	273	60%	308	100%

30	W	10/05/11	451-900	692.90	700	55%	224	100%
31	W	09/28/11	451-900	603.80	693	54%	56	66%
32	W	08/05/11	451-900	552.67	602	33%	147	66%

There are seven students, in addition to the sample, who have discrepant hours. The hours for these students are provided in the chart below.

#	Status	LDA	Payment Period	Total Actual Hours at LDA	Total Scheduled Hours at LDA	Title IV % Earned	Scheduled Hours Added after LDA	Changed % Earned
A	W	05/11/11	0-450	202.11	182	40%	35	48%
B	W	08/03/11	0-450	113.51	105	23%	273	84%
C	W	04/26/11	451-900	679.55	679	50%	63	64%
D	W	10/27/11	901-1200	922.9	903	1%	154	52%
E	W	08/04/11	0-450	351.40	350	77%	490	100%
F	G*	04/04/11	1201-1500	1434.32	1505	100%	70	100%
G	W	11/03/11	451-900	497.87	490	8%	112	33%

*Student had previous hours at the state board and left when he reached 1500 hours at the state board. Hours of attendance at the school were added afterwards.

In addition to the scheduled hours added to students attendance records after withdrawal, actual hours have been added to the time sheets for other days the students did not sign-in and attend school in what appears to be an attempt to get the student to the next payment period, thus justifying additional Title IV disbursements. For example, the hours have been altered for two students as follows:

Student 22 The student was not in attendance for several dates between December 15, 2010 and April 5, 2011. Also, the student was not in school for the number of hours indicated on the time sheets for days he did attend on several occasions during this period.

An additional 194 hours were added to the electronic time sheets from December 10, 2010 through April 5, 2011, even though the student did not sign-in and attend for these hours. Because of the additional hours, the student reached 476 scheduled hours at this point and 503 actual hours allowing the student to be paid the second disbursement on April 5, 2011.

An additional 87.65 hours were added to the electronic time sheets between April 6, 2011 and June 21, 2011. Because of the additional hours, the student reached 833 scheduled hours and 906 actual hours allowing the student to be paid the third disbursement on June 30, 2011. 159.68 hours were added to the electronic time sheets between June 22, 2011 and the student's last date of attendance on October 20, 2011. Because of the additional hours, the student reached 1,309 scheduled hours and 1,480 actual hours allowing the student to be paid the fourth disbursement on September 2, 2011. An additional 11.67 hours were added after the last date of attendance.

The student was given a total of 453 extra hours for which she never attended. The correct total hours would not exceed 1039. The student was never eligible for the fourth disbursement of \$1,850 in Federal Pell Grant funds, and the second and third disbursements were paid early.

Student 23 This student was in attendance October 19-21, 2011 and October 26-27, 2011, for 7 hours each day, but was given 13 hours for each day. The student withdrew October 29, 2011. She was also given 6.35 hours on November 15, 2011 after she withdrew making the scheduled hours 294 hours or 65%. Using her actual withdrawal date, the correct scheduled hours are 147 hours or 32%.

Required Action Summary: *The institution was required to review the sign-in sheets for all 126 students and compare them with the electronic time sheets to determine if other students have incorrect hours of attendance on their time sheets. The institution was required to correct the hours in attendance and the last date of attendance to reflect the last date of attendance according to the sign-in sheets for the students. The institution was required to use the corrected attendance information to determine if students received ineligible disbursements and/or to identify refunds that were not made. The institution also had to submit the results with the response to this report in an Excel spreadsheet with the following categories:*

- *Student name*
- *Total actual hours on current time sheets as of the last date of attendance*
- *Total corrected actual hours on time sheets as of the last date of attendance*
- *Total scheduled hours attended as of last date of attendance*
- *Dates student reached each payment period (2nd, 3rd and 4th)*

- *Date financial aid received by program (Pell, Unsubsidized Loan, and Subsidized Loan)*
- *Amount of financial aid received by program*
- *Ineligible disbursements of Title IV aid by program*

In addition, the institution was required to develop and submit policies and procedures as to how attendance is recorded and reviewed for accuracy when disbursing Title IV funds for each payment period.

Finding 2 addresses the other 47 students who withdrew and have no refund calculations in the files or funds returned to the Department. 62 students were still attending during the review.

The school's auditor was required to attest to the completeness of this finding in the institution's next non-federal audit.

Salon 496's Response: The institution stated the following in its initial response to the PRR:

The SMART Electronic Biometric Fingerprint Time Clock (Time Clock) used to record student time malfunctioned and was unable to connect to the host computer due to a virus. As a result of the time clock malfunction, the institution required students to utilize manual sign-in sheets, beginning December 1, 2011. Prior to December 1, 2011, the institution did not use manual sign-in sheets to capture student attendance information.

SMART (SMART) personnel assisted the institution with its response to the Department by reviewing and reconstructing student attendance information for the period beginning December 1, 2011 through May 9, 2012.

Final Determination: The institution was required to conduct a file review and provide specific information within 60 calendar days of receipt of the Department's August 20, 2012 PRR.

The institution initially solicited the assistance of its third party servicer, SMART, to compile the data for its response to the Department. According to the institution, SMART agreed to assist the institution in compiling the student attendance data for the period of December 2011 through May 2012.

Salon 496 claimed that the Time Clock used by the institution to capture student attendance malfunctioned which resulted in the institution using manual sign-in sheets as the method for capturing student attendance. As a result, Salon 496 stated that it made it mandatory for all students to use the manual sign-in sheets beginning December 2011.

To facilitate the reconstruction of actual student attendance, SMART requested permission from the institution to access the Biometric Time Clock to download the attendance database. SMART was able to access the Time Clock attendance database and determine if the student signed in by using his or her fingerprint during the period of August 4, 2010 through May 2012. However, SMART was unable to determine the student's total hours in attendance from the downloaded information for this same period.

As a result, on November 7, 2012 SMART began creating a spreadsheet for each month listing the student names and the days of the month that the institution would normally be open. SMART's assertion was that if time was captured in the Time Clock database (via fingerprint) and the student did not use the manual sign-in sheet, then the institution could at least establish that the student was in attendance for that day. However, if time was manually entered into the electronic online attendance record and there was no fingerprint entry or manual sign-in sheet record to support the attendance hours entered, then those hours would not be counted as actual hours in attendance. The Time Clock database records dated as far back as August 4, 2010.

As of November 20, 2012, the sign-in sheets had not been received from Salon 496 despite repeated requests from SMART to provide the documents; therefore, the Department granted a 30-day extension for Salon 496 to provide its response to the PRR. The institution's response to the PRR was originally due November 1, 2012 and was already late at the time of the first 30-day extension on November 20, 2012. Because of the extension, the response was now due not later than December 19, 2012.

For the purpose of expediting the process, the institution was required to log each of the student's actual attendance hours from the sign-in sheets and instructor attendance records onto a paper copy of a month-by-month attendance record and to send that information along with the manual sign-in sheets and instructor records for the period of August 2010 through May 2012 to SMART so that it could continue to compile a response to the PRR.

On December 12, 2012, SMART notified the Department that the sign-in sheets for the period of January 2011 through December 2011 were received. SMART stated that a comparison of the month-by-month attendance record to the sign-in sheets revealed conflicting results. It was at this point that the institution notified SMART that it would begin processing its Heighten Cash Monitoring 2 (HCM2) submissions in-house and would no longer need the third party servicer to assist it in compiling the response to the PRR.

On January 16, 2013, the Department received the institution's response to the PRR but it was incomplete for several of the findings, to include Finding 1 which also contained conflicting data. Because the information provided was incomplete, the institution was contacted regarding the response and Salon 496 was given an opportunity to address the conflicting information for Finding 1, as well as to provide missing information and documentation for the remaining findings.

On November 1, 2013, the institution provided an update to information previously provided in the institution's response to the PRR. The updated information was, once again, incomplete and inadequate because the following data and supporting documentation was omitted from the requested file review:

- Total actual hours on current time sheets as of the last date of attendance
- Total corrected actual hours on time sheets as of the last date of attendance
- Date financial aid received by program (Pell, Direct Loan Subsidized, and Unsubsidized)
- Ineligible disbursements of Title IV aid by program

In addition to the institution's incomplete file review, the attendance information reported by the institution conflicted with attendance data retrieved from the Time Clock and manual sign-in sheets previously provided to SMART for the reconstruction of actual student attendance.

The institution was asked to explain the conflict between its initial response to the PRR and the actual data contained in its final response to the PRR. Although the institution's initial response to the PRR stated that students were required to use the manual sign-in sheets beginning December 1, 2011 through May 9, 2012, the institution stated that it did not implement actual mandatory use of the manual sign-in sheets until May 9, 2012.

As previously stated, Salon 496 was required to perform a 100% file review in response to this finding and provide the results of the file review to this office. As the preceding analysis reflects, a review of the institution's response to this finding revealed actual attendance hours that severely conflicted with the Time Clock information and/or Student Sign-In sheets.

The Department reviewed the institution's file review results and found additional conflicts; thereby rendering the file review results largely unreliable for assessing actual hours earned for many of the students in the report. Consequently, the Department, once again requested that Salon 496 review all attendance data (Sign-In sheets, instructor records, and Time Clock records) to determine the actual hours of attendance for all students awarded Title IV funds.

The institution was instructed to identify student accounts with ineligible disbursements and/or students who should have been withdrawn. The institution was instructed to complete the R2T4 calculations for any student who should have been withdrawn.

In late August 2012, the institution recruited a new Financial Aid Director who provided the data requested.

Results of this final review submitted to the Department on November 12, 2014 revealed that ineligible disbursements were made to 12 students. The students either were not

enrolled at the time of the disbursements or did not complete the hours from the previous payment period.

The amounts to be returned for each of the 12 students identified as receiving ineligible disbursements are reflected in Appendix E. The total amount of funds to be returned for the students identified is represented in the chart below.

Program Funds	Amount	Interest	Total Due
Pell	\$46,425	\$1,692	\$48,117
Direct Loan Subsidized	Estimated Actual Loss \$2,986		Estimated Actual Loss \$2,986
Direct Loan Unsubsidized			
Totals	\$49,411	\$1,692	\$51,103

The total amount of Direct Loan funds (subsidized and unsubsidized) disbursed to students who were ineligible during the 2010-2011 and 2011-2012 award years is \$68,782. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on the most recent sector default rate available for institutions such as Salon 496. As a result, the estimated actual loss that Salon 496 must pay to the Department for the ineligible loans is \$2,986. A copy of the results of that calculation is included as Appendice E.

Additionally, there were 14 students who should have been withdrawn and Title IV refunds should have been made to the Department. The amounts to be returned for each of the 14 students identified can be found in the Late or Unmade Returns Worksheets identified in Appendix F. The total amount of funds to be returned for the 14 students identified is represented in the chart below.

Program Funds	Amount	Cost of Funds	Total Due
Pell	\$3,821	\$122	\$3,943
Direct Loan Subsidized	\$10,025	\$1,017	\$34,171
Direct Loan Unsubsidized	\$23,129		
Totals	\$36,975	\$1,139	\$38,114

Total liability for Finding 1 is:

Non-loan Funds to be Returned:	\$ 50,246
Cost of Funds for Non-loan Funds:	\$ 1,814
Direct Loans Estimated Loss:	\$ 2,986
Loan Funds to Be Returned:	\$ 33,154
Cost of Funds for Loan Funds:	<u>\$ 1,017</u>
Total Liability for Finding 1:	\$ 89,217

Finding 2. Missing Refund Calculation Worksheets/Incorrect Refunds

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

If the total amount of Title IV grant or loan assistance, or both, that the student earned as calculated under paragraph (e)(1) of this section is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew—

- (i) The difference between these amounts must be returned to the Title IV programs in accordance with paragraphs (g) and (h) of this section in the order specified in paragraph (i) of this section; and*
- (ii) No additional disbursements may be made to the student for the payment period or period of enrollment.*

Noncompliance: *The review of the sign-sheets subsequent to November 30, 2010, the electronic time sheets from SMART, and the school's attendance report dated December 5, 2011, identifies 126 students who are either enrolled or were previously enrolled at Salon 496 (Appendix B). According to the sign-in sheets dated November 23, 2010 through December 8, 2011, of the 126 student identified, only 62 were currently attending Salon 496 and the other 64 were no longer attending during the time of the review.*

Six Return to Title IV (R2T4) refunds were identified on the school's Federal Account statements, and Title IV calculation worksheets were sent from SMART. However, the calculations were completed using the dates of attendance reported by the school, five of which are incorrect, and, therefore, the calculations are incorrect. It appears that refunds were not calculated for the 58 remaining students who withdrew.

Of the six refunds made, five were incorrect and contained the following errors:

A refund was made for student 3 in the amount of \$2,342 on December 5, 2011. Her LDA was October 5, 2011. The LDA used in the refund calculation is October 8, 2011. The refund is incorrect and paid late.

A refund to Direct Loans was made for student 11 in the amount of \$3,301 on November 15, 2011. Her LDA was September 9, 2011. The LDA used in the refund calculation is October 8, 2011. The refund is incorrect and paid late.

A refund was made for student 20 in the amount of \$2,387 on December 5, 2011. According to the sign-in sheets, this student never attended, but hours were recorded. The return of the funds was late (see finding 1).

A refund to Direct Loans was made for student 31 in the amount of \$3,533 on November 15, 2011. His LDA was September 28, 2011. The LDA used in the refund calculation is October 8, 2011. The refund is incorrect and paid late.

A refund to Direct Loans was made for student A¹ in the amount of \$3,886 on August 17, 2011. His LDA was May 11, 2011. The LDA used in the refund calculation is May 17, 2011. The refund is incorrect and paid late.

Required Action: *The school has an attendance policy published in its catalog, which states on page 7 "a student who has not attended classes for one week without notification of withdrawal will be terminated and the formal termination date will be the next scheduled school day." Appendix B, to the Program Review Report, lists the LDA for the students.*

The school was required to calculate R2T4 refunds for each of the 64 withdrawn students and any students who have withdrawn or missed one week attendance since December 1, 2011, the date one week prior to the sign-in sheets obtained during the review. The school was required to use the LDA as established in Appendix B and calculate the applicable scheduled hours for the pay period in which the LDA falls.

The school was required to identify each student in a spreadsheet as follows:

- *Student name*
- *Last 4 digits of Social Security number*
- *Total number of actual hours completed*
- *Payment period (0-450, 451-900, 901-1200, 1201-1500)*
- *Actual Hours completed in payment period*
- *Scheduled hours through last date of attendance*
- *Amount of aid received by program and payment period (Pell, unsubsidized loan, subsidized loan)*
- *Refund amount due*

A copy of each completed R2T4 form was required to be provided with the response to this report.

The school was required to have the auditor attest to the completeness of this finding in the institution's next non-federal audit.

¹ Student A was included in error in the PRR; therefore, the student will not be further discussed in the Final Program Review Determination letter.

Salon 496's Response: The institution's initial response to the PRR did not contain a file review, but addressed the portion of the finding as it pertains to Student Numbers 3, 11, 20, and 31.

The institution stated the following:

Student Number 3: The institution did not concur with the finding for this student. The institution stated that the student's LDA was 4/12/2011 and this date was used in the R2T4 calculation. The date of determination was 4/13/2011; however SMART was not notified until 6/29/2011. The R2T4 calculation was completed on 6/29/2011 and the refunds were made on 7/28/2011, which constitutes a late R2T4.

Student Number 11: The institution did not concur with the finding for this student because SMART did report attendance for the student. A status change was sent to SMART to notify it that the LDA was 10/08/2011. The notice to the third-party was sent on 10/12/2011.

Student Number 20: The institution agreed with the finding for this student.

Student Number 31: The institution did not agree with the finding for this student. The institution stated that the SMART System Time Clock showed that the student clocked-in on the dates in question. The institution stated that the student's LDA is 10/08/2011.

Final Determination: The institution's initial response did not contain a file review; therefore, the institution was contacted and reminded of the requirement that the results of the file review were to be included in order for the response to be complete. The institution agreed to conduct the file review and provide the results to the Department.

The results of the file review were received on 11/25/2013. The results showed that there were 22 Title IV recipients who withdrew between December 2010 and January 2012 (the date the program review report was issued).

The results of the file review were examined and revealed that for 18 of the 22 Title IV recipients who withdrew between December 2010 and January 2012 refunds were calculated correctly. An examination of the four remaining student files identified in the file review showed the following discrepancies:

Student Number 3 (from the student sample): The student's start date is 11/16/2010. The student was scheduled to attend as a full-time student, attending 35 hours per week. The institution did not schedule classes for Thanksgiving Day and the Friday after Thanksgiving. Classes are not scheduled for December 25th through January 1, as stated in the institution's catalog; however the student was credited with actual attendance hours on 12/28/2010, 12/30/2010, and 12/31/2010.

Additionally, the student should have been withdrawn as early as 3/12/2011 due to excessive absences. The student did not sign-in, according to the sign-in sheets, from 3/12/2011 through 4/5/2011 and no leave of absence was granted to

the student. The institution's Attendance Policy states, "a student who has not attended classes for one week without notification of withdrawal will be terminated and the formal termination date will be the next scheduled school day". The institution instead, listed the student's LDA as 4/12/2011 (approximately one month beyond the date the student should have been withdrawn).

Though Salon 496 is required to take attendance, the institution was unable to determine the student's actual hours of attendance. Consequently, the institution was unable to determine the actual date the student should have been withdrawn. For this reason, the institution was instructed to return the following disbursements back to the Department.

Type of Funds	Date of Disbursement	Amount Disbursed
Direct Loan Subsidized	12/22/2010	\$1,750
Direct Loan Unsubsidized	12/22/2010	\$3,000
Pell Grant	11/29/2010	\$2,775
Pell Grant	3/1/2011	\$1,868

Student Number 11 (from the student sample): Student's start date was 5/3/2011 as a full-time student attending 7-hours/ day (Tuesday thru Saturday) for a total of 35 hours weekly. The student, according to NSLDS, entered default status on 5/2/2011. The student was ineligible to receive Title IV funds due to the default status; therefore all funds should have been returned for this student.

The institution posted the refunds to the student ledger but failed to return the funds to the Department; therefore, Salon 496 must return all the funds identified in the chart below.

The student received the following Title IV disbursements:

Type of Funds	Date of Disbursement	Amount Disbursed
Pell Grant 2010-2011	5/5/2011	\$2,775

Pell Grant 2011-2012	9/8/2011	\$2,775
Direct Loan Subsidized	8/30/11	\$1,750
Direct Loan Subsidized	9/1/2011	\$1,434
Direct Loan Unsubsidized	8/31/2011	\$3,000

Student Number 20 (from the student sample): The student enrolled in the Master Barber Program but never started attendance. The institution must return the \$2,775 in Pell funds for the 2011-2012 award year.

Type of Funds	Date of Disbursement	Amount Disbursed
Pell Grant 2011-2012	10/5/2011	\$388

Student Number 31 (from the student sample): The student's start date was 5/3/2011. The actual and scheduled attendance hours recorded for the student show discrepancies that were not explained nor corrected by the institution. The attendance records are therefore, unreliable.

A final review of the student's attendance indicates that the student's actual LDA should have been 9/9/2011. The institution was required to process an R2T4 with the corrected date of withdrawal as 9/9/2011.

Type of Funds	Date of Disbursement	Amount Disbursed
Pell Grant 2011-2012	8/29/2011	\$2,775
Direct Loan Subsidized	8/30/2011	\$1,200

Direct Loan Unsubsidized	8/30/2011	\$3,000
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The file review conducted by the institution for this finding contained many inconsistencies and discrepancies for students 3, 11, 20, and 31; therefore, the Department is unable to reasonably rely upon the data reported. The Department accepts the results of the file review for 18 of the 22 students identified in this finding; however, institution must return the ineligible funds for student numbers 3, 11, 20, and 31.

Total liability for Finding 2 is:	Non-loan Funds to be Returned:	\$ 13,356
	Cost of Funds for Non-loan Funds:	\$ 455
	Loan Funds to Be Returned:	\$ 15,134
	Cost of Funds for Loan Funds:	<u>\$ 502</u>
	Total Liability:	\$ 29,447

Funds to be returned for this finding are reflected on the Cost of Funds worksheets identified as Appendix G.

The liabilities for Student Number 3, 11, 20, and 31 are identified in Finding 1. The duplicated amounts will be removed in the Summary of Liabilities.

Finding 3. Incomplete Verification/ Conflicting Documentation

Citation: 34 C.F.R. § 668.53, Student Assistance General Provisions, states that an institution shall establish and use written policies and procedures for verifying information contained in a student aid application in accordance with the provisions of this subpart. These policies and procedures must include:

- *Time period within which an applicant shall provide documentation;*
 - *Consequences of an applicant's failure to provide documentation within a specific time period;*
 - *Method by which the institution notifies an applicant of the results of verification and the applicant's EFC changes that results in a change in the applicant's award or loan;*
 - *Procedures the institution requires an applicant to follow to correct application information determined to be in error, and*
 - *Procedures for making referrals under § 668.16.*
 - o *Procedures must provide that an institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of*
-
- *Documentation needed*

- *The applicants' responsibilities, including deadlines for completing and consequences of not completing verification.*

34 C.F.R. § 668.56, Student Assistance General Provisions, states that (a) except as provided in paragraphs (b), (c), (d), and (e) of this section, an institution shall require an applicant selected for verification under §668.54(a)(2) or (3) to submit acceptable documentation described in §668.57 that will verify or update the following information used to determine the applicant's EFC:

- (1) Adjusted gross income (AGI) for the base year if base year data was used in determining eligibility, or income earned from work, for a non-tax filer.*
- (2) U.S. income tax paid for the base year if base year data was used in determining eligibility.*
- (3)(i) For an applicant who is a dependent student, the aggregate number of family members in the household or households of the applicant's parents if—*
 - (A) The applicant's parent is single, divorced, separated or widowed and the aggregate number of family members is greater than two; or*
 - (B) The applicant's parents are married to each other and not separated and the aggregate number of family members is greater than three.*
- (ii) For an applicant who is an independent student, the number of family members in the household of the applicant if—*
 - (A) The applicant is single, divorced, separated, or widowed and the number of family members is greater than one; or*
 - (B) The applicant is married and not separated and the number of family members is greater than two.*
- (4) The number of family members in the household who are enrolled as at least half-time students in postsecondary educational institutions if that number is greater than one.*

34 C.F.R. § 668.57, Student Assistance General Provisions, states that except as provided in paragraphs (a)(2), (a)(3), and (a)(4) of this section, an institution shall require an applicant selected for verification to verify AGI and U.S. income tax paid by submitting to it, if relevant—

- (i) A copy of the income tax return of the applicant, his or her spouse, and his or her parents. The copy of the return must be signed by the filer of the return or by one of the filers of a joint return;*
- (ii) For a dependent student, a copy of each Internal Revenue Service (IRS) Form W-2 received by the parent whose income is being taken into account if—*
 - (A) The parents filed a joint return; and*
 - (B) The parents are divorced or separated or one of the parents has died; and*

(iii) For an independent student, a copy of each IRS Form W-2 he or she received if the independent student—

(A) Filed a joint return; and

(B) Is a widow or widower, or is divorced or separated.

(2) If an individual who filed a U.S. tax return and who is required by paragraph (a) (1) of this section to provide a copy of his or her tax return does not have a copy of that return, the institution may require that individual to submit, in lieu of a copy of the tax return, a copy of an IRS form which lists tax account information.

34 C.F.R. § 668.16(f), Student Assistance General Provisions, states that in order to be considered administratively capable, an institution must develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under the Title IV, HEA programs.

Non-Compliance: *Verification is incomplete for the following students:*

Student 4 *No verification worksheet was found in the file for student 4. The household size and number in college were not verified.*

Student 12 *A note in the file states that the student makes \$300 a week from work, but no income is listed on the student's ISIR.*

Student 15 *The student marked "orphan or ward of the court" but listed her father on the verification worksheet. In addition, a letter in the file states that she is drawing unemployment and working at a farm. She had income of \$17,000 as stated in the letter, but did not file taxes. The student is ineligible since she did not file the proper tax forms.*

In addition, conflicting information was found in the files of the following students:

Student 6 *The student reported on his ISIR a marital status of single with 3 in the household and 1 in college. A note in the file says the student supports one child. Only the student's income is listed. The third person should not be included in the household size.*

Student 26 *The student is a single independent student with one child. However, she listed four in the household and one in college on her ISIR. The other two people are the student's parents. The parents should not be listed in the household size.*

Student 32 *The student listed 3 in the household with one in college on his ISIR. The student is a single independent student with one child and is living with his*

parents. However, the student has been incarcerated, and he only draws \$140 a month in unemployment. Therefore, the student does not provide at least 50% of the support for his child and should only list one in the household with one in college.

Required Action:

Student 4 The institution had to verify the number in the household and number in college for student 4.

Student 12 The institution had to verify the income for student 12.

Student 15 The institution had to obtain the proper tax forms for student 15 in order for the student to be eligible to receive aid.

Copies of the verification worksheets, income verifications, and tax forms were also required to be submitted with the response to this report.

The institution was further required to correct the ISIRs for student 6, 26 and 32 and determine if the EFC changed.

The institution also had to develop a written verification policy per 34 C.F.R. § 668.53. A copy of the policy was to be submitted with the response to this report.

Salon 496's Response: The institution developed a written verification policy and provided the Department with a copy of the policy.

The institution resolved the verification issues for students 6, 12, 26, and 32. The documents needed to resolve the incomplete verification issues were provided by the institution and accepted by the Department.

Final Determination: The institution's Verification Policy is accepted by the Department and the verification issues for Student Number 6, 12, 26, and 32 were resolved through the documentation provided by the institution.

Verification for Student Number 4 and 15 remained incomplete due to the following reasons:

Student Number 4: The student was selected for verification on the Institutional Student Information Record (ISIR) for 2010-2011, transaction 2. The ISIR, dated 2/11/2011 states that the student's household size is 6 with 1 student in college, and indicates that the student's annual income earned from work is \$1,800. The student indicated his marital status as 'married'. No spousal income was entered on the 2010-2011 ISIR.

The student's spouse did not sign the verification form presented to the Department. No income documentation was collected for the student and spouse. Therefore, verification is incomplete and the institution must return funds disbursed for this student.

Ineligible funds were disbursed for this student in the following amounts:

Type of Funds	Date of Disbursement	Amount Disbursed
Pell Grant 2010-2011	2/18/2011	\$2,775
Pell Grant 2010-2011	6/25/2011	\$2,775
Direct Loan Subsidized 2010-2011	3/15/2011	\$1,750
Direct Loan Subsidized 2010-2011	6/27/2011	\$1,750
Direct Loan Unsubsidized 2010-2011	3/15/2011	\$3,000
Direct Loan Unsubsidized 2010-2011	6/27/2011	\$3,000

Student Number 15: The institution resolved the initial discrepancy regarding the student's claim as 'Ward or Orphan of the court'. However, documentation provided by the institution revealed that the verification process remained incomplete.

The student's ISIR was selected for verification and indicates that the student is a dependent. The student's parent (father) did not provide a copy of his 2009 tax filing or other income verification documents. When the matter was discussed with the institution, the Department was told by the institution that the institution assumed the parent was unemployed in 2009.

Verification remains incomplete for Student Number 15; therefore, all funds disbursed for this student must be returned to the Department. Funds were disbursed by program, in the following amounts:

Type of Funds	Date of Disbursement	Amount Disbursed
Pell Grant 2010-2011	8/1/2011	\$2,775
Direct Loan Subsidized 2010-2011	8/1/2011	\$1,750
Direct Loan Subsidized 2010-2011	9/16/2011	\$1,750
Direct Loan Unsubsidized 2010-2011	8/1/2011	\$1,000

Direct Loan Unsubsidized 2010-2011	9/16/2011	\$1,000
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Liabilities of \$732 in ineligible Direct Loan funds, \$8,325 in ineligible Pell Grant funds, and \$297 in Cost of Funds were established for Student Number 4 and 15 in this finding. Appendix H reflects the liabilities associated with this finding.

Finding 8. Ineligible Disbursements – Student in Default

Citation Summary: 34 C.F.R. § 668.164 states that an institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds. 34 C.F.R. § 668.32(g)(1) states that among other criteria, a student is considered eligible for Title IV, HEA program funds if he or she is not in default, and certifies that he or she is not in default, on a loan made under any Title IV, HEA loan program.

Noncompliance Summary: Student Number 11 was placed in default status on May 2, 2011. The student began attendance at the institution on May 3, 2011 and Title IV, HEA funds were disbursed to the student on May 13, 2011 and again on September 8, 2011.

Required Action Summary: The student was ineligible to receive the Title IV funds due to the default status. The total funds disbursed for the student is:

Pell Grant: \$5,550
 Subsidized Direct Loan: \$3,484
 Unsubsidized Direct Loan: \$5,970

Salon 496’s Response: The institution stated that a NSLDS report was generated for the student on April 26, 2011. At the time, the institution claimed that the report did not indicate a default status for the student. The institution stated that it believed that the first disbursement of Title IV funds was made prior to the student being placed in a default status.

The institution stated that the funds were disbursed in error and agreed that the funds should be repaid to the Department.

Final Determination: The institution is responsible for verifying that a student is eligible to receive Title IV funds prior to disbursing those funds. The institution admitted that the proper procedures were not executed prior to the disbursement of funds for student number 11. This failure to follow the established procedures resulted in Title IV funds being disbursed to an ineligible student.

The institution must repay all funds disbursed for Student Number 11. Funds disbursed for Student Number 11 while enrolled at Salon 496 are listed below.

Type of Funds	Date of Disbursement	Amount Disbursed
Pell Grant 2010/2011	5/5/2011	\$2,775
Pell Grant 2011/2012	9/8/2011	\$2,775
Direct Loan Subsidized 2010/2011	8/31/2011	\$1,750
Direct Loan Subsidized 2010/2011	9/1/2011	\$1,750
Direct Loan Unsubsidized 2010/2011	8/31/2011	\$3,000
Direct Loan Unsubsidized 2010/2011	9/1/2011	\$3,000

Student Number 11 was identified in Finding Number 1 and 2; therefore, the established liability amounts associated with this finding will be assessed under Finding Number 1 to avoid duplication of the liabilities.

Finding 9. Ineligible Disbursements – Student Not in Attendance

Citation Summary: 34 C.F.R. § 668.164 states that an institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

Noncompliance Summary: Student Number 20 never attended but was disbursed \$2,775 in Federal Pell Grant funds on October 11, 2011.

Required Action Summary: The institution was required to return all Title IV funds disbursed for this student.

Salon 496’s Response: The institution concurred with this finding.

Final Determination: All Title IV funds disbursed on behalf of Student Number 20 must be returned to the Department. Student Number 20 received a Pell Grant disbursement on 10/5/2011 in the amount of \$2,775. No additional funds were disbursed.

Student Number 20 was identified in Finding Number 1 and 2; therefore, the established liability amounts associated with this finding will be assessed under Finding Number 1 to avoid duplication of the liabilities.

Finding 15. Bank Charges on Federal Account Not Reimbursed

Citation Summary: *34 C.F.R. § 668.163(d)(i)&(ii) states that an institution must maintain accounting and internal control systems that identify the cash balance of the funds of each Title IV, HEA program that are included in the institution's bank or investment account as readily as if those program funds were maintained in a separate account. The earning on Title IV, HEA program funds maintained in the institution's bank or investments account must also be identified.*

34 C.F.R. § 668.16(b) states that funds received by an institution under the Title IV programs are held in trust for the intended student beneficiary and the Department. An institution, as a trustee of federal funds, may not use or hypothecate Title IV funds for any other purpose. Under no circumstances may federal funds be used for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of the Title IV funds or subjects Title IV funds to liens or other attachments. Carrying out these fiduciary duties limits the ways an institution can otherwise manage cash in an operating account, when that account contains FSA funds.

Noncompliance Summary: *The institution's Federal Accounts (Pell and Direct Loan) are identified as Federal accounts. However, the bank charged service charges, check card charges, and overdraft fees to the accounts. The school has not reimbursed the accounts for these charges.*

Required Action Summary: *The institution was required to provide copies of the Federal Pell Grant and Federal Direct Stafford Loan bank account statements for the 2010-2011 and 2011-2012 award years.*

The institution was also required to review its bank statements and reimburse the Federal accounts for any service fees, check card fees, and overdraft fees deducted from the accounts. The institution was required to continue a practice of reimbursing the Federal accounts for fees charged. The institution was required to provide a copy of the reimbursements made to cover these charges in its response to the PRR.

Salon 496's Response: The institution concurred with this finding.

Final Determination: The institution agreed with this finding but did not provide the required supporting documentation; therefore, all fees charged to the Federal accounts, both Pell and Direct Loan, will be established as a liability for this finding.

The bank statements for the Federal accounts were reviewed for this finding and the reimbursable fees charged are listed below.

Federal Account Type	Overdraft Fees	NSF Fees	Check Card Fees	Maintenance Fee	Total Fees
Pell Grant	\$70	\$35	\$21	\$14	\$140
Direct Loan	\$0	\$0	\$24	\$70	\$94
Total Fees	\$70	\$35	\$45	\$84	\$234

The institution is required to reimburse the Pell and Direct Loan account for the fees assessed during the period of December 2010 through December 2011. The institution is reminded of its fiduciary responsibility to appropriately perform the administration of Title IV funds.

Instructions for the repayment of these funds can be found in the Summary of Liabilities section of this report.

D. Summary of Liabilities:

The total amount calculated as liabilities from the findings in the program review determination is as follows. The liability amount in the first chart below reflects *duplicated and unduplicated* liabilities because some students appear in more than one finding. This information is provided so that the institution understands the liabilities associated with each finding. Duplicate liabilities have been removed in the second chart. The payment instructions in Section E have been adjusted to reflect the unduplicated liabilities.

Actual Liabilities – Including Duplicates

Liabilities	Pell	Pell Cost of Funds	Direct Loans (DL)	DL Cost of Funds	Estimated Loss	Total Liability
Finding 1	\$50,246	\$1,814	\$33,154	\$1,017	\$2,986	\$89,217
Finding 2	\$13,356	\$455	\$15,134	\$502		\$29,447
Finding 3	\$8,325	\$297			\$732	\$9,354
Finding 15	\$140	\$0	\$94	\$0		\$234
Totals	\$72,067	\$2,566	\$48,382	\$1,519	\$3,718	\$128,252

Established Liabilities – Duplicates Removed

Liabilities	Pell	Pell Cost of Funds	DL	DL Cost of Funds	Estimated Loss - DL	Total Liability
Finding 1	\$50,246	\$1,814	\$33,154	\$1,017	\$2,986	\$89,217
Finding 2	\$0	\$0	\$0	\$0		\$0
Finding 3	\$8,325	\$297			\$732	\$9,354
Finding 15	\$140	\$0	\$94	\$0		\$234

Subtotal 1	\$58,711	\$2,111	\$33,248	\$1,017	\$3,718	\$98,805
Interest S/A		\$2,111			\$3,718	
ACA						
Subtotal 2		\$2,111			\$3,718	
Total	\$58,711	\$2,111	\$33,248		\$3,718	\$98,805
Payable To:						
Department	\$58,711	\$2,111	\$33,248		\$3,718	\$98,805
Students						
Lenders						
Inst						
Accounts						

The Actual Liabilities table above contains duplicate liabilities. The Established Liabilities table reflects adjustments made to remove all duplicate liabilities as described in Findings 2, 3, 8, and 9. Appendices E thru H contain a detailed accounting of the determination of unduplicated liability for each finding.

Estimated Actual Loss (EAL):

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on Salon 496’s most recent cohort default rate available the most recent sector default rate available for institutions such as Salon 496.

The total amount of Direct Loan that Salon 496 improperly disbursed during the 2010-2011 and 2011-2012 award years for findings 1 and 3 is \$83,782. The total estimated actual loss that Salon 496 must pay to the Department for the ineligible loans is \$3,718. Copies of the results of those calculations are included in Appendices E and H.

E. Payment Instructions

Liabilities Owed to the Department

Salon 496 owes to the Department \$98,805. Payment must be made by forwarding a check made payable to the “U.S. Department of Education” to the following address within 45 days of the date of this letter:

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

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

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

The following identification data must be provided with the payment:

Amount: \$98,805
DUNS: 825881175
TIN: 272427821
Program Review Control Number: 201210427753

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Salon 496 is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to Salon 496's representative.

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

Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, Salon 496 has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due Salon 496 from the Federal Government. **Salon 496 may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Salon 496 must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If

a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

Liabilities Owed to the Department in the case of Direct Loans

Direct Loan Estimated Actual Loss

Findings: 1 and 3
 Appendix: E and H

DL Estimated Actual Loss	
Amount	Award Year
\$1,919	2010-2011
\$1,067	2011-2012
Total	
\$2,986	

Salon 496 must pay the amount reflected above in Direct Loan estimated loss liabilities for the award years reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in Section 1 above.

Direct Loan Closed Award Years

Salon 496 must repay the following Direct Loan liabilities:

DL Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$12,937	\$415	2010-2011
\$20,217	\$602	2011-2012
Total Principal	Total Interest	
\$33,154	\$1,017	

The disbursement record for each student identified in the appendix listed above must be adjusted in the COD system based on the recalculated amount identified in the appendix. A copy of the adjustment to each student’s COD record must be sent to **Melody Parker-Venable within 45 days of the date of this letter.**

Liabilities Owed to the Department in the case of Title IV Grants

Pell – Closed Award Year

Findings: 1, 3, 8, and 9
Appendices: E, F, G, and H
Salon 496 must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$40,996.00	\$1,561	Pell Grant	2010-2011
\$17,715.00	\$550	Pell Grant	2011-2012
Total Principal	Total Interest		
\$58,711.00	\$2,111		

The disbursement record for each student identified in the appendices to the applicable findings must be adjusted in the COD system based on the recalculated amount identified in the appendices.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to Melody Parker-Venable **within 45 days of the date of this letter.**

F. Appendices

Appendices A thru I are attached to this report.

Final Program Review Determination

PRCN#: 201210427753

Appendix A
Program Review Report



FYI

August 20, 2012

Mr. Fred Davis, President
Salon 496 Barber Academy
496 S. Pleasantburg Drive
Greenville, SC 39607

UPS Tracking Number
1ZA5467Y0194779513

RE: **Program Review Report**
OPE ID: 04172600
PRCN: 2012-1-04-27753

Dear Mr. Davis:

From December 5, 2011 through December 9, 2011, Pamela Clemmer and Melody Parker-Venable, as representatives of the U.S. Department of Education, conducted a review of Salon 496 Barber Academy's (Salon 496) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by Salon 496. The response should include a cover page and a brief, written narrative for each finding that clearly states Salon 496's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Salon 496 must provide supporting documentation as required in each finding.

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

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

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

Federal Student Aid, School Participation Team SC - Atlanta
61 Forsyth Street, Room 18T40, Atlanta, GA 30303
www.FederalStudentAid.ed.gov

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The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by Salon 496 upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Pamela Clemmer of this office within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendix A also contains PII. The appendix was encrypted and sent separately to the institution via e-mail.

Record Retention:

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Pamela Clemmer at 404-974-9288 or at pamela.clemmer@ed.gov.

Sincerely,


Chris Miller
Team Leader

cc: Ms. Tracy Kirby, Financial Aid Administrator

Enclosure: Protection of Personally Identifiable Information

Prepared for

Salon 496 Barber Academy



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FEDERAL STUDENT AID

OPE ID 04172600

PRCN 2012-1-04-27753

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team SC - Atlanta

Program Review Report

August 20, 2012

Table of Contents

		Page
A.	Institutional Information.....	2
B.	Scope of Review.....	2
C.	Findings.....	3
Finding 1	Discrepancies in Hours of Attendance.....	3
Finding 2	Missing Refund Calculation Worksheets/Incorrect Refunds.....	8
Finding 3	Incomplete Verification/Conflicting Documentation and Lack of Written Policy.....	11
Finding 4	Unpaid Credit Balances.....	15
Finding 5	Missing Entrance and/or Exit Documentation.....	17
Finding 6	Student Not Meeting Attendance Requirement/No Satisfactory Academic Progress Policy Published.....	18
Finding 7	Student's Personal Identification Numbers (PIN) For FAFSA in Files.....	19
Finding 8	Ineligible Disbursements – Student in Default.....	20
Finding 9	Ineligible Disbursements – Student Not In Attendance.....	21
Finding 10	Ineligible Student – No Valid Institutional Student Information Report (ISIR) in File.....	22
Finding 11	Applying Title IV Aid to Non-educational Costs And Budget/Needs Analysis Does Not Reflect Accurate Charges to Students.....	23
Finding 12	Incorrect Federal Pell Grant Disbursement.....	24
Finding 13	Inaccurate Student Account Ledgers.....	25
Finding 14	Incomplete Refund Policy.....	26
Finding 15	Bank Charges on Federal Account Not Reimbursed.....	27
Finding 16	Dates on Student Account Ledgers Do Not Match Dates in the Common Origination and Disbursement System (COD).....	28
Finding 17	Lack of Administrative Capability – Inadequate Internal Controls.....	31

A. Institutional Information

Salon 496 Barber Academy
496 S. Pleasantburg Drive
Greenville, SC 39607

Type: Proprietary

Highest Level of Offering: Vocational/Non-degree Programs

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 62

% of Students Receiving Title IV: 100%

Title IV Participation

	2010-2011 Award Year
Pell Grant Program (Pell)	\$213,135
Federal Direct Loan Program (FDLP)	\$423,432

Default Rate DL: New school - none

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Salon 496 Barber Academy (Salon 496) on December 5, 2011 to December 9, 2011. The review was conducted by Pamela Clemmer and Melody Parker-Venable.

The focus of the review was to determine Salon 496'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 Salon 496'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 2010-2011 and 2011-2012 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. In addition, two files were selected based on information concerning student attendance, which led to the selection of the two files. 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 Salon 496'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 Salon 496 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 Salon 496 to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Discrepancies in Hours of Attendance

Citation:

34 C.F. R. § 668.32 (a) (1), Student Assistance General Provisions, states a student is eligible to receive Title IV, HEA program assistance if the student either meets all of the requirements in paragraphs (a) through (m) of this section or meets the requirement in paragraph (n) of this section as follows:

- Is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution.

34 C.F.R. § 690.75, Federal Pell Grant Program, states for each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that—

- The student qualifies as an eligible student under 34 C.R.F. Part 668, Subpart C;
- Is enrolled in a credit hour without terms or a clock hour program, has completed the payment period as defined in § 668 for which he or she has been paid a Federal Pell Grant.

34 C.F.R. § 685.200, Federal Direct Loan Program, states a student is eligible to receive a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a combination of these loans, if the student meets the following requirements:

- The student is enrolled, or accepted for enrollment, on a least a half-time basis;

- The student meets the requirements for an eligible student under 34 C.F.R. part 68.

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

Non-Compliance:

An analysis of the sign-sheets subsequent to November 30, 2010, the electronic time sheets from SMART Systems, and the school's attendance report dated December 5, 2011, identified 126 students who are either enrolled or were previously enrolled at Salon 496 (Appendix B).

Of these 126 students, 17 students have hours on their electronic time sheets which do not correspond with the sign-in sheets (13% error rate).

According to the students' sign-in sheets certified by the instructor, 17 students, including 10 from the original sample, failed to continue to sign-in and withdrew, yet hours were added to their timesheets after the last date of attendance in what appears to be an attempt to get the student beyond the 60% point where no refund would be due. Hours are discrepant as follows:

W = Withdrawn G = Graduate NA = Never Attended

Student	Enrollment Status	LDA	Payment Period	Total Actual Hours at LDA	Total Scheduled Hours at LDA	Title IV % Earned	Scheduled Hours Added after LDA	Changed % Earned
5	G *	06/18/2011	1201-1500	1442.32	1127	100%	154	100%
6	W	08/18/2011	451-900	493.76	511	13%	252	69%
11	W	09/09/2011	451-900	552.10	630	40%	217	88%
13	W	07/26/2011	0-450	443.16	504	12%	7	13%
20	NA	-----	0-450	0	0	0%	35	7%
22	W	10/20/2011	1201-1500	1480.67	1477	92%	42	100%
26	W	9/7/2011	0-450	253.70	273	60%	308	100%
30	W	10/05/11	451-900	692.90	700	55%	224	100%
31	W	09/28/11	451-900	603.80	693	54%	56	66%
32	W	08/05/11	451-900	552.67	602	33%	147	66%

Seven additional students outside the sample have discrepant hours as follows:

Student	Enrollment Status	LDA	Payment Period	Total Actual Hours at LDA	Total scheduled Hours at LDA	Title IV Earned percentage	Scheduled Hours Added After LDA	Changed % Earned
A	W	05/11/11	0-450	202.11	182	40%	35	48%
B	W	08/03/11	0-450	113.51	105	23%	273	84%
C	W	04/26/11	451-900	679.55	679	50%	63	64%
D	W	10/27/11	901-1200	922.9	903	1%	154	52%
E	W	08/04/11	0-450	351.40	350	77%	490	100%
F	G*	04/04/11	1201-1500	1434.32	1505	100%	70	100%
G	W	11/03/11	451-900	497.87	490	8%	112	33%

*Student had previous hours at state board and left when he reached 1500 hours at the state board. Hours of attendance at the school were added afterwards.

Appendix C further explains the discrepancies in hours for the students in the charts above.

In addition to the scheduled hours added to student's attendance records after withdrawal, actual hours have been added to the timesheets for other days the student did not sign-in and attend school in what appears to be an attempt to get the student to the next payment period, thus justifying additional Title IV disbursements. For example, the hours have been altered for two students as follows:

Student 22 The student was not in attendance for several dates between December 15, 2010 and April 5, 2011. Also, the student was not in school for the number of hours indicated on the time sheets for days he did attend on several occasions during this period.

An additional 194 hours were added to the electronic timesheets from December 10, 2010 through April 5, 2011, even though the student did not sign-in and attend for these hours. Because of the additional hours, the student reached 476 scheduled hours at this point and 503 actual hours allowing the student to be paid the second disbursement on April 5, 2011.

An additional 87.65 hours were added to the electronic timesheets between April 6, 2011 and June 21, 2011. Because of the additional hours, the student reached 833 scheduled hours and 906 actual hours allowing the student to be paid the third disbursement on June 30, 2011.

159.68 hours were added to the electronic timesheets between June 22, 2011 and the student's last date of attendance on October 20, 2011. Because of the additional hours, the student reached 1309 scheduled hours and 1480 actual hours allowing the student to be paid the fourth disbursement on September 2, 2011. An additional 11.67 hours were added after the last date of attendance.

The student was given a total of 453 extra hours for which she never attended. The correct total hours would not exceed 1039. The student was never eligible for the fourth disbursement of \$1,850 in Federal Pell Grant funds, and the second and third disbursements were paid early.

Student 23 This student was in attendance October 19-21, 2011 and October 26-27, 2011, for 7 hours each day, but was given 13 hours for each day. The student withdrew October 29, 2011. She was also given 6.35 hours on November 15, 2011 after she withdrew making the scheduled hours 294 hours or 65%. Using her actual withdrawal date, the correct scheduled hours are 147 hours or 32%.

Required Action:

From the review of the sign-in sheets and electronic time reports, it appears that hours were added to student's electronic time records to increase the amount earned and avoid refund calculations and return of funds to the Department.

The institution must review the sign-in sheets for all 126 students and compare them with the electronic timesheets to determine if other students have incorrect hours on their timesheets.

The institution must correct the hours in attendance and the last date of attendance to reflect the last date of attendance according to the sign in sheets (Appendix B) for the students. The institution must use the corrected attendance information to determine if students received ineligible disbursements and/or to identify refunds that were not made. The institution must submit the results with the response to this report in an Excel spreadsheet with the following categories:

- Student name
- Total actual hours on current timesheets as of the last date of attendance
- Total corrected actual hours on timesheets as of the last date of attendance
- Total scheduled hours attended as of last date of attendance
- Dates student reached each payment period (2nd, 3rd and 4th)
- Date financial aid received by program (Pell, Unsubsidized Loan, and Subsidized Loan)
- Amount of financial aid received by program
- Ineligible disbursements of Title IV aid by program

In addition, the institution must develop policies and procedures as to how attendance is recorded and reviewed for accuracy when disbursing Title IV funds for each payment period. A copy of these policies and procedures must be submitted with the response to this report.

Finding 2 addresses the other 47 students who withdrew and have no refund calculations in the files or funds returned to the Department. 62 students were still attending during the review.

The school must have the auditor attest to the completeness of this finding in the institution's next non-federal audit.

Finding 2: Missing Refund Calculation Worksheets/Incorrect Refunds

Citation:

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

If the total amount of Title IV grant or loan assistance, or both, that the student earned as calculated under paragraph (e)(1) of this section is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew—

- (i) The difference between these amounts must be returned to the Title IV programs in accordance with paragraphs (g) and (h) of this section in the order specified in paragraph (i) of this section; and
- (ii) No additional disbursements may be made to the student for the payment period or period of enrollment.

Noncompliance:

The review of the sign-sheets subsequent to November 30, 2010, the electronic time sheets from SMART Systems, and the school's attendance report dated December 5, 2011, identifies 126 students who are either enrolled or were previously enrolled at Salon 496 (Appendix B). According to the sign-in sheets dated November 23, 2010 through December 8, 2011, of the 126 student identified, only 62 are currently attending Salon 496 and the other 64 are no longer attending.

Six return to Title IV (R2T4) refunds were identified on the school's Federal Account statements, and Title IV calculation worksheets were sent from SMART Systems. However, the calculations were completed using the dates of attendance reported by the school, five of which are incorrect, and, therefore, the calculations are incorrect. It appears that refunds were not calculated for the 58 remaining students who withdrew.

Of the six refunds made, the refund for student I is correct. The five refunds that are incorrect are as follows:

A refund was made for student 3 in the amount of \$2,342 on December 5, 2011. Her last date of attendance (LDA) was October 5, 2011. The LDA used in the refund calculation is October 8, 2011. The refund is incorrect and paid late.

A refund to Direct Loans was made for student 11 in the amount of \$3,301 on November 15, 2011. Her last date of attendance was September 9, 2011. The LDA used in the refund calculation is October 8, 2011. The refund is incorrect and paid late.

A refund was made for student 20 in the amount of \$2,387 on December 5, 2011. According to the sign-in sheets, this student never attended, but hours were recorded. The return of the funds was late (see finding 1).

A refund to Direct Loans was made for student 31 in the amount of \$3,533 on November 15, 2011. His last date of attendance was September 28, 2011. The LDA used in the refund calculation is October 8, 2011. The refund is incorrect and paid late.

A refund to Direct Loans was made for student A in the amount of \$3,886 on August 17, 2011. His last date of attendance was May 11, 2011. The LDA used in the refund calculation is May 17, 2011. The refund is incorrect and paid late.

Required Action:

The school has an attendance policy published in its catalog, which states on page 7 “a student who has not attended classes for one week without notification of withdrawal will be terminated and the formal termination date will be the next scheduled school day”.

Appendix B lists the last date of attendance for the 126 students.

The school must calculate return to Title IV refunds for each of the 64 withdrawn students and any students who have withdrawn or missed one week attendance since December 1, 2011, the date one week prior to the sign-in sheets obtained during the review. The school must use the last date of attendance as established in Appendix B and calculate the applicable scheduled hours for the pay period in which the last date of attendance falls.

The school must identify each student in a spreadsheet as follows:

- Student name
- Last 4 digits of Social Security number
- Total number of actual hours completed
- Payment period (0-450, 451-900, 901-1200, 1201-1500)
- Actual Hours completed in payment period
- Scheduled hours through last date of attendance
- Amount of aid received by program and payment period (Pell, unsubsidized loan, subsidized loan)
- Refund amount due

A copy of each completed R2T4 form must be provided with the response to this report.

The institution must track attendance and provide assurance that the school follows its policy to terminate those students who do not meet the school's one week absence policy, and the institution must calculate return to Title IV worksheets for each of the terminated students and any other withdrawals. The refund calculation worksheets must be kept in the financial aid files readily available for review.

Any liabilities due to the changes in the refund calculations for students 11, 20, 31, A and H, and for the students identified in the file review, will be addressed in the Final Program Review Determination letter.

The school must have the auditor attest to the completeness of this finding in the institution's next non-federal audit.

Finding 3: Incomplete Verification/Conflicting Documentation

Citation:

34 C.F.R. § 668.53, Student Assistance General Provisions, states an institution shall establish and use written policies and procedures for verifying information contained in a student aid application in accordance with the provisions of this subpart. These policies and procedures must include:

- Time period within which an applicant shall provide documentation;
- Consequences of an applicant's failure to provide documentation within a specific time period;
- Method by which the institution notifies an applicant of the results of verification, the applicant's EFC changes and results in a change in the applicant's award or loan;
- Procedures the institution requires an applicant to follow to correct application information determined to be in error, and
- Procedures for making referrals under § 668.16.
 - Procedures must provide that it shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of –
 - Documentation needed
 - The applicants responsibilities , including deadlines for completing and consequences of not completing

34 C.F.R. § 668.56, Student Assistance General Provisions, states that (a) except as provided in paragraphs (b), (c), (d), and (e) of this section, an institution shall require an applicant selected for verification under §668.54(a)(2) or (3) to submit acceptable documentation described in §668.57 that will verify or update the following information used to determine the applicant's EFC:

(1) Adjusted gross income (AGI) for the base year if base year data was used in determining eligibility, or income earned from work, for a non-tax filer.

(2) U.S. income tax paid for the base year if base year data was used in determining eligibility.

(3)(i) For an applicant who is a dependent student, the aggregate number of family members in the household or households of the applicant's parents if—

(A) The applicant's parent is single, divorced, separated or widowed and the aggregate number of family members is greater than two; or

(B) The applicant's parents are married to each other and not separated and the aggregate number of family members is greater than three.

(ii) For an applicant who is an independent student, the number of family members in the household of the applicant if—

(A) The applicant is single, divorced, separated, or widowed and the number of family members is greater than one; or

(B) The applicant is married and not separated and the number of family members is greater than two.

(4) The number of family members in the household who are enrolled as at least half-time students in postsecondary educational institutions if that number is greater than one.

34 C.F.R. § 668.57, Student Assistance General Provisions, states that (a) Adjusted Gross Income (AGI), income earned from work, and U.S. income tax paid. (1) Except as provided in paragraphs (a)(2), (a)(3), and (a)(4) of this section, an institution shall require an applicant selected for verification to verify AGI and U.S. income

Tax paid by submitting to it, if relevant—

(i) A copy of the income tax return of the applicant, his or her spouse, and his or her parents. The copy of the return must be signed by the filer of the return or by one of the filers of a joint return;

(ii) For a dependent student, a copy of each Internal Revenue Service (IRS) Form W-2 received by the parent whose income is being taken into account if—

(A) The parents filed a joint return; and

(B) The parents are divorced or separated or one of the parents has died; and

(iii) For an independent student, a copy of each IRS Form W-2 he or she received if the independent student—

(A) Filed a joint return; and

(B) Is a widow or widower, or is divorced or separated.

(2) If an individual who filed a U.S. tax return and who is required by paragraph (a) (1) of this section to provide a copy of his or her tax return does not have a copy of that return, the institution may require that individual to submit, in lieu of a copy of the tax return, a copy of an IRS form which lists tax account information.

34 C.F.R. § 668.16(f), Student Assistance General Provisions, states, in order to be considered administratively capable, an institution must develop and apply an adequate

system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs.

Non-Compliance

Verification is incomplete for the following students:

- Student 4 No verification worksheet was found in the file for student 4. The household size and number in college were not verified.
- Student 12 A note in the file states that the student makes \$300 a week from work, but no income is listed on the student's ISIR.
- Student 15 The student marked "orphan or ward of the court" but listed her father on the verification worksheet. In addition, a letter in the file states that she is drawing unemployment and working at a farm. She had income of \$17,000 as stated in the letter, but did not file taxes. The student is ineligible since she did not file the proper tax forms.

In addition, conflicting information was found in the files of the following students:

- Student 6 The student reported on his ISIR a marital status of single with 3 in the household and 1 in college. A note in the file says the student supports one child. Only the student's income is listed. The third person should not be included in the household size.
- Student 26 The student is a single independent student with one child. However, she listed four in the household and one in college on her ISIR. The other two people are the student's parents. The parents should not be listed in the household size.
- Student 32 The student listed 3 in the household with one in college on his ISIR. The student is a single independent student with one child and is living with his parents. However, the student has been incarcerated, and he only draws \$140 a month in unemployment. Therefore, the student does not provide at least 50% support of his child and should only list one in the household with one in college.

Required Action:

- Student 4 The institution must verify the number in the household and number in college for student 4.
- Student 12 The institution must verify the income for student 12.

Student 15 The institution must obtain the proper tax forms for student 15 in order for the student to be eligible to receive aid.

Copies of the verification worksheets, income verifications, and tax forms must be submitted with the response to this report.

The institution must also correct the ISIRs for student 6, 26 and 32 and determine if the estimated family contribution (EFC) changes. If the EFC changes, the school must report any increased or decreased eligibility amount for these three students with the response to this report.

Due to the error rate of 20%, the institution must conduct a file review of all students for the 2010=2011 and 2011-2012 award years to determine if verification is complete and conflicting documentation is resolved for each student. The institution must complete verification and resolve conflicting documentation for those students for whom it is not complete or whose date conflicts and determine if the EFC changed. Any liabilities will be addressed in the final program review determination letter. The institution must submit an electronic spreadsheet with the applicable information to Pamela.clemmer@ed.gov. The spreadsheet must obtain the following data:

- Student name
- Last four digits of social security number
- Verification complete, yes or no
- Conflicting documentation resolved, yes or no
- If not complete, amount of aid received by Title IV program (Pell, Subsidized Loan, etc.)
- Disbursement Dates
- Old EFC
- Corrected EFC
- Increase or decrease in Title IV amount

The institution must also develop a written verification policy per 34 C.F.R. § 668.53. A copy of the policy must be submitted with the response to this report.

Finding 4: Unpaid Credit Balances

Citation:

34 C.F.R. § 668.164, Student Assistance General Provisions, states that whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

34 C.F.R. § 668.165, Student Assistance General Provisions, states if an institution holds excess student funds under paragraph (b)(1)(iii) of this section, the institution must, among other criteria, notwithstanding any authorization obtained under this paragraph, pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded.

Noncompliance:

A credit balance must be paid in 14 days from the date created. If the student has given permission to hold credit balances, the credit balance must be paid by the end of the loan period if created by loan funds and by the end of the award year if created by other Title IV funds. Credit balances have not been paid as follows:

Student 7 A Title IV credit balance for \$3,157 was created on September 8, 2011, and is not shown paid on the student's ledger.

Student 30 A Title IV credit balance was created on September 8, 2011 in the amount of \$3,157. However, the ledger does not indicate that the credit balance was paid to the student. Check number 1577 is in the file for the applicable amount, but does not indicate if the student negotiated the check.

Required Action:

The school may be required to pay the credit balance to student 30. However, see Finding 12 for missing ISIR for this student.

Salon 496 Barber Academy

OPE ID 04172600

PRCN 2012-1-04-27753

Page 16

The institution must pay the credit balance to student 7 and credit the student's account ledger. A copy of negotiated check must be submitted with the response to this report (or copy of bank statement check).

The institution must submit its policies and procedures for tracking and disbursing Title IV credit balances.

Finding 5: Missing Entrance and/or Exit Documentation

Citation:

34 C.F.R. § 685.304(a), Federal Direct Loan Program, states a school must ensure that entrance counseling is conducted with each Direct Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct loan.

34 C.F.R. § 685.304(9)(b), Federal Direct Loan Program, states a school must ensure that exit counseling is conducted with each Federal Direct loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that the counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions regarding those programs.

If a student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required.

Noncompliance:

No indication of entrance counseling was found in the file for students 4, 6 and 8. All students lack exit counseling.

Required Action:

The institution must send exit counseling materials to each of the withdrawn students in Appendix B and document that the materials were sent. Copies of the receipts must be submitted with the response to this report.

In addition, the institution must develop and implement policies and procedures for ensuring that entrances and exits are completed for each withdrawn student. A copy of the policies and procedures must be submitted with the response to this report.

**Finding 6: Student Not Meeting Attendance Requirements/ No Satisfactory
Academic Progress Policy Published**

Citation:

34 C.F.R. § 68.16(D)(4), Student Assistance General Provisions, states in order to be administratively capable, among other criteria, an institution must provide for a determination at the end of each increment by the institution as to whether the student has met the qualitative and quantitative components of the standards as provided for in paragraphs (e)(2)(i) and (ii) of Section 668.16.

34 C.F.R. § 668.16(e)(i), Student Assistance General Provisions, states a qualitative component which consists of grades, work projects completed, or comparable factors that are measurable against a norm.

34 C.F.R. § 668.16(e)(ii), Student Assistance General Provisions, states a quantitative component that consists of a maximum time frame in which a student must complete his or her educational program. For an undergraduate student, the timeframe may be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, clock hours completed, etc. as appropriate.

Non-Compliance:

Student 4 was attending only 60% of his scheduled hours. The school requires a minimum attendance of 67% for graduation, but does not address the outcome of not making satisfactory academic progress. The school's attendance policy requires that the student be terminated if he misses more than a week.

The school was checking satisfactory academic progress and had a quantitative component in their attendance policy of 67% attendance, and a qualitative component on the academic side of 70%, but they were unable to provide a written satisfactory academic progress policy that they were disseminating to the students.

Required Action:

The institution must develop and implement a written satisfactory academic progress policy that contains both the qualitative and quantitative requirements and appeal procedures as described in 34 § C.F.R. 668.16 of the Federal regulations. A copy of the policy must be submitted with the response to this report.

Finding 7: Student's Personal Identification Numbers (PIN) for FAFSA in Files

Citation:

The 2010-2011 Federal Student Aid Handbook, page AVG-7, states students should not give their PIN to anyone. No person or entity may request, obtain, or use a student's PIN for submitting a FAFSA on behalf of the student.

Dear Colleague Letter GEN-04-10, the ED-PIN forms part of an electronic signature that can be used to sign a number of student aid documents, including FAFSA's and promissory notes. The ED-PIN also allows on-line access to private and confidential information, including financial data from the application processing system and loan information from NSLDS. For these reasons, the owner of the ED-PIN must not share it with any other person nor can the ED-PIN owner transfer any of his/her rights or responsibility to another person or entity. Therefore, it is inappropriate for anyone to solicit an ED-PIN from another person. This is true regardless of whether the ED-PIN owner has been informed of the activity, or even if he or she voluntarily agrees to provide the PIN to a third party.

Non-compliance:

The Federal Student Aid PIN number is a Personal Identification Number used by students to electronically sign documents, and access secure systems. The PIN number must be used solely by the owner. The student's PINs were found in the files of students 1, 5, 7, 10, 13, 15, 18, 22, 26, 28 and 31.

Required Action:

The institution must review each file for the 2010-2011 and 2011-2012 award years and remove each student's PIN number from the file. Only the student should have access to the student's PIN. The school must never ask the student for the PIN number or allow the student to share their PIN with the school or other students and staff. If the school provides a computer for the student to access FAFSA on the Web, the institution must provide privacy.

The institution must provide its policy and procedures of ensuring that the student's PINs are safeguarded. A copy of the policy and procedures must be submitted with the response to this report.

Finding 8: Ineligible Disbursements – Student in Default

Citation:

34 § C.F.R. § 668.164 Student Assistance General Provisions, states an institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

34 C.F.R. § 668.32(g)(1), Student Assistance General Provisions, states among other criteria, a student is considered eligible for Title IV, HEA program funds if he or she is not in default, and certifies that he or she is not in default, on a loan made under any Title IV, HEA loan program.

Non-Compliance:

Student 11 was in default status as of May 2, 2011. The student started school on May 3, 2011 and was disbursed Title IV funds on May 13, 2011 and September 8, 2011.

Required Action:

The student is ineligible for the funds disbursed as follows:

Pell Grant	\$5,550
Subsidized Direct Loan	\$3,484
Unsubsidized Direct Loan	\$5,970

Instructions for repayment will be provided in the Final Program Review Determination letter.

Finding 9: Ineligible Disbursements – Student Not in Attendance

Citation:

34 C.F.R. § 668.164 Student Assistance General Provisions, states an institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

Non-Compliance:

Student 20 never attended, but was disbursed \$2,775 in Federal Pell Grant funds on October 11, 2011.

Required Action:

The institution must return \$2,775 to the Department. Instructions for repayment will be provided in the Final Program Review Determination letter.

Finding 10: Ineligible Student s– No Valid Institutional Student Information Report (ISIR) in File

Citation:

34 C.F.R. § 690.61, Federal Pell Grant Program, states an institution must disburse a Federal Pell Grant to an eligible student who is otherwise qualified to receive that disbursement and electronically transmit Federal Pell Grant disbursement data to the Secretary for that student if –

- The student submits a valid SAR to the institution; or
- The institution obtains a valid ISIR for the student.

Non-Compliance:

No 2011-2012 ISIRs were found in the files for students 27 and 30.

Student 27 The student received \$5,300 in Federal Pell Grant funds, \$3,484 in subsidized Federal Direct Loan funds, and \$1,990 in unsubsidized Federal Direct Loan funds for the 2011-2012 award year.

Student 30 The student received \$2,775 in Federal Pell Grant funds for the 2011-2012 award year.

Required Action:

The institution must provide the 2011-2012 ISIRs for students 27 and 30 with the response to this report. If the ISIRs cannot be provided, instructions for repayment will be provided in the Final Program Review Determination letter.

The institution must provide their policy and procedures for ensuring that valid ISIR's are placed in the student files and for ensuring that funds are not drawn down without the ISIR information being verified. A copy of the policy and procedures must be submitted with the response to this report.

**Finding 11: Applying Title IV Aid to Non-educational Costs and Budget/Needs
Analysis Does Not Reflect Accurate Charges to Student**

Citation:

34 C.F.R. § 668.164, Student Assistance General Provisions, states an institution may use Title IV, HEA program funds to credit a student's account at the institution to satisfy—

- Current year charges for –
 - Tuition and fees
 - Board, if student contracts with the institution for board
 - Room, if the student contracts with the institution for room; and
 - If the institution obtains the student's or parent's authorization under § 668.165(b), other educationally related charges incurred by the student at the institution; and
 - Prior year charges for a total of not more than \$200 for Tuition and fees, room or board and, if the institution obtains the student's or parent's authorization under 668.165(b), other educationally related charges incurred by the student at the institution.

Non-Compliance:

The students' account ledgers indicate a charge of \$150 for fees. This fee included a \$50 application fee and a \$15 fee for mailing documents. These are not educational expenses and should not be included in the cost of education. The charges are neither broken down on the student's budget calculation/needs analysis nor on the student's ledger. The student is unaware of the reason for the charges. In addition, there are often multiple budget calculations in a student files.

The remaining \$85 is a registration fee, which can be included in educational costs.

Required Action:

Only cost for educational expenses can be included in the cost of education, such as books, kits, permits and uniforms. The mailing fee is a business expense and the enrollment fee should be paid by the student upon enrollment at the school. The school can indicate the application fee on its student's account ledger, but must also indicate that the student paid for the enrollment fee on the student's account ledger. The school must remove the mailing fee from its charges and treat it as a business expense on its accounting records.

The institution must revise the budget/needs analysis worksheet and the ledger. The school must make the charges for each item of educational costs clear on the student's budget and on the student's ledger. A copy of the revised budget and ledger must be submitted with the response to this report.

Finding 12: Incorrect Federal Pell Grant Disbursement

Citation:

34 C.F.R. § 690.62, Federal Pell Grant Program, states the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

Non-Compliance:

The 2009-2010 Pell Grant for student 8 was under awarded by \$300. The student received \$1,400, but should have received \$1,700 for the 0-450 payment period.

Required Action:

The 2010-2011 award year is closed. Therefore, the school cannot pay the under awarded Pell Grant to the student. The institution must provide assurance that it will award future awards correctly.

Finding 13: Inaccurate Student Account Ledgers

Citation:

34 C.F.R. § 668.24, Student Assistance General Provisions, states the institution must document the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages.

Non-Compliance:

Student 13 Award Year 2 charges were added to the account for student 13, but the student never reached the second year. She only had 443 hours upon withdrawal. The student was charged \$6,803 and then credited \$5,100, leaving \$1,703 in Award Year 2 charges on her account.

Student 32 The student was charged for the second award year, but the student never reached the number of hours required (900 hours). The student was charged \$6,800 and then credited \$5,100, leaving a balance for the second award year of \$1,700 for which he should not have been charged.

Required Action:

The charges for the second year must reflect the actual expenses in the school's second year budget and not be charged to the student unless he enters the second year. The institution must correct the ledger for students 13 and 32 and submit copies of the corrected ledgers with the response to this report.

Finding 14: Incomplete Refund Policy

Citation:

34 C.F.R. § 668.16, Student Assistance General Provisions, states in order to be considered administratively capable, an institution must have written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance and the preparation and submission of reports to the Secretary.

34 C.F.R. § 668.16(h), Student Assistance General Provisions, states the institution shall provide adequate financial aid information to eligible student which includes, among other information, the institution's refund policy, the requirements for the treatment of Title IV, HEA program funds when a student withdraws under § 668.22.

Non-Compliance:

The institution's Return of Title IV Funds policy on page 8 of its 2011-2012 catalog does not include procedures for officially withdrawing.

Required Action:

The institution must correct its Return of Title IV Funds refund policy by adding procedures to its policy by which the student can officially withdraw. A copy of the corrected policy must be submitted with the response to this report.

Finding 15: Bank Charges on Federal Account Not Reimbursed

Citation:

34 C.F.R. § 668.163(d)(i)&(ii), Student Assistance General Provisions, states an institution must maintain accounting and internal control systems that identify the cash balance of the funds of each Title IV, HEA program that are included in the institution's bank or investment account as readily as if those program funds were maintained in a separate account. The earnings on Title IV HEA program funds maintained in the institution's bank or investments account must also be identified.

34 C.F.R. § 668.161(b), Student Assistance General Provisions, states funds received by an institution under the Title IV programs are held in trust for the intended student beneficiary and the Department. An institution, as a trustee of federal funds, may not use or hypothecate Title IV funds for any other purpose. Under no circumstances may federal funds be used for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of Title IV funds or subjects Title IV funds to liens or other attachments. Clearly carrying out these fiduciary duties limits the ways an institution can otherwise manage cash in an operating account, when that account contains FSA funds.

Non-Compliance:

The institution's Federal Accounts (Pell and Direct Loan) are identified as a Federal accounts. However the bank charged service charges, check card charges, and over draft fees to the accounts. The school has not reimbursed the accounts for these charges.

Required Action:

The institution must provide copies of the Federal Pell Grant and Federal Direct Stafford Loan bank account statements for the 2010-2011 and 2011-2012 award years.

In addition, the institution must review its bank statements and reimburse the Federal accounts for any service fees, check card fees, and over draft fees deducted from the Federal account. A list of the charges and copies of the reimbursements made to cover these charges must be submitted with the response to this report. The school must continue to reimburse the Federal accounts for any bank charges.

Finding 16: Dates on Student Account Ledgers Do Not Match the Dates in the Common Origination and Disbursement System (COD)

Citation:

34 C.F.R. § 668.24(c), Student Assistance General Provisions, states the records that an institution must maintain in order to comply with the provisions of this section include, but are not limited to, the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages.

34 C.F.R. § 668.24(d), Student Assistance General Provisions, states an institution shall maintain required records in a systematically organized manner. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

34 C.F.R. § 668.162, Requesting Funds, states that 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.

Each time an institution requests funds from the Secretary, the institution must identify the amount of funds requested by program and fiscal year designation that the Secretary assigned to the authorization for those funds. Under the advance payment method—

- (1) An institution submits a request for funds to the Secretary. 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;
- (2) If the Secretary accepts that request, the Secretary initiates an electronic funds transfer (EFT) of that amount to a bank account designated by the institution; and
- (3) 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.

Noncompliance:

The Federal Pell Grant disbursement dates on the student account ledgers of 27 students in a sample of 30 do not match the dates entered into the Department's Common Origination and Disbursement System (COD).

Dates do not match as follows:

Student	COD Dates	Dates on Ledger	Type of Aid
1	06/13/11	06/27/11	Loans
1	10/05/11	10/10/11	Loans
3	12/22/10	12/27/10	Loans
3	11/29/10	12/03/10	Pell
5	01/07/11	01/12/11	Pell
5	03/31/11	04/05/11	Pell
5	05/23/11	06/07/11	Pell
6	08/02/11	08/12/11	Loans
6	05/09/11	05/19/11	Pell
6	06/03/11	06/05/11	Loans
7	08/29/11	09/08/11	Pell
7	06/21/11	06/28/11	Loans
7	08/29/11	09/08/11	Loans
8	01/24/11	01/01/11	Pell
8	03/31/11	04/05/11	Pell
8	01/24/11	02/01/11	Loans
8	03/31/11	04/05/11	Loans
10	05/23/11	06/07/11	Loans
10	08/11/11	08/05/11	Loans
11	05/05/11	05/03/11	Pell
11	08/31/11	09/08/11	Loans
11	09/01/11	09/08/11	Loans
12	10/29/10	11/08/10	Pell
12	02/08/10	02/16/10	Pell
12	11/03/10	11/09/10	Loans
13	04/07/11	04/20/11	Pell
13	05/05/11	05/13/11	Loans
14	05/05/11	05/13/11	Pell
14	06/03/11	06/15/11	Loans
14	08/02/11	08/23/11	Loans
15	08/01/11	08/12/11	Pell
15	08/01/11	09/08/11	Loans
15	09/16/11	09/20/11	Loans
16	09/16/11	09/20/11	Pell
16	10/13/11	10/25/11	Loans
18	10/26/11	11/03/11	Pell
20	10/05/11	10/11/11	Pell
21	05/05/11	05/13/11	Loans
21	07/04/11	07/07/11	Loans

21	04/07/11	04/13/11	Pell
21	06/29/11	07/07/11	Pell
22	08/30/11	09/02/11	Pell
23	09/16/11	09/20/11	Pell
23	10/12/11	10/25/11	Loans
24	10/13/11	10/25/11	Loans
25	08/15/11	08/23/11	Loans
25	10/26/11	11/03/11	Loans
25	07/12/11	07/22/11	Pell
25	10/26/11	11/03/11	Pell
26	08/01/11	08/05/11	Pell
26	08/15/11	08/23/11	Loans
27	08/01/11	08/05/11	Pell
27	10/10/11	11/23/11	Pell
27	08/29/11	09/08/11	Loans
27	10/10/11	11/23/11	Loans
28	09/08/11	09/14/11	Loans
29	08/15/11	08/23/11	Pell
29	08/17/11	08/23/11	Loans
30	09/28/11	10/07/11	Pell
30	09/28/11	09/08/11	Loans
31	08/29/11	09/08/11	Pell
31	08/29/11	09/08/11	Pell
32	08/01/11	08/05/11	Pell

Required Action:

The institution uses SMART Systems for its servicer and should receive a disbursement roster from SMART Systems indicating the dates of disbursement in the COD system.

The institution must correct the disbursement dates posted on the student ledgers to match the dates shown in COD. In addition, the institution must provide assurance that for the 2011-2012 award year and beyond, it will match the disbursement dates on the student ledger and the disbursement dates in COD.

The institution must provide documentation indicating that the dates have been corrected with the response to this report.

Finding 17: Lack of Administrative Capability - Inadequate Internal Controls

Citation:

34 C.F.R. § 668.16(j), Student Assistance General Provisions, states the institution, among other requirements, must show no evidence of significant problems that affect, as determined by the Secretary, the institution's ability to administer a Title IV, HEA program and that are identified in reviews of the institution conducted by the Secretary, the Department of Education's Office of Inspector General, nationally recognized accrediting agencies, guaranty agencies as defined in 34 C.F.R. part 682, State postsecondary review entities designated under 34 C.F.R. Part 667, the State agency or official by whose authority the institution is legally authorized to provide postsecondary education, or any other law enforcement agency; or any findings made in any criminal, civil, or administrative proceedings.

34 C.F.R. § 668.16(b)(1), Student Assistance General Provisions, states, in order to be considered administratively capable, an institution must designate a capable individual to be responsible for administering all the Title IV, HEA programs in which it participates and for coordinating those programs with the institution's other Federal and non-Federal programs of student financial assistance.

34 C.F.R. 668.16(c)(1), Student Assistance General Provisions, states in order to be considered administratively capable, an institution must administer Title IV, HEA program funds with adequate checks and balances in its system of internal controls.

34 C.F.R. § 668.163, Standard of Conduct, an institution must exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Title IV, HEA program funds.

Noncompliance:

The Financial Aid Director is tracking the attendance, clock hours, and entering the hours manually when the time clock malfunctions or hours need to be corrected. This is considered a weakness in internal controls, and could lead to the manipulation of hours to make students eligible for disbursements for which they do not truly have the hours, and may lead to the manipulation of refund calculations (see finding 1 and 2).

The institution does not have adequate controls in place to ensure that files are complete and accurate and students are eligible for disbursements of Title IV aid. No process is in place to track the withdrawals and ensure that the students are given exit counseling. The student's personal identification numbers (PINs) are not safeguarded. Records are inaccurate and refunds are sparse. Policies are not adhered to.

In addition, the student interviews revealed that the students are allowed to attend sporadically, attendance policies are not adhered to, and withdrawals are not processed. The students indicate that the Financial Aid Director is unavailable due to instructions

from the owner, therefore, interfering with the Financial Aid Director's ability to administer Financial Aid properly. The students indicate that the owner does not disseminate information to them adequately, and they do not have access to their student account records or files.

The institution lacks administrative capability based on the findings in this report as follows:

- Weak internal controls
- Failure to make refunds
- Inaccurate attendance records
- Not following attendance policy
- Lack of Stafford loan exit counseling
- Failure to publish SAP and Verification policies
- Incomplete refund policy
- Inaccurate student account ledgers
- Title IV used for non-educational costs
- Failure to verify student data
- Non-reimbursed charges on Federal account
- Failure to safeguard student PINs
- Lack of valid ISIRs
- Ineligible disbursements
- Inaccurate disbursement dates
- Failure to adequately disseminate account and other information to students

Required Action:

The institution must discontinue the process of tracking and posting hours in the Financial Aid Office. The school must appoint another person to track the hours and report the hours to Financial Aid to check student eligibility. The institution must implement a system of checks and balances, so no one person has control of the attendance. The procedures must be submitted with the response to this report.

In addition, the school must resolve the findings in this report including strengthening internal controls, developing and adhering to the policies for SAP, refunds, verification, and attendance. The institution must make refunds correctly and timely and improve its record keeping process for attendance and student ledgers. The institution must safeguard all personally identifiable information. Verification and conflicting documentation must be resolved and all applicable forms must be kept in the financial aid file. The institution must reimburse all bank charges to the Federal account. The institution must adequately track withdrawals/dismissals according to its attendance policy.

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

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

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

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

Hard copy files and media containing PII must be:

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

PII data cannot be sent via fax.