Index Sheet

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Accounting Document – Prior Year Monetary Recovery (AD-PYMR)

Institution: Bellefonte Academy of Beauty

City, State: Russel, KY

PRCN: 220727800

TIN: 611113059

DUNS: 134302046

Reviewer: Angela Beam **Region:** KC **Date:** 7/2/2013

Section A - Use if no adjustments are being made in COD

Programs	Type	Amount	Funding Code	Object Class
Federal Pell Grant (Closed AY)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
ACG	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
National SMART	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
FSEOG (No FISAP Corrections)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
FWS (No FISAP Corrections)	Principal		3220RNOYR	69017
	Interest		1435RNOYR	64020
Direct Loan and Direct Loan EAL	Principal		4253XNOYR	53020 or 53010
	Interest	$1,041.00	4253XNOYR	53040
FFEL and FFEL EAL	Interest/ SA/EAL		4251XNOYR	53020
Federal Perkins	Principal		2915RNOYR	53054

Section B: Use if the Institution is instructed to make adjustments in COD

Add rows if necessary			Amount			G5 Program Award # *
Pell, ACG, SMART, TEACH	Pell 2010-2011	Principal	$16,177.48	3875FNOYR	69020	P063P115535
	Pell 2010-2011	Imputed Interest	$218.00	1435RNOYR	64020	P063P115535
Direct Loan (do not use for estimated loss)	N/A	Principal		3875FNOYR	69020	
	N/A	Imputed Interest		4253XNOYR	53040	

July 2, 2013

Mr. William Stull, President
Bellefonte Academy of Beauty
420 Belfont Street
Russell, KY 41164-2015

Shipment via United Parcel Service
UPS Tracking #: 1ZA5467Y0196397084

RE: **Final Program Review Determination**
OPE ID: 03804300
PRCN: 2012 2 07 27800

Dear Mr. Stull:

The U.S. Department of Education's (Department's) School Participation Team – Kansas City issued a program review report on May 22, 2012 covering Bellefonte Academy of Beauty's (BAB's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2010-2011 award year. BAB's response to the program review report was received on July 25, 2012. A copy of the program review report (and related attachments) and BAB's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by BAB upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of the program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) notify BAB of a possible adverse action. Due to the serious nature of Finding 3, this finding is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse administrative action pursuant to 34 C.F.R. § 668, Subpart G. Such action may include a fine, and/or the limitation, suspension or termination of the Title IV, HEA eligibility of the institution. If AAASG initiates an action, BAB will be notified under separate cover of that action. AAASG's notification will also include information regarding BAB's appeal rights and procedures on how to contest the action.

This FPRD contains one or more findings regarding BAB's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the 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 and 668.46. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed.

The total liabilities due from the institution from this program review are $17,436.48.

This FPRD contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

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

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the May 22, 2012 program review report. If BAB wishes to appeal to the Secretary of Education for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date BAB receives this FPRD. An original and four copies of the information BAB submits must be attached to the request. The request for an appeal must be sent to:

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

BAB's appeal request must:

(1) indicate the findings, issues and facts being disputed;
(2) state the institution's position, together with pertinent facts and reasons supporting its position;

(3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

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

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Angela Beam at (816) 268-0534. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Ralph LoBosco
Division Director, Kansas City School Participation Division

Enclosure:
Protection of Personally Identifiable Information

cc: Robin Mustard, Financial Aid Administrator
Charles K. Lykins, KY Commonwealth Board of Hairdressers & Cosmetologists
Afsheen Mirza, The National Accrediting Commission of Career Arts & 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

Bellefonte Academy of Beauty

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

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OPE ID 03804300
PRCN 2012 2 07 27800

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division – Kansas City

Final Program Review Determination
July 2, 2013

1010 Walnut Street, Suite 336; Kansas City, MO 64106-2147
www.FederalStudentAid.ed.gov

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A. Institutional Information

Bellefonte Academy of Beauty
420 Belfont St.
Russell, KY 41169-2015

Type: Proprietary

Highest Level of Offering: Non-Degree 2 Years (1800-2699 hours)

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 117 (2011-2012)

% of Students Receiving Title IV: 97% (2011-2012)

Title IV Participation (PEPS)

	2010-2011
Total Federal Family Education Loan (FFEL) + Direct Loan (DL)	$1,238,291
Federal Pell Grant Program	$ 842,122

Default Rate FFEL/DL:
2010: 12.0%
2009: 5.7%
2008: 12.1%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Bellefonte Academy of Beauty (BAB) from February 13, 2012, through February 17, 2012. The review was conducted by William R. Hudson and Christopher Thompson.

The focus of the review was to determine BAB'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 BAB's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010-2011 and 2011-2012 year to date award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 9 files were selected based on students that had dropped prior to completing their program. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on May 22, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning BAB'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 BAB of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Finding 1

BAB has taken the corrective actions necessary to resolve Finding 1 of the program review report. Therefore, this finding may be considered closed. BAB's response to the Program Review Report can be found in Appendix D. Findings requiring further action by BAB are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of BAB's response to the finding, and the Department's final determination for the finding. A copy of the program review report issued on May 22, 2013 is attached as Appendix C.

Finding 2. Incomplete/Incorrect Verification

Citation Summary: *The purpose of verification is to ensure accuracy in determining a student's eligibility for Title IV, HEA program funds. If a student is selected for verification, an institution is responsible for confirming information reported on the student's application for Federal student aid (FAFSA), as well as resolving any conflicting information that presents itself regarding the application. The five required data elements that must be verified are: (1) household size; (2) number enrolled in college; (3) adjusted gross income (AGI); (4) U.S. income tax paid; and (5) other untaxed income and benefits. Supporting documentation collected from the student or parents is compared to the information that was reported on the student's ISIR. An institution must retain in the student's file any verification documentation it collects to serve as evidence that it completed the verification process. 34 C.F.R. § 668.16 (f); 34 C.F.R. § 668.24 (c)(1)(i); 34 C.F.R. § 668.56; 2008-2009 and 2009-2010 Federal Student Aid Handbook, Application and Verification Guides*

Noncompliance Summary: *While reviewing the files of the three students outlined below, BAB failed to complete the requirements of the Department's verification process.*

Student #10: The student's 2010-2011 ISIR indicates there are five members in the family's household. The Verification Worksheet, however, only listed a household size of 4.

Student #11: The student's 2010-2011 ISIR shows the taxes paid as $243.00. The tax return, however, shows the taxes paid as $24.00.

Student #13: The student's 2010-2011 ISIR indicates there are three members in the family's household. The Verification Worksheet, however, only listed a household size of 4. Additionally, the ISIR shows an amount of $14,398 as the student's adjusted gross income (AGI), but the AGI on the tax return shows $14,498.

Required Action Summary: *In response to this report, BAB was required to resolve the verification deficiencies for the above-referenced students obtaining the documentation necessary to complete the process. If the resolution of the issue involved changes to the student's income, or the addition of parental income not previously reported, BAB was required to recalculate the student's Title IV, HEA eligibility accordingly. BAB was also required to review the student files of all Title IV, HEA recipients in the 2010-2011 award year that were selected for verification, BAB was required to determine if verification had been performed correctly and for those found to be incorrect, BAB was required to recalculate the student's eligibility.*

In addition, BAB was required to devise and implement procedures that ensure the verification process is properly completed for all students in the future. A copy of these procedures was required to accompany BAB's response.

BAB's Response: With regards to Student #10, BAB performed the required needs analysis and determined the student had been over awarded $225 in Federal Pell Grant funds. BAB returned the overpayment through COD on 03/29/2012.

With regards to Students #11 and #13 BAB performed the required needs analysis and determined that the student's Title IV, HEA eligibility did not change.

BAB performed the required file review of all Title IV, HEA recipients selected for verification and determined that no additional students were identified with verification discrepancies that resulted in a liability owed to the Department.

Final Determination: The Department reviewed each student's file submitted by BAB as part of the verification file review conducted by BAB. The Department identified 27 student files that contained one or more verification deficiencies. As a result, BAB was required to review the students identified and resubmit the institution's response to Finding 2.

BAB was able to obtain and submit copies of IRS transcripts, non-filer's statements, and/or documentation to resolve conflicting information for 20 of the 27 students. BAB recalculated the EFC for 14 students and determined that each student's Title IV, HEA eligibility either did not change or the student was eligible for more Title IV, HEA funds than was awarded and disbursed. BAB recalculated the EFC for three students **(Students**

#2-1, #2-3, and #2-7 in Appendix B) and determined that each student received Federal Pell Grant funds in excess of the student's eligibility. The Department determined that BAB was unable to resolve the verification deficiencies identified for **Students # 2-2, #2-4, #2-5, and #2-6** discussed below.

Student #2-2: The student completed her 2010-2011 FAFSA on 02/01/2011 and indicated that she was married in 05/2010. The student did not submit a copy of her spouse's 2009 Federal tax return and her spouse did not sign a statement of non-filing when the student submitted the verification documentation. BAB submitted a typed statement from the institution indicating the spouse worked in 2009 but was laid off in 2010 based upon a note in the student's file from the student indicating her spouse lost his job in 2010 and remained unemployed. Institutions are required to obtain a copy of the student's and spouse's Federal tax returns to complete the verification process. BAB did not obtain a copy of the spouse's 2009 Federal tax return.

Student # 2-4: The student reported her father did not file a 2009 Federal tax return on the 2010-2011 FAFSA and reported her father received $6,600 in other untaxed income. To complete the verification process, the father completed a non-filer's statement indicating that he did not work and completed a survival statement indicating that friends and/or relatives supported him with $6,600 reported as untaxed income. The student submitted a copy of her 2009 amended Federal tax return. The return indicates the amendment was filed to allow parents to claim her. The address on the return does not reflect the address listed on the student's FAFSA. There was no documentation in the file to explain why the student's mother claimed her as a dependent or to confirm whether or not the student lived with or received more than 50% of her support from her mother. BAB was unable to obtain documentation from the student. BAB submitted a typed statement from the institution indicating the student last lived with her father and grandparents and did not live with either parent while attending Bellefonte. There is no documentation from the student to confirm this statement.

Student #2-5: The student's 2010-2011 FAFSA (transaction 05 used by Bellefonte) reflects that the student's mother's demographic and financial information was removed from a previous FAFSA transaction and that updates were made to the father/step-father's name, social security number, and birth date. The parental section of the FAFSA reflects three members in the household. The student section of the FAFSA reflects five members in the household. The student's verification worksheet lists herself, her father, and her brother in the household. Documentation in the student's file indicates her father was incarcerated. The signature on page one of the father's Federal tax return does not appear to match the signature of the verification worksheet. Page two of the father's Federal tax return was not submitted. The address utilized on the father's Federal tax return does not match the student's address on the FAFSA application, the verification worksheet, or the address on the student's 2009 Federal tax return. There was no documentation in the file to explain why the parental information on the FAFSA had been updated or to resolve other conflicting information. BAB submitted a typed

statement from the institution indicating that the student last lived with her father and did not live with either parent when attending BAB. BAB indicates the student's father was incarcerated and because the student thought that one of her parent's had to sign the FAFSA, the student had her mother sign the application. There is no documentation from the student to confirm this statement. In addition, BAB did not obtain page two of the father's tax return.

Student #2-6: The 2009 Federal tax return submitted by the student's parents was not signed by either parent or the tax preparer, and was not mailed directly to the institution by the IRS as required for acceptable documentation.

The Department established full liabilities for students in which BAB was unable to collect signed tax returns, verification worksheets, and/or other required documentation necessary to complete the verification process or resolve conflicting information. The Department established liabilities for those students for which the revised EFC calculation submitted by BAB resulted in an overpayment of Title IV, HEA funds to the student. No additional liabilities or required action is required for those students in which the revised EFC calculation submitted by BAB identified a student did not receive all the Title IV, HEA funds for which the student was eligible for the 2010-2011 award year as this award year is closed.

BAB is liable for the ineligible Title IV, HEA disbursements made to students prior to satisfying required verification procedures and/or resolving conflicting information during the 2010-2011 award year. The total liability for Finding 3 includes **$16,177.48** in Federal Pell Grant funds, and **$9,328** in Direct Subsidized Loan funds. Student specific liabilities are outlined in Appendix B.

With respect to the Federal Pell Grant liability, BAB is liable for the full amount of the ineligible funds disbursed. BAB is also liable for the cost of funds associated with the ineligible disbursement of Federal Pell Grant funds. The total cost of funds liability relating to the improper disbursement of Federal Pell Grant funds is **$218** ($218.09 *rounded*). A copy of the results of the cost of funds calculation is included as Appendix G.

In lieu of requiring BAB to assume the risk of default by purchasing the ineligible Direct Loan funds, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The total amount of Federal Direct Subsidized Loan funds disbursed to ineligible students is $9,328. The estimated actual loss to the Department that has resulted or will result from these ineligible loans is based on BAB's most recent cohort default rate of 12% (2010). As a result, the estimated actual loss that BAB must pay to the Department for the ineligible loans is **$1,041** ($1,040.73 in Direct interest and special allowance *rounded*). A copy of the results of the estimated actual loss calculation is included as Appendix E.

Finding #3: Crime Awareness Requirements Not Met - Required Policy Statements Omitted from 2011 ASR & Improper Formatting/Disclosure of Crime Statistics

Citation Summary: *The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) and the Department's regulations require that all institutions that receive Title IV, HEA funds must, by October 1 of each year, publish and distribute to its current students and employees through appropriate publications and mailing, a comprehensive Annual Security Report (ASR) that contains, at a minimum, all of the statistical and policy elements enumerated in 34 C.F.R. § 668.46(b).*

The ASR must be prepared and actively distributed as a single document. Acceptable means of distribution include U.S. Mail, campus mail, hand delivery, or by posting the ASR on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and a link to its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. § 668.41(e)(1). These regulations also require institutions to provide a notice containing this information to all prospective students and employees. This notice must also inform interested parties about how to obtain a paper copy of the ASR. 34 C.F.R. § 668.41(e)(4).

An institution's ASR must include statistics for incidents of crimes reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assault, burglary, motor vehicle theft, and arson. Statistics for certain hates crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs, illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2) on-campus student residential facilities (as a subset of category # 1); 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property.
34 C.F.R. § 668.46(c)(1).

In addition, the ASR must include several policy statements. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of programs and resources as well as channels for victims of crime to seek recourse. In general, these policies include topics such as the law enforcement authority and practices of campus police and security forces, incident reporting procedures for students and employees, and policies that govern the preparation of the report itself. Institutions are also required to disclose alcohol and

drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies of the issuance of timely warnings and emergency notifications as well as its emergency response and evacuation procedures. All required information referenced in 34 C.F.R. § 668.46(b) must be published in the ASR. With the exception of certain drug and alcohol program information, cross referencing to other publications is not sufficient to meet the publication and distribution requirements of the Act. 34 C.F.R. § 668.46(b).

Finally, each institution must also submit its crime statistics to the Department for inclusion in the Office of Postsecondary Education's "Campus Safety and Security Data Analysis Cutting Tool." 34 C.F.R. § 668.41(e)(5).

Noncompliance Summary: *In two respects, BAB failed to comply with applicable requirements pertaining to the annual security report:*

(1) The institution's catalog had zero reported burglaries for the area of the main campus but had reported one burglary on the annual submission; and,

(2) The annual security report did not have the proper amount of reporting structure for security related issues. The reporting structure had only one name for reporting.

Required Action Summary: *It is noted that the institution printed new catalogs with the correct information and distributed them in accordance of the Clery Act during the on-site program review. Additionally, the institution added two additional contacts on the security reporting structure and distributed the new information accordingly. Updated copies were provided to the review team prior to the program review exit interview. No additional information or actions was required from BAB regarding the finding.*

BAB's Response: Because the review team believed that adequate corrective actions was initiated during the site visit, BAB was not required to address this finding in its official response to the program review report.

Final Determination: Finding # 3 of the program review report cited BAB for two violations of the *Clery Act*. Specifically, the initial finding indicated that BAB failed to disclose one 2008 Clery-reportable offense (Burglary) in its 2011 ASR even though that crime was included in the institution's submission to the Department's online campus crime statistics database. In addition, the review team indicated that the BAB's ASR did not identify an adequate number of campus security authorities to whom students and employees should report incidents of crime. According to the program review report, BAB officials took corrective action during the site visit. Because the review team assessed that the institution's corrective measures were adequate, BAB was not required to address this finding in its official response.

Notwithstanding the review team's on-site assessment that the violation was resolved, Department officials identified additional compliance issues, including missing policy statements, during the preparation of this FPRD. The review team examined the 2011 ASR that is posted to BAB's website and determined that this document still contains the errors identified in the program review report. Institutional officials represented that the 2011 ASR was revised and that the modified report was distributed as required; however, the continued presence of the non-compliant report on BAB's website constitutes an ongoing violation of the Clery Act and creates confusion for users on the ASR.

As a result of these additional concerns, this matter has been referred to the Clery Act Compliance Division (CACD) for additional evaluation and testing. At this time, BAB must commence a complete review of all policies and procedures that pertain in any aspect of the preparation, publication, and distribution of the ASR as well as all other requirements of the *Clery Act*. All policies and procedures must be revised and enhanced as needed to reflect current law and regulation. Then, using its new and revised policies as a guide, BAB must revise its 2012 ASR so that it includes all of the statistical disclosures and policy, procedure and programmatic information required by *34 C.F.R. § 668.46(b)*. Next, BAB must actively distribute the ASR to all current students and employees in accordance with *34 C.F.R. § 668.41(e)*. BAB also must submit a copy of its new and revised policies and procedures, its revised 2012 ASR, its 2011 and 2010 ASRs, and credible documentation that substantiates that the 2012, 2011, and 2010 ASRs were in fact actively distributed to all current students and employees. Finally, as part of its submission, BAB must provide a certification statement attesting to the fact that the materials were distributed in accordance with the *Clery Act*. This certification must be signed by BAB's chief executive and affirm that the institution understands its *Clery Act* obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur. These materials must be submitted via electronic mail to CACD's clery@ed.gov account within 45 days of receipt of this FPRD. The subject line of BAB's submission must reference the institution's name and the Program Review Control Number (PRCN) affixed to the FPRD cover letter.

This program review finding is now considered to be closed, subject to the institution's satisfactory completion of the supplemental requirements set out above. If the CACD determines that additional information is needed to resolve this matter, BAB will be advised immediately.

Notwithstanding the conditional closure of the finding, BAB is reminded that the exceptions noted above constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly correct a *Clery Act* violation once it occurs. BAB was required to initiate corrective actions but failed to do so. BAB is now required to address these violations as part of the CACD referral resolution process. Nevertheless, BAB officials must understand that any failure to prepare, publish, and distribute an accurate and complete ASR deprives students and employees of important campus

security information. The Department notes that the failure in this case is made worse by the BAB's inability and/or unwillingness to address these violations once they were brought to management's attention.

For these reasons, BAB is advised that its corrective actions, whether already completed or planned for the future, 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 other corrective measures. In this context, the Department strongly recommends that BAB reexamine its campus safety 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 compliant with the *Clery Act*.

BAB officials should 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*.

Finally, BAB officials are reminded to review the accuracy and completeness of the institution's 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 BAB makes sure that it has developed and implemented a comprehensive DAAPP and that it conducts substantive biennial reviews and completes its biennial review reports on the proper schedule. For assistance or more information on the *Clery Act* and/or the *DFSCA*, please contact your program review team or another member of the Kansas City School Participation Division.

D. Summary of Liabilities

Liabilities	Pell (Closed Award Year)	DL	EALF DL
Finding 2	$16,177.48	$9,328.00	$1041.00
Cost of Funds	$ 218.00	N/A	
TOTAL	$16,395.48	N/A	$1,041.00
Payable To:			
Department	$17,436.48		

Estimated Actual Loss (EAL):

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

E. Payment Instructions

Liabilities Owed to the Department

Liabilities Owed to the Department $1,000 or More but Less Than $100,000

BAB owes to the Department $17,436.48. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

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

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

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

The following identification data must be provided with the payment:

Amount: $17,436.48
DUNS: Institution's DUNS number
TIN: 9-digit tax identification number
Program Review Control Number: 2012 2 07 27800

Terms of Payment

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

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

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

If within 45 days of the date of this letter, BAB has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due BAB from the Federal Government. BAB may object to the collection by offset only by challenging the existence or amount of the debt. To challenge the debt, BAB must timely appeal this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. No separate appeal opportunity will be provided. If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

Liabilities Owed to FFEL Lenders and the Department in the case of Direct Loans

William D. Ford Federal Direct Loan (Direct Loan) Liabilities:

Direct Loan Estimated Actual Loss

Finding: 2
Appendix: E

DL Estimated Actual Loss	
Amount	Award Year
$1,041.00	2010-2011
Total	
$1,041.00	

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

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

Federal Pell Grant – Closed Award Year

Finding: 2
Appendices: B and G

BAB must repay:

Federal Pell Grant - Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
$16,177.48	$218.00	Federal Pell Grant	2010-2011
Total Principal	Total Interest		
$16,177.48	$218.00		

The disbursement record for each student identified Appendix B must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives

payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to Angela Beam **within 45 days of the date of this letter**.

Appendix A: Student Sample

2010/2011

#	Student Name	Last 4 digits of SSN
(b)(6),(b)(7)(C)		

2011/2012

#	Student Name	Last 4 digits of SSN
(b)(6),(b)(7)(C)		

Refund Sample

#	Student Name	Last 4 digits of SSN
(b)(6),(b)(7)(C)		

Appendix B: Finding 2 - Student Level Liabilities

2010-2011 Award Year - Federal Pell Grant

Student #	Award Year	Last Name	First Name	Student's SSN	Federal Pell Grant Liability
(b)(6),(b)(7)(C)					$1,200.00
					$5,029.00
					$ 150.00
					$2,775.00
					$5,550.00
					$1,323.48
					$ 150.00
	Total 2010-2011 Federal Pell Grant Liability				**$16,177.48**

2010-2011 - Direct Subsidized Loan

Student #	Award Year	Last Name	First Name	Student's SSN	Direct Subsidized Loan Liability
(b)(6),(b)(7)(C)					$4,078.00
					$1,750.00
					$3,500.00
	Total 2010-2011 Direct Subsidized Loan Liability				**$9,328.00**

Final Program Review Determination

Appendix C:

Program Review Report

START HERE GO FURTHER FEDERAL STUDENT AID

Prepared for

Bellefonte Academy of Beauty

OPE ID 04804300
PRCN 2012 2 07 27800

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division - Kansas City

Program Review Report

May 22, 2012

Federal Student Aid, Kansas City School Participation Division
8930 Ward Parkway, Suite, 2028, Kansas City, MO 64114
www.FederalStudentAid.ed.gov

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Appendix A: Student Sample
Appendix B: Statistical Sample

A. Institutional Information

Bellefonte Academy of Beauty
420 Belfont St.
Russell, KY 41169-2015

Type: Proprietary

Highest Level of Offering: Non-Degree 2 Years (1800-2699 hours)

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 117 (2011/2012)

% of Students Receiving Title IV: 97% (2011/2012)

Title IV Participation Postsecondary Education Participants System (PEPS)

	2010-2011
Total Federal Family Education Loan (FFEL) + Direct Loan (DL)	$1,238,291
Federal Pell Grant Program	$842,122

Default Rate FFEL/DL:		
	2007	6.8%
	2008	12.1%
	2009	5.7%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Bellefonte Academy of Beauty's (BAB) from February 13, 2012, through February 17, 2012. The review was conducted by William R. Hudson and Christopher Thompson.

The focus of the review was to determine BAB'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 BAB's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010/2011 and 2011/2012 year to date award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 9 files were selected based on students that had dropped prior to completing their program. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning BAB'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 BAB 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, three areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by BAB to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Missing Exit Loan Counseling Documentation

Citation: Federal regulations also require a school to ensure that exit counseling is conducted with each Federal Direct Loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV, HEA programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program. If a student borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required. 34 C.F.R. § 685.304(b).

Noncompliance: While reviewing the files of students # 1, 2, 4, 6, 7, 9, 19, 11. 13. 23 and 29 BAB failed to maintain documentation in the student's file indicating that the student completed Federal Direct Loan exit counseling.

Required Action: In response to this report, BAB must provide exit counseling materials to all students who have graduated or withdrawn from BAB during the 2010-2011 and2011-2012 academic years in a manner consistent with the Department's requirements. A discussion of BAB's resolution of this finding, with supporting documentation, should be included in its response.

Additionally, BAB must provide the Department with assurances that it will perform the required exit counseling and maintain the required documentation for student borrowers in the future.

Finding 2. Incomplete/Incorrect Verification

Citation: The purpose of verification is to ensure accuracy in determining a student's eligibility for Title IV, HEA program funds. If a student is selected for verification, an institution is responsible for confirming information reported on the student's application for Federal student aid, as well as resolving any conflicting information that presents itself regarding the application. The five required data elements that must be verified are: (1) household size; (2) number enrolled in college; (3) adjusted gross income (AGI); (4) U.S. income tax paid; and (5) other untaxed income and benefits. Supporting documentation collected from the student or parents is compared to the information that was reported on the student's ISIR. An institution must retain in the student's file any verification documentation it collects to serve as evidence that it completed the verification process. 34 C.F.R. § 668.16 (f); 34 C.F.R. § 668.24 (c)(1)(i); 34 C.F.R. § 668.56; *2008-2009 and 2009-2010 Federal Student Aid Handbook, Application and Verification Guides*

Noncompliance: While reviewing the files of the three students outlined below, BAB failed to complete the requirements of the Department's verification process.

Student # 10: The student's 2010-2011 ISIR indicates there are five members in the family's household. The Verification Worksheet, however, only listed a household size of 4.

Student # 11: The student's 2010-2011 ISIR shows the taxes paid as $243.00. The tax return, however, shows the taxes paid as $24.00.

Student # 13: The student's 2010-2011 ISIR indicates there are three members in the family's household. The Verification Worksheet, however, only listed a household size of 4. Additionally, the ISIR shows and amount of $14,398 as the student's adjusted gross income (AGI), but the AGI on the tax return shows $14,498.

Required Action: In response to this report, BAB must resolve the verification deficiencies for the above-referenced students obtaining the documentation necessary to complete the process. If the resolution of the issue involves changes to the student's income, or the addition of parental income not previously reported, BAB must attempt to collect the required tax returns or other income-related information and recalculate the student's Title IV eligibility accordingly. If BAB is unable to properly complete the verification process for any or all of the students, the institution may be held liable for all Title IV aid disbursed to those students in the relevant award years.

In addition, BAB must review the student files of all Title IV recipients in the 2010-2011 award year. For any student who was selected for verification, BAB must provide the following information in spreadsheet format, along with the required hard copy documentation listed below:

(1) Student's first and last name;

(2) Social Security number (last four digits only);
(3) Award year;
(4) Date of Disbursement;
(5) Amount of Disbursement;
(6) Title IV program;
(7) Indication of whether verification was completed for student (Y/N);
(8) Indication of whether initial verification was accurate (Y/N);
(9) Indication of whether recalculation was performed (Y/N);
(10) Adjusted award based on recalculation;
(11) Original EFC;
(12) Recalculated EFC;
(13) Revised award after recalculation;
(14) Difference between original and revised award;
(15) Legible copy of recalculation of student's Title IV eligibility, if applicable;
(16) Legible copy of student's original account card;
(17) Legible copy of all transactions of the student's Institutional Student Aid Report(s) (ISIR); and
(18) Legible copy of student's verification worksheet and all documentation used by BAB to complete the verification process.

[redacted]		2009-2010	3/15/2010	$2675	Pell	Y
				$1742	Sub	Y

The required information listed in items 15, 16, 17, and 18 above must be presented in hard copy format.

In lieu of performing a file review for the entire population of Title IV, HEA program recipients to determine *actual* liabilities, BAB has the option of performing this file

review for only the remainder of the statistical sample not tested during the program review. The results from this file review using the statistical sample will be used to project liabilities for the entire population (i.e., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to reduce the burden on the institution of conducting a full file review.

If BAB wishes to select this option, please use the attached statistical sample (Appendix B) for the award year 2010-2011 File reviews must be performed for all students on the list.

If BAB elects to do the full file review, it is recommended that the institution first review the remainder of the students in the statistical sample. At that point, the institution may decide to accept liability projection instead of continuing with a full file review.

In addition, BAB must devise and implement procedures that will ensure that, in the future, the verification process is properly completed for all students. A copy of those procedures must accompany BAB's response.

BAB is reminded that hard copy files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

The FPRD letter will provide BAB with repayment instructions for any identified liabilities.

Finding #3. Crime Awareness Requirements Not Met

Citation: The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) requires that institutions receiving Title IV, HEA funds must publish and disseminate an annual security report disclosing campus security policies and three years of selected crime statistics for every location. 34 C.F.R. § 668.46. The annual security report must be distributed to all enrolled students and current employees by October 1 of each year. 34 C.F.R. § 668.41(e)(1). Among the policies that must be included in the annual security report are:

(1) Policies for making timely warning to members of the campus community regarding the occurrence of those crimes required to be reported in the crime statistics section of the annual report. 34 C.F.R. § 668.46(b)(2)(i);
(2) Policies for preparing the annual disclosure of crime statistics. 34 C.F.R. § 668.46(b)(2)(ii);
(3) Policies addressing the enforcement authority of security personnel, including their relationship with State and local police agencies and whether those security personnel have the authority to arrest individuals. 34 C.F.R. § 668.46(b)(4)(i);

(4) A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others. 34 C.F.R. § 668.46(b)(5);
(5) A description of programs designed to inform students and employees about the prevention of crimes. 34 C.F.R. § 668.46(b)(6);
(6) A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws. 34 C.F.R. § 668.46(b)(8);
(7) A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws. 34 C.F.R. § 668.46(b)(9);
(8) A description of any drug or alcohol-abuse education programs. 34 C.F.R. § 668.46(b)(10);
(9) A description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses. 34 C.F.R. § 668.46(b)(11)(i);
(10) Notification to students that the institution will change a victim's academic and living situations after an alleged sex offense and of the options for those changes, if those changes are requested by the victim and are reasonably available. 34 C.F.R. § 668.46(b)(11)(v);
(11) Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:
    (A) The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
    (B) Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense. 34 C.F.R. § 668.46(b)(11)(vi);
(12) Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses. 34 C.F.R. § 668.46(b)(11)(vii);
(13) A statement advising the campus community where law enforcement agency information concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address. 34 C.F.R. § 668.46 (b)(12); and
(14) 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 listed crimes that are reported to local police agencies or to a campus security authority. 34 C.F.R. § 668.46(c)(1).

Noncompliance: In two respects, BAB failed to comply with applicable requirements pertaining to the annual security report.

1) The institution's catalog had zero reported burglaries for the area of the main campus but had reported one burglary on the annual submission.
2) The annual security report did not have the proper amount of reporting structure for security related issues. The reporting structure had only one name for reporting.

Required Action: It is noted that the institution had printed new catalogs with the correct information and distributed them in accordance of the Clery Act. Additionally, the institution had added two additional contacts on the security reporting structure and distributed the new information accordingly. Updated copies have been provided to the review team. No additional information or actions are need from BAB regarding this finding.

E. Appendices

Appendix A (Student Sample)

2010/2011

Appendix D:

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

July 19, 2012

Mr. William R. Hudson
Department of Education

RE: Program Review Report
Bellefonte Academy of Beauty
OPE ID: 03804300
PRCN: 2012 2 07 27800

Dear Mr. William R. Hudson:

Enclosed is the response and back up documentation per your request regarding our program review report. A narrative response to each finding and back up documentation are enclosed in the labeled envelopes.

We appreciate your knowledge and guidance to improve our school's financial aid process with the ever changing guidelines.

Sincerely,

William C Stull, Jr.
School Director
Bellefonte Academy of Beauty

Bellefonte Academy of Beauty
OPE ID: 03804300
PRCN: 2012 2 07 27800

Finding 1 Missing Exit Loan Counseling Documentation

Bellefonte Academy of Beauty has implemented and has put into place a Policy & Procedure in which as soon as a student withdraws from our school a letter and exit counseling documentation is sent out to them. A copy is place in the students file for our records. We were not deficient with our graduated students exit counseling. For these students it has always been documented in the student file. Also, letters were sent to all students who had withdrawn from our school in the 2010-2011 award year and withdrawn in the 2011-2012 award year immediately after our visit from the Department of Education to correct this finding.

Attached is a copy of the letter and exit counseling sent to all withdrawn students. Also attached is a letter from our Auditor stating he has audited these letters in the student files.

Bellefonte Academy of Beauty
OPE ID: 03804300
PRCN: 2012 2 07 27800

Finding 2 Incomplete/Incorrect Verification

Narrative Response:

Bellefonte Academy of Beauty has implemented and has put into place a Policy & Procedure in which there will be dual control when verification is required. Attached is the updated Policy & Procedure for verification.

Resolution:

Student #10: This issue was corrected and a needs analysis was performed resulting in a refund of Pell money in the amount of $225.00. All documentation is attached.

Student#11: This issue was corrected and a needs analysis was performed with no monetary change in award. All documentation is attached.

Student #13: This issue was corrected and a needs analysis was performed with no monetary change in award. All documentation is attached.

Additional Required Action:

As requested, enclosed is the total population of students verified in the 10-11 award year along with the requested spreadsheet and documentation. There have been no findings in the research we have conducted according to this matter.

Appendix E: Estimated Actual Loss Formula

Bellefonte Academy of Beauty
OPE ID: 03804300
Appendix E - Estimated Loss Formula

Estimated Loss Formula

8/29/2012

Enter Institution Name Bellefonte Academy of Beauty

Select Institution Type Proprietary 2 Yrs or Less

	Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1	DL Subsidized	2010-2011	$ 9,328.00	12.00%	11.16%	$ 1,040.73
2						
3						
	Description		$ 9,328.00			$ 1,040.73
4						
5						
6						
	Description		$ -			$ -
7						
8						
9						
	Description		$ -			$ -
10						
11						
12						
	Description		$ -			$ -

Original Ineligible Loan Liability $ 9,328.00 **Total Estimated Loss** $ 1,040.73

Bellefonte Academy of Beauty
OPE ID: 03804300
Appendix E - Estimated Loss Formula

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.
The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	*DSR* ***	Adjusted DSR	*OSR* ***	Avg Cons Year	Cons Prepay %	*Cons DSR* ***	*Cons OS* ***
1	12.00%	14.49%	0.83	*6.28%*	5.21%	5.00%	2018	21.1%	3.19%	1.30%
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), [A/B = C] against the Budget Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).
The total subsidy rate for the ineligible Stafford and PLUS Loans is ((E+F) + ((I+J) x H)).
The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.