



July 09, 2014

Mr. Sylvain Melloul, President
Sylvain Melloul International Hair Academy
Formerly: Legends Institute
3405 Candler's Mountain Road # G-360
Lynchburg, VA 24502-2288

*Sent via E-mail and UPS 2nd Day Air
Tracking # 1ZA879640298082720*

RE: Final Program Review Determination
OPE ID: 01159600
PRCN: 201140327611

Dear Mr. Melloul:

The U.S. Department of Education's (Department's) School Participation Division - Philadelphia issued a program review report on January 31, 2012 covering Sylvain Melloul International Hair Academy's (SMIHA'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 2009-2010 and 2010-2011 award years. Prior to the institution's 2013 name change, SMIHA's official name was Legends Institute.

SMIHA submitted its response to the program review report on March 28, 2012. A copy of the program review report and SMIHA's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by SMIHA upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) close the review, and (2) notify SMIHA of a possible adverse action. Due to the serious nature of one or more findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

Federal Student Aid

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION
School Participation Division - Philadelphia

The Wanamaker Building, 100 Penn Square East, Suite 511, Philadelphia, PA 19107

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This FPRD contains one or more findings regarding SMIHA's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41, 668.46, and 668.49. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed.

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 and corresponding appendices do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The names and partial social security numbers of the students whose files were examined during the program review are listed within the Student Sample included in the program review report, which is attached to this FPRD as Appendix B. Any pages within the appendices which contain PII have been omitted from the mailed hard copy. Complete versions of all appendices have been encrypted and sent separately to the institution via e-mail.

Record Retention:

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Ms. Bartges at 215-656-5953.

(b)(6)

Nancy P. Gifford
Division Director

Enclosures:

Protection of Personally Identifiable Information
Final Program Review Determination (FPRD)
FPRD Appendix A: Institution's Response to the Program Review Report
FPRD Appendix B: Program Review Report

cc: Jonathan Melloul, School Director and Chief Operating Officer
Jon Lombardi, Financial Aid Administrator
VA Department of Professional & Occupational Regulation
National Accrediting Commission of Cosmetology Arts and Sciences

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.

Prepared for

**Sylvain Melloul International
Hair Academy
Formerly: Legends Institute**

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

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**OPE ID: 01159600
PRCN: 201140327611**

**Prepared by:
U.S. Department of Education
Federal Student Aid
School Participation Division – Philadelphia**

**Final Program Review Determination
July 09, 2014**

School Participation Division – Philadelphia
The Wanamaker Building, 100 Penn Square East, Suite 511
Philadelphia, PA 19107
StudentAid.gov

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A. Institutional Information

Sylvain Melloul International Hair Academy
 3405 Candler's Mountain Road # G-360
 Lynchburg, VA 24502-2288

Formerly: Legends Institute
 2323 Memorial Avenue, Unit 27
 Lynchburg, VA 24501-2652

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts & Sciences

Student Enrollment: 32 students (as of July 26, 2011)

Percentage of Students Receiving Title IV: 87.5 % (as of July 26, 2011)

Title IV Participation (Per PCNet as of June 25, 2014):

	<u>2012-2013</u>	<u>2011-2012</u>
Federal Pell Grant Program	\$ 251,863	\$ 200,743
Federal Direct Loan Program (FDLP)		
FDLP Stafford Subsidized	\$ 214,863	\$ 180,661
FDLP Stafford Unsubsidized	\$ 289,902	\$ 218,626
FDLP PLUS	\$ 22,170	\$ 3,000

Default Rate Direct Loan:

2010: 18.8 % (7 default; 19 repayment)
2009: 9.8 % (4 default; 24 repayment)
2008: 8.9 % (2 default; 26 repayment)

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Sylvain Melloul International Hair Academy (SMIHA) from August 01, 2011 through August 04, 2011. The review was conducted by Ms. Katherine Bartges and Ms. Carmen Austin.

The focus of the review was to determine SMIHA'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 SMIHA'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 2009-2010 and 2010-2011 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. A program review report was issued on January 31, 2012, and is attached to this final program review determination as Appendix B. The names and partial social security numbers of the students whose files were examined during the program review are listed within the Student Sample included in the attached program review report.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning SMIHA'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 Sylvain Melloul International Hair Academy (Formerly: Legends Institute) of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Findings # 1, 2, 3, 4, 5, 6, 7, 9, 10 and 11

SMIHA has taken the corrective actions necessary to resolve findings # 1, 2, 3, 4, 5, 6, 7, 9, 10 and 11 of the program review report. Therefore, these findings may be considered closed.

SMIHA's written response to the program review report, dated March 28, 2012, is attached to this final program review determination as Appendix A. The Department considered SMIHA's written response and corresponding attachments, as well as the additional supporting documentation the institution provided on January 29, 2013, in its review of SMIHA's corrective action.

Findings requiring further action by SMIHA are discussed below.

Finding with Final Determination

Finding # 8

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of SMIHA's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on January 31, 2012 is attached as Appendix B.

Finding # 8: Conflicting Consumer Information

Citation Summary:

Federal regulations state that the institution must describe the rights and responsibilities of students receiving financial assistance and, specifically, assistance under the Title IV programs. This description must include specific information regarding specific information, including the method by which financial assistance disbursements will be made to the students and the frequency of those disbursements. 34 C.F.R. § 668.42(c)(3).

For each program listed in 34 C.F.R. § 668.42(a), including the Federal Direct Loan Program, an institution must provide information to describe the procedures and forms by which students apply for assistance; the student eligibility requirements; the criteria for selecting recipients from the group of eligible applicants; and the criteria for determining the amount of a student's award. 34 C.F.R. § 668.42(b).

The institution must complete surveys conducted as a part of the Integrated Postsecondary Education Data System (IPEDS) or any other Federal postsecondary institution data collection effort, as designated by the Secretary, in a timely manner and to the satisfaction of the Secretary. 20 U.S.C. 1094 § 487(a)(17). The data elements collected through IPEDS populate the Department's National Center for Education Statistics College Navigator Web site.

An institution must report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following that are reported to local police agencies or to a campus security authority: criminal homicide (murder and non-negligent manslaughter, and

negligent manslaughter); sex offenses (forcible and non-forcible sex offenses); robbery; aggravated assault; burglary; motor vehicle theft; arson; arrests for liquor law violations, drug law violations, and illegal weapons possession; and persons who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession. 34 C.F.R. § 668.46(c)(1).

Additionally, by October 1 of each year, an institution must distribute to all enrolled students and current employees its annual security report through appropriate publications and mailings. 34 C.F.R. § 668.41(e)(1). Each year, by the date and in a form specified by the Secretary, an institution must submit the statistics required by §§ 668.46(c) and 668.49(c) to the Secretary. 34 C.F.R. § 668.41(e)(5).

Noncompliance Summary:

~~A.~~ - Inconsistent Institutional Policies, Procedures and Other Published Information

The institution failed to provide consistent consumer information in its institutional polices, consumer information, student enrollment agreement and reporting to the Secretary. The Department identified several inconsistencies between, and in cases within, the following sources: information the institution reported to the Secretary as published on the Department's College Navigator Web site (data pulled from the National Center for Education Statistics College Navigator Web site on August 15, 2011), the institution's Enrollment Agreement (versions used during the 2009-2010 and 2010-2011 award years, signed by students in the Department's sample), SMIHA's Cosmetology Course Student Catalog (last updated June 25, 2011), the institution's Web site (www.legendsinstituteinc.com), and SMIHA's Federal Consumer Information Packet. The Department also found inconsistent information within a single source. For example, the number of consecutive unexcused absences tolerated before termination from the program is inconsistent within the institution's Cosmetology Course Student Catalog.

Specifically, the institution failed to publish consistent consumer information for the institution's refund policy and the number of excessive absences allowed before termination from the program. Additionally, the institution published incorrect or erroneous information in SMIHA's Federal Consumer Information Packet and throughout SMIHA's College Navigator Web page.

B. Inconsistent Campus Security Information

The Crime Statistics covering 2007, 2008 and 2009 as published in SMIHA's Federal Consumer Information Packet (beginning on Page 18 of the document) are not consistent with the Crime Statistics covering 2007, 2008 and 2009 as published on the Department's College Navigator Web site (data pulled from National Center for Education Statistics

College Navigator Web site on August 15, 2011). Sections containing inconsistent data elements are detailed in the Department's Program Review Report.

Additionally, the institution included its Annual Security Report (ASR) within SMIHA's Federal Consumer Information Packet, but failed to distributed it as a distinctly identifiable publication as required.

Required Action Summary:

SMIHA was required to update consumer information regarding the policies, procedures and other published information detailed in this finding to ensure consistency and compliance with federal consumer information requirements.

SMIHA was also required to review the source documents it consulted to report Crime Statistics for 2007, 2008 and 2009 to the Department and distribute Crime Statistics to the campus community through SMIHA's Federal Consumer Information Packet. The institution was also required to identify the data elements in its published annual security report and College Navigator Web page which were not consistent with the source documents, and provide a list of all inconsistencies and the source documents.

The institution was required to make all corrections to both its published annual security report and the information reported to the Secretary, redistribute the ASR to all current students and staff, and provide the corrected versions to the Department. Additionally, the institution was required to publish and distribute its ASR as a distinctly identifiable publication, instead of disbursing the information through a larger Title IV consumer information publication.

SMIHA was also required to review all of its policies, procedures and other published information to verify consistency, make any necessary corrections and submit the updated policies to the Department with its response to this program review report.

Institution's Response Summary:

In the institution's March 28, 2012 response to Part A of finding # 8, SMIHA reported that it corrected inconsistent information in its policies, procedures and other student-facing materials.

The institution stated in its response that it did not agree with every inconsistency outlined in the Department's program review report, and stated that some of the policies referred to in this finding were correct and consistent at the time they were implemented and in use. To address inconsistent information regarding excessive absences, the institution updated its 2011-2012 enrollment agreements, and stated that all policies that are affected by excessive absences have been updated to reflect the correct information. To address inconsistent refund information, the institution reported that any inconsistent

information among the current publications affected by the refund policy have been updated to accurately and consistently reflect the correct refund period. The institution also made changes to its consumer information to eliminate FFEL program language, and updated its Web site link on College Navigator.

In response to Part B of finding # 8, SMIHA stated its concurrence with the finding and reported that it worked with the Lynchburg Police Department to obtain the correct crime statistics information for the calendar years under review and also communicated with the Department's crime statistics reporting help desk. The institution detailed the discrepancies in its response and reported that it provided the correct information to the Department through the help desk and to its campus community through the distribution of hardcopies of the corrected 2011 ASR as detailed in a March 19, 2012 school memo.

The institution also provided the statement below regarding prior Clery Act violations and certain factors that purportedly contributed to said violations:

The inconsistent campus security information published for 2007 and 2008 was completed and submitted by the previous owner and is out of the scope of current ownership. This information was assumed to be complete, true, and accurate. The campus security reporting for 2009 (submitted in August of 2010), was completed by an administrator who is no longer with the institution. A different administrator completed the 2010 Campus Security submission.

Through four years of campus security reporting, three different individuals were responsible for updating the Campus Security in the institution's publications and submitting the report to the Secretary. The source data provided to the institution by the local police department is vague and ambiguous as to the detail and location of the crime. The administrator must analyze and decipher from the source data the location of the crime (what is defined as campus vs. public property, exact location of crime), the category of the crime committed, the nature of the crime, and whether there were any arrests or disciplinary action referred for crimes committed. After reviewing the guidelines set forth on page # 196 of the Handbook for Campus Safety and Security Reporting, in conjunction with analyzing and deciphering the source data, has still allowed for inconsistent and presumptuous reporting between the three individuals responsible for this task. The sum of all the moving parts through the past four years has left room for many inconsistencies and inaccuracies in the Campus Security Statistics. Knowledgeable interpretation is necessary in reporting the crime statistics and is a major reason behind the inconsistent and inaccurate reports.

Final Determination:

The Department has reviewed SMIHA's response to finding # 8 as well as the additional documentation submitted with the response including source documents from the Lynchburg Police Department and correspondence generated during communications between SMIHA officials and the Department's crime statistics reporting help desk and supporting documentation showing that revised crime statistics were compiled and distributed to current students and employees.

The following chart¹ summarizes SMIHA's crime statistics disclosure violations during the calendar years covered by the 2011 ASR:

Crime Classification	Year	Location Reported	Corrected Number Based on Source Data Review	Number of Offenses Reported to Secretary	Number of Offenses Disclosed in ASR
MVT	2008	On-Campus	2	0	0
MVT	2008	PP	0	2	0
FSO	2008	PP	0	1	0
NFSO	2008	PP	0	0	1
DLV - Arrests	2008	PP	0	3	2
LLV - Arrests	2008	PP	0	1	0
WLV - Arrests	2008	PP	0	1	0
FSO	2009	PP	0	1	0
NFSO	2009	PP	0	0	1
Robbery	2009	PP	0	1	1
AA	2009	PP	0	1	1
MVT	2009	On-Campus	1	0	1
MVT	2009	PP	0	1	0
WLV - Arrests	2009	PP	0	1	1
DLV - Arrests	2009	PP	0	2	2
AA	2010	PP	0	1	1
DLV - Arrests	2010	PP	0	7	7
LLV - Arrests	2010	PP	0	1	1

In its response to the program review report, SMIHA concurred with this element of the finding and attributed the statistical reporting errors and ASR distribution failures to staff turnover, insufficient program knowledge, inadequate training, and a lack of internal controls and adequate systems. However, SMIHA asserted that required remedial actions are now in place. Specifically, management stated that all crime statistics were revised in accordance with documentation provided by local law enforcement and guidance provided by the Department's helpdesk. SMIHA's response also asserts that the staffing and training issues were addressed and that adequate controls and policies are now in place. Moreover, with regard to all of its consumer protection and information disclosures, SMIHA management stated that, reviewing, cross-checking, and updating all of the institutional policies, procedures, and other published information (including campus security) has allowed the school to provide accurate and consistent information to adequately re-establish compliance.¹ These changes should result in improved campus security operations and better Clery Act compliance going forward. The review team's analysis of the materials submitted in support of the response did not indicate any new

¹ To limit the size of the chart above, the following acronyms were used: MVT=Motor Vehicle Theft; FSO=Forcible Sex Offense; NFSO=Non-Forcible Sex Offense; DLV=Drug Law Violation; LLV=Liquor Law Violation; WLV=Weapons Law Violation; AA=Aggravated Assault; and PP=Public Property

significant omissions or weaknesses in the problem areas identified in the program review report, suggesting that the corrective actions were at least minimally adequate. For these reasons, the Department considers this finding to be closed.

Although the finding is now closed, SMIHA is reminded that the exceptions identified during the program review constitute serious violations of the Clery Act that by its nature cannot be cured. There is no way to truly "correct" a Clery Act violation once it occurs. In this case, at least two Part I offenses reported in 2008 were omitted from multiple ASRs and one such offense reported in 2009 was similarly omitted from the institution's campus crime statistics submissions to the Secretary. In addition, the institution failed to actively distribute its 2011 ASR (and all prior ASRs) to current students and employees as a discernible comprehensive document. SMIHA was required to initiate all necessary remedial measures and in doing so, has begun to address the conditions that led to these violations. SMIHA has stated that it has brought its overall campus security program into compliance with the Clery Act as required by its Program Participation Agreement. Nevertheless, the institution is advised that such actions cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective actions as a result.

In recognition of the potential consequences of such compliance failures, the Department strongly recommends that SMIHA re-examine its campus safety, drug and alcohol abuse prevention, and general Title IV policies and procedures on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with Federal regulations. SMIHA is further advised to continue to develop the contents of its ASR and to take definitive steps to continuously improve its overall campus safety program.

SMIHA officials may wish to review the Department's Handbook for Campus Safety and Security Reporting (2011) for guidance on complying with the Clery Act. The handbook is available online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The regulations governing the Clery Act can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

Furthermore, SMIHA officials are reminded to review the accuracy and completeness of its Drug and Alcohol Abuse Prevention Program (DAAPP) as required by the Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations. FSA is now responsible for monitoring compliance with the DFSCA. Therefore, it is essential that the institution makes sure that it has developed and implemented a comprehensive DAAPP and that it conducts substantive biennial reviews and prepares its biennial review reports on the proper schedule. For assistance or more information on the Clery Act and/or the DFSCA, please contact the program review team or another member of the Philadelphia School Participation Division.

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Finally, the institution is reminded that correct and consistent consumer information is all critically important in all areas detailed in 34 C.F.R. § 668.42. As such, the institution should also periodically review the information on its College Navigator Web page to ensure that it is accurate and complete.

D. Appendices

SMIHA's written response, dated March 28, 2012, is attached to this final program review determination as Appendix A. The Department's program review report, issued January 31, 2012, is attached as Appendix B. The names and partial social security numbers of the students whose files were examined during the program review are listed within the Student Sample included in the program review report.

To protect student-level Personally Identifiable Information (PII), any pages within the appendices which contain PII have been omitted from the mailed hard copy. Complete versions of all appendices have been encrypted and sent to the institution via e-mail.

Final Program Review Determination
PRCN #: 201140327611

Appendix A

**Institution's Response
to the Program Review Report**

Prepared for
U.S. Department of Education
Federal Student Aid
School participation Team - Philadelphia

OPE ID: 01159600
PRCM: 201140327611

Legends Institute

Program Review Response

March 28, 2012

Prepared by
Jonathan Melloul, School Director

Legends Institute
2323 Memorial Avenue, Unit 27
Lynchburg, VA 24501
www.LegendsInstituteInc.com

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March 28, 2012

Introduction:

Legends Institute ownership and staff would like to thank the Program Review Team; Ms. Katherine Bartges and Ms. Carmen Austin, for conducting a thorough review and revealing areas of improvement for the administrative staff to work towards in properly administering Federal Student Aid to the institution's students. The current owners of Legends Institute underwent a change in ownership on July 14, 2010; two weeks into the 2010-2011 award year. A portion of the review was conducted on student files prior to this change of ownership, thus making some of the noncompliance findings out of the control of the current owners. In addition to this, current ownership and administration, in its short term of operating the institution, has adopted and changed numerous school policies and procedures throughout this period. Below you will find the program review response to each individual finding with a brief narrative that states the institution's position regarding the noncompliance finding, a description of the corrective action taken, and the noted supporting documentation in the form of appendices (each appendix attached separately). Please note that all supporting documentations are in the most up-to-date stature with what the institution operates, unless noted otherwise. Once again, thank you for conducting the review and allowing our institution to cooperate to resolve such noncompliance issues.

Finding # 1: Incorrect Return to Title IV (R2T4) Calculation

Institution Response & Corrective Action:

The institution agrees with the review team's finding of an incorrect Return to Title IV Calculation for Student # 11. Student #11's last day of attendance was April 20, 2010, and the date of determination of withdrawal was May 4, 2010. This student's Return to Title IV calculation was calculated under the previous ownership, and thus was out of the scope of the current administration. Revised policies, procedures, and forms have been adopted to ensure that the proper R2T4 calculations are made accurately and within the required time frame.

The institution has adopted a new Withdrawal Form to accompany the Withdrawal Policy & Procedures to ensure that all proper steps are taken to close the student's file out. The withdrawal procedures require administration to complete the entire Withdrawal Form. As part of completing the form, the Financial Aid Director is to calculate & complete a Return to Title IV Calculation form that is provided by the Department. If determined by the calculation, the return will be made within 45 days of the withdrawal date.

Return to Title IV calculations are calculated by the Financial Aid Director then reviewed by the School Director, and by the third party servicer if a return is being made.

The institution feels that adopting the new withdrawal policies & procedures, and implementing the consistent use of the Withdrawal Form (in congruence with the Departments R2T4 worksheet) has allowed the school to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Supporting Documentation:

Appendix A: Withdrawal Policy
Appendix B: Withdrawal Procedures
Appendix C: Withdrawal Form
Appendix C.2: Return To Title IV Funds Worksheet

Finding # 2: Federal Direct Loan Proceeds Not Credited to Student Account

Institution Response & Corrective Action:

The institution agrees with the review team's finding of Federal Direct Loan Proceeds Not Credited to Student Account. The institution underwent a change in the Financial Aid Director personnel in the middle of May 2011; about one month before student #25's account was not properly credited. During these beginning months administration was beginning to adopt new financial aid policies and procedures, however, at that time they had not been fully implemented. The student's account not being properly credited was an oversight on administration and a lack of proper checks & balances. Since this time, the policies and procedures have been revised and properly implemented to ensure that student accounts are correctly credited with their respective funds, within the required timeframe. Administration has also implemented in the new procedures a check and balance system that is reviewed by both the Financial Aid Director and the School Director. As a part of the internal disbursing procedures, the financial aid office and business office communicate effectively to maintain consistent disbursing schedules, which has allowed for a more streamlined process flow of properly crediting student accounts and transferring funds between the designated bank accounts.

The institution feels that by adopting & implementing the revised internal disbursing procedures has allowed the school to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Supporting Documentation:

Appendix D: Internal Disbursing Procedures
Appendix E: Cross-Checked Internal Disbursing Procedures Example

Finding # 3: Failure to Make a Post-Withdrawal Disbursement

Institution Response & Corrective Action:

The institution agrees that, from a regulatory standpoint, it was not in compliance with the review team's finding of the school's failure to make a post-withdrawal disbursement. However, the institution feels that by not making the post-withdrawal disbursement it was able to benefit the student. Overall, in both instances that post-withdrawal disbursements could have been made, the institution used logic and reasoning behind the decision to not post-disburse funds for both students in order to better benefit these individuals in considering their specific circumstances. The institution did not realize that by making the decision to benefit the student that it would not be in compliance.

March 28, 2012

Student # 16 participated in the program for one week and quickly realized that cosmetology was not for her. Instead of the institution disbursing this student's Federal Pell Grant funds, then turning around and making a Return to Title IV Funds for the majority of these funds, while simultaneously reducing the amount of Grant money this student would have to pursue education in another field, did not seem reasonable or logical to administration. Administration was not aware that this decision, seemingly benefiting the student, was a noncompliance issue.

Student # 22 had completed 980 hours (of the total 1500) before her withdrawal. This student had to relocate to Florida, and thus wanted to transfer her hours to an accredited cosmetology school that participates in Title IV funding. The School Director had several conversations with the student to create a plan that would benefit her and allow her to complete her educational goals in order to pursue a career as a cosmetologist. In addition to the conversations with the student, the School Director had contacted the school owner of the anticipated transfer school in Florida. As a result, the Director was able to set up an agreement with the transfer school that would allow the student to continue her education at the progress she had left it. The School Director had made the decision to not disburse this student's available funds for the third payment period (900-1200 hours), to allow the transfer school in Florida the opportunity to access these funds and pay for her educational & transfer costs at that school. The decision to not disburse the student's aid from Legends Institute would result in making these funds available for disbursement by the transfer school that was to continue educating her (reducing her out-of-pocket cost). Seemingly this was a decision that would ultimately benefit the student. Once again, Administration was not aware that this decision was a noncompliance issue.

Regardless of the reasoning and logic behind both cases, the institution realizes this is a regulatory matter that needs to be in compliance. The institution feels that adopting & implementing the Post-Withdrawal Policy & Procedures has allowed the school to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Supporting Documentation:

Appendix F: Post-Withdrawal Disbursement Policy
Appendix G: Post-Withdrawal Disbursement Procedure

Finding # 4: Inaccurate Record Keeping

Institution Response & Corrective Action:

The institution agrees with the review team's finding of inaccurate record keeping. As the review team indicated, the inaccurate bookkeeping detailed for students #8, and #28, were due to human error. Administration had key stroke errors for the mistakes outlined in the report. The institution has revised its procedures regarding bookkeeping, including implementing a check and balance system that requires effective communication between the financial aid office and the business office. The institution has also set disbursing schedules to streamline the process flow of bookkeeping and updating student ledgers accurately and within the required time frame.

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The institution feels that correcting the mistaken account ledgers for students #8 & #28, and implementing the revised Internal Disbursing Procedures has allowed the school to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Supporting Documentation:

Appendix H: Corrected Account Ledgers for Students #8, #28

Appendix D: Internal Disbursing Procedures

Finding # 5: Inaccurate/Untimely Reporting to NSLDS

Institution Response & Corrective Action:

The institution agrees with the review team's finding of inaccurate/untimely Reporting to NSLDS. Administration had continued to follow the NSLDS reporting schedule set up by the previous owner, on a semi-annual basis. After the review process, administration is aware of the adverse effects untimely and inaccurate reporting can have on a student's loan repayments and all of the related entities.

The previous Financial Aid Director, before the change to the current director in May 2011, was responsible for NSLDS reporting. The previous director did not maintain a satisfactory schedule of NSLDS reporting. Through the transition of Financial Aid Director, the institution has switched the NSLDS reporting to the School Director.

In response to this finding, the institution has set the schedule for NSLDS roster reporting to be updated every 2 months by the School Director. The schedule is set through 02/2013 to ensure that NSLDS reporting be done in a timely manner. Before the end of 2012, the schedule will be extended through 2014 along the same 2 month frequency. The inaccuracies associated with the previous reporting have been noted and fixed through the NSLDS records and student file review required of the institution. The institution will use the student's files to report the change in their statuses in all reporting.

Through the NSLDS records and student file review process, administration has noted some discrepancies with the certification dates of some students. The certification date discrepancy is indicated as a note on the excel spreadsheet. When conducting the NSLDS enrollment reporting updates in the past, the School Director had re-certified students that had no change in their student status as of the last date the report was completed, on 01/09/2012. The error was made in an attempt to certify that the information on NSLDS was correct, even if there was no change to a students' status as it was currently indicated on the roster report. An example of this can be seen by looking at student #1 according to the table on page 9 of the Review Report; the table shows that the "Date Certified in NSLDS by Institution" to be "7/12/2011." However upon conducting the review and checking NSLDS records, the roster report indicated that the certification date was 01/09/2012. During the last reporting period on 01/09/2012, the School Director certified that all the statuses on the roster report were correct, regardless if there had actually been a change in the student's status. It is now realized why this can be an issue, however, hope that by re-certifying the already correct student status, no actual harm was done to the student or government.

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The re-certification discrepancy/issue has occurred on twelve students, which are noted on the attached Excel spreadsheet. The institution has been late on student status change enrollment updating, however the amount of days late for these twelve students is inaccurate and overstated. It can be deduced that the students whose re-certifications occurred on 01/09/2012, had originally been certified at the NSLDS reporting date immediately following their change in student status (the corresponding scheduled NSLDS Reporting date). The reporting date immediately following the student's status change date has been added to an additional tab on the NSLDS File Review Response excel worksheet, titled "Expected Certification Dates." This tab is a more accurate indicator of the amount of days late (if applicable) the institution was in reporting for these twelve students. The previous NSLDS reporting dates are as follows:

Reporting / Certification dates in the past:

Certification Dates
09/11/2009
02/24/2010
04/07/2010
05/24/2010
11/02/2010
12/22/2010
07/12/2011
01/09/2012

Student # 25's certification date in NSLDS may have encountered the same re-certification discrepancy, thus resulting in what appears to be 242 days late. This student's status had most likely been re-certified as a full-time student at each of the above certification dates applicable, thus making the date certified in NSLDS further away from the required date.

The 60 day certifying period following the date of change in a student's status is not always feasible for students who recently enrolled at the institution. The Enrollment Reporting Roster may not generate recently enrolled students because of the period it can take for the student's loans to be fully processed and loaded onto the NSLDS system. According to the **National Student Loan Data System Reporting Guide**, Section 3.6.2 *Retrieving All Your School's Enrollment Records*; "If loans have loaded with students at your school since the roster file was generated they will appear online, although they may not have been in your roster file." The citation indicates that the roster file may not be fully updated, even if a student's loans have loaded onto the system. If a student's loans have not loaded onto the system, then this may cause an even further delay in the institution's ability to certify a recently enrolled student's status. The institution will follow the reporting guide procedures for updating student statuses and certify recently enrolled students as they populate on the NSLDS Enrollment Reporting Roster in accordance with the reporting schedules established.

Administration realizes the mistake made and the severe adverse effect it can have on students and the Department of Education by having inaccurate/untimely reporting. As a response, the institution has immediately corrected this by implementing the July 21, 2011 published **National Student Loan Data**

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System Reporting Guide in use for the NSLDS Enrollment Reporting policy and procedures book. The institution has built the reporting schedule to occur on a two month frequency, through 2013 (and will continuously extend this scheduled frequency).

The institution feels that conducting & correcting any discrepancies found in the NSLDS records and student file review process, building the reporting schedule, and implementing the **National Student Loan Data System Reporting Guide Policies & Procedures** has allowed the school to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Supporting Documentation:

Appendix I: National Student Loan Data System Reporting Guide:

<http://www.ifap.ed.gov/nsldsmaterials/attachments/NSLDSEnrollmentReportingGuide.pdf>

Appendix I.2: NSLDS Enrollment Reporting Schedule

Appendix J: Excel sheet – NSLDS File Review Response

Appendix J.2: NSLDS File Review Response Supporting Documentation

Finding # 6: Common Origination & Disbursement (COD) Reporting Deficiencies

Institution Response & Corrective Action:

The Boston Educational Network, Inc. (BEN), a third party servicer, completes COD reporting for Legends Institute. While ultimately the responsibility falls under the institution's horizon, the burden of compliance for COD reporting (among other tasks), is to be maintained by BEN, as outlined in the agreement between the school and the servicer. Legends Institute assumes that the "back-end" of financial aid compliance, i.e. COD Reporting, is maintained by BEN at all times. The institution has informed BEN of the non-compliance issue to be noted and corrected.

Boston Educational Network has provided a procedural summary in conjunction with the institutions internal procedures as follows:

First day:

1. BEN posts disbursements to student records
2. BEN exports and subsequently transmits those disbursement records to the department at the end of the same business day that the disbursements were posted

On the next day:

1. BEN provides the institution with a roster of the student disbursements posted and reported the previous day
2. BEN requests cash from G-5 to fund the roster. Cash request is contingent upon the money being available in G-5 to request (just in time payment methodology)
3. Legends Institute prints the disbursement roster (student names and amounts) provided by BEN

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4. Legends posts disbursements to student account ledgers with the date, amount, and type of funding provided on the disbursement roster (congruent with internal disbursing procedures)

Legends Institute will notify Boston Educational Network when a student has graduated/withdrawn and request that any pending disbursements be cancelled on a monthly basis.

Legends Institute has communicated and entrusted that Boston Educational Network will fix all COD reporting discrepancies & maintain the responsibility to the institution to meet all regulatory compliance guidelines with the Department of Education.

The institution feels that providing the Boston Educational Network with the Program Review Report detailing the noncompliance finding, informing the third party servicer to correct these discrepancies, and requesting a revision in their policies & procedures to accommodate COD reporting guidelines has allowed the institution to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Finding # 7: Inadequate Policy for Awarding Title IV Funds

Institution Response & Corrective Action:

The institution agrees with the review team's finding of an inadequate policy for awarding Title IV funds. As mentioned in the finding, the institution was unable to provide documentation that the students were informed that Direct Loan funds were available for the awarded period, or that the students refused the full loan amount. After reviewing the student's ISIR, the previous Financial Aid Director would discuss the student's option to reduce their full eligible loan amounts in order to decrease the student's debt before completing the "Financial Planning" documents. The "Financial Planning" documents would then be completed and adjusted to reflect the students desired loan amounts. However, through this process, the institution did not adequately document any authorization to reduce or decline the loan amounts.

While a conversation with the student regarding their decision to reduce or decline their full eligible loan amounts awarded is necessary, it does not fully satisfy what is required on the institution's end. In response, the institution has revised its Awarding Title IV Funds Policy, and developed a "Federal Direct Loan Reduction or Decline Form" which accompanies all award letters issued to students.

Federal Consumer Information is also provided to all students, which goes in greater detail regarding Title IV eligibility, funding, and disbursing, among other things.

The institution feels that adopting the revised Awarding Title IV Funds Policy and implementing the Reduction or Decline Form has allowed the school to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Supporting Documentation:

Appendix K: Awarding Title IV Funds Policy
Appendix L: Federal Direct Loan Reduction or Decline Form

Finding # 8: Conflicting Consumer Information

Institution Response & Corrective Action:

A. Inconsistent Institutional Policies, Procedures and Other Published Information

The institution agrees that there were inconsistent institutional policies, procedures, and other published information; however, the institution does not agree with every citation of inconsistency outlined in the review team's report. Some of the policies referred to in the report were correct and consistent at the time they were implemented in use. The institution has revised numerous policies and procedures since new ownership in July 2010 and will continue to revise certain policies and procedures in the future to maintain compliance with the necessary regulatory agencies. Through the updating of policies and procedures, some of the published documentations did not get updated, thus providing inconsistent information. For instance, the refund policy is published in the course catalog, enrollment agreement, and federal consumer information. Through the change of this policy, one or more of the policies in these publications was not updated. These inconsistencies are due to human error, and have all been corrected and detailed below for each instance. The inconsistencies that the institution does not agree with due to the time the policy was in use are also described below.

Excessive Absences – The 14 day Excessive Absences policy was the correct policy in use during 2010 and part of 2011. Thus this policy was correctly stated at the time the “2009-2010 Enrollment Agreement” was in effect. Students who signed the enrollment agreement with this policy in place were held to this 14 day policy throughout their education. The review team viewed the inconsistency between the Enrollment Agreement and the Excessive Absences Policy due to the timing the policy was implemented in relation to the executed prior enrollment agreements.

The 2011-2012 Enrollment Agreements have been updated to reflect the correct amount of days (7) that the school enforces for this policy. The Course Catalog, and Federal consumer information – Refund and Return to Title IV policies, and Suspension/Termination policies also reflect the correct excessive absence policy of 7 days.

The school overlooked changing the Refund Policy in the Course Catalog when it updated the excessive absences policy to 7 days. This error has been fixed and all policies that are affected by excessive absences have been updated to accurately and consistently reflect the 7 days.

Refunds – The same issue as detailed above occurred when updating the school's Refund Policy amongst the required publications. The number of days the institution requires all refunds to be consummated was updated, however, not done consistently through all publications that have this policy. The 2009-2010 Enrollment Agreement stated that refunds are completed in 30 days, which was the correct policy at the time the enrollment agreement was implemented. Any inconsistent information among the current publications affected by the refund policy has been updated to accurately and consistently reflect the 30 day refund period.

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Incorrect/Erroneous Information- The Return to Title IV Funds policy in the Federal Consumer Information Packet (pages 15 through 17) referencing the order in which DOE program funds are returned to the government, is correct and accurate *general* consumer information. The information provided was a generalization for all programs offered by the DOE and does not specifically apply to the programs offered by Legends Institute. Administration did not feel that providing general consumer information to the potential students was erroneous or harmful, however does see how it could be confusing. In response to the review, the institution has removed the programs that are not offered by the school and updated this section.

The terms used in the Exit Counseling policy and throughout the Federal Consumer information packet relevant to the FFEL program have been updated and replaced to accurately reflect terms relevant to the Federal Direct Loan program. The terms: "Lenders", "guarantors", "loan holder", and "bank" have been replaced with the terms: "Department" and "loan servicer" where applicable.

College Navigator -Legends Institute built a new website, thus making the old website link published on College Navigator obsolete and non-functional. The new Website Link on College Navigator had been updated at the time the IPEDs reporting was due for the section that requires this information. The current website link on College Navigator is up-to-date, functional, and has all information required by the Department.

B. Inconsistent Campus Security Information

The inconsistent campus security information published for 2007 and 2008 was completed and submitted by the previous owner and is out of the scope of current ownership. This information was assumed to be complete, true, and accurate. The campus security reporting for 2009 (submitted in August of 2010), was completed by an administrator who is no longer with the institution. A different administrator completed the 2010 Campus Security submission.

Through four years of campus security reporting, three different individuals were responsible for updating the Campus Security in the institution's publications and submitting the report to the Secretary. The source data provided to the institution by the local police department is vague and ambiguous as to the detail and location of the crime. The administrator must analyze and decipher from the source data the location of the crime (what is defined as campus vs. public property, exact location of crime), the category of the crime committed, the nature of the crime, and whether there were any arrests or disciplinary action referred for crimes committed. After reviewing the guidelines set forth in the 196 page *Handbook for Campus Safety and Security Reporting*, in conjunction with analyzing and deciphering the source data, has still allowed for inconsistent and presumptuous reporting between the three individuals responsible for this task. The sum of all the moving parts through the past four years has left room for many inconsistencies and inaccuracies in the Campus Security Statistics. Knowledgeable interpretation is necessary in reporting the crime statistics and is a major reason behind the inconsistent and inaccurate reports.

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In response to the finding, the institution has collected the source data for the campus (the entire shopping center the school is located), and has reviewed the statistics submitted to the Secretary & published by the school. The institution has provided a list of all inconsistencies between the source data, statistics submitted to the Secretary, and the institutionally published security report. Additionally as supporting documentation the institution has provided the source data, all correspondence to local police authorities, and correspondence with the Campus Security Help Desk.

Through the campus security review, the institution has found one major misinterpretation that has led to inaccurate reporting to students and the Secretary. The institution has also re-reviewed the *Handbook for Campus Safety and Security Reporting*, contacted the Campus Security Help-desk, and the local police authorities responsible for providing the source data. Through this review, it has been concluded that the entire parking lot of the shopping center (The Plaza) the school is located is considered to be "On-Campus." Furthermore, the source data provided to the institution from local police authorities has little detail as to the specific location of the crime. The location reported on the source data is: "2323 Memorial Avenue", which is the address of the shopping center. The source data does not indicate specifically where the crime occurred; parking lot, specific unit number or business, sidewalk, etc. This allows for ambiguity in reporting. The reason for previously inaccurate reporting is due to past administration making assumptions that should not be made for crime statistic reporting elements.

As a result, administration requested from the police department for the specific locations of the crimes reported in the source documents. The police department responded explicitly that it does not have any further detail as to where the crimes occurred within the shopping center. Therefore, according to page 87 of the *Handbook for Campus Safety and Security Reporting*, its states:

"What to Do if You Obtain Statistics That You Can't Attribute to Your Clery Geography
In some jurisdictions, local law enforcement agencies cannot provide a breakdown of statistics specific to Clery Act geographic areas. For example, the police may provide your institution with statistics for the entire jurisdiction or the entire city, or they may include statistics for private residences and businesses. If the statistics are all zeros, that isn't a problem. If not, we suggest that you request addresses for the statistics to help you determine if any statistics are for crimes that occurred on your Clery geography. If you can determine that some of the statistics are for your Clery geography, but you can't break them down as to on-campus or public property, disclose those statistics in a additional table or in a caveat explaining why they are separated from your other Clery statistics.

If you cannot determine whether any of the statistics are for your Clery geography, provide a caveat in your annual security report explaining that the statistics were requested but were not available in a usable format for Clery reporting."

Administration had extensive phone conversations with the Campus Security Help Desk to clarify the proper way of reporting crime statistics in the current circumstances. The help desk advised that the crimes in the source data could have occurred within other businesses in the shopping center, thus being a crime that should not be reported for the institution. Because of the ambiguity and definitive response

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from the police authorities, the proper procedure is to report 0 crimes for on-campus statistics, and explain why in the caveat. Furthermore, being that the parking lot of the entire shopping center is considered "on-campus," motor-vehicle thefts that occurred at the "2323 Memorial Avenue" are to be reported "on-campus" because it can be strongly assumed that these motor-vehicle thefts occurred in the parking lot (and not inside of another business).

The institution has updated the most recent three years of campus security via institutionally published report and through the department campus security website: <http://www.ope.ed.gov/security/> by emailing the Help Desk of the changes (who is responsible for updating the relevant information on the College Navigator site). Additionally, the institution has distributed among all enrolled students and staff the updated report as a distinctly identifiable publication on March 21, 2012.

Inconsistent Data Elements – Campus Safety and Security Reporting:

Crime Statistic	Year	Location Reported	Correct Number from Data Source to Report	Number Reported to Secretary	Number reported in Institutional Published Report
Motor Vehicle Theft	2008	On Campus	2	0	0
Motor Vehicle Theft	2008	Public Property	0	2	0
Sex Offenses – Forcible	2008	Public Property	0	1	0
Sex Offenses – Non Forcible	2008	Public Property	0	0	1
Arrests - Drug Abuse Violations	2008	Public Property	0	3	2
Arrests - Liquor Law Violations	2008	Public Property	0	1	0
Arrests – Weapons	2008	Public Property	0	1	0
Sex Offenses – Forcible	2009	Public Property	0	1	0
Sex Offenses – Non Forcible	2009	Public Property	0	0	1
Robbery	2009	Public Property	0	1	1
Aggravated Assault	2009	Public Property	0	1	1
Motor-Vehicle Theft	2009	On Campus	1	0	1
Motor-Vehicle Theft	2009	Public Property	0	1	0
Arrests – Weapons	2009	Public Property	0	1	1
Arrests – Drug Abuse Violations	2009	Public Property	0	2	2
Aggravated Assault	2010	Public Property	0	1	1
Arrests – Drug Abuse Violations	2010	Public Property	0	7	7
Arrests – Liquor Law Violations	2010	Public Property	0	1	1

The institution will be moving locations within the next six months, at which time it will clearly define the location specifics and provide additional relevant procedures to crime reporting in supplement to the Handbook for Reporting. Through the process of reviewing the source data and updating crime statistics, the institution has worked closely with the Campus Security Helpdesk to gain a better understanding of this process.

The institution feels that by reviewing, cross-checking, and updating all of the institutional policies, procedures, other published information, and campus security has allowed the school to provide accurate & consistent information to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Supporting Documentation:

Appendix M: 2011-2012 Enrollment Agreement
Appendix N: 2012 Course Catalog
Appendix O: Federal Consumer Information Packet
Appendix P.1 – P.3: Source Documents – Campus Security 2008, 2009, 2010
Appendix Q: Email Correspondence with Campus Security Help Desk & Local Police Authorities
Appendix R: School memo – Distributing Campus Safety & Security Report
Appendix R.2: Campus Safety and Security Report distributed to students

Finding # 9: Failure to Document Exit Counseling

Institution Response & Corrective Action:

The institution agrees with the review teams finding of failure to document Exit Counseling. The Exit Counseling for students #12, #18, and #22 had been sent, however, the institution failed to document this process, thus making it out of compliance. The institution utilizes a Graduate Checklist as a student is nearing the end of the program to ensure that the student has met all graduation requirements, completed all necessary steps in order to be eligible for the state board exam, and to properly close out their file upon their completion. Exit counseling and properly documenting this process is a part of the checklist. All items on the checklist must be marked complete in order for the student's file to be considered closed and state board papers given to the student, thus ensuring that all students who graduate from the institution have completed exit counseling.

For students who withdrawal (includes official, unofficial, termination, and transfer out students), administration follows a similar procedure by completing a Withdrawal Form that requires administration to mark whether a student received exit counseling, and if not, whether it was mailed. This procedure requires administration to properly document this process. Administration has also created an Exit Counseling Letter to accompany the Exit Counseling Packet, instructing students on how they can properly complete Exit Counseling, to be sent to the student at their last known mailing address. A copy of the addressed letter and Exit Counseling packet is placed in the student's file.

The institution feels that re-sending the Exit Counseling to the students cited via certified mail and revising the related policies & procedures has allowed the school to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding

Supporting Documentation:

Appendix S: Certified Mail Receipt Copies of Exit Counseling, Students #12, #18, & #22
Appendix T: Exit Counseling Letter

Appendix U: Graduate Procedure Checklist
Appendix B: Withdrawal Procedures
Appendix C: Withdrawal Form

Finding # 10: Failure to Deliver Title IV Credit Balances Timely

Institution Response & Corrective Action:

The institution agrees with the review team's finding of failure to deliver Title IV credit balances timely. The chart on page 22 of 26 of the Program Review Report detailing the amount of days late the institution was on delivering credit balances has a few errors in it – which appear to be keystroke errors in the year for the "Date Title IV Credit Balance Delivered in full to student" column; students #2, #10. The date in the chart shows 2010, however, the dates should be 2011. Key stroke errors have certainly been at fault on the institution's part throughout this review process.

It was heavily assumed, mainly by the previous owner and previous Financial Aid Director, that all students had signed the "Voluntary Authorization Form" – thus allowing the institution to hold on to the student's credit balance payments until graduation. However this assumption was false, thus resulting in noncompliance for students who did not sign the form.

The institution has implemented policies and procedures for delivering credit balances in a timely manner for students who elect not to complete and sign the Voluntary Authorization form or wish to cancel this authorization at any point.

The institution feels that adopting & implementing the revised Credit Balance Policy, Internal Disbursing Procedures, and Credit Balance Authorization forms has allowed the school to adequately re-establish compliance and to remain in accordance with federal regulations moving forward in regards to this finding.

Supporting Documentation:

Appendix V: Credit Balance Policy
Appendix D: Internal Disbursing Procedures
Appendix W: Credit Authorization form
Appendix X: Authorization to Hold a Federal Student Aid Credit Balance

Finding # 11: Failure to Follow Institutional SAP Policy

Institution Response & Corrective Action:

The institution disagrees with this finding of failure to follow institutional SAP Policy. The reason being that the SAP reviewed for student #19, at the time it was conducted, correctly followed the institutional SAP policy that was in effect at that date. The new institutional Satisfactory Progress Policy was implemented at a point following the date student # 19's review was conducted. The institution was

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unable to provide a Financial Aid Warning Letter or a Financial Aid Probation Letter for student # 19 for the Satisfactory Progress Report dated March 28, 2011 because the institution did not implement the use of the new policy until July of 2011.

The institution's previous Satisfactory Progress Policy did not require any issuance of the Financial Aid Warning and/or Probation letters to students when applicable. The institution implemented the new SAP Policy, per the DOE regulations and guidelines, on July 1, 2011 enforcing the use of the Financial Aid Warning and Probation Letters. Therefore, it was not possible to issue to student #19 the Warning and Probation letters that were not in place on March 28, 2011. The determination of Unsatisfactory Progress was indicated on the SAP report signed by the student and school. The school followed the published SAP Policy at the time the student's satisfactory progress review was conducted. The institution has consistently applied the Satisfactory Progress Policy for students in accordance with the applicable SAP policy in place at the time of the review.

The institution feels very strongly that it has maintained compliance in regards to its previous and current Satisfactory Progress Policies and therefore has taken no action to correct this finding.

Supporting Documentation:

Appendix Y: Satisfactory Progress Policy & Forms

Conclusion:

The Department of Education's FSA Philadelphia School Participation Team's Program Review has allowed Legends Institute the opportunity to thoroughly review, revise, and properly implement the school's policies & procedures to meet the high regulatory standard of compliance held by the Department. The institution's administrative staff has worked diligently to formulate a comprehensive and functional response to the Program Review Report. Through this entire process, the institution feels it has drastically increased the administrative capabilities of the school in order to properly administering Federal Student Aid in compliance with government regulations. However, the desire to continuously improve the administrative operations of the institution will not stop with the Program Review Response. The institution has a commitment to provide a motivating, inspirational, and practical education to its students; having the opportunity to offer students Federal Student Aid is a part of the institution's commitment. The institution will strive to improve operational efficiencies and administrative capabilities by reviewing and revising policies & procedures on an annual basis to continuously adapt to the changing government regulations and needs of students. Once again, Legends Institute thanks the Participation Team for conducting such a thorough program review in an effort to allow the institution to improve.

**Supporting Documentation:
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Final Program Review Determination
PRCN #: 201140327611

Appendix B
Program Review Report

Prepared for

Legends Institute



START HERE:
GO FURTHER:
FEDERAL STUDENT AID

OPE ID: 01159600

PRCN: 201140327611

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team – Philadelphia

Program Review Report

January 31, 2012

Federal Student Aid, School Participation Team - Philadelphia
The Wanamaker Building, 100 Penn Square East, Suite 511
Philadelphia, PA 19107
www.FederalStudentAid.ed.gov

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Legends Institute
OPE ID Number: 01159600
PRCN Number: 201140327611
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A. Institutional Information

Legends Institute
2323 Memorial Avenue, Unit 27
Lynchburg, VA 24501-2652

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts & Sciences

Current Student Enrollment: 32 students (as of July 26, 2011)

Percentage of Students Receiving Title IV: 87.5 % (as of July 26, 2011)

Title IV Participation (Per PCNet as of January 31, 2011):

	<u>2010-2011</u>
Federal Pell Grant Program	\$ 235,255
Federal Direct Loan Program	\$ 223,869

Default Rate Direct Loan:

2009: 9.8 % (4 default; 24 repayment)
2008: 8.9 % (2 default; 26 repayment)
2007: 8.9 % (1 default; 21 repayment)

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Legends Institute from August 1, 2011 through August 4, 2011. The review was conducted by Ms. Katherine Bartges and Ms. Carmen Austin.

The focus of the review was to determine Legends Institute'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 Legends Institute'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 2009-2010 and 2010-2011 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

Finding # 1: Incorrect Return to Title IV (R2T4) Calculation

Citation:

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

The institution must determine the amount of Title IV funds that were not earned. Unearned Title IV funds are calculated by subtracting the amount of Title IV funds earned from the amount of Title IV funds disbursed. 34 C.F.R. § 668.22 (e)(4). The calculation of earned Title IV aid includes all grant and loan assistance that was disbursed or that could have been disbursed to the student.

Further, an institution that measures its programs in clock hours, must calculate the percentage of the payment period by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date. 34 C.F.R. § 668.22 (f)(1)(ii)(A).

Noncompliance:

Legends Institute did not complete an accurate Return of Title IV funds calculation for student # 11.

For student #11, the R2T4 calculation was performed inaccurately. Specifically, the institution used 221.1 hours under the "*Hours Scheduled to Complete*" on the Return of Title IV calculation worksheet instead of the 316 hours which were scheduled as of her last date of attendance.

During the on-site review, the Financial Aid Administrator revised the R2T4 calculation and used 316 hours. Under this calculation, the student earned 100% of the Title IV aid disbursed during the payment period.

Although there was no harm to this student, an institution's failure to accurately calculate the return of funds to the Title IV programs may result in additional expense for both the U.S. Department of Education and the student involved.

Required Action:

Legends Institute should review its policies and procedures to ensure that they are sufficient to prevent incorrect Return of Title IV funds calculations. The institution must

submit a copy of any revised policies and procedures with its response to this program review report.

Finding # 2: Federal Direct Loan Proceeds Not Credited to Student Account

Citation:

An institution is required to adhere to timelines established by federal regulations in disbursing Title IV funds to student accounts. Under the advance payment method, an institution must follow the required process: (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. (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. 34 C.F.R. § 668.162 (b).

Funds received by an institution under the Title IV, HEA programs are held in trust for the intended student beneficiaries, the Secretary, the lender, and the guaranty agency. The institution, as a trustee of Federal funds, may not use or hypothecate those funds for any other purpose. 34 C.F.R. § 668.161 (b). Funds received by an institution under 34 C.F.R. § 685, Subpart C may be used only to make Direct Loans to eligible borrowers. 34 C.F.R. § 685.309 (g).

Noncompliance:

Legends Institute failed to credit an individual student's account with Federal Direct Loan funds which the institution received from the Secretary.

According to Department systems records, the institution received \$ 414 in Subsidized Federal Direct Loan funds for student # 25 on June 27, 2011. As of the Department's program review on August 4, 2011, Legends Institute did not credit the student's account with the \$ 414 in Subsidized Federal Direct Loan funds.

The institution credited student # 25's account with the \$ 414 of Federal Direct Loan funds on August 4, 2011, during the Department's program review, and provided documentation to the Department. The documentation provided for this student is discussed in greater detail in finding # 4 of this program review report, Inaccurate Recordkeeping.

The institution's failure to credit an individual student's account with Title IV funds received from the Secretary causes financial harm to the student, and may constitute a misuse of Title IV funds.

Required Action:

The institution must review its internal disbursing procedures to ensure that all Title IV funds Legends Institute receives from the Secretary are credited to the appropriate student accounts within the required timeframes. The institution must submit a copy of any revised policies and procedures with its response to this program review report.

Finding # 3: Failure to Make a Post-Withdrawal Disbursement

Citation:

Federal regulations require that when a Title IV recipient withdraws from an institution, the institution must determine the amount of Title IV assistance earned by the student as of his or her withdrawal date. 34 C.F.R. § 668.22 (a)(1). The amount of Title IV grant or loan assistance that is earned by the student is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was disbursed and that could have been disbursed to the student. 34 C.F.R. § 668.22 (e)(1).

If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement and credited to the student's account or made available to the student. 34 C.F.R. § 668.22 (a)(4). In addition, a post-withdrawal disbursement must be made from available grant funds before available loan funds. 34 C.F.R. § 668.22 (a)(5)(i).

Noncompliance:

Legends Institute failed to make a post-withdrawal disbursement for students # 16 and 22.

Student # 16 started the Cosmetology program on July 19, 2010 and officially withdrew on July 26, 2010. However, the institution failed to complete the required R2T4 calculation at the time of withdrawal. The review team completed the calculation, which shows the student earning \$ 607 in Federal Pell Grant funds for the 2010-2011 award year.

Student # 22 started the Cosmetology program on September 14, 2010 and officially withdrew on May 21, 2011. Again, the team completed the required R2T4 calculation, which shows the student earning \$ 1,850 in Federal Pell Grant funds for the 2010-2011 award year.

Required Action:

Legends Institute must review its policies and procedures to ensure that they are sufficient to prevent a recurrence of this finding. The Final Program Review Determination letter will provide instructions for requesting Federal Pell Grant funds from a closed award year. The institution must submit a copy of any revised policies and procedures with its response to this program review report.

Finding # 4: Inaccurate Recordkeeping

Citation:

In addition to other recordkeeping requirements, an institution shall establish and maintain, on a current basis, program records that document its administration of the Title IV programs in accordance with all applicable requirements, including its disbursement and delivery of Title IV program funds. 34 C.F.R. § 668.24 (a)(3)&(6). The records that an institution must maintain in order to comply with the provisions set forth in federal regulations include, but are not limited to, documentation relating to each student or parent borrower's receipt of Title IV program funds, including but not limited to documentation of: (A) The amount of the grant or loan; its payment period; its loan period, if appropriate; and the calculations used to determine the amount of the grant or loan; (B) The date and amount of each disbursement or delivery of grant or loan funds; (C) The amount, date, and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student. C.F.R. § 668.24 (c)(1)(iv).

Noncompliance:

Legends Institute failed to maintain accurate student account ledgers for two students in the Department's sample. The institution's mechanism for recording Title IV disbursements is manual, which poses increased risk for human error and may impede the institution's ability to maintain a satisfactory level of compliance with recordkeeping requirements.

The institution incorrectly recorded the "Transaction Date" data field for a credit balance payment on the student account ledger for student # 8. The credit balance payment in the amount of \$ 329, which was issued on March 11, 2011, was recorded as having been issued on March 11, 2010.

The institution incorrectly coded the "Account" data field for one transaction on student # 28's account ledger. The student account ledger for student # 28 included a coding error for a March 15, 2011 disbursement of Unsubsidized Direct Loan funds in the amount of \$ 995. The institution coded the disbursement as "EM1004" to record a Subsidized Direct Loan disbursement, rather than "EM1005" to record an Unsubsidized Direct Loan disbursement.

During the program review, the institution credited the account for student # 25 with Title IV funds to address the instance of noncompliance detailed in finding # 2 of this report. The institution provided an updated student account card for student # 25 to document the disbursement of Title IV funds; however, the transaction was back-dated to reflect a disbursement date of June 28, 2011, rather than the date the funds were disbursed to the student's account, August 4, 2011. The school changed student # 25's account to reflect the correct disbursement date upon being instructed to do so by the review team. The situation which occurred with this student's account demonstrated that the data elements on the institution's student account records are easily changed, and the transaction date does not represent a "timestamp" of the actual date of the transaction.

Additionally, interviews with the institution's staff and director revealed that the institution was unclear that the student's account is the official record of the date Title IV funds are disbursed to the student.

Failure to maintain complete and accurate records to document the disbursement of Title IV funds to student account ledgers may confuse the student and school officials, and could result in a misuse of Title IV funds.

Required Action:

The institution must provide corrected account ledgers for students # 8 and 28. Legends Institute must also review its policies and procedures to ensure that they are adequate to maintain complete and consistent records for all transactions involving Title IV funds. The institution must submit a copy of any revised policies and procedures with its response to this program review report.

Finding # 5: Inaccurate/Untimely Reporting to NSLDS

Citation:

Federal regulations at 34 C.F.R. § 685.309 (b) for the Federal Direct Loan Program state that an institution shall, upon receipt of a Student Status Confirmation Report (SSCR) from the Secretary or a similar report from any guaranty agency, complete and return that report within 30 days of receipt. Further, unless the institution expects to submit its next SSCR to the Secretary or the guaranty agency within the next 60 days, the institution must notify the Secretary, guaranty agency or the lender within 30 days if:

- The institution discovers that a Federal loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis;

- The institution discovers that a Federal loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;
- The institution discovers that a student who is enrolled has changed his or her permanent address.

Noncompliance:

Legends Institute did not report accurately and/or update timely enrollment information to the National Student Loan Data System (NSLDS) for seven students.

The following chart highlights the discrepancies noted:

Student Number	Effective Date Per NSLDS	Effective Date Per Student's File	Enrollment Status Per NSLDS	Enrollment Status Per Student's File	Required Date of Certification	Date Certified in NSLDS by Institution	Number of days late
1	4/8/2011	4/8/2011	Graduated	Graduated	6/7/2011	7/12/2011	36
3	5/24/2010 ¹	4/8/2011	Graduated	Graduated	6/7/2011	7/12/2011	36
12	6/21/2010 ²	6/22/2011	Graduated	Graduated	8/21/2011	7/12/2011	on-time
14	7/30/2010	7/30/2010	Graduated	Graduated	9/28/2010	11/02/2010	36
19	4/27/2011	4/27/2011	LOA	LOA	6/26/2011	7/12/2011	17
22	9/14/2010	9/14/2010	Full-time ³	Withdrawal	11/13/2010	2/8/2011	88
25	9/14/2010	9/14/2010	Full-time	Full-time	11/13/2010	7/12/2011	242

Enrollment status reporting is critical for effective administration of Federal loans because the accuracy of student loan records depends heavily on the information reported by an institution. The institution is ultimately responsible for timely and accurate reporting, even when it uses a third party servicer to submit Enrollment Reporting files.

An institution's failure to report timely and accurate enrollment information may delay or prevent the student's eligibility for in-school status, deferment, grace periods, repayments, and the payment of interest subsidies.

¹ The effective date per NSLDS is incorrect compared to the effective date per the student's file.

² The effective date per NSLDS is incorrect compared to the effective date per the student's file.

³ The enrollment status per NSLDS is incorrect compared to the enrollment status per the student's file.

Required Action:

Legends Institute must update the student status information with the correct effective date for students # 3 and 12, as well as, the correct enrollment status for student # 22.

In order to ensure that the student status is correct in NSLDS for all students, Legends Institute must conduct a file review for all students who attended the institution during the 2009-2010 and 2010-2011 award years and received Title IV loan funds. The institution must make any required corrections to NSLDS (including the students identified in this finding), and compile the results of its file review in a spreadsheet, as detailed below. The spreadsheet must be provided in both hardcopy and electronic format and be submitted with institution's response to the program review report.

1. Student Name (in alphabetical order);
2. Social Security Number;
3. Current student status as indicated the student file;
4. Current student status as shown in NSLDS;
5. Date of student status change (graduation, withdraw, etc.);
6. Date of student status change as shown in NSLDS;
7. Number of days late in reporting status change (if any); and
8. Corrections made to student status (if any).

Furthermore, Legends Institute must review its policies and procedures to ensure that student status changes are reported accurately and in a timely manner. The institution must submit any revisions to its policies and procedures with its response to this program review report.

Finding # 6: Common Origination & Disbursement (COD) Reporting Deficiencies

Citation:

An institution is required to adhere to timelines established by federal regulations in disbursing Title IV funds to student accounts. Under the advance payment method, an institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds. 34 C.F.R. § 668.162 (b)(3). An institution makes a disbursement of Title IV funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with funds received from the Secretary. 34 C.F.R. § 668.164 (a)(1)(i).

An institution is required to follow the processes and timelines established by federal regulations for reporting the disbursement of Federal Direct Loan funds to the Secretary. An institution that participates under school origination option 1 or standard origination must submit the initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial disbursement. The school must submit subsequent

disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made. 34 C.F.R. § 685.301 (e)(2).

The Secretary accepts a student's payment data that is submitted in accordance with procedures established through publication in the Federal Register, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution. 34 C.F.R. § 685.301 (e)(1).

An institution shall report to the Secretary any change in the amount of a Federal Pell Grant for which a student qualifies including any related payment data changes by submitting to the Secretary the student's payment data that discloses the basis and result of the change in award for each student. The institution shall submit the student's payment data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register. 34 C.F.R. § 690.83 (b)(1). The Federal Register published May 26, 2010 established this reporting deadline as 30 days after making a disbursement or becoming aware of the need for a change for the 2010-2011 award year (Federal Register, Volume 75, # 101). The Federal Register published June 7, 2011 also established this reporting deadline as 30 days after making a disbursement or becoming aware of the need for a change for the 2011-2012 award year (Federal Register, Volume 76, # 109).

Noncompliance:

A. Failure to Submit Accurate Initial Disbursement Dates to COD

Legends failed submit accurate initial disbursement date records to the Department's Common Origination and Disbursement system (COD) within 30 days of receiving those funds from the Secretary in 15 instances, involving five students in the Department's sample.

The chart below details each instance by student sample number and includes the initial disbursement date as reported to COD, the disbursement date as documented on the student's account ledger, and the difference between the two dates. The number of days elapsed between the disbursement date reported to COD and the disbursement dated documented of the student's account ledger ranged from seven days to 40 days. All instances of noncompliance occurred in the 2010-2011 award year. Additional review of COD records confirms that none of these records were updated as of October 16, 2011, which exceeds the 30-day allowance to adjust COD disbursement records.

Student #	Title IV Program & Award Type	Disbursement Amount	Disbursement Date Reported to COD	Disbursement Date on Student's Account	Number of Days
17	Direct Loan: Subsidized	\$ 498 (two equal disbursements of \$ 249)	05/12/2011	06/21/2011	40
17	Direct Loan: Unsubsidized	\$ 297 \$ 298	05/05/2011 05/12/2011	06/21/2011	40
20	Federal Pell Grant	\$ 2,775	03/08/2011	03/15/2011	7
20	Direct Loan: Subsidized	\$ 1,742	03/08/2011	03/15/2011	7
20	Direct Loan: Unsubsidized	\$ 1,990	03/08/2011	03/15/2011	7
20	Direct Loan: Additional Unsubsidized	\$ 995	03/08/2011	03/15/2011	7
20	Federal Pell Grant	\$ 2,775	07/05/2011	07/13/2011	8
20	Direct Loan: Subsidized	\$ 1,742	07/05/2011	07/13/2011	8
20	Direct Loan: Unsubsidized	\$ 1,990	07/05/2011	07/13/2011	8
20	Direct Loan: Additional Unsubsidized	\$ 995	07/05/2011	07/13/2011	8
24	Federal Pell Grant	\$ 1,850	07/05/2011	07/13/2011	8
26	Federal Pell Grant	\$ 1,850	07/05/2011	07/13/2011	8
28	Federal Pell Grant	\$ 2,650	03/08/2011	03/15/2011	7
28	Direct Loan: Subsidized	\$ 1,742	03/08/2011	03/15/2011	7
28	Direct Loan: Unsubsidized	\$ 995	03/08/2011	03/15/2011	7

B. Failure to Submit Adjustment and Cancellation Records to COD

The institution failed to adjust COD records for three students in the Department's sample. Current COD records for students # 9, 16 and 18 reflect "pending" disbursements, even though these students either graduated or withdrew from the institution more than nine months prior to the start of the Department's review.

COD records for student # 9 reflect two "pending" Subsidized Direct Loan disbursements, totaling \$ 1,752 with anticipated disbursement dates of July 7, 2010 and August 23, 2010.

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Both of these anticipated disbursement dates passed after the date the student graduated from the institution, May 21, 2010.

COD records for student # 16 reflect two "pending" Subsidized Direct Loan disbursements, totaling \$ 3,484 and two "pending" Unsubsidized Direct Loan disbursements, totaling \$ 3,980 with anticipated disbursement dates of August 18, 2010 and November 4, 2010. All of these anticipated disbursement dates passed after the date the student withdrew from the institution, July 26, 2010.

Student # 18 withdrew from the institution on November 2, 2010. Although the amounts for each are zero, COD reflects one "pending" Subsidized Direct Loan disbursement and one "pending" Unsubsidized Direct Loan disbursement, both with an anticipated disbursement date of December 29, 2010.

Failure to maintain current and accurate disbursement records for each student in Department systems may cause confusion for both the Department and school officials, and could result in the misuse of Title IV funds. Additionally, an institution's failure to adjust Federal Pell Grant awards within the COD system leaves the institution's authorization artificially inflated. Further, the failure to adjust Federal Pell Grant awards may have a negative impact on the students involved, should those students decide to enroll at another institution and seek to receive any remaining funds available at the new school.

Required Action:

Legends Institute must correct the disbursement records for the student identified in this finding. The institution is encouraged to call COD Customer Service at 1-800-848-0978 (Direct Loan) or 1-800-474-7268 (Grants) for any needed assistance. Legends Institute is required to review its policies and procedures, including those involving communicating student status changes with its servicer, to ensure that Title IV disbursements adjustments are properly reported to COD and other Department systems within the timelines established in 34 C.F.R. § 685.301 (e). The institution must submit a copy of any revised policies and procedures with its response to this program review report.

Finding # 7: Inadequate Policy for Awarding Title IV Funds

Citation:

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

- The cost of attending the school, which includes tuition and fees, books and supplies, room and board, and applicable transportation costs, and any additional costs of the program in which the student is enrolled or has expressed an interest; and

- The need-based and non-need-based Title IV funds that are available to student.
34 C.F.R. § 668.42 (a).

For each program listed in 34 C.F.R. § 668.42 (a), including the Federal Direct Loan Program, an institution must provide information to describe the procedures and forms by which students apply for assistance; the student eligibility requirements; the criteria for selecting recipients from the group of eligible applicants; and the criteria for determining the amount of a student's award. 34 C.F.R. § 668.42 (b). A student's Direct Loan eligibility is based on the student's dependency status, grade level, and the student's annual and/or aggregate loan limits. 34 C.F.R § 685.203.

An institution must define the academic year for each program it offers. A program that measures progress in clock hours must have a minimum of 26 weeks of instructional time and 900 clock hours. 34 C.F.R. § 668.3 (a). If the length of a clock hour program exceeds the defined length of the academic year, for the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student successfully completes half of the number of clock hours and half of the number of weeks of instructional time. The second payment period is the period of time in which the student successfully completes the academic year. For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program. 34 C.F.R. § 668.4 (c)(2)(ii).

An institution may certify a loan for an amount less than that for which the student would otherwise be eligible if this determination is done on a case-by-case basis and the documentation supporting the determination is retained in the student's file. 34 C.F.R. §685.301 (a)(8)(i) & (ii).

Therefore, an institution must determine the student's eligibility and notify the student of his or her maximum loan eligibility. If the student would like to borrow less than the full amount of the Federal Direct Loan funds available to borrow, the institution must collect and maintain documentation from the student to record the student's full loan eligibility and the amount the student decides to borrow.

Noncompliance:

Legends Institute has an inadequate policy for awarding Federal Direct Loan funds. The institution failed to package and award 13 of the 30 students in the Department's sample up to their full Direct Loan eligibility, and was unable to produce documentation that the students declined the full loan amount.

Legends Institute provided its Verification and Awarding Title IV Funds Policies to the Department in response to the items required by the Department's program review announcement letter. Although the institution does not participate in campus-based programs, the Awarding Title IV Funds policy acknowledges that, "Federal regulations

require schools to develop written guidelines for awarding campus-based funds and to consistently implement those guidelines.” The policy continues, “Because funding levels, along with institutional and student needs change each year, no fixed procedure can be developed.”

As a result of the institution’s inadequate policy for awarding Federal Direct Loan funds:

Legends Institute failed to package students # 3, 4, 11, 18, 19, 23 and 28 to the student’s full Direct Loan eligibility. The institution was unable to produce documentation that the students were informed of their full Direct Loan eligibility or that the students refused the full loan amount.

The institution defines its academic year as 900 clock hours, and offers a 1,500 clock hour program. Legends Institute packaged Title IV aid for the first academic year of 900 clock hours, but failed to package students # 8, 12, 13, 24, 29 and 30 for Direct Loan funds for the second academic year, which includes the final 600 clock hours of the academic program. The institution was unable to produce documentation that the students were informed that Direct Loan funds were available for this period or that the students refused the full loan amount.

Though staff interviews, Legends Institute reported that before loan amounts are determined for each student, the student meets with the institution’s financial aid administrator to discuss loan amounts and need. The institution reported that a conversation in which the student confirms acceptance of Title IV funds, specifies award amounts and declines unwanted loan funds is required for each student, but not documented with a student signature. Student # 28’s file contains two examples of “Financial Planning” documents; however, the documents are unclear, include multiple handwritten changes, and do not include the student’s signature.

Failure to inform students of their full Title IV eligibility denies the students of the information needed to make an informed decision, and may result in undue financial hardship for the student. Denying an eligible student the option to borrow Direct Loan funds based on the students Cost of Attendance may also result in the student’s inability to successfully complete an academic program because the student is unable to pay for the indirect educational costs of attending school.

Required Action:

Legends Institute must revise its Awarding Title IV Funds Policy to ensure that all students are informed of their full Title IV eligibility, and that the student’s decision of loan amounts is properly documented. The institution is required to submit the updated policy and any related forms or worksheets to the Department with its response to this program review report. The institution must also ensure that all current students are informed of their full

Title IV eligibility, and that the student's decision of loan amounts is properly documented in each student's file.

Finding # 8: Conflicting Consumer Information

Citation:

Federal regulations state that the institution must describe the rights and responsibilities of students receiving financial assistance and, specifically, assistance under the Title IV programs. This description must include specific information regarding specific information, including the method by which financial assistance disbursements will be made to the students and the frequency of those disbursements. 34 C.F.R. § 668.42 (c)(3).

For each program listed in 34 C.F.R. § 668.42 (a), including the Federal Direct Loan Program, an institution must provide information to describe the procedures and forms by which students apply for assistance; the student eligibility requirements; the criteria for selecting recipients from the group of eligible applicants; and the criteria for determining the amount of a student's award. 34 C.F.R. § 668.42 (b).

The institution must complete surveys conducted as a part of the Integrated Postsecondary Education Data System (IPEDS) or any other Federal postsecondary institution data collection effort, as designated by the Secretary, in a timely manner and to the satisfaction of the Secretary. 20 USC 1094 § 487 (a)(17). The data elements collected through IPEDS populate the Department's National Center for Education Statistics *College Navigator* Web site.

An institution must report statistics for the three most recent calendar years concerning the occurrence on campus, in or on noncampus buildings or property, and on public property of the following that are reported to local police agencies or to a campus security authority: criminal homicide (murder and nonnegligent manslaughter, and negligent manslaughter); sex offenses (forcible and nonforcible sex offenses); robbery; aggravated assault; burglary; motor vehicle theft; arson; arrests for liquor law violations, drug law violations, and illegal weapons possession; and persons who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession. 34 C.F.R. § 668.46 (c)(1).

Additionally, by October 1 of each year, an institution must distribute to all enrolled students and current employees its annual security report through appropriate publications and mailings. 34 C.F.R. § 668.41 (e)(1). Each year, by the date and in a form specified by the Secretary, an institution must submit the statistics required by §§ 668.46 (c) and 668.49 (c) to the Secretary. 34 C.F.R. § 668.41 (e)(5).

Noncompliance:

A. Inconsistent Institutional Policies, Procedures and Other Published Information

The institution failed to provide consistent consumer information in its institutional policies, consumer information, student enrollment agreement and reporting to the Secretary. The Department identified several inconsistencies between, and in cases within, the following sources: information the institution reported to the Secretary as published on the Department's *College Navigator* Web site (data pulled from the National Center for Education Statistics *College Navigator* Web site on August 15, 2011); the institution's Enrollment Agreement (versions used during the 2009-2010 and 2010-2011 award years, signed by students in the Department's sample), Legends Institute's Cosmetology Course Student Catalog (last updated June 25, 2011), the institution's Web site (www.legendsinstituteinc.com), and Legends Institute's Federal Consumer Information Packet. The Department also found inconsistent information within a single source. For example, the number of consecutive unexcused absences tolerated before termination from the program is inconsistent within the institution's Cosmetology Course Student Catalog.

Specifically, the institution failed to publish consistent consumer information for the institution's refunds policy and the number of excessive absences allowed before termination from the program. Additionally, the institution published incorrect or erroneous information in Legends Institute's Federal Consumer Information Packet and through Legends Institute's *College Navigator* Web page. Each inconsistency identified by the Department's review is detailed below. The Department added italicized formatting to key words and numbers in the examples below to clearly identify specific inconsistencies. Although the Department's review of Legends Institute's policies, procedures and other published information was thorough, it cannot be assumed to be all-inclusive.

Excessive Absences

Legends Institute failed to provide consistent information regarding its policy on excessive absences. Specifically, some of the institution's consumer information sources indicate that a student will be terminated from the program after 14 days of continuous unexcused absence, and other sources indicate that a student will be terminated from the program after 7 days of continuous unexcused absence.

The 2009-2010 Enrollment Agreement states, "The school will terminate a student after *14 days of continuous unexcused absence . . .*" (Enrollment Agreement, Page 2). The 2010-2011 Enrollment Agreement also indicates that termination will occur after 14 days of consecutive absences. The Cosmetology Course Student Catalog indicates a different number of days in two different policies. The Suspension/Termination policy states, "A

student will be terminated after *7 days of unexcused absence*" (Cosmetology Course Student Catalog, Page 9). Item # 5 of the Refunds and Returning Title IV policy states, "Any monies due the applicant or student shall be refunded within 45 days of formal cancellation by the student as defined in paragraph one (1) or formal termination by the school, which shall occur at the end of any month in which *a student has been absent from class for 14 consecutive days* as determined by weekly monitoring of attendance . . ." (Cosmetology Course Student Catalog, Page 9). The institution's Web site specifies a period of 14 consecutive days in one section, and 7 days in another section. The Federal Consumer Information Packet indicates a period of 7 days in two sections. The Unofficial Withdrawals/Drop policy states, "A student who *misses 7 consecutive days, unexcused constitutes an 'unofficial withdrawal' or a 'drop'*" (Legends Institute's Federal Consumer Information Packet, Page 15). The Attendance policy states, "If a student misses 7 consecutive days of school without prior written notice . . . the 7th day will be the date of termination or withdrawal" (Legends Institute's Federal Consumer Information Packet, Page 26).

Refunds

Legends Institute failed to provide consistent information regarding its policy on refunds, both to the Department and to students. Specifically, some of the institution's consumer information sources indicate that refunds will be made within 45 days of a student's termination or withdrawal from the program, and other sources indicate that refunds will be made within 30 days of a student's termination or withdrawal from the program.

The 2009-2010 Enrollment Agreement states, "Any monies due a student who withdraws or is terminated will be refunded *within 30 days of determination withdrawal or termination*" (Enrollment Agreement, Page 2). The 2010-2011 Enrollment Agreement indicates a timeframe of 45 days. Item # 5 of the Cosmetology Course Student Catalog's Refunds and Returning Title IV policy states, "Any monies due the applicant or student shall be refunded *within 45 days of formal cancellation by the student as defined in paragraph one (1) or formal termination by the school*, which shall occur at the end of any month in which a student has been absent from class for 14 consecutive days as determined by weekly monitoring of attendance . . ." (Cosmetology Course Student Catalog, Page 9). The Federal Consumer Information Packet's Withdrawal policy references both the R2T4 calculation and the Institutional Refund policy, and states that "Refunds will be totally consummated *within 30 days after the effective date of termination*" (Legends Institute's Federal Consumer Information Packet, Page 15).

Incorrect/Erroneous Information

Legends Institute's Federal Consumer Information Packet includes erroneous information that is not relevant to institution's program. The Return of Title IV Funds policy, detailed on Page 15 through Page 17 references Title IV programs which are not offered at the institution; including the Federal Family Education Loan program, Federal Perkins

Loan program and Federal Supplemental Opportunity Grant. Additionally, the Exit Counseling policy includes terms and processes which are relevant to the FFEL program, but not the Federal Direct Loan program. Specifically, the terms "lenders", "guarantors", "loan holder" and "bank" appear on Page 12.

The institution's Web site link as published on Legends Institute's *College Navigator* Web page (as of August 15, 2011), www.legendsinstitute.com, directs users to an unavailable Web page. The institution's correct Web page address, www.legendsinstituteinc.com, is not published on Legends Institute's *College Navigator* Web page (as of August 15, 2011). Additionally, information regarding the "Total Amount of Aid Received" for "All Undergraduate Students" in the Pell grants and Federal student loans categories during the 2009-2010 award year published on *College Navigator* is not consistent with the Department's records. The amount published for Pell grants is \$ 116,354, and the amount published for Federal student loans is \$ 204,914. Department records indicate a total amount of \$ 167,280 for the Federal Pell Grant program, and \$ 234,117 for the Federal Direct Loan Program.

B. Inconsistent Campus Security Information

The Crime Statistics covering 2007, 2008 and 2009 as published in Legends Institute's Federal Consumer Information Packet (beginning on Page 18 of the document) are not consistent with the Crime Statistics covering 2007, 2008 and 2009 as published on the Department's *College Navigator* Web site (data pulled from National Center for Education Statistics *College Navigator* Web site on August 15, 2011). Sections containing inconsistent data elements are detailed in the chart below.

Crime Statistic	Year	Number reported to Secretary (published on the Department's <i>College Navigator</i> Web site)	Number distributed to Legends Institute's campus community (published in institution's <i>Federal Consumer Information</i> packet)
Number of arrests – Drug Law Violations	2007	2	3
Number of arrests – Drug Law Violations	2008	2	0
Number of arrests – Drug Law Violations	2009	3	0
Number of sex offenses (non-forcible)	2008	1	0
Number of sex offenses (non-forcible)	2009	1	0
Robbery	2009	0	1
Aggravated assault	2009	0	1
Motor vehicle theft	2007	1	0
Motor vehicle theft	2009	0	1

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Additionally, the institution's Annual Security Report is included within Legends Institute's Federal Consumer Information Packet, but is not distributed as a distinctly identifiable publication as required.

Required Action:

Legends Institute is required to update consumer information regarding the policies, procedures and other published information detailed in this finding to ensure consistency and compliance with federal consumer information requirements.

Legends Institute is also required to review the source documents it consulted to report Crime Statistics for 2007, 2008 and 2009 to the Department and distribute Crime Statistics to the campus community through Legends Institute's Federal Consumer Information Packet. The institution must identify the data elements in its published annual security report and College Navigator Web page which are not consistent with the source documents, and provide a list of all inconsistencies and the source documents to the Department. The institution is also required to make all corrections to both its published annual security report and the information reported to the Secretary which is published on the *College Navigator* Web page, redistribute the annual security report to all current students and staff, and provide the corrected versions to the Department with its response to this program review report. Legends Institute must also provide a copy of its submission to the Office of Postsecondary Education (OPE) Campus Crime Database for 2007, 2008 and 2009, if available.

The institution must also publish and distribute its Annual Security Report as a distinctly identifiable publication, instead of disbursing the information through a larger Title IV consumer information publication.

Legends Institute must review all of its policies, procedures and other published information to verify consistency. If the institution identifies any conflicting policies or other information which is not consistent with all other institutional published information, the institution must make the necessary corrections and submit any updated policies to the Department with its response to this program review report.

Finding # 9: Failure to Document Exit Counseling

Citation:

An institution must conduct exit loan counseling either in person, by audiovisual presentation, or by interactive electronic means when a student either withdraws from an institution or completes his or her course of study. In each case, the school must ensure that an individual with knowledge of the Title IV, HEA programs is available shortly after the counseling session to answer the student borrowers' questions. 34 C.F.R. § 685.304 (b)(1)&(2).

If a borrower withdraws from an institution without the school's prior knowledge or fails to attend or complete an exit loan counseling session as scheduled, the institution must still provide exit loan counseling. This can be accomplished through interactive electronic means or by mailing written counseling materials to the borrower at the borrower's last known address within 30 days after the institution learns that the borrower has withdrawn from the school or failed to complete the exit loan counseling. 34 C.F.R. § 685.304 (b)(3).

Furthermore, an institution must maintain documentation substantiating compliance with the Department's counseling requirements. 34 C.F.R. § 685.304 (b)(7).

Noncompliance:

Legends Institute failed to document that it conducted exit counseling for students # 12, 18 and 22.

An institution's failure to provide loan counseling to students in accordance with Federal requirements may result in increased student loan defaults and cause increased expense for the Department.

Required Action:

Legends Institute must provide exit counseling to those students that are identified as not having the required exit loan counseling. The institution must then document that exit loan counseling was provided to these students. Copies of certified mail receipts (along with a copy of the material sent to each student) will be considered adequate documentation that exit loan counseling was provided and must be submitted with the institution's response to this program review report.

Further, Legends Institute must review its policies and procedures to ensure that Federal loan exit counseling is properly completed and documented for all students. The institution must submit a copy of any revised policies and procedures with its response to this program review report.

Finding # 10: Failure to Deliver Title IV Credit Balances Timely

Citation:

Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV funds credited exceeds the amount of tuition and fees, 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 no later than 14 days after the credit balance has occurred. 34 C.F.R. § 668.164 (e).

If an institution obtains written authorization from a student or parent, the institution may hold, on behalf of the student or parent, any Title IV funds that would otherwise be paid directly to the student or parent under § 668.164 (e). The institution must allow the student or parent to cancel or modify that authorization at any time, and must clearly explain how the institution will hold those funds.

Notwithstanding any authorization obtained by the institution, an institution must pay any remaining balance on loan funds by the end of the loan period and any other remaining Title IV funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. § 668.165 (b)(5)(iii).

Noncompliance:

Legends Institute failed to deliver Title IV credit balance payments in a timely manner to a total of six students. Additionally, the institution does not have adequate policies and procedures to ensure that Title IV credit balances are delivered in a manner consistent with federal regulations. Further, the institution also lacks a mechanism to provide students with required consumer information described in 34 C.F.R. § 668.42 (c)(3), which is necessary to estimate the anticipated timing and frequency of anticipated Title IV disbursements, and therefore Title IV credit balances.

The institution did not provide full Title IV credit balance payments to students # 2, 10, 17, 24, 29 and 30 within the 14-day timeframe required by federal regulations. Late credit balance payment deliveries are detailed in the figure below, and ranged from 6 days to 96 days beyond the 14-day timeframe. The institution was unable to provide documentation that these students requested Legends to hold Title IV funds in excess of direct charges by signing the institution's credit balance authorization form, titled "Voluntary Authorization".

Student Number	Title IV Credit Balance Amount (rounded to the nearest dollar)	Date Title IV Credit Balance was Created	Date Title IV Credit Balance Due to Student	Date Title IV Credit Balance Delivered in full to Student	Number of Days Late
2	\$ 64	06/28/2011	07/12/2011	07/29/2010	17
10	\$ 172	03/29/2011	04/12/2011	05/17/2010	35
17	\$ 904	02/09/2011	02/23/2011	05/16/2011	96
24	\$ 629	07/13/2011	07/27/2011	08/02/2011	6
29	\$ 769	04/04/2011	04/18/2011	06/24/2011	67
30	\$ 279	05/26/2011	06/09/2011	07/20/2011	41

For example, a Title IV credit balance of \$ 769 was created on April 4, 2011 on student # 29's student account, but the institution did not deliver the credit balance payment until June 24, 2011, which was the day the student graduated. The student's

final Federal Pell Grant disbursement increased the credit balance amount to \$ 2,619 on June 7, 2011.

Failure to deliver Title IV credit balances within the 14-day timeframe denies the student of federal aid for indirect educational costs while the student is in school, and can result in financial harm and burden to students.

Required Action:

Legends Institute must revise its policies and procedures to ensure that the institution is in compliance with 34 C.F.R. § 668.164 (e) and 34 C.F.R. § 668.165 (b)(5)(iii). The institution is required to provide its revised policies and procedures to the Department with its response to this program review report.

Finding # 11: Failure to Follow Institutional SAP Policy

Citation:

A student is eligible to receive Title IV funds if, in addition to meeting other eligibility requirements, the student is maintaining satisfactory academic progress in his or her program of study according to the institution's published standards of satisfactory progress, which must satisfy the provisions of § 668.16 (e). 34 C.F.R. § 668.32 (f).

An institution must establish, publish, and apply reasonable standards for measuring whether a student is maintaining satisfactory progress. The Secretary considers an institution's standards to be reasonable if the standards are the same as (or stricter than) the institution's standards for a student enrolled in the same educational program who is not receiving assistance under a Title IV, HEA program. The institution's standards must include both a qualitative and a quantitative component. 34 C.F.R. § 668.16 (e)

The institution's standards must provide for a determination at the end of each increment as to whether the student has met the qualitative and quantitative components of the standards. 34 C.F.R. § 668.16 (e).

Noncompliance:

Legends Institute was unable to provide either a Financial Aid Warning Letter or a Financial Aid Probation Letter for student # 19, which is described in Legends Institute's Satisfactory Progress Policy on Page 27 of Legends Institute's Federal Consumer Information Packet. Student # 19's most recent Satisfactory Progress Report, dated March 28, 2011 documents an attendance rate of 62.2 % and her "Current Status" as of the date of the signed document is "Unsatisfactory Progress".

Legends Institute's Satisfactory Progress Policy, which begins on Page 27 of the institution's Federal Consumer Information Packet, states: "If a student does not meet Satisfactory Academic Progress they will be provided with either a Financial Aid Warning Letter or a Financial Aid Probation Letter." The Attendance Policy/Progress section of the institution's Satisfactory Progress Policy states that "Students must attend a minimum of 75 % of the cumulative scheduled hours to maintain Satisfactory Progress and complete the program within the maximum time allowed" (Legends Institute's Federal Consumer Information Packet, Page 27).

An institution's failure to follow its published Satisfactory Academic Progress policy prevents students from obtaining a full understanding of the requirements for maintaining Title IV eligibility. In addition, an institution's failure to document the Satisfactory Academic Progress determination may result in students receiving Title IV for which they are not eligible and cause increased expense for the Department.

Required Action:

Legends Institute is required to review student # 19's current SAP status. If appropriate, the institution must send a Financial Aid Warning Letter to the student, and provide a copy of this letter to the Department with its response to this program review report.

Legends Institute must also review its internal policies and procedures for issuing Financial Aid Warning Letters and Financial Aid Probation Letters to students failing to meet the institution's SAP requirements. The institution must submit a copy of any revised policies and procedures with its response to this program review report.

E. Appendices

Appendix A (Student Sample) contains personally identifiable information and will be emailed to Legends Institute as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email.

Appendix A

**Legends Institute
Student File Sample**

	SSN	Last Name	First Name
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