



AUG 19 2013

Andy Tierney  
President  
Stone Academy  
745 Burnside Avenue  
East Hartford, CT 06108

Certified Mail  
Return Receipt Requested  
7006 2760 0002 1734 8355

RE: **Program Review Report**  
OPE ID: 012425  
PRCN: 201030127219

Dear Mr. Tierney:

From June 14, 2010 through June 18, 2010, Gary Caramanis, Jane Eldred, and Mark Malbceuf conducted a review of Stone Academy's (Stone) 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 Stone. The response should include a brief, written narrative for each finding that clearly states Stone's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Stone 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 report<sup>1</sup> 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.

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 Stone 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 Shari Mecca of this office within 90 calendar days of receipt of this letter.

<sup>1</sup> 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**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

New York/Boston School Participation Division  
Financial Square, 32 Old Slip, 25<sup>th</sup> Floor, New York, NY 10005  
StudentAid.gov

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

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

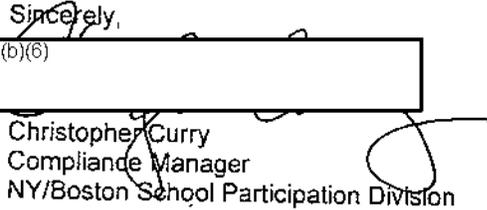
**Record Retention:**

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Shari Mecca at (646) 428-3757 or shari.mecca@ed.gov.

Sincerely,

(b)(6)

  
Christopher Curry  
Compliance Manager  
NY/Boston School Participation Division

cc: William Mangini, Financial Aid Administrator

Enclosure:  
Protection of Personally Identifiable Information

bcc: Reading file, Correspondence file, School file, Shari Mecca, Chris Curry  
Betty Coughlin, ERM

Prepared for  
**Stone Academy**

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

# Program Review Report

AUG 19 2013

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**A. Institutional Information**

Stone Academy  
 560 Saw Mill Road  
 West Haven, CT 06516

Additional Locations:

101 Pierpoint Road  
 Waterbury CT 06705-3823

745 Burnside Avenue

East Hartford, CT 06108

Type: Proprietary

Highest Level of Offering: Non-Degree 2 Years

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 653 (Reported by the school as of March 22, 2012)

% of Students Receiving Title IV: 98% (Reported by the school as of March 22, 2012)

Title IV Participation (from Postsecondary Education Participants System (PEPS):

	2008/2009	2009/2010	2010/20011
William D. Ford Federal Direct Loan Program (Direct Loan)	N/A	N/A	\$5,697,017
Federal Family Education Loan Program (FFEL)	\$6,991,714	\$5,232,345	\$ 800,002
Federal Pell Grant (Pell)	\$2,731,880	\$3,045,579	\$3,709,545
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 225,459	\$ 202,839	\$ 194,823
Federal Work Study (FWS)	\$ 22,529	\$ 101,333	\$ 15,138
Federal Perkins Loan	\$ 95,095	\$ 47,689	\$ 40,118

Default Rate FFEL/DL:	2009	10.9%
	2008	15.1%
	2007	12.2%

Default Rate Perkins:	2010	21.6%
	2009	15.9%
	2008	23.3%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Stone Academy (Stone) from June 14, 2010 to June 18, 2010. The review was conducted by Gary Caramanis, Jane Eldred, and Mark Malboeuf.

The focus of the review was Heightened Cash Monitoring 2 (HCM2) submissions. The review consisted of an examination of Stone's individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 69 files was identified for review. The files were selected randomly from HCM2 submissions for the 2009/2010 award year. Award year 2008/2009 was also looked at for those students that began during that award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Stone'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 Stone 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 Stone to bring operations of the financial aid programs into compliance with the statutes and regulations.

### **Finding 1: Lack of Administrative Capability**

**Citation:** By entering into a program participation agreement, an institution agrees that it will comply with all statutory provisions of or applicable to Title IV of the HEA. The institution will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Department or from students under the Title IV, HEA programs. *34 C.F.R §668.14(b)*

A school is financially responsible if it provides the administrative resources necessary to comply with all the requirements in this section. *34 C.F.R §668.15(b)*

An institution is administratively capable if it administers the Title IV programs in accordance with all statutory provisions. The institution must designate a capable individual to be responsible for administering all the Title IV programs and for coordinating those programs with the institution's other Federal and non-Federal programs of student financial assistance. In addition, the institution must use an adequate number of qualified persons to administer the Title IV programs in which the institution participates. The institution must also 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 funds, and the preparation and submission of reports to the Department. 34 C.F.R §668.16

**Noncompliance:** Stone's impaired administrative capability causes the institution to disburse Title IV funds to ineligible students and creates a financial burden for the U.S. Department of Education. The following findings, which are included in this report, were similar to findings found in the program review that was performed in July 2007. The program review report was dated February 29, 2008.

- Finding 1. Lack of Administrative Capability**
- Finding 4. Inaccurate Audit Trail**
- Finding 7. Federal Family Education Loan (FFEL) and Direct Loan (DL) Awarding**
- Finding 8. Conflicting Information**
- Finding 10. Verification Violations**
- Finding 11. Incorrect R2T4 calculation**
- Finding 12. Inaccurate Recordkeeping**
- Finding 13. Reconciliation**
- Finding 14. Ineligible Disbursement**
- Finding 17. National Student Loan Data System (NSLDS) Reporting Violations**
- Finding 18. Credit Balance Deficiencies**

The continued occurrence of these findings indicates that corrective actions the institution put into place as a result of that program review were inadequate. These repeat findings coupled with the following findings indicate that the institution is continuing to lack in administrative capability.

- Finding 2. Fiscal Records and Financial Transactions not in Accordance with Generally Accepted Accounting Principles (GAAP)**
- Finding 3. Heightened Cash Monitoring Requirements Not Met**

Please refer to each finding for details of non-compliance.

As stated, Stone was also cited for administrative capability in the program review report dated February 29, 2008. In its response to the February 29, 2008 program review report, Stone submitted a detailed plan that would ensure adequate controls were in place to properly administer the Title IV programs. This plan consisted of the following actions:

1. Hiring of additional financial aid staff;
2. Retained services from federal student assistance partners to assist in staff training, file reviews, enrollment reporting, and resolving and responding to program review findings.
3. Office workflow and checks and balances to determine student eligibility;
4. Updated policies and procedures manual to include the responsibility of various offices with respect to approval, disbursement, and delivery of Title IV programs; and
5. Developed and implemented training for the financial aid staff.

Based on the repeat finding of administrative capability and the compliance issues noted during this program review, it is evident that the corrective actions that were put in place were not sufficient.

Failure to correct these deficiencies may result in the institution being referred to the Administrative Actions and Appeals Service Group (AAASG) for possible administrative action. Such action may include a fine and/or the limitation, suspension, or termination of the institution's eligibility to participate in the federal student financial aid programs, pursuant to 34 C.F.R. Part

668, Subpart G. If AAASG initiates an action, that office will notify the institution and will include at that time information on institutional appeal rights and procedures.

**Required Action:** In order to meet administrative capability requirements, it is essential that staff handling the day-to-day processes is cognizant of policies and procedures, and are trained on changes in Title IV regulations. The institution must develop and submit to the Department a training plan to ensure adequate internal controls to properly administer the Title IV programs.

## **Finding 2. Fiscal Records and Financial Transactions not in Accordance with Generally Accepted Accounting Principles (GAAP)**

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

The intent of this regulation is to both ensure that the audited financial statements are prepared in accordance with GAAP, and that an institution complies with the various and detailed requirements of 34 C.F.R. Sub Part K – Cash Management. To that end, 34 C.F.R. §668.163(d)(2) of the cash management regulations requires and reiterates that an institution must maintain its financial records in accordance with the provisions under 34 C.F.R. §668.24.

**Noncompliance:** Stone Academy's financial transaction processing and system of accounting is not compliant with GAAP.

During the onsite portion of the review, institutional officials were interviewed extensively regarding their accounting practices and procedures and officials described the following practice:

Since sometime in 2005 Stone has used a database system to manage their financial aid awarding and tuition billing function and QuickBooks for their accounting function. The two systems operated independently.

It is the database system, Diamond D, which is used to produce the individual student ledger cards. When a student is admitted to Stone and becomes a "Future Start", (which according to officials means that they have paid a cash application fee and have filled out an application for Financial Aid), the database is updated by the Financial Aid Office, and the tuition for the program is entered as well as the student's projected awards. At that particular moment, these transactions could appear as future dates on the student ledger card. The application fee, an actual payment of cash, is entered in QuickBooks, but is done so on the same day that the bank deposit is made, but the other entries for tuition and projected/awarded aid are not reflected in QuickBooks since they have not actually been received. It is not until funds are actually received that they obtain an increased level of integrity and are posted in QuickBooks, or the institution's official financial records

Stone stated that it would customarily drawdown funds every day by location (Hamden, Waterbury, East Hartford) so the dates on the ledgers in Diamond D should almost always be the same as those as reflected in G5.

In this manner, if Stone received Federal Pell Grant funds for \$1,500.00 it books a tuition revenue account for \$1,500.00 and these types of transactions are entered daily.

When a student either completes his/her program or is withdrawn, Stone will make an adjustment in QuickBooks that reflects the amount of remaining tuition due. Stone stated this was done for all students except for those who were in the Patient Care Associate (PCA) Program. **Finding #5** discusses issues regarding the tuition charges and awarding for students in this program. For students in the PCA program, there are no corresponding entries because Stone does not consider the amount of remaining tuition to be due or collectible when these students either complete the program or withdraw. Transactions for this group of students are not entered on QuickBooks until year end.

At the end of Stone's fiscal year, Stone accesses Diamond D and determines which students are active. From this list, Stone creates a spreadsheet, sorted by location, and then calculates the pro-rata share of tuition that Stone has earned for that student, by the number of days the student was active in the year, and the result is considered pro-rata aid earned. Stone does this individually, by student and for each calculates: Total Owed – Cash Receipts (in this context Stone means cash and Title IV) and the result will result in either a Deferred Revenue or Unearned Tuition amount for each student. This assessment, made individually by each relevant student, is then cumulatively brought over to Stone's QuickBooks system as a resultant Balance Due or an Accounts Receivable. In this regard, Stone felt that it was compliant with GAAP, since it did this assessment at year end.

In addition, institutional officials were interviewed regarding what specific transactions and dates on a student ledger for a student who was in the PCA program represented and were told the following:

1. Pell posting dates were projected dates or the dates that the students were entitled to the funds. There were no QuickBooks entries to offset or enter these amounts into Stone's financial records.
2. Tuition, books, and application fees were all posted with a date that corresponded to the start date of the payment period, but that tuition amounts were not entered into QuickBooks until year end as described in the process above.
3. FSEOG matching funds which were posted to the student record on the same date of the FSEOG credit, were not entered in QuickBooks
4. NAA Grant funds were credited in various amounts to zero out a student's balance owed to Stone, but that these funds did not represent actual funds received by Stone, and these transactions were not entered into QuickBooks.

This system, since it does not require a double, or off-setting entry for each financial transaction, makes all financial postings on student ledgers suspect and did not allow reviewers to feel any level of confidence in the integrity of most financial transactions. The multiple instances of conflicting financial information that a system such as the one Stone had in place is further described in **Finding #4**.

In addition, financial statement audits completed by J.H.Cohn LLP for FYE 2006, 2007, 2008, 2009, 2010, and 2011 stated internal control deficiencies expressed by the auditor. The auditor stated that necessary adjustments to certain accounts were recorded in the audited financial statements. Accordingly, the School's management did not possess the appropriate level of accounting expertise necessary to prepare the School's financial statements and accompanying notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. In its corrective action plan, the school states that they have taken measures to obtain and maintain the appropriate level of expertise as recommended. In addition, additional financial expertise has been added to the School's management. Although this corrective action was included for the FYE 2006, 2007, 2008, 2009, 2010 audits, it continued to

be a finding for FYE 2011. The corrective action plan for FYE 2011 states that the school has taken measures to obtain and maintain the appropriate level of expertise as recommended by hiring a chief financial officer. In addition, additional training will be provided to members of the business office.

**Required Action:** Stone must immediately revise its current accounting system so that it is in compliance with GAAP. Stone must provide to the Department evidence of the revisions to the accounting system and the steps the institution will take to ensure that the accounting system and processes are in compliance with GAAP.

### **Finding 3. Heightened Cash Monitoring Requirements Not Met**

**Citation:** Under the reimbursement payment method an institution must first make disbursements to students and parents for the amount of funds those students and parents are eligible to receive under the Federal Pell Grant, ACG, National SMART Grant, TEACH Grant, Direct Loan, and campus-based programs before the institution may seek reimbursement from the Secretary for those disbursements. The Secretary considers an institution to have made a disbursement if the institution has either credited a student's account or paid a student or parent directly with its own funds. *34 C.F.R. §668.162(d)*

Under the cash monitoring payment method, the Secretary provides Title IV, HEA program funds to an institution under the provisions described in paragraph (e)(1) or (e)(2) of this section. Under either paragraph, an institution must first make disbursements to students and parents for the amount of Title IV, HEA program funds that those students and parents are eligible to receive, before the institution seeks reimbursement for those disbursements under the provisions of the reimbursement payment method described in paragraph (d) of this section, except that the Secretary may modify the documentation requirements and review procedures used to approve the reimbursement request. *34 C.F.R. §668.162(e) and (e)(2)*

**Noncompliance:** As previously mentioned in **Finding 2**, Stone does not maintain its account records in accordance with GAAP, therefore, the student account ledgers that it submits as documentation to obtain reimbursement for Federal funds, misrepresents "crediting a student's account".

The regulation requires that a student account be credited within a GAAP compliant system, so that there is a required additional transaction that "balances" or double-checks the primary transaction. This offsetting transaction, would of necessity, be backed up by a movement of institutional cash, the creation of a receivable, or some type of an authentic financial event. A summary of all of these authentic financial events could then periodically be rolled up in order to provide an accurate and complete financial position of the institution.

Since Stone's system does not require an off-setting transaction, the "crediting of a student account" is little more than writing it down on a piece of paper. Without an off-set, there is no framework which provides assurances that the amounts requested are accurate or authenticated or even double-checked. Also, it precludes Stone from being able to provide an accurate and complete financial position of the institution at any one point in time.

**Required Action:** Stone must immediately revise its current accounting system so that it is in compliance with GAAP and provide evidence of such revisions to the Department with the response to this program review report.

#### **Finding 4. Inaccurate Audit Trail**

**Citation:** An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis financial records that reflect each HEA, Title IV program transaction and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. 34 C.F.R. §668.24(b)(1) and (b)(2)

**Noncompliance:** The accounts receivable spreadsheets for the year ended December 31, 2009 do not match the student ledgers. Thus based on the discrepancies noted below, accounting records and student ledgers are misleading and hard to follow as either one or both documents are misrepresenting actual amounts received. In addition, the accounts receivable spreadsheet did not include all the names of the students in our sample, even though the students either paid cash, received Title IV funds, received NAA funds, or had a balance remaining on the account. The following students were not listed on the accounts receivable spreadsheets:

#1	#3	#5	#9	#11	#14
#17	#20	#22	#23	#24	#25
#26	#27	#32	#34	#37	#39
#41	#42	#45	#51	#53	#54
#55	#60	#61	#65	#67	#68

Also, if the accounts receivable spreadsheets that were given to the Department were actually for the year ending December 31, 2009, then the spreadsheet should show all charges and payments beginning January 1, 2009 through December 31, 2009.

In addition, there were discrepancies between the amounts on the accounts receivable spreadsheet and the student ledgers for the following students:

**Student #2:** The accounts receivable spreadsheet reflects a NAA amount of \$1,232.85, which differs from the student's ledger posting of \$1,233.00 on October 26, 2009.

**Student #4:** The accounts receivable spreadsheet reflects Total Receipts of \$3,712.15, which differs from the June 16, 2010 ledger which reflects total cash and Title IV receipts of \$3,724.24. Also the accounts receivable spreadsheet reflects a NAA amount of \$3,700.00, which differs from the student's ledger posting of \$112.85 on October 26, 2009.

**Student #6:** The accounts receivable spreadsheet does not reflect any of the student's charges or payments for her enrollment in the PCA-Day program that occurred between March 27, 2009 and August 12, 2009. In addition, the accounts receivable spreadsheet did not carry over her previous balance as of August 12, 2009 which was \$4,887.00. The spreadsheet reflected a previous balance of (\$1,088.30). The accounts receivable spreadsheet reflects Total Receipts of \$3,799.55, but when you add the receipts as reflected on the student ledger from November 23, 2009 to December 30, 2009 it totals \$3,824.55. In addition, the accounts receivable spreadsheet does not reflect the write-off of \$4,887.00 that occurred on December 1, 2009.

**Student #8:** The accounts receivable spreadsheet reflects a NAA amount of \$1,339.00, which differs from the student's ledger posting of \$1,340.00 on October 26, 2009.

**Student #10:** The accounts receivable spreadsheet reflects a NAA amount of \$0.00, which differs from the student's ledger posting of \$760.00 on November 23, 2009.

**Student #12:** The accounts receivable spreadsheet does not reflect any of the student's charges or payments for her enrollment in the PCA-Day program that occurred between July 1, 2009 and October 16, 2009. In addition, the spreadsheet did not carry over her previous balance as of October 16, 2009 which was \$5,114.00. The accounts receivable spreadsheet reflects Total Receipts of \$2,273.00, but when you add the receipts reflected on the student ledger from November 23, 2009 it totals \$2,484.00. In addition, the accounts receivable spreadsheet reflects a NAA amount of \$0.00, which differs from the student's ledger posting of \$760.00 on November 23, 2009.

**Student #13:** The accounts receivable spreadsheet reflects a NAA amount of \$951.83, which differs from the student's ledger posting of \$1,042.00 on September 28, 2009.

**Student #15:** The accounts receivable spreadsheet reflects Tuition of \$3,700.00, which differs from the February 28, 2012 student's ledger which reflects a Tuition posting of \$7,400.00 in 2009. The accounts receivable spreadsheet also reflects Total Receipts of \$3,065.00, which differs from the February 28, 2012 student ledger which reflects \$3,066.00 in receipts on August 31, 2009 and September 3, 2009, and another \$2,359.00 in receipts on November 23, 2009. In addition, the accounts receivable spreadsheet reflects a NAA amount of \$760.00. According to the student's ledger posting, there were two NAA disbursements of \$760.00 made in on August 31, 2009 and November 23, 2009 for a total of \$1,520.00.

**Student #16:** The accounts receivable spreadsheet reflects a NAA amount of \$0.00, which differs from the student's ledger posting of \$760.00 on November 23, 2009.

**Student #18:** The cash receipts column on the accounts receivable spreadsheet does not include the cash/book charge of \$100.00 received on October 22, 2009 or the SEOG payment and match of \$934.00 that occurred on October 26, 2009 as reflected on the June 14, 2010 student ledger. In addition, the accounts receivable spreadsheet reflects a NAA amount of \$2,273.00, which differs from the student's ledger posting of 840.00 on October 26, 2009.

**Student #19:** The accounts receivable spreadsheet shows a NAA amount of \$0.00, which differs from the student's ledger which reflects two postings of \$1,340.00 on August 31, 2009 and October 26, 2009, for a total of \$2,680.00.

**Student #21:** The cash receipts column on the spreadsheet does not include the SEOG payment and match of \$934.00 that occurred on October 26, 2009 per the June 14, 2010 spreadsheet. In addition, the accounts receivable spreadsheet reflects a NAA amount of \$2,273.00, which differs from the student's ledger posting of \$1,340.00 on October 26, 2009.

**Student #28:** The cash receipts column on the spreadsheet does not include the SEOG payment and match of \$934.00 that occurred on October 26, 2009 per the June 16, 2010 spreadsheet. According to the March 12, 2012 spreadsheet, these postings were not reversed off until February 12, 2010 and were not reflected on the June 16, 2010 account card. If these postings were not reversed off until February 2010, the initial postings should have been included in the cash receipts for 2009. In addition, the accounts receivable spreadsheet reflects a NAA amount of \$0.00, which differs from the student's ledger posting, on the June 16, 2010 and March 12, 2012 ledgers, of \$1,340.00 on October 26, 2009.

**Student #29:** The total receipts on the spreadsheet do not include the loan disbursements from September 30, 2009 or the Pell disbursement from November 23, 2009. In addition, the accounts receivable spreadsheet has a NAA amount of \$6,051.00, which differs from the student's ledger which did not reflect any NAA payments.

**Student #30:** The cash receipts column on the spreadsheet does not include the SEOG match of \$234.00 that occurred on October 26, 2009 as reflected on the June 16, 2010 student ledger. In addition, the accounts receivable spreadsheet reflects a NAA amount of \$1,573.00, which differs from the student's ledger posting of \$1,340.00 on October 26, 2009.

**Student #31:** The accounts receivable spreadsheet reflects other charges as \$100.00, which differs from the student's ledger posting of \$125.00.

**Student #33:** The accounts receivable spreadsheet reflects a NAA amount of \$669.83, which differs from the student's ledger posting of \$760.00 on September 28, 2009.

**Student #35:** The cash receipts column on the spreadsheet does not include the SEOG payment and match of \$934.00 that occurred on October 26, 2009 as reflected on the June 16, 2010 spreadsheet. In addition, the accounts receivable spreadsheet reflects a NAA amount of \$3,613.00, which differs from the posting on the student's June 16, 2010 ledger of \$2,677.00 on August 31, 2009 and October 26, 2009.

**Student #36:** The cash receipts column on the spreadsheet does not include the SEOG match of \$234.00 that occurred on October 26, 2009 as reflected on the June 16, 2010 spreadsheet. In addition, the accounts receivable spreadsheet reflects a NAA amount of \$1,573.00, which differs from the posting on the student's June 16, 2010 ledger of \$1,340.00 on October 26, 2009.

**Student #38:** The accounts receivable spreadsheet sheet starts with a previous balance of (\$35.00) which per the ledger dated January 12, 2010 occurred on September 28, 2009 after the application fee was posted. This differs from the ledger dated June 16, 2010 which reflects a balance of \$899.00 on September 28, 2009 after the application fee was posted. The accounts receivable spreadsheet does not begin at the start of 2009, but begins after the student paid \$60.00 cash and after the application fee was charged. Therefore, these figures are not included in the Cash Receipts or other charges columns on the accounts receivable spreadsheet. In addition, the SEOG payment and match of \$934.00 from September 28, 2009 are not included on the accounts receivable spreadsheet nor is the waiver of the registration fee that is reflected on the June 16, 2010 ledger. Lastly, the accounts receivable spreadsheet reflects a NAA amount of \$1,718.00, which differs from the posting on the student's June 16, 2010 ledger of \$760.00 on September 28, 2009.

**Student #40:** The accounts receivable spreadsheet reflects a NAA amount of \$1,339.00, which differs from the student's ledger posting of \$1,340.00 on October 26, 2009.

**Student #43:** The cash receipts column on the accounts receivable spreadsheet only includes those cash and Title IV payments that were reflected on the January 12, 2010 ledger. They do not include SEOG payment and match that occurred on October 26, 2009 of \$934.00. In addition, the accounts receivable spreadsheet does not include an amount in the NAA balance column, which differs from the posting on the student's June 14, 2010 ledger of \$1,340.00 on October 26, 2009.

**Student #44:** The total receipts column on the accounts receivable spreadsheet does not include the SEOG match of \$234.00 that occurred on November 23, 2009. In addition, the

accounts receivable spreadsheet does not include an amount in the NAA balance column, which differs from the posting on the student's June 14, 2010 ledger of \$760.00 on November 23, 2009.

**Student #46:** The accounts receivable spreadsheet reflects a NAA amount of \$0.00, which differs from the student's ledger posting of \$1,340.00 on October 26, 2009.

**Student #47:** The cash receipts column on the accounts receivable spreadsheet does not include the \$100.00 cash payment received on September 24, 2009 but does include the cash payment of \$25.00 received on August 20, 2009 and the Title IV receipts of \$2,941.00 received on September 28, 2009. The accounts receivable spreadsheet also reflects a NAA amount of \$769.83, which differs from the student's ledger posting of \$760.00 on September 28, 2009.

**Student #48:** The student's previous balance on the accounts receivable spreadsheet is effective October 15, 2009. The charges and receipts are only from October 26, 2009.

**Student #49:** The student's previous balance on the accounts receivable spreadsheet is effective August 7, 2009. The charges and receipts are only from August 31, 2009. The total receipts are actually from Title IV loan disbursements but do not match the total disbursed per the June 15, 2010 ledger which was \$2,982.57, but they do match the January 12, 2010 ledger.

**Student #50:** The student's previous balance on the accounts receivable spreadsheet is effective July 15, 2009. The charges and receipts are only from August 31, 2009 through December 11, 2009. The spreadsheet reflects the total receipts of \$7,014.73, yet when the figures on the ledger from August 31, 2009 through December 11, 2009 are added, they total \$7,014.53.

**Student #52:** The student's previous balance on the accounts receivable spreadsheet is effective July 31, 2009. The charges and receipts are only from August 31, 2009 through December 1, 2009.

**Student #56:** The accounts receivable spreadsheet states that the student began classes October 27, 2008, yet according to her transcript she began the ESL Evening program April 14, 2008 and graduated February 6, 2009 and began the Medical Assisting Day program July 6, 2009. It appears that the spreadsheet is starting after August 6, 2009 for the student as the previous balance on the spreadsheet is \$216.63. This balance matches the balance as of August 6, 2009 on the January 12, 2010 ledger but does not match the balance as of August 6, 2009 on the June 15, 2010 ledger. The charges are only from October 2009 and do not include the charges from July 2009. In addition, the Title IV receipts that are listed under the cash receipts column matches what was on the January 12, 2010 ledger in October 2009 but does not match the June 2010 ledger. There are figures in the September 09 and December 09 columns on the spreadsheet that do not match to anything on either of the ledgers from 2010.

**Student #57:** The accounts receivable spreadsheet reflects \$4,520.17 in cash receipts, which also matches the amount in the October 09 column, but Title IV receipts for the month of October equal \$4,519.90 per the ledger dated February 28, 2012. In addition, the July 09 amount on the spreadsheet excludes the Pell disbursement from July 6, 2009. There is also a negative amount in December 2009 yet there are no postings in that month on the student's ledger. Lastly, the charges from March 2009 and July 2009 are not included in the spreadsheet, nor are the cash receipt from March 2009 or the Title IV receipts from April 2009.

**Student #58:** The accounts receivable spreadsheet states that the student began classes October 26, 2009, yet the student began classes on April 27, 2009. The tuition and other charges are from August 2009, but do not include any of the charges from April 2009, although the

previous balance is as of May 27, 2009. The cash receipts is actually Title IV receipts from August 31, 2009 and there is no mention of the Title IV receipts from May 2009 or the cash receipt from April 2009.

**Student #59:** The accounts receivable spreadsheet states that the student began classes October 26, 2009, yet the student began classes on April 27, 2009. The tuition and other charges are from August 2009, but do not include any of the charges from April 2009, although the previous balance is as of June 10, 2009. The cash receipts is actually Title IV receipts from August 31, 2009 and there is no mention of the Title IV receipts from May and June 2009 or the cash receipt from April 2009.

**Student #62:** It is difficult to tell what figures are on the accounts receivable spreadsheet for this student because the spreadsheet lists the previous balance \$0.00. The last time the student had a zero balance according to the March 12, 2012 ledger was April 27, 2009 prior to the charges and postings received on the same date. The spreadsheet only includes tuition, other charges, and total receipts from August 31, 2009 and not the tuition, other charges, and total receipts from April 27, 2009.

**Student #63:** The accounts receivable spreadsheet sheet starts with a previous balance of (\$26.64) which per the ledger dated March 12, 2012 occurred on August 5, 2009. The ledger reflects a total of \$5,222.46 in cash and Title IV receipts yet per the spreadsheet there was only \$5,034.08, which did not include the Pell 09-10 payment of \$187.00 and the Elm Unsubsidized – Cash 09-10 payment of \$1.38, both of which were received on August 31, 2009 per the March 12, 2012 ledger.

**Student #64:** The accounts receivable spreadsheet states that the student began classes October 26, 2009, yet the student began classes on April 27, 2009. The tuition and other charges are from August 2009, but do not include any of the charges from April 2009, although the previous balance is as of June 10, 2009. The cash receipts is actually Title IV receipts from August 31, 2009 and there is no mention of the Title IV receipts from May and June 2009 or the cash receipt from January 2009.

**Student #66:** The accounts receivable spreadsheet includes the \$25.00 application fee in other charges, but does not include the waiver of the registration fee of \$25.00 Total Receipts, when they actually occurred on the same day and cancel each other out. Also, the accounts receivable spreadsheet reflects a NAA amount of \$785.00, which differs from the student's ledger posting of \$760.00 on August 31, 2009.

**Student #69:** The accounts receivable spreadsheet states that there was \$5,584.00 in total receipts, yet according to the ledger, there was only \$3,066.00 in receipts. Also, the accounts receivable spreadsheet shows a NAA amount of \$0.00, which differs from the student's ledger posting of \$760.00 on November 23, 2009.

In addition, the reviewers found situations where Stone's financial records did not accurately depict the disbursements of Title IV funds specific to the discrepancies found in **Findings 11 and 12**.

As stated in **Finding 1**, Stone was also cited for account records inadequate/data not reconciled in the program review report dated February 29, 2008. Based on the recurrence of this finding and similar inaccurate recordkeeping findings, it does not appear that the institution incorporated any procedures to that there is an accurate and reliable audit trail of all financial transactions and postings.

**Required Action:** Stone must take steps to immediately ensure that its fiscal records accurately reflect all transactions relating to the Title IV programs.

The institution will be notified of any additional requirements upon review of the response to the findings in the Program Review Report.

#### **Finding 5. Misrepresentation of Cost of Patient Care Associate Program (PCA)**

**Citation:** Misrepresentation concerning the nature of an eligible institution's financial charges includes, but is not limited to, false, erroneous, or misleading statements concerning –

- a. Offers of scholarships to pay all or part of a course charge;
- b. Whether a particular charge is the customary charge at the institution for a course;
- c. The cost of the program and the institution's refund policy if the student does not complete the program;
- d. The availability or nature of any financial assistance offered to students, including a student's responsibility to repay any loans, regardless of whether the student is successful in completing the program and obtaining employment; or
- e. The student's right to reject any particular type of financial aid or other assistance, or whether the student must apply for a particular type of financial aid, such as financing offered by the institution.

34 C.F.R. §668.73

**Noncompliance:** The cost of tuition for students in the Patient Care Associate program varies depending on the amount of Title IV funds a student receives. The school's catalog states that tuition is \$7,400.00 and the book charges and registration fees total \$125.00. The majority of students in our sample paid the full amount of \$125 in book charges and fees, but only 1 student paid the full amount of \$7,400.00 for the tuition charges through Title IV funding. For example, Title IV funds and cash payments for students in the PCA program range from \$1,382.00 to \$8,307.72. The account balances for these students were then either adjusted based on the projected receipt of Neighborhood Assistance Act (NAA) funds, uncollectible balance adjustments, or write offs. During the on-site portion of the review, Andy Tierney, Corporate Director, stated that no student had ever paid cash for the program as far as he could remember. When asked for clarification, he stated he could not recall a student paying the full amount in over 3 years. If a student does not indicate interest in federal loans, adjustments are made to the balance on the account through the use of NAA payments, uncollectible balance adjustments, or write offs. No student in our sample paid more than \$125.00 in cash payments to the school. The average payment of Title IV and cash payments was \$4,700.00. Looking at students who received Pell Grants and FSEOG funds only, the average amount paid was approximately \$4,282.00 compared to \$6,636.00 that was paid by students who also received Title IV loans. This shows that loan recipients pay on average 55% more than students who just receive grant money.

In addition, according to Stone's catalog, the Neighborhood Assistance Act (NAA) provides limited need-based funding for certain students. The funds are used as a last resort (after all other grant funds are received) to cover the cost of tuition for certain programs.

Stone's 2009 Accounts Receivable Spreadsheet legend explains the NAA balance column as "when a student has an accounts receivable balance that is not receivable through cash or cash equivalents and there is no immediate expectation of receipt of funds this column reduces expected accounts receivable to net realizable value. Based on this explanation of what the NAA balance column is on the Account Receivable spreadsheet, it appears that this is not actually

need-based funding as stated in the catalog and does not result in real funds being received by Stone.

**Student #2** received the NAA funds from Stone even though the student did not receive any grant funds and her estimated family contribution was \$7,489.00.

**Student #3** received the NAA funds from Stone even though the student did not receive any grant funds, have any remaining need, and her estimated family contribution was \$33,345.00.

In addition, Stone charges a \$75.00 administration fee if the student withdraws from school. There is no information in Stone's catalog or on Stone's enrollment contract that states that this fee will be charged upon withdrawal.

The fee was charged for the following students in our sample:

#2	#6	#8	#9	#10	#12	#14	#16	#20	#21	#22	
#24	#26	#27	#36	#41	#45	#51	#59	#65	#67	#68	#69

**Student #30** also has the fee from when she withdrew from the school in 2007.

**Required Action:** Stone must revise its costs associated with the PCA program to ensure that everyone pays the same price for the program. The cost of the program should not depend on whether a student has inquired about a federal student loan or not. In addition, the cost should not change depending on the amount of Title IV grant or loan funds a student receives. The institution must provide the Department with details on how it will ensure that all students will pay the same price for the program.

## Finding 6. Pell Awarding

**Citation:** The criteria for determination of Pell Grant Awards is discussed in *34 C.F.R. §690.61 through §690.67*. Specifically, *34 C.F.R. §690.63(b)* states that the Federal Pell Grant for a payment period, i.e., an academic term, for a student in a program using standard terms with at least 30 weeks of instructional time in two semesters or trimesters or in three quarters is calculated by determining the student's enrollment status for the term; based upon that enrollment status, determining the student's annual award from the Payment Schedule for full-time students or the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students; and dividing that amount by two at institutions using semesters or trimesters or three at institutions using quarters; or dividing that amount by the number of terms over which the institution chooses to distribute the student's annual award.

The Federal Pell Grant for a payment period, i.e., an academic term, for a student in a program using standard terms with less than 30 weeks of instructional time in two semesters or trimesters or in three quarters is calculated by determining the student's enrollment status for the term; based upon that enrollment status, determining the student's annual award from the Payment Schedule for full-time students or the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students; and multiplying that amount by the following:

In a program using semesters or trimesters:

The number of weeks of instructional time offered in the program in  
the fall and spring semesters or trimesters

The number of weeks in the program's academic year;

In a program using quarters:

The number of weeks of instructional time offered in the program in  
the fall, winter, and spring quarters  
The number of weeks in the program's academic year;

And dividing that number by two at institutions using semesters or trimesters or three at institutions using quarters; or by dividing that amount by the number of terms over which the institution chooses to distribute the student's annual award. 34 C.F.R. §690.63(c)

**Noncompliance:** Stone failed to properly award Federal Pell Grants based on credit hours that are acceptable for Title IV aid. In addition, Stone failed to properly prorate the Federal Pell Grant for short-term programs. Stone also failed to take into account changes to a students' expected enrollment status when determining Pell eligibility.

Students were awarded Pell based on a full-time status, but based on the conversion of school credit hours to credit hours that are acceptable for Title IV aid, students were only registered  $\frac{3}{4}$  time. The students scheduled amounts should have been taken from the three-quarter-time Pell Chart. In addition, the school did not prorate the Pell grant properly for students in a short-term program. Therefore, the Pell Grant was over-awarded. This occurred for the following students:

#1	#4	#5	#6	#7	#10	#11	#12	#13	#14	#15	#16
#18	#19	#20	#21	#22	#23	#24	#25	#26	#27	#28	#29
#30	#31	#32	#33	#34	#35	#36	#37	#38	#39	#40	#41
#42	#43	#44	#45	#46	#47						

In addition, for **Students #22, #29, and #45**, the students only began PC105 and PC110, therefore, for the 2<sup>nd</sup> term, the student's enrollment status would have needed to be adjusted to half-time and Pell for this term should have been adjusted and prorated from the half-time Pell Chart.

**Student #27** was only registered and received a grade for PC105, therefore, for the 2<sup>nd</sup> term, the student would have been registered less-than-half-time, and Pell for this term should have been prorated from the less-than-half-time Pell Chart.

**Student #35** was only registered and received a grade for PCA105 and PCA111, therefore, for the 2<sup>nd</sup> term, the student would have only been registered less-than-half-time, and Pell for this term would have needed to be prorated from the less-than-half-time Pell Chart. The student may have been eligible for additional aid during the 4<sup>th</sup> term.

**Student #53** was not disbursed her full Pell award for 2009-2010 as only \$1,159.00 was actually disbursed per COD.

It is unclear why **Student #54** did not receive the full Pell award of \$2,675.00 for the 09/10 award year. The HCM2 payment was for \$2,250.00. The February 28, 2012 ledger shows Pell postings for \$1,337.00 and then adjustments for \$187.00. It is unclear why these adjustments were not shown on the September 3, 2009 or June 15, 2010 ledgers but were shown on the February 28, 2012 ledger.

**Student #56** was awarded Pell based on a full-time status, but based on the conversion of school credit hours to credit hours that are acceptable for Title IV aid, the student was only registered  $\frac{1}{2}$