



October 22, 2015

Mrs. Jennifer A. Deitz, President
Alaska Career College
1415 East Tudor Road
Anchorage, AK 99507-1033

Certified Mail
Return Receipt Requested
#: 70150640000610812799

RE: **Alaska Career College**
Final Program Review Determination
OPE ID: 02541000
PRCN: 201340928444

Dear Mrs. Deitz:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report on January 17, 2014 covering the Alaska Career College's (ACC'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, 2011-2012 and 2012-2013 award years. ACC's final response is dated March 27, 2014. A copy of the program review report (and related attachments) and ACC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by ACC 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:

A final determination has been made concerning the outstanding finding from the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the finding, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are **\$11,703.05**. This final program review determination contains detailed information about the liability determination for the finding.

This constitutes the Department's FPRD with respect to the liabilities identified from the January 17, 2014 program review report. If ACC wishes to appeal to the Secretary 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 ACC receives this FPRD. An original and four copies of the information ACC submits must be attached to the request.

The request for an appeal must be sent to:

Ms. Susan Crim, 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

ACC's appeal request must:

- (1) indicate the finding, 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 ACC's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter and the attached report, please contact Ms. Lana Walter at (206) 615-3690. 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)

Martina Fernandez-Rosario
Division Director
San Francisco/Seattle School Participation Division

Enclosures:
Protection of Personally Identifiable Information
Final Program Review Determination

cc: Monica Matlock, Financial Aid Administrator
Accrediting Commission of Career Schools and Colleges
Alaska Postsecondary Education Commission
Department of Defense (via e-mail at osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil)
Department of Veterans Affairs (via e-mail at INCOMING.VBAVACO@va.gov)
Consumer Financial Protection Board (via e-mail at CFPB_ENF_Students@cfpb.gov)

Prepared for



Alaska Career College

OPE ID: 02541000

PRCN: 201340928444

Prepared by:

U.S. Department of Education

Federal Student Aid

San Francisco/Seattle School Participation Division

Final Program Review Determination
October 22, 2015

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A. Institutional Information

Alaska Career College
1415 East Tudor Road
Anchorage, AK 99507-1033

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: Accrediting Council of Career Schools and Colleges

State Agency: AK Postsecondary Education Commission

Current Student Enrollment: 228 (2010-2011)

% of Students Receiving Title IV: 73.56% (2010-2011)

Title IV Participation according to the National Student Loan Data System:

	<u>2012-2013 Award Year</u>
Federal Pell Grant Program	\$1,538,227
Federal Direct Loan Subsidized Program	\$1,146,707
Federal Direct Loan Unsubsidized Program	\$1,703,310
Federal Direct Loan PLUS Program	\$2,914,798

Cohort Default Rates (Direct Loan)¹:

2012	20.8%
2011	22.5%
2010	9.6%
2009	14.7%

¹ The Cohort Default Rates (CDRs) in this report for 2011 and 2012 reflect the official 3-year CDRs. The CDRs for 2009 and 2010 are the official 2-year CDRs.

B. Scope of the Review

The U.S. Department of Education (the Department) conducted an off-site program review for Alaska Career College (ACC) beginning on September 16, 2013 and ending on November 6, 2013. The review was conducted by Lana Walter.

The focus of the off-site review was to determine ACC's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV programs. Specifically, and as a result of discussions with institutional officials during the recertification process, this off-site review focused on ACC's definition of an academic year, the length of its associate degree programs, and the calculations/disbursements of Title IV aid to students in those programs.

Appendix A lists the names and social security numbers of the students whose files were examined during the program review. This program review required a full file review of all students who received Federal Pell Grant funds and/or Federal Direct Loan (DL) funds for the 2010-2011, 2011-2012, and 2012-2013 award years.

Disclaimer:

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

C. Finding and Final Determination

Finding with Final Determination:

The Program Review Report (PRR) finding requiring further action is summarized below. At the conclusion of this finding is a summary of ACC's response to the finding, and the Department's final determination for that finding.

Finding 1. Failure to accurately calculate award amounts for each payment period

Citation Summary: *An academic year, for a program of study, must include a minimum of 30 weeks of instructional time. 34 C.F.R. § 668.3(a)(1)(i).*

For a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), or for a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are substantially equal in length, the payment period is the academic term. 34 C.F.R.

§ 668.4(a). For a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are not substantially equal in length, or that does not use terms, see the definition of a payment period in 34 C.F.R. § 668.4.

If an institution offers an undergraduate educational program in credit hours, the institution must use the formula contained in the regulations to determine the number of credit hours in that educational program for purposes of the Title IV, HEA programs, unless—

(i) The program is at least two academic years in length and provides an associate's degree, a bachelor's degree, a professional degree, or an equivalent degree as determined by the Secretary; or

(ii) Each course within the program is acceptable for full credit toward that institution's associate's degree, bachelor's degree, professional degree, or equivalent degree as determined by the Secretary, provided that—

(A) The institution's degree requires at least two academic years of study; and

(B) The institution demonstrates that students enroll in, and graduate from, the degree program.

For purposes of determining the number of credit hours in that educational program, a semester hour must include at least 37.5 clock hours of instruction. 34 C.F.R. § 668.8(k).

For programs using standard terms with less than 30 weeks of instructional time, the Federal Pell Grant for a payment period (i.e. an academic term) for a student in a program using standard terms with less than 30 weeks of instructional time in two semesters or trimesters or in three quarters, is calculated by—

(1) Determining his or her enrollment status for the term;

(2) Based upon that enrollment status, determining his or her annual award from the Payment Schedule for full-time students or the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students;

(3) Multiplying his or her annual award determined under (2) above by the following fraction (in a program using semesters):

$$\frac{\text{The number of weeks of instructional time offered in the program in the fall and spring semesters or trimesters}}{\text{The number of weeks in the program's academic year}}$$

and

(4) Dividing the amount determined under paragraph (3) by two for programs using semesters. 34 C.F.R. § 690.63(c).

A similar calculation is used for Direct Loans and may be found at 34 C.F.R. § 685.203.

Noncompliance Summary: ACC miscalculated Title IV, HEA assistance for students in its Business Administration associate's degree programs. Specifically, ACC indicated in its recertification application that its associate's degree programs are 48 weeks in length. ACC calculated Title IV aid, however, on the basis of these programs being two full academic years in length. In order to be two-year programs, the programs would need to include at least 60 weeks of instructional time since the definition of one academic year includes a minimum of 30 weeks. The programs are not a full two years in length; therefore, ACC was required to use the clock-to-credit hour conversion formula noted in the above regulations to calculate the number of semester hours for which students could be paid and the amount of Title IV aid to be disbursed to students. ACC did not use the clock-to-credit hour conversion formula², and instead disbursed financial aid based on the higher number of credit hours approved by its accrediting agency, the Accrediting Commission of Career Schools and Colleges. ACC submitted documentation to the Department on September 10, 2013, indicating that ACC improperly disbursed three academic years worth of Title IV funds to students who were enrolled in programs that consist of less than two academic years.

Required Action Summary: ACC was required to develop and implement policies and procedures to ensure that accurate amounts of Title IV funds are paid to eligible students. A copy of the revised policies and procedures was required to be submitted in response to this program review report.

ACC was required to review the attached Appendix A, previously submitted by ACC to the Department, and confirm that this represented an accurate, complete list of disbursements made to students for the 2010-11, 2011-12, and 2012-13 award years. If there were inaccuracies on this list, or there were additional students who received disbursements of Title IV, HEA funds, a revised list was required to be submitted in the same format as Appendix A.

The overpayments of Direct Loan funds are considered unallowable disbursements. However, in lieu of requiring the institution to assume the risk of default by purchasing the ineligible Direct Loans, the Department will assert 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 loans. The estimated actual loss to the Department is based on ACC's cohort default rate.

ACC's Response: ACC performed a full file review for 2010-11, 2011-12 and 2012-13; provided to the Department completed spreadsheets, as required; and determined that Pell Grant and DL disbursements resulted in overpayments to students.

² As of July 1, 2011, the clock-to-credit hour conversion formula for a program measured in semester hours is 37.5 clock hours for each semester hour. Prior to July 1, 2011, the clock-to-credit hour conversion formula for a program measured in semester hours was 30 clock hours for each semester hour.

ACC's file review resulted in the following overpayment determinations:

	AY 2010-2011	AY 2011-2012	AY 2012-2013	TOTAL
Pell Grant Funds	\$914.50	\$4,624.00	\$3,896.00	\$9,434.50

	AY 2010-2011	AY 2011-2012	AY 2012-2013	TOTAL
Direct Subsidized Loans (estimated loss)³	\$1,483.86	\$152.79	\$436.97	\$2,073.62

Final Determination: Pell Grant liabilities of \$9,434.50 are established in this finding. In lieu of requiring the institution to assume the risk of default by purchasing the ineligible Direct Loans from the holder, the Department has asserted a liability not for the loan amounts, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loans or loan amounts. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on ACC's default rate. As a result, the estimated actual loss that ACC must pay to the Department for the ineligible loans is \$2,073.62. A copy of the results of that calculation is included in Appendix D.

Any additional costs to the Department, including interest, is included in the summary of liabilities table in Section D of the report.

D. Summary of Liabilities

The total amount calculated as liabilities from the finding in the program review determination is as follows. This information is provided so that the institution understands the liabilities associated with the finding. The payment instructions are in Section E.

Finding #1, Failure to accurately calculate award amounts for each payment period.

Direct Loans (estimated loss)	\$ 2,073.62
Pell Grants	\$ 9,434.50
<u>Interest</u>	<u>\$ 194.93</u>
Total	\$ 11,703.05

³ These estimated loss amounts are based on the Department's calculation, reflected in Appendix D, from the principal amounts provided in Appendix A by ACC.

E. Payment Instructions

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

ACC owes to the Department \$ **11,703.05**. 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 the Common Origination and Disbursement (COD) system as required by Section 2 of these Payment Instructions – 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: \$11,703.05
DUNS: 144406543
TIN: (b)(6)
Program Review Control Number: 201340928444

If ED does not receive payment within the 45-day period, interest will accrue in monthly increments until the date of receipt of your payment. If you have any questions regarding interest accruals or payment credits, you may telephone (202) 377-3843 and ask to speak to your institution's account representative.

If within forty-five days of the date of this letter, your institution has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the U.S. Department of Education, the Department intends to collect the amount due and payable by administrative offset against payments due your organization from the Federal Government. Your institution may object to the collection by offset only by challenging the existence or amount of the debt. Your institution makes this challenge by timely appealing this determination under the procedures described in the "Appeal Procedures" section of this 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 in 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.

If full payment cannot be made within 45 days of the date of this letter, contact the Debt Management Group at (202) 245-8080 to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
Office of the Chief Financial Officer
Accounts Receivable Group
550 12th Street, SW, Room 6114
Washington, DC 20202-4461

2. Payments and COD Adjustments

Pell Grant Closed Award Year - Payment Instructions

ACC must repay:

Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$ 914.50	\$ 28.84	Pell Grant	2010-11
\$4,624.00	\$109.09	Pell Grant	2011-12
\$3,806.00	\$ 57.00	Pell Grant	2012-13
Total Principal	Total Interest		
\$9,434.50	\$194.93		

The disbursement record for each student identified in Appendix A must be adjusted in the COD system based on the recalculated amount (principal) identified in Appendix A.

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. Interest will be applied to the general program account.** A copy of the adjustment to each student's COD record must be sent to Lana Walter **within 45 days of the date of this letter.**

Direct Loan - Estimated Actual Loss

DL Estimated Actual Loss	
Amount	Award Year
\$1,483.86	2010-11
\$ 152.79	2011-12
\$ 436.97	2012-13
Total	
\$2,073.62	

ACC must pay \$2,073.62 in Direct Loan estimated loss liabilities for award years 2010-11, 2011-12, and 2012-13. The liabilities will be applied to the general Direct Loan fund.

F. Appendices

Appendix A, Student List, contains Personally Identifiable Information and has been encrypted and sent to ACC separately. Appendices B-D are attached to this report.

APPENDIX A—Student List

Appendix A has been encrypted and sent to ACC separately, in an encrypted electronic file.

APPENDIX B—Program Review Report



January 17, 2014

Mrs. Jennifer A. Deitz, President
Alaska Career College
1415 East Tudor Road
Anchorage, AK 99507-1033

Certified Mail
Return Receipt Requested
#: 7003 1680 0005 1119 6868

RE: **Program Review Report**
OPE ID: 02541000
PRCN: 201340928444

Dear Mrs. Deitz:

From September 16 – November 6, 2013, Lana Walter conducted an off-site review of Alaska Career College's (ACC's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The finding of that review is presented in the enclosed report.

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

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

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

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for

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

Alaska Career College
OPE ID: 02541000
PRCN: 201340928444
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inspection by ACC upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Lana Walter of this office within 30 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

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

Record Retention:

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

We would like to express our appreciation for the courtesy and cooperation extended during the off-site review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Lana Walter at (206) 615-3690 or Lana.Walter@ed.gov.

(b)(6)

Dyon F. Toney
Compliance Manager

cc: Ms. Deb Vlcek, Financial Aid Director

Enclosures:
Protection of Personally Identifiable Information
Program Review Report



Prepared for
Alaska Career College

OPE ID: 02541000
PRCN: 201340928444

Prepared by
U.S. Department of Education
Federal Student Aid
San Francisco/Seattle School Participation Division

Program Review Report

January 17, 2014

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A. Institutional Information

Alaska Career College
1415 East Tudor Road
Anchorage, AK 99507-1033

Type: Proprietary

Highest Level of Offering: Associate Degree

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

State Agency: AK Postsecondary Education Commission

Current Student Enrollment: 228

% of Students Receiving Title IV: 73.56%

Title IV Participation according to the National Student Loan Data System:

	<u>2012-2013 Award Year</u>
Federal Pell Grant Program	\$ 1,538,227
Federal Direct Loan Subsidized Program	\$ 1,146,707
Federal Direct Loan Unsubsidized Program	\$ 1,703,310
Federal Direct Loan PLUS Program	\$ 2,914,798

Cohort Default Rates (Direct Loan):

2011	13.5%
2010	9.6%
2009	14.7%

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OPE ID: 0254100
PRCN: 201340928444
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B. Scope of Review

The U.S. Department of Education (the Department) conducted an off-site program review for Alaska Career College (ACC) beginning on September 16, 2013 and ending on November 6, 2013. The review was conducted by Lana Walter.

The focus of the off-site review was to determine ACC's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV programs. Specifically, as a result of discussions with institutional officials during the recertification process, this off-site review focused on ACC's definition of an academic year, the length of its associate degree programs, and the calculations/disbursements of Title IV aid to students in those programs.

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 ACC'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 ACC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This Program Review Report (PRR) reflects an initial finding. This finding is not final. The Department will issue its final finding in a subsequent Final Program Review Determination (FPRD) letter.

C. Finding

During the review, an area of noncompliance was noted. The finding of noncompliance is referenced to the applicable statutes and regulations and specifies the actions to be taken by ACC to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Failure to accurately calculate award amounts for each payment period

Citation: An academic year, for a program of study, must include a minimum of 30 weeks of instructional time. 34 C.F.R. §668.3(a)(1)(i)

For a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), or for a student enrolled in an

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eligible program that measures progress in credit hours and uses nonstandard terms that are substantially equal in length, the payment period is the academic term. 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 credit hours in the academic year and half of the number of weeks of instructional time in the academic year. The second payment period is the period of time in which the student successfully completes the academic year. 34 C.F.R. §668.4(a)(A)(2)

If an institution offers an undergraduate educational program in credit hours, the institution must use the formula contained in the regulations to determine the number of credit hours in that educational program for purposes of the Title IV, HEA programs, unless—

- (i) The program is at least two academic years in length and provides an associate degree, a bachelor's degree, a professional degree, or an equivalent degree as determined by the Secretary; or
- (ii) Each course within the program is acceptable for full credit toward that institution's associate degree, bachelor's degree, professional degree, or equivalent degree as determined by the Secretary provided that—
 - (A) The institution's degree requires at least two academic years of study; and
 - (B) The institution demonstrates that students enroll in, and graduate from, the degree program.

For purposes of determining the number of credit hours in that educational program, a semester hour must include at least 37.5 clock hours of instruction. 34 C.F.R. § 668.8(k)

For programs using standard terms with less than 30 weeks of instructional time, the Federal Pell Grant for a payment period (i.e. an academic term) for a student in a program using standard terms with less than 30 weeks of instructional time in two semesters or trimesters or in three quarters, is calculated by—

- (1) Determining his or her enrollment status for the term;
- (2) Based upon that enrollment status, determining his or her annual award from the Payment Schedule for full-time students or the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students;
- (3) Multiplying his or her annual award determined under (2) above by the following fraction (in a program using semesters):

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

and

(4) Dividing the amount determined under paragraph (3) by two for programs using semesters. 34 C.F.R. § 690.63(c)

A similar calculation is used for Direct Loans and may be found at 34 C.F.R. § 685.203.

Noncompliance: ACC miscalculated Title IV, HEA assistance for students in its Business Administration associate degree programs. Specifically, ACC indicated in its recertification application that its associate degree programs are 48 weeks in length. ACC calculated Title IV aid, however, on the basis of these programs being two full academic years in length. In order to be two-year programs, the programs would need to include at least 60 weeks of instructional time since the definition of one academic year includes a minimum of 30 weeks. The programs are not a full two years in length; therefore, ACC was required to use the clock-to-credit hour conversion formula noted in the above regulations to calculate the number of semester hours for which students could be paid and the amount of Title IV aid to be disbursed to students. ACC did not use the clock-to-credit hour conversion formula¹, and instead disbursed financial aid based on the higher number of credit hours approved by its accrediting agency, the Accrediting Commission of Career Schools and Colleges. ACC submitted documentation to the Department on September 10, 2013, indicating that ACC improperly disbursed two academic years worth of Title IV funds to students who were enrolled in programs that consist of less than two academic years.

Required Action: ACC must develop and implement policies and procedures to ensure that accurate amounts of Title IV funds are paid to eligible students. A copy of the revised policies and procedures must be submitted in response to this program review report.

ACC must review the attached Appendix A, previously submitted by ACC to the Department, and confirm that this represents an accurate, complete list of disbursements made to students for the 2009-10, 2010-11, 2011-12, and 2012-13 award years. If there are inaccuracies on this list, or there are additional students who received disbursements of Title IV, HEA funds, a revised list must be submitted in the same format as Appendix A.

¹ As of July 1, 2011, the clock-to-credit hour conversion formula for a program measured in semester hours is 37.5 clock hours for each semester hour. Prior to July 1, 2011, the clock-to-credit hour conversion formula for a program measured in semester hours was 30 clock hours for each semester hour.

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OPE ID: 0254100
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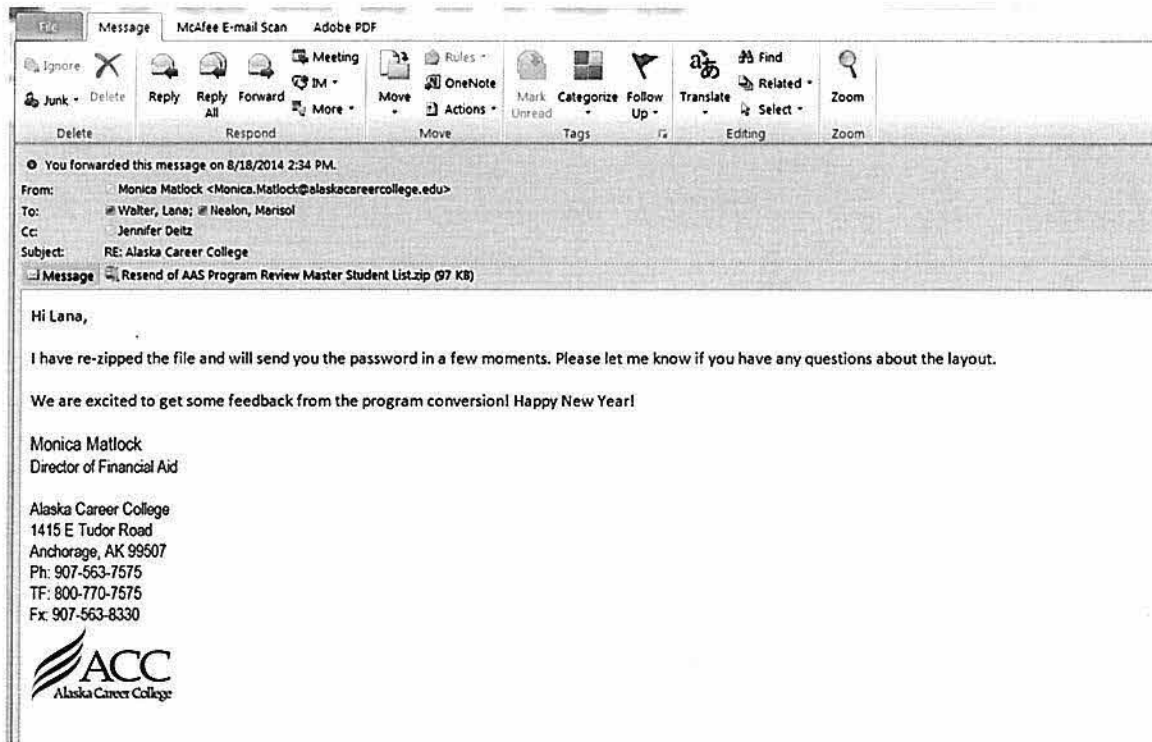
The overpayments of Direct Loan funds are considered unallowable disbursements. However, in lieu of requiring the institution to assume the risk of default by purchasing the ineligible Direct Loans, the Department will assert a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loans. The estimated actual loss to the Department is based on ACC's cohort default rate. The estimated actual loss will be calculated and included in the FPRD.

Further instructions on repaying any liability, including for Pell Grants and interest on overpayments, will also be provided therein.

D. Appendix A

Appendix A (Student Data) contains personally identifiable information and will be emailed to ACC 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 C—ACC'S Response to PRR



APPENDIX D—Estimated Actual Loss Calculation

Estimated Loss Formula

3/18/2013

Enter Institution Name

Alaska Career College

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	\$ 51,773.00	22.50%	2.87%	\$ 1,483.86
2	DL Subsidized	2011-2012	\$ 59,285.00	20.80%	0.26%	\$ 152.79
3	DL Subsidized	2012-2013	\$ 39,533.87	20.80%	1.11%	\$ 436.97
	Description		\$ 150,591.87			\$ 2,073.62
4	DL Unsubsidized	2010-2011	\$ 37,624.12	22.50%	-23.94%	\$ -
5	DL Unsubsidized	2011-2012	\$ 53,479.00	20.80%	-31.59%	\$ -
6	DL Unsubsidized	2012-2013	\$ 39,396.00	20.80%	-22.56%	\$ -
	Description		\$ 130,499.12			\$ -
7						
8						
9						
	Description		\$ -			\$ -
10						
11						
12						
	Description		\$ -			\$ -
Original Ineligible Loan Liability			\$ 281,090.99	Total Estimated Loss		\$ 2,073.62

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	22.50%	20.10%	1.12	-1.08%	-1.21%	3.53%	2016	3.9%	1.99%	12.05%
2	20.80%	20.10%	1.03	-0.75%	-0.77%	0.41%	2017	3.7%	1.85%	14.64%
3	20.80%	20.10%	1.03	-0.06%	-0.06%	0.41%	2018	4.0%	1.56%	17.45%

4	22.50%	20.10%	1.12	1.95%	2.18%	-26.75%	2016	5.2%	1.75%	10.35%
5	20.80%	20.10%	1.03	3.05%	3.14%	-35.48%	2017	5.2%	1.61%	12.91%
6	20.80%	20.10%	1.03	2.65%	2.73%	-26.19%	2018	5.4%	1.00%	15.61%

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 $((E+F) + ((H+I) \times H))$.

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

APPENDIX E— Cost of Funds (interest) on Pell Grant Liabilities

Ineligible Disbursements (Non-Loan) - Cost of Funds

Name of Institution: Alaska Career College

Description/Name	Ineligible Disbursement	Program	Disbursement Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED
Pell 2010-2011	\$914.50	Pell Grant	11/23/2010	1/17/2014	1151	1.00%	\$ 914.50	\$ 28.84
Pell 2011-2012	\$4,624.00	Pell Grant	9/9/2011	1/17/2014	861	1.00%	\$4,624.00	\$109.09
Pell 2012-2013	\$3,896.00	Pell Grant	8/1/2012	1/17/2014	534	1.00%	\$3,896.00	\$ 57.00
Total Ineligible	\$9,434.50						Total Interest	\$194.93



APR 22 2015

Mr. John Kirsten
Performance Training Institute
C/O Diablo Management
3502 Mars Way, Suite 121
Tracy, CA 95377

Certified Mail Return Receipt Requested
Domestic Return Receipt #
7006 0810 0004 0470 6531

RE: Final Program Review Determination
OPE ID: 036253
PRCN: 201210227017

Dear Mr. Kirsten:

The U.S. Department of Education's (Department's) School Participation Team – NE issued a program review report on September 28, 2012 covering Performance Training Institute's (PTI) 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). PTI's responses were received on February 4, 2013 and February 28, 2013. A copy of the program review report (and related attachments) and the institution's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by PTI upon request. The Department has made final determinations based on information obtained during the program review and from documentation already submitted by PTI. This Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

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

Due to the serious nature of one or more of the enclosed findings, in the normal course, this FPRD would have been referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action (e.g. fine). Since PTI is no longer participating in the Title IV programs, this FPRD will not be referred at this time; however, should PTI apply for reinstatement in the future, in addition to meeting all other requirements, this matter will need to be addressed. Please note that the appeal instructions contained herein apply only to the appeal of the financial liabilities established in this final program review determination.

Federal Student Aid

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION
School Participation Division – NE

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

StudentAid.gov

The total liabilities due from the institution from this program review are \$18,930,782.00 which reflects the amount due after the Letter of Credit in the amount of \$2,350,000 was applied to the liability.

This final program review determination contains detailed information about the liability determination for all findings.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the September 28, 2012 program review report. If PTI wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date PTI receives this FPRD. An original and four copies of the information PTI submits must be attached to the request. The request for an appeal must be sent to:

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

PTI'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 PTI's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Jane Eldred at (646) 428-3753. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)



Betty Coughlin
Division Director

Enclosure:

Protection of Personally Identifiable Information

cc: Abby Nickerson, Financial Aid Administrator
NJ Department of Education Private Vocational Schools
Accrediting Commission of Career Schools and Colleges

Prepared for
Performance Training Institute

OPE ID 036253
PRCN 201210227177

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

Final Program Review Determination

APR 7 2 2015

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A. Institutional Information

Performance Training Institute
 1012 Cox Cro Road
 Toms River, NJ 08753-1306

Type: Proprietary

Highest Level of Offering: Non- Degree One Year, Diploma, Certificate

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: 841 (2010/2011)

% of Students Receiving Title IV: 93% (2010/2011)

Title IV Participation (from National Student Loan Data System (NSLDS):

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
William D. Ford Federal Direct Loan Program (Direct Loan)	N/A	\$1,007,719	\$4,375,687	\$5,707,254	\$2,156,400
Federal Pell Grant (Pell)	\$7,779	\$ 573,261	\$2,934,834	\$3,253,179	\$1,123,445
TOTALS:	\$7,779	\$1,580,980	\$7,310,521	\$8,960,433	\$3,279,845

Default Rate FFEL/DI.:	2009	0.00%
	2010	0.00% ¹
	2011	0.00% ²

¹ PTI did not have any loan recipients enter repayment in 2009 and had an insufficient number of recipients to calculate a default rate for 2010.

² Effective with the September 2014 publication of rates, the Department began publishing 3 year cohort default rates. There is no rate available since PTI did not have loan recipients enter repayment for the 3 years covered by the new reporting period.

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Performance Training Institute (PTI) from October 24, 2011 to October 28, 2011. The review was conducted by Jacqueline Watford and Jane Eldred.

The focus of the review was to determine PTI'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 PTI'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 15 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, 10 files were selected from the 2009/2010 award year and 4 files were selected to further test the withdrawn student population.

Appendix A contains a copy of the program review report that was issued September 28, 2012. The appendix to the report lists the names and social security number of the files that were examined as part of 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 PTI'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 PTI 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, 3, 4, 10, 13, 17

PTI notified the Department on January 28, 2013 that its owners had retained a dissolution company to begin an orderly closure of the school. Subsequent to that notification, the Department was notified that PTI ceased all instruction effective 2/10/2013 and that PTI had entered into a teach-out arrangement with Daytona College. Therefore, due to its closure, the Department will not require confirmation that the

required corrective actions necessary to resolve findings 1, 3, 4, 10, 13, and 17 of the program review report were completed since the closure of PTI negates the necessity of these corrective actions. Due solely to the closure of the institution, these findings may be considered closed.

Findings 7, 8, 9, 11, 12, 15, 18, 19 and 20

PTI has taken the corrective actions necessary to resolve findings 7, 8, 9, 11, 12, 15, 18, 19 and 20 of the program review report. Therefore, these findings may be considered closed. A copy of PTI's response is provided as Appendices B and C. Findings requiring further action by PTI are discussed below.

Finding 14

As outlined in the program review report, PTI was not offering the correct number of hours in its traditional classroom programs offered in New Jersey. No aid was awarded or disbursed for the students in these programs. Although this finding is indicative of the school's general lack of administrative capability, there are no liabilities since no aid was disbursed. Further, there is no correction required due to the school's closure. Consequently this finding is closed.

Findings with Final Determinations 2, 5, 6 and 16

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of PTI's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on September 28, 2012 is attached as Appendix A.

Finding 2 - Improper Definition of Clock Hour/ Ineligible Program as Offered

Noncompliance:

If a non-degree granting institution offers an undergraduate educational program in credit hours, the institution must use the formula established in the regulations to determine if the program meets minimum program length requirements, and to determine the number of credit hours eligible for Title IV funding. See 34 C.F.R. § 668.8(l). Prior to June 30, 2011, quarter hour institutions, such as PTI, were required to have at least 20 hours of instruction for each credit claimed. 34 C.F.R. § 668.8(l)(1)(iii)(2011). Effective July 1, 2011, quarter hour institutions were required to have 25 clock hours of instruction for each credit claimed. 34 C.F.R. § 668.8(l)(1)(iii)(2012). For time periods subsequent to July 1, 2011, an institution may be permitted to use less than 25 clock hours for the conversion to a credit hour if its accrediting agency and licensing body did not identify any deficiencies with the institution's policies and procedures, or their implementation,

and student work outside of class combined with the clock-hours of instruction include at least 20 hours for a quarter credit hour. 34 C.F.R. § 668.8(l)(2)(2012).

For purposes of the Title IV programs, an institution is considered a clock hour institution, if it does not provide the clock hours that are the basis for the credit hours awarded for the program and the institution requires attendance in the clock hours that are the basis for the credit hours awarded. 34 C.F.R. § 668.8(k)(2)(iii). Under these circumstances, the institution is subject to all regulatory requirements of a clock hour institution. The Title IV regulations define a clock hour as a period of time consisting of one of the following:

- (1) A 50 to 60 minute class, lecture, or recitation in a 60 minutes period
- (2) A 50 to 60 minute faculty supervised laboratory, shop training, or internship in a 60 minutes period; or
- (3) Sixty minutes of preparation in a correspondence course

34 C.F.R. § 600.2(definition of clock hour).

During the course of the review the Department found that PTI did not comply with the credit/clock hour conversion requirements set forth in the regulations. PTI's Medical Office & Administrative Specialist with Billing and Coding program (MOASBC) is offered 100% online. The program was approved by the New Jersey State Department of Education and Department of Labor, and accredited by the Accrediting Commission of Career Schools and Colleges (ACCSC). The program, however, was structured so that it did not offer the underlying clock hours of instruction as required by the regulation. Instead, the program relies almost completely on the students completing self-directed study and completing coursework without direct supervision.

In reaching this conclusion, the Department reviewed school documentation including the Accreditation approval document and class master schedules. According to documentation reviewed, the program content of the Medical Office & Administrative Specialist with Billing and Coding program was structured and offered as follows:

Course Number	Course Titles	Classroom Hours	Lab/Shop/Independent Study Hours	Total Instructional Clock Hours
GB305	Computer & Office Applications	10	50	60
CS814	Word Processing	10	50	60
ME117	Medical Terminology	10	90	100

ME118	Anatomy & Physiology	10	90	100
ME121	Medical Office Procedures & Admin	10	50	60
ME119	Transcription I	10	25	35
ME120	Transcription II	10	25	35
ME122	Automated Medical Office	10	50	60
ME123	Medical Billing & Insurance I	10	50	60
ME 124	Medical Billing & Insurance II	10	50	60
ME125	Fundamentals of Coding I	10	40	50
ME126	Fundamentals of Coding II	10	40	50
PD104	Professional & Career Development	10	30	40
KB204	Keyboarding I	0	50	50
KB205	Keyboarding II	0	50	50
KB206	Keyboarding III	0	50	50
	TOTALS:	130	790	920

The hours identified as "Lab/Shop/Independent Study Hours" were comprised of students reading study material offline unsupervised, students completing discussion forum questions and answering chat discussions when they were able. Additionally, while there were quizzes that were part of the program offering, they were not timed quizzes that were administered on a particular schedule, but rather quizzes that could be taken over and over at the convenience of the student. None of this self-directed learning meets the federal definition of a clock hour of instruction.

Interviews with staff confirmed that the program was structured so that there was customarily one live lecture a week per topic and one chat session. In addition, instructors had weekly office hours which customarily were only one or two hours a week. Some instructors stated that they taught multiple topics during the same term, and customarily their office hours were the same for all topics that they were teaching. Regardless, office hours were not a required part of the program. Instructors stated that they were regularly accessible by phone and email and that they interacted with students in their course on a regular basis. Additionally, instructors stated that if they noticed a

student had not been attending their class, they would make attempts to reach that student.

Reviewers asked instructors how many hours that they spent on each course, and one instructor, who stated that she taught between 4-5 courses each term, broke out her tasks as follows:

- Administrative – this included tasks such as grading, tutoring, phone calls with students (4-5 hours per week);
- Instructional – this was described as a 45 minute lecture for each class and a one hour chat session for each class (5 hours for all classes combined);
- Other – this was described as continuing education (1 to 2 hours a week).

Subsequently, this instructor stated that she devoted approximately 5 hours a week to each course. Since there was no written documentation, it is unclear exactly how many hours were spent on student instruction.

A different instructor stated that she was teaching 3 courses that term and that she spent approximately 12-15 hours per week on each course. She also described a similar format for the course which she stated included a live content lecture, but some of her time was spent preparing for this lecture. Similarly, she also had office hours, which were 2 hours a week for all students that she taught in all the modules. This instructor stated that she spent 2-3 hours grading and providing feedback to students via her grading. Also, this instructor told reviewers that students were able to access all components of the course elements at any time during a module, with the exception of the live lecture, but that students would still be required to log-on and post to a discussion forum to be counted as active for a particular week.

Another instructor stated that she was available to students during a live chat session that occurred one hour prior to her live lecture and that she was also available during her office hours, and that she would regularly respond to student questions via email or phone. This instructor stated that quizzes were not timed and that they were available to be taken at the student's convenience but due by Sunday at midnight.

One student interviewed relayed similar information. She stated that she spent about 10 hours per week on her studies and that most of the time was spent reading the assigned reading material offline. The student stated that there was one hour per week of live lecture and that for harder topics there were two hours per week. She also explained that the whole course outline was online during the entire session so that she could actually do work ahead of time, if for example, she was going to be away. The student explained that she was required to log on at least once a week, and that she believed a counselor looked over their grades and that if a student had not checked in they would receive a letter from PTI. When asked about her overall experience with the program, the student replied that she thought that there should be more interaction, especially during the latter part of the

program. When pointedly asked if there any other live events or other prescheduled events other than the live lecture, the student stated that there were not.

During the onsite portion of the program review and after interviewing instructors, reviewers discussed the issue with the institutional officials who were present. Reviewers relayed the fact that their instructors had confirmed that there was a lack of underlying clock hours in their program. Institutional officials did not seem aware of the requirement for a non-degree granting school, and stated that "All schools are doing it this way."

Based on the documentation reviewed and the interviews conducted, the Department concluded that the MOASBC online certificate does not meet the Title IV clock to credit conversion requirements.

Improper determination of hours of instruction offered can result in incorrect calculations of students' Title IV eligibility. Further, the failure to offer the number of clock hours required results in a decrease of supervised instructional time, which is detrimental to students.

Directives From Program Review Report:

In order to meet the requirement for offering programs in quarter credit hours, PTI was directed to ensure that it offered the corresponding number of clock-hours necessary to meet the Title IV requirements. Additionally, PTI was directed to undertake a review of its MOASBC online program and accurately report how many hours of its program are legitimate pre-scheduled offered hours of instruction that also meet the federal regulatory definition of a clock hour. For each offered hour of instruction PTI was required to document that it is a 50 to 60 minute class, lecture or recitation within a 60 minute period, or it must meet the requirement that it is a 50 to 60 minute faculty supervised laboratory, shop training, or internship in a 60 minutes period.

PTI was informed that it must only include and document hours that PTI offered and scheduled as part of its program. Each hour reported must have been a directly supervised hour that is an integral and required component of the program. To assist the institution in correctly completing the review, the Department provided examples of what would constitute a valid clock hour of instruction.

"For example, PTI may include live lectures delivered by an instructor that are at least 50 minutes in length if the lecture was a scheduled event that all students were informed of and it was considered part of their coursework. PTI may not include hours that are student directed, or are independently undertaken by the student, even if PTI provided the ability to communicate with an instructor via email or phone call on a 24/7 basis. Therefore, office hours offered by an instructor, even though they were previously scheduled and likely known by students may not be included as programmatic hours.

Additionally, coursework that a student may be required to complete on their own and are doing so at a time of their choosing, may not be included, even if PTI can establish that it must have taken the student a certain number of hours to complete the assignment. However, these hours may be included, in a separate notation, since such hours may be considered as possible out of classroom hours, if and when credit hour equivalence is being considered.”

PTI was informed that the report must include a review of the MOASBC online program from its inception, and identify the number of directly supervised scheduled hours offered to its students in all iterations of the MOASBC program. The report had to cover each module and make a determination as to the number of offered hours that comprised each week of each module during each structure of the course. PTI was directed to provide documentary evidence for each hour that it included as a programmatic hour. PTI was directed to provide the results in a spreadsheet.

Final Determination:

PTI's first response which was received February 4, 2013 and provided as Appendix B³, disagreed with the reviewer's interpretation of the definition of a clock hour and maintained that PTI had at all times offered the clock hours of instruction to support the credit hours awarded.

Due to this disagreement, PTI did not follow the instructions for the file review requirement but instead provided its own definition of a clock hour and provided course charts with what it asserted were the clock hours of instruction. According to the review that PTI conducted, both the MOASBC-I and the MOASBC -II programs contained 920 clock hours. PTI's review also identified five (5) outside classroom hours for every 20 hours of instruction and stated that it should be allowed the lesser conversion rate since its Accreditor had not noted any deficiencies. In preparing the course charts in response to this finding, PTI stated that it included the following activities as 50-60 minutes of lecture, class or recitation within a 60 minute period: class lecture, live workshop (only in MOASBD-II), online chat sessions, reading activities and quizzes. PTI included case studies and discussion forum as faculty-supervised laboratory. PTI stated that these activities are supervised by faculty who review and grade these assignments and who are also available by phone or email to answer the student's question. PTI also provided a list of exhibits which are noted on page 61 of the written response. Most of the exhibits pertained to its initial application to its Accreditor, its AZ license and the catalogs for the courses. The exhibit did include a spreadsheet of all Title IV recipients in pdf format.

³ PTI's first response contained 1400 pages, most of which contained student specific information. Only the narrative portion of the response is provided in Appendix B. Pages 8-31 contain the full written response to this finding.

PTI's primary disagreement with this finding stemmed from the idea that reviewers had added an additional requirement to the definition of the clock hour by suggesting that it needed to be a "pre-scheduled" or a "directly supervised" hour of instruction. PTI claimed that requiring clock hours to be "pre-scheduled" is not conducive to developing a sustainable distance education program. PTI quoted the Department in part of its response by stating that the greatest benefit of online learning is that it provides "more flexible access to content and instruction, at any time from any place." PTI stated that distance education programs are meant to utilize technology to make education available to learners with more flexible content and that given the interpretation of a clock hour by reviewers as noted in this finding, a distance education program would not be able to provide instructional time that a student could access on a flexible schedule.

With respect to its disagreement with the use of the phrase "directly supervised" as used in the narrative of the finding, PTI stated that there was only one reference to supervision in the regulatory definition of a clock hour and that it appeared in the second bullet point of the definition. PTI stated that the "direct supervision" terminology does not appear anywhere in the definition and that it is absent from the definition precisely because a requirement for direct supervision would limit the flexibility of online students and online delivery systems, contrary to the Department and Congressional policy. PTI stated that the first part of the definition of a clock hour at § 600.2, when it refers to a 50 to 60 minute class, lecture or recitation, contains no stated supervision requirement. PTI further stated that the second part, while it does require that laboratory work be "faculty supervised," it does not mean that a student must be directly supervised at all times during the 50-60 minutes. PTI furthered this idea by stating that even during a traditional laboratory or shop or internship where an instructor may be present, the instructor is not directly supervising every student for every minute of the 50-60 minute period.

Upon receiving the incomplete response, the Department contacted PTI officials who then requested that they be allowed to review a statistical sample of the populations that were required to be reviewed. The Department agreed to this request as long as the sample achieved a 95% confidence level and PTI was granted additional time, until February 28, 2013, to complete the review.

The information responsive to this request was received on February 28, 2013. Later clarification was obtained which indicated that PTI had conducted a separate statistical sample for both Graduates and Withdrawn students for all four (4) award years. In addition, a master spreadsheet was provided which included the disbursements for each student identified by both program and award year and whether that student was a graduate, withdrawn or active. In addition to the review of the statistical samples, PTI provided a copy of the course outlines for both the MOASBC-I and MOASBC-II programs and examples of when certain course activities were scheduled to take place.

The second response is all collectively provided as Appendix C. The response included the file review as instructed, course outlines, as well as two examples of supporting documentation to support the offered instructional hours.

The Department has reviewed all of the arguments and information submitted by PTI and concluded that the program does not meet Title IV eligibility requirements. In discussing the requirement, the Department used the phrase "pre-scheduled" when referring to the clock hours that it would accept from PTI. By using this phrase, the Department does not agree that it has added another requirement to the clock hour definition, but rather that it was attempting to communicate the idea that a clock hour is a specific, concrete period of time that is being offered by the institution and that students are scheduled to complete. Activities such as contacting a professor during office hours or completing an assignment off-line would not meet these definitions.

Similarly, the Department disagrees that the instruction that a clock hour be "directly supervised" also added another requirement to the definition of the clock hour that is not in the regulation. The instruction was provided to convey that for it to be included as a programmatic offering it needed to be supervised. This instruction was provided as a result of PTI officials asserting that if a student logs on for two minutes at midnight that it should be counted as a clock hour because a teacher would be reviewing any work product done at a later time and in that manner the work was indeed supervised. The Department was attempting to convey that the hour first needed to be offered and more directly supervised in some manner.

The file review results indicate that when PTI reviewed its program offering based on the definition required by the Department, virtually all graduates of either of the MOASBC online programs were offered less than 300 hours of instruction. This means that the programs were not eligible for any Title IV funding since Federal Pell Grant eligibility requires a minimum of 600 clock hours and Federal Direct Loan eligibility requires 300 clock hours of instruction. Consequently, PTI is responsible for returning all Title IV funds disbursed to students in these programs.

Therefore, the liabilities due, separated by award year are as follows:

2009/2010:

Federal Pell Grant	Federal Direct Subsidized Loan	Federal Direct Unsubsidized Loan	Federal Direct PLUS Loans
\$ 573,261	\$387,229	\$612,729	\$7,761

2010/2011:

Federal Pell Grant	Federal Direct Subsidized Loan	Federal Direct Unsubsidized Loan	Federal Direct PLUS Loans
\$2,934,834	\$1,679,502	\$2,681,356	\$14,829

2011/2012:

Federal Pell Grant	Federal Direct Subsidized Loan	Federal Direct Unsubsidized Loan	Federal Direct PLUS Loans
\$3,253,179	\$2,196,614	\$3,479,959	\$30,681

2012/2013:

Federal Pell Grant	Federal Direct Subsidized Loan	Federal Direct Unsubsidized Loan	Federal Direct PLUS Loans
\$1,123,445	\$878,940	\$1,250,588	\$26,872

	Federal Pell Grant	Federal Direct Subsidized Loan	Federal Direct Unsubsidized Loan	Federal Direct PLUS Loans
TOTAL LIABILITY FINDING #2	\$7,884,719	\$5,142,285	\$8,024,632	\$80,143

The total liability as a result of PTI's failure to offer a program that is in accordance with Federal regulations is \$ 21,131,779 and the cost of those funds.

This is comprised of \$ 7,884,719 of Federal Pell Grant funds and \$ 13,247,060 of Federal Direct Loan funds. The cost of funds for these amounts are \$57,587.07 and \$91,416.00 respectively.

The detail for the liability amounts are provided in Appendix D and the cost of funds calculations are provided as Appendix E.

All of these liability amounts are included in the Summary of Liabilities table in Section D of this determination.

Finding 5 – Return to Title IV Violations

Noncompliance:

If a student ceases to attend an institution prior to the completion of his/her program, an institution must refund all unearned Title IV funds. 34 C.F.R. § 668.22. The amount of Title IV funds an institution is entitled to keep is based on the student's withdrawal date. An institution that is required to take attendance must use the last date of academic attendance from its attendance records for the withdrawal date in the Title IV return calculation. 34 C.F.R. § 668.22(b). As relevant for two of the award years at issue here, an institution is required to take attendance if the institution itself requires instructors to take attendance. 34 C.F.R. § 668.22(b)(3)(2011).

Prior to the 2011 award year, an institution that was not required to take attendance by an outside entity could use the midpoint of the payment period in which the student stopped attending as the student's withdrawal date. 34 C.F.R. § 668.22(e)(1)(iii)(2010). The institution could also use the last date of attendance at an academically related activity. 34 C.F.R. § 668.22(e)(3).

"Academic attendance" and "academically related activity" includes, but is not limited to,

- (1) Physically attending a class where there is opportunity for direct interaction between the instructor and students;
- (2) Submitting an academic assignment;
- (3) Taking an exam, an interactive tutorial, or computer-assisted instruction;
- (4) Attending a study group that is assigned by the institution
- (5) Participating in an online discussion about academic matters; and
- (6) Initiating contact with a faculty member to ask a question about the academic subject studied in the course

34 C.F.R. § 668.22 (l)(7)(i)(A).

An institution may not include activities where a student may be present, but not academically engaged, such as –

- (1) Living in institutional housing;
- (2) Participating in the institution's meal plan
- (3) Logging into an online class without active participation
- (4) Participating in academic counseling or advisement

34 C.F.R. § 668.22 (l)(7)(i)(B). Determinations regarding what constitutes academic attendance must be made by the school and must be documented. See 34 C.F.R. § 668.22 (l)(7)(ii).

An institution must return the lesser of the total amount of unearned Title IV assistance to be returned or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. 34 C.F.R. § 668.22 (g). An institution must return unearned Title IV funds as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew. 34 C.F.R. § 668.22(j).

Noncompliance:

Reviewers were informed that PTI was required to take attendance.⁴ PTI reviews attendance on a weekly basis and inputs attendance information into a database system after confirming that a student has some online work that PTI considers to be attendance. After all attendance is input into the database system, a report is run to identify students who have been absent for two consecutive classes for all of their current classes. Since PTI does not monitor students' work on a daily basis, a student would not appear on the report until he/she missed two weeks' worth of classes.

In accordance with PTI procedures, if students fail to attend a class for 14 days, they are withdrawn from the program. To comply with this procedure, PTI reviews available information for students who appear on the report, and attempts to determine if the student has been in email or phone contact with their instructor, and if they have, they are marked present for the week in which the communication occurred. Further, since assignments are due by Sunday of each week, and PTI only monitors attendance on a weekly basis, Sunday of the student's last completed week is the date used in the withdrawal calculation. This is inconsistent with the Title IV regulations which require an institution to use the students last documented date of academic attendance.

PTI's determination of what constitutes academic attendance is also flawed. PTI considers the following online actions as captured in the school's Learning Management System (LMS) to be indicative of actions that reflect attendance:

- Assignment Upload
- Chat Talk
- Chat Update
- Forum Add Post

⁴ For purposes of the Title IV regulations, the Department is considering PTI as not required to take attendance for the 2009 and 2010 award years and required to take attendance for the 2011 and subsequent award years.

- Forum Delete Post
- Forum Search
- Forum Stop Tracking
- Forum Subscribe
- Forum Update Post
- Forum View Discussion
- Game View
- Quiz Attempt
- Quiz Close Attempt
- Quiz Continue Attempt
- Quiz Preview
- Resource View: 01 AAPC Lectures
- Resource View: 01 Typing Master Access
- Resource View: 04 Interview/Stream/Career Connection
- Resource View: LIRN Learning Information & Resource Network
- Resource View: Virtual Classroom (any number)
- Upload

Very few of these activities, without further documentation indicating the academic content of the action, would be sufficient in and of themselves to meet the regulatory definition of "academic attendance." For example, regulations state that participating in an online discussion pertaining to academic matters would be considered to be academically related, however, capturing an LMS activity as "Chat Talk" would not be sufficient, unless the record of the chat were reviewed to determine that it contained academic content. If a student were in the chat room that is used for class, but the chat content was of a personal nature and did not relate to the class, this would also be captured as "Chat Talk" and this would be insufficient for Return to Title IV purposes.

Based on the school's failure to adequately monitor attendance, PTI made multiple errors in calculating the Return to Title IV funds due. The Department is including here errors and questions related to specific students that were identified in the program review report.

Student 1 – This student's return was processed using a Last Date of Attendance (LDA) of 2/6/11, a Sunday, when the online activity records reflect that the student last had activity on the LMS on 2/9/2011. Without further corroborating documentation that the LMS activity was a live lecture where there was direct interaction between the instructor and students, the LMS activity on 2/9/11 may not qualify for regulatory purposes. The activity on the LMS was captured as "Resource View Virtual Classroom 1". If this was not a lecture in which she was able to interact with the instructor, then her last academically related activity might have been the quiz she attempted on 1/31/2011. However, if the student just "viewed" the quiz, and this was captured by the monitor as a "quiz attempt", then the quiz attempt would not be a documented academically related

activity that could be used in the withdrawal calculation. Without the additional documentation it is impossible to determine the true withdrawal date.

Student 3 – This return was incorrectly calculated because PTI processed the return using the LDA of 7/10/11, a Sunday, when there is an email documenting her intention to withdraw dated 7/8/11.

Student 6 – This return was incorrectly calculated because PTI processed the return using the LDA of 6/5/11, a Sunday, when her date of attendance at an academically related activity may have been 06/04/11 assuming that she completed and turned in the quiz. Without documentation it is difficult to determine the nature of the activity.

Student 12 – This return was processed effective 5/15/11, a Sunday, for her program that began 5/2/11 after the school learned that the state of Mississippi was unable to confirm that the student had a valid GED. The date on the letter from the state of Mississippi was 5/3/11.

Student 14 – There is a letter in the file dated November 4, 2010, indicating that she is being withdrawn from the program since she had failed both of courses in one module two times. However, there was no Return to Title IV calculation form in the file.

Student 41 – There are notes in the file indicating that this student called and notified the institution of her intention to withdraw on August 22, 2011, although this phone call does not appear to have been acceptable to PTI, since they did not take action at that time. Additionally, there are a series of notes in her file beginning on August 3, when PTI first began making attendance phone calls to the student. On 3 successive days the notes indicate that this student hung up on the caller when they called regarding poor attendance. The notes go on to indicate that the student was required to put her request in writing, which she did via email on August 26, 2011. However, the date that appears to have been used in the return calculation was actually August 21, 2011, presumably based on a note in the file indicating that there was attendance in a course on that day. However, the LMS does not indicate any activity that would count as attendance on this day. Additionally, the return was paid on October 5, 2011, so if her return had been processed with an earlier date, this return would have been paid late.

Student 42 – The last activity in LMS was on 7/29/2011. The notes in her file indicate that she first mentioned to a school official that she wanted to withdraw from the program on 7/25/2011, but she was called and asked to put her request in writing. Subsequent to that statement, there are notes in her file indicating multiple phone calls and emails from school officials attempting to contact her. There is a note from an instructor dated 7/27/2011 that indicates the student had not logged on to her class in 14 days. The instructor had called her to speak about her missing assignments and when she returned that call, the instructor counted this as active participation. Student 42 relayed to PTI that her work schedule had changed and she had been working 16 hour days and was

considering dropping the program. Notes from the instructor stated that she could get Week 01 done on Friday, Week 02 done on Saturday and Week 03 on Sunday. Notes indicate that Student 42 agreed to this plan, and it appeared that her logon activity on 7/29/2011 was attempting to accomplish this, as her activity indicated that she was working on assignments from Week 1 and Week 2. There were multiple attempts to contact the student during early August, and when contact was made, the institution learned that she had been in the hospital with health problems. Yet school officials were still trying to urge her to not drop the program. Finally, when the student no longer returned calls, on or about August 16, 2011, notes indicated that a Change of Status form would be processed. The Return to Title IV calculation used an LDA of 7/31/2011 in the calculation.

Student 44 - The student withdrew from the program and, based on activity recorded in the LMS, her last activity that was more than viewing an assignment may have been on 7/24/2011 when she was recorded as having multiple transactions related to attempting a quiz. However, PTI used an LDA of 7/31 and a withdrawal date of 8/1/2011. There is no clear documentation to support the date used.

Directives From Program Review Report:

Due to the systemic nature of this finding PTI was required to identify all students who withdrew from the MOASBC online program prior to program completion for the entire period that the program was offered. For each student, PTI was required to review its records and determine the accurate withdrawal date. PTI was to provide documentation establishing the academic attendance used as the withdrawal dates.

Final Determination:

PTI's complete written response to this finding is quoted verbatim below:

"As requested, Performance Training Institute completed the review of all withdrawn students from the MOASBC online program, and created the requested spreadsheet of data (please see Exhibit 5A). There are three tabs to the spreadsheet. The "Withdrawn Students" includes the listing of all withdrawn students. The highlighted section at the top pertains to the students that have adjusted withdrawal dates. The "Return Review" tab includes only the population of student that have adjusted withdrawal dates, and this tab also includes any additional Title IV liabilities as a result of the adjusted dates, the days in the payment period, the days completed in the period, and notes, if applicable. The "Refund Data" tab includes the refunds and the refund dates for the population of students with the adjusted dates. Performance Training Institute has also provided the supporting documentation for the adjusted withdrawal dates (please see Exhibit 5B).

A copy of the written response is also provided in Appendix B and is contained on page 34. The spreadsheets referred to in this statement as Exhibit 5A are collectively provided

as Appendix F. PTI stated that it had reviewed all withdrawn students and the results of its review identified an additional \$21,289.78 net due to the Department.

The Department is unable to accept the results of the file review. First, as noted in Finding 2, PTI offered very few clock hours of instruction to the students. Consequently, any return calculation will be flawed because the hours the student was scheduled to complete as of the withdrawal date cannot be determined. Similarly, a midpoint cannot be determined for students in the earlier award years because there are no defined hours that could establish set payment periods. Further, even if one could accept the hours noted in the refund calculations, the withdrawal dates used by PTI were not supported by the documentation submitted.

PTI claimed to have reviewed all withdrawn students and provided a copy of documentation supporting the correct withdrawal date. PTI provided computer screen shots for numerous students. Based on the Department's review, it appears PTI provided documentation for 720 individual students. The Department has numbered those students by using a methodology of assigning Number 1 to the first student provided. This methodology is set forth in Appendix G.⁵

Of the 720 students for whom PTI did provide documentation, the Department has noted that there were 52 students who either do not appear to be Title IV recipients, who had all their Title IV funds returned, or were noted as Active Students or Graduates on another portion of the response. In at least two instances, it appeared that two students were included more than once with their first and last name reversed. Therefore, the Department considered the documentation for 668 withdrawn Title IV recipient students.

In almost all instances, PTI provided a computer screen shot of a student's recorded activity within the Learning Management System (LMS) used by PTI rather than any evidence that it was an academic activity as required under the Title IV regulations. For example, PTI provided screen shots for students with the activity of "Forum Add Post" and has put forth that this was the LDA for Return to Title IV purposes. In no instance did PTI provide the actual posting, so that a determination could be made as to whether the activity was academic. This type of example was noted in the original finding and without any further documentation that the posting contained academic content the Department has determined that this documentation does not support that the activity that was captured by the keystroke in the LMS was academically related.

This specific documentation was provided for Students 11, 13, 25, 27, 38, 50, 62, 77, 83, 90, 96, 98, 104, 113, 114, 115, 121, 125, 126, 127, 129, 132, 134, 159, 168, 170, 176, 185, 200, 209, 218, 220, 224, 227, 228, 235, 243, 248, 257, 266, 269, 270, 289, 299, 300, 318, 324, 334, 337, 342, 345, 348, 349, 352, 356, 358, 361, 373, 391, 392, 393, 395, 397,

⁵ The withdrawn tab of the file review identifies 1120 students. It is unclear why PTI only provided documentation for 720.

398, 405, 411, 421, 434, 435, 451, 454, 459, 462, 465, 467, 471, 484, 485, 486, 489, 498, 530, 538, 563, 564, 575, 576, 589, 591, 617, 627, 634, 661, 672, 679, 700, 704, 706 and 713.

In addition, the provided documentation revealed that PTI had a practice of contacting students when it was noted that they had not shown any activity in the LMS and if the student responded at all, the response date was considered to be the LDA for Return to Title IV purposes. The regulations specify that the contact must be initiated by the student for this type of activity to be considered academic. Further, the activity must be more than a call regarding a student's return to the institution. There must be true academic content discussed during the teacher/student contact. This type of insufficient documentation was provided for students 10, 124, 131, 142, 307, 329, 407, 526, 555, 556, 622, 657, 683.

In a similar manner, but documenting even less of a contact, were screen shots that contained notes from a teacher or some other PTI official which stated that they had some type of contact with a student. This type of documentation was provided for Students 85, 156, 183, 186, 226, 239, 246, 315, 347, 384, 422, 425, 437, 495, 509, 552, 571, 614, 698 and 717. The Department has never accepted a Teacher's Certification to document academic attendance.

Therefore, taken collectively, the Department has found that the provided documentation was lacking for every student. Of the 668 students that were reviewed, the Department noted it received the following type of documentation:

Type of Documentation Provided	Number of Instances
Screen Shot of "Assignment Upload"	50
Screen Shot of "Course View" or similar	69
Emails, primarily related to Attendance and Initiated by Teacher	24
Notes from Teacher Initiated by Teacher	21
Screen Shot "Forum Add Post" or similar	108
Screen Shot "Forum View Discussion" or similar	97
Screen Shots of "Quiz Attempt, Quiz Close, Quiz Continue Attempt" or similar	230
Screen Shot "Resource View" or similar	53
Screen Shot "Url View"	5
Screen Shot "Page View"	5
Miscellaneous -- Did not fit above categories	6
TOTAL:	668

None of this provided documentation was sufficient to demonstrate that a student had documented academic attendance. In the cases of many of the students, it appeared that PTI contacted the students in an attempt to get them to respond and in this manner artificially extended the date at which the withdrawal should have occurred.

PTI was required to perform a file review to respond to this finding and submit the results of that review to this office for review. The Department has determined that PTI submitted an inadequate/incomplete response, and therefore, the Department cannot make adequate determinations regarding the students' last dates of attendance. Consequently, all Title IV funds disbursed to these withdrawal students must be returned.

In making this determination, the Department relied on the disbursement records provided for each student and attempted to determine the payment period from which the student withdrew. Since PTI did not provide sufficient documentation to support the correct withdrawal date for the payment period, the Department has established a liability for all funds disbursed to students who PTI stated had withdrawn not just in this finding, but in other parts of its response.

Therefore, the Cost of Funds, which shows the amount of liability per student for the award years, is provided as Appendix H. The students identified in the Cost of Funds worksheets are numbered using the numbering methodology as stated in this finding in Appendix G. If a student is not numbered on the Cost of Funds spreadsheets, it indicates that the student was one who PTI had identified as a withdrawn student in response to another finding, but did not provide backup documentation to support that particular student's withdrawal date.

Therefore, the Department has determined the liability for withdrawn students as a result of Incorrect Return to Title IV to be as follows:

Title IV Program	Award Years				Total By Program
	2009-2010	2010-2011	2011/2012	2012/2013	
Federal Pell Grant	204,510.84	927,698.17	979,020.34	75,210.41	\$2,186,439.76
Federal Pell Grant Interest	4,335.07	10,447.27	1,206.75	0.00	\$15,989.09
Federal Direct Subsidized Loan	110,829.44	398,337.44	356,470.36	19,078.98	\$884,716.22

Federal Direct Unsubsidized Loan	128,499.46	415,827.25	448,836.92	21,414.74	\$1,014,578.37
Federal Direct PLUS Loans	4,891.15	12,436.86	8,120.94	0.00	\$25,448.95
Federal Direct Loan Interest	4,720.00	8,118.00	928.00	0.00	\$13,766.00
TOTAL LIABILITY:	\$457,785.96	\$1,772,864.99	\$1,794,583.31	\$115,704.13	\$4,140,938.39

Since the Department has established a full liability for Finding 2, the liabilities for this finding are subsumed in that finding.

Finding 6 – Ineligible Disbursements

Noncompliance:

In order to receive Federal Student Aid funds, a student must be qualified to study at the Post-Secondary level. Among the ways a student qualifies is if he or she has a high school diploma or has the recognized equivalent of a high school diploma such as a general education development or GED certificate. 34 C.F.R. § 668.32(e).

An institution is required to develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to the student's application for financial aid under Title IV programs. 34 C.F.R. § 668.16(f).

PTI admission criteria indicates that it accepts students into its online MOASBC program if they have a valid high school diploma or GED, and PTI confirms that the student has received these credentials by requiring documentation of the credential which is then kept in the student file.

PTI requested a GED transcript from the state of Mississippi for Student 12, but was informed that the State GED Office did not find a GED record for that student. Therefore, since Student 12 did not have a valid admissions credential, she was not eligible for the \$2,775 Federal Pell grant that was disbursed to her on May 12, 2011. Rather than return the full Pell disbursement, PTI processed a Return to Title IV calculation as of 5/15/11 and returned \$2,497.50 of Pell Grant Funds. Additionally, the date on the letter from the State of Mississippi was May 3, 2011, so it is unclear how PTI used an LDA of 5/15/2011.

PTI received documentation for Student 15 which indicated that she was not a high school graduate via a letter from the Providence Schools located in Rhode Island, dated December 14, 2010. Additionally, the ISIR for this student indicated that she had obtained a GED. While there are notes in the file indicating that the student may have received a GED in South Carolina, PTI was not able to confirm this credential with the state of South Carolina. Rather than return the full Pell disbursement, PTI processed a Return to Title IV calculation as of 12/13/2010 and returned \$2,369.89 of the \$2,775 that had been disbursed. The ledger indicates that this return was processed on 1/27/2011.

Directives From Program Review Report:

Due to the error rate associated with this finding, PTI was directed to review the files for students in the 2010/2011 award year to determine if there are additional students for whom PTI received information that the students were not eligible to attend the institution because the student either did not have the claimed high school diploma or GED.

Final Determination:

PTI stated its concurrence with the instances of noncompliance noted in this finding. PTI stated that rather than complete a Return to Title IV it agreed that all of the aid should be returned for these students and PTI stated that it had returned these funds on November 29, 2012. In addition to reviewing students from the 2010/2011 award year as was required by the finding, PTI opted to review all students and report the liability to the Department.

PTI identified an additional \$33,477.97 was due to the Title IV programs for the 2010/2011 award year and that \$14,007.16 was due for the 2009/2010 award year.

A copy of both reviews, prepared by PTI is provided as Appendix I.

The Department accepts the response provided by PTI and has reviewed the documentation provided which showed that the funds had been returned. Therefore, from the information provided in Appendix I, the Department has calculated the Cost of Funds that is due as a result of PTI improperly retaining funds for students who were not eligible for those funds. The remaining cost of funds for the 2010/2011 award year is \$782.44 and the cost of funds that resulted from the expanded review is \$200.67.

Copies of the Cost of Funds calculations, prepared by the Department are collectively provided as Appendix J.

Since all the funds have been returned for these students, they were not included as a liability in any other finding so no additional adjustment is required.

Finding 16 – Satisfactory Academic Progress Standards Not Met

Noncompliance:

For purposes of determining student eligibility for assistance under a Title IV, HEA program an institution must establish, publish, and apply reasonable standards for measuring whether a student is maintaining satisfactory progress in his/her educational program. 34 C.F.R. §§ 668.16 (e), 668.32(f), 668.34. The Secretary considers the policy to be reasonable if the policy is at least as strict as the institution's standards for a student enrolled in the same educational program who is not receiving assistance under a Title IV, HEA program. These standards must include both a qualitative and a quantitative component. The qualitative component must consist of grades, work projects completed, or comparable factors that are measurable against a norm. The quantitative component consists of a maximum timeframe in which a student must complete his or her educational program and must be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, clock hours completed, etc., as appropriate. In addition, the quantitative component must include a schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum timeframe. The institution must also include specific policies defining the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress. 34 C.F.R. § 668.34.

PTI did not comply with these standards. PTI procedures indicated that SAP is evaluated based on the number of offered credits and is checked for students in the MOASBC online program after 18, 36 and 41.5 credits had been offered. Student files contained transcripts which showed handwritten notations indicating that SAP had been checked.

Based on the structure of the course, students in the earlier version of the program, which was offered for the period 8/2009 – 9/18/2011, earned 18 credits sometime in the middle of the 4th module, and earned 21 credits if they successfully completed the 4th module. The 4th module was the end of the first payment period. Students would successfully complete 36 credits at the end of the 7th module which was at the end of the second payment period, and would earn 41.5 credits at the end of the 9th module.

Beginning in 9/19/2011, the course was re-structured so that students would earn 18 credits at the end of the 4th module which corresponded to the end of the first payment period. The students would still successfully complete 36 credits at the end of the 7th module and would successfully complete 41.5 credits at the end of the 9th module.

The procedures also appear to directly conflict with the process that is outlined in the policy example, which indicates that, "Academic progress for online students will be evaluated once a student completes term 3 or 4 (term 4 for MOASB-O and term 3 for MOASB-OII), term 7 and term 10. At these points in time, students must comply with

both a qualitative standard and a quantitative standard to be making satisfactory academic progress."

The outlined procedure does not appear to ensure that students are able to successfully complete the program within 150% of the program. Also, a student who successfully completes their courses would actually graduate from the program at the end of the 10th term, so it makes little sense to assess SAP at that particular point in time.

Specific instances of non-compliance with the outlined procedures were noted in the files of the following students:

Student 17 - This student had earned a 1.80 GPA at the end of the first payment period. According to policy, this student was supposed to be placed on academic probation, but reviewers could not find any documentation indicating that this occurred.

Student 31 - This student enrolled in the program beginning 10/05/2009, but she did not successfully complete 4 of her modules (the modules that began 1/25/2010, 04/05/2010, 06/14/2010, 8/23/2010) and she failed the module that began 1/17/2011, which would mean that she would have to retake that module as well. Therefore, the student was not making SAP at the point in time in which it was not possible for her to complete the program within 150% of the program, or the equivalent of 69 attempted credits. Based on this requirement, the student would have exceeded her ability to complete the program when she was allowed to begin the module that began 12/6/2010. Even if she successfully completed that module (and she did), she still had 10 credits that she needed to complete in her remaining modules. At that point, by being allowed to attempt that module, she had already attempted 60.75 credits. However, PTI allowed her to continue past this point in time, and begin the module that began 1/17/2011 and the module after that that began 2/21/2011. Additionally, PTI disbursed \$622 Subsidized Direct Loan and \$830 of Unsubsidized Federal Direct Loan funds to Student 31 on 1/27/2011, at a point in time that she was not able to successfully complete her program. PTI did process a Return to Title IV, with an LDA of 2/27/2011 when the student eventually was withdrawn from the program.

Directives From Program Review Report:

PTI was required to review the circumstances surrounding what occurred for the students listed in this finding and provide a narrative of its findings. In addition, PTI was required to revise its policies and procedures to ensure that what occurred with Student 31 is identified so that students, who are not able to complete the program within the regulatory timeframe, are dismissed appropriately.

Additionally, PTI was required to identify any liability due to the Department as a result of its review of these students and report the results as a part of its response to this finding.

Final Determination:

PTI's initial response received on February 4, 2013 provided a copy of PTI's revised SAP policy as it appeared in the student catalogue and a copy of its internal policies and procedures so that situations identified in this finding would not recur.

Additionally, PTI's response reviewed the circumstances with regard to the two cited students and stated that it had found that Student #17 had been placed on probation and at the end of the probationary period which was from 8/15/2011 – 11/27/2011, the student had a GPA of 1.74 and had been withdrawn from the school. PTI also stated that Student 17 had re-entered the school on 1/09/2012 and was placed on probation and was withdrawn from the school on April 25, 2012. PTI did not identify any liability due for this student as a result of this finding.

PTI stated that with respect to Student 31, that it concurred with the Department that this student should have been withdrawn from the school with an LDA of 11/28/2010. Additionally, PTI stated that it had improperly retained \$222.00 of Federal Pell Grant funds and \$294.00 of Federal Subsidized Direct Loan funds. PTI stated that based on the corrected LDA, the student was not eligible to receive those funds.

The Department accepts the response provided by PTI and has established a liability of \$222.00 of Federal Pell Grant funds and \$294.00 of Federal Subsidized Direct Loan funds as well as the cost of those funds from the date of the respective disbursements. The calculations for these amounts are provided in Appendix K.

Additionally, the Department has noted that since both students withdrew prior to program completion on more than one occasion, they were identified in some other parts of the response provided by PTI.

Student 17 was identified as being withdrawn in 2011/2012 award year as part of the response provided to Finding 2, and there was a source document provided for her as part of the response to Finding 5 that gives her LDA as April 22, 2012, not the April 25, 2012 dated noted in the narrative to this finding. Similarly, Student 31 was identified as withdrawn in both the 09/10 and the 11/12 award years, yet the document supporting her LDA was February 27, 2011.

Liabilities of \$222 and \$294 were established for student 31 in Finding 5; those amounts are included in the student's liabilities for this finding, however, those duplicated amounts will be removed in the summary of liabilities table as well as the associated cost of funds.

STUDENT LOAN DISCHARGES

As noted above, PTI closed effective 2/10/2013. Consequently, in addition to the program review liabilities, PTI is responsible for the repayment of student loan discharges. Students who were enrolled at the time of the school's closure or who withdrew from the school within 90 days preceding the school's closure, and who were unable to complete their program because of the closure, may apply for a closed school discharge of their Federal student loan. Students who complete their educational programs through a teach-out, or use the credits gained at the closed school to complete an educational program at another school, are not eligible for a closed school discharge. 34 C.F.R § 685.214(e). A Borrower may apply for a loan discharge through the holder of the loan. If the discharge is granted any amounts already repaid will be refunded. See 34 C.F.R § 685.214(a). If the borrower's loan is discharged, the borrower is relieved of responsibility to repay the loans and automatically assigns to the Department his or her rights under applicable law with respect to the loans or the enrollment agreements against the school, its principals, affiliates and their successors, its sureties, and any private fund, including the portion of a public fund that represents funds received from a private party, up to the amount discharged. 34 C.F.R § 685.214(e).

As outlined above, the Department has the authority to assess a liability for all loans discharged due to PTI's closure. The Department has determined that PTI has incurred \$ 478,983 in loan discharges. Since the Department has assessed a full liability for the 2012-2013 award year, these liabilities will be removed in the unduplicated chart below. The detail of the loan discharges is provided as Appendix L.

D. Summary of Liabilities

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

Liabilities by Finding - Includes Duplicate Amounts	Pell	Direct Loan
Finding 2	7,884,719.00	13,247,060.00
Finding 2 - Cost of Funds	57,587.07	91,416.00
Finding 5	2,186,439.76	1,924,743.54
Finding 5 - Cost of Funds	15,989.09	13,776.00
Finding 6	0.00	0.00
Finding 6 - Cost of Funds	532.11	451.00
Finding 16	222.00	294.00
Finding 16 - Cost of Funds	3.71	5.00
Closed School Discharges	0.00	478,983.00

Established Liabilities - Unduplicated	Pell	Direct Loan	
Finding 2	7,884,719.00	13,247,060.00	
Finding 5	0.00	0.00	
Finding 6	0.00	0.00	
Finding 16	0.00	0.00	
Loan Discharges	0.00	0.00	
Subtotal	\$7,884,719.00	\$13,247,060.00	
Interest/SA	57,587.07	91,416.00	
Subtotal	\$57,587.07	\$91,416.00	
TOTAL	\$7,942,306.07	\$13,338,476.00	
Payable To:			TOTAL:
Department	\$7,942,306.07	\$13,338,476.00	\$21,280,782.07
Letter of Credit Collected:			2,350,000.00
		Total Due to Department:	\$18,930,782.00

E. Payment Instructions

1. Liabilities Owed to the Department

Liabilities Owed to the Department \$100,000 or More

PTI owes to the Department \$ 18,930,782.00. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. PTI must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If PTI's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

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 applicable).

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form.

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. PTI 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 PTI'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, PTI 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 PTI from the Federal Government. **PTI may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, PTI 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.

The following identification data applies to this repayment and must be written on the attached FEDWIRE form and any other documents submitted related to this liability:

Amount: ~~\$18,930,782.00~~

TIN: (b)(6)

PRCN: 201210227177 (Enter in item number 4 on form)

DUNS: 605684380

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

Pell – Closed Award Year

Findings: 2

Appendices: D, E

PTI must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$573,261.00	\$12,895.74	Federal Pell Grant	2009/2010
\$2,934,834.00	\$36,668.99	Federal Pell Grant	2010/2011
\$3,253,179.00	\$8,022.34	Federal Pell Grant	2011/2012
\$1,123,445.00	\$0.00	Federal Pell Grant	2012/2013
Total Principal	Total Interest		
\$7,884,719.00	\$57,587.07		

The disbursement record for each student identified in the appendices to the applicable finding(s) must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendices.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via FEDWIRE, 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 Jane Eldred within 45 days of the date of this letter.

DL Closed Award Year - Payment Instruction

Findings: 2

Appendices: D, E

PTI must repay the following Direct Loan liabilities:

DL Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$ 1,007,719.00	\$ 22,670.00	2009/2010
\$ 4,375,687.00	\$ 54,671.00	2010/2011
\$ 5,707,254.00	\$ 14,075.00	2011/2012
\$2,156,400.00	\$ 0.00	2012/2013
Total Principal	Total Interest	
\$ 13,247,060.00	\$ 91,416.00	

The disbursement record for each student identified in the appendices listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the/these appendix/appendices. A copy of the adjustment to each student's COD record must be sent to Jane Eldred within 45 days of the date of this letter.

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 FEDWIRE, the Department will apply the principal payment to the applicable G5 award. Interest is applied to the general program account.

Closed Award Years - Extended Processing

COD adjustments are necessary for the closed award year(s) listed above. Before any student level adjustments can be processed, PTI must request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review and provide the applicable program review control number.

- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).



September 28, 2012

Ms. Mieke Gibson,
Performance Training Institute
10245 E Via Linda
Scottsdale, AZ 85258

Overnight Mail, Tracking # 1ZA5467Y0198577779

RE: **Program Review Report**
Performance Training Institute
Toms River, NJ
OPE ID: 036253
PRCN: 201210227717

Dear Ms. Gibson:

From October 24, 2011 through October 28, 2011, Jacqueline Watford and Jane Eldred, as representatives of the U.S. Department of Education conducted a review of Performance Training Institute's (PTI's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

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

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

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

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

Federal Student Aid, School Participation Division – New York/Boston
Financial Square, 32 Old Slip, 25th Floor, New York, NY 10005
www.FederalStudentAid.ed.gov

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

The institution's response should be sent directly to Jane Eldred of this office within 90 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

Record Retention:

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Jane Eldred at (646) 428-3753 or Jane.Eldred@ed.gov.

Sincerely,

(b)(6)

Christopher Curry
Compliance Manager

cc: Abby Nickerson, Financial Aid Administrator

Enclosure:

Protection of Personally Identifiable Information

bcc: Reading file, Correspondence file, Jane Eldred, Chris Curry,
Jacqueline Watford, ERM

Prepared for

**Performance Training
Institute**



**START HERE
GO FURTHER**
FEDERAL STUDENT AID

OPE ID 036253

PRCN 201210227717

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division – New York/Boston

Program Review Report

SEP 28 2012

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A. Institutional Information

Performance Training Institute
1012 Cox Cro Road
Toms River, NJ 08753-1306

Type: Proprietary

Highest Level of Offering: Non- Degree One Year, Diploma, Certificate

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: 841 (2010/2011)

% of Students Receiving Title IV: 93% (2010/2011)

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

	2008/2009	2009/2010	2010/2011
William D. Ford Federal Direct			
Loan Program (Direct Loan)	N/A	\$1,030,016	\$4,437,863
Federal Pell Grant (Pell)	\$7,779	\$ 589,256	\$2,925,473
TOTALS:	\$7,779	\$1,619,272	\$7,363,336

Default Rate FFEL/DL: 2009 0.00%¹

¹ PTI did not have any loan recipients enter repayment in 2009 or in any years prior to 2009.

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Performance Training Institute (PTI) from October 24, 2011 to October 28, 2011. The review was conducted by Jacqueline Watford and Jane Eldred.

The focus of the review was to determine PTI'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 PTI'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 15 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, 10 files were selected from the 2009/2010 award year and 4 files were selected to further test the withdrawn student population. 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 PTI'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 PTI 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 PTI to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding #1 – Lack of Administrative Capability

Citation:

To begin and to continue to participate in any program under Title IV of the Higher Education Act of 1965, as amended, an institution must demonstrate that it is capable of adequately administering the program under the standards established by the Secretary. The Secretary considers an institution to have administrative capability if it administers the Title IV, HEA programs in accordance with all statutory provisions of, or applicable to, Title IV of the HEA, and all applicable regulatory provisions prescribed under the statutory provisions, and has written procedures for or written information indicating the responsibilities of the various offices. These standards also include a requirement that the institution employ an adequate number of qualified staff 34 CFR § 668.16(b)(2) and the prescription that regulated activities are undertaken with appropriate checks and balances and in a system of internal controls 34 CFR § 668.16(c)(1).

Noncompliance:

The institution's impaired administrative capability caused the institution to disburse Title IV funds to students who are not eligible for the funds since the institution does not offer the programmatic hours that meet the federal definition of a clock hour. This and the other instances of regulatory noncompliance deprive other eligible, needy students of this aid and creates a financial burden for the U.S. Department of Education. The following serious findings, which are included in this report, indicate that the institution has a lack of administrative capability:

Finding #2: Improper Definition of Clock Hour – Program Not Eligible as Offered

Finding #3: Attendance Records Inaccurate/Misrepresented

Finding #4: Conflicting Information – Attendance Records

Finding #5: Incorrect Return to Title IV

Finding #6: Ineligible Disbursements

Finding #13: Failure to Award Federal Pell Grant Funds

Finding #14: Improper Definition of Clock Hour/Ground Programs

Required Action:

The ability of institutional officials to construct and offer a program which meets Accreditation, State licensure, and Federal regulatory guidelines is perhaps among the most basic requirements of an administratively capable eligible institution. Additionally, it is essential that academic offices, financial aid and business office staff handling the day-to-day processes be cognizant of policies and procedures, and are trained and apprised of changes in Title IV regulations. In response to this finding, PTI must prepare a training plan for its staff to ensure it develops adequate internal controls to properly administer the Title IV programs so that the findings identified in this Program Review Report do not recur. PTI must submit details of that plan to this office with the response to this report.

Additionally, in order to be considered administratively capable, the institution must seek to cure all the exceptions identified throughout this report so that findings of this magnitude do not recur.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding #2 – Improper Definition of Clock Hour/ Ineligible Program as Offered

Citation:

If an institution offers an undergraduate educational program in credit hours, the institution must use the formula contained in 34 C.F.R. §668.8(l) to determine whether that program satisfies the requirements contained in 34 C.F.R. §668.8 (c) or (d).

The Departments regulations in effect prior to 6/30/2011, stated that for purposes of determining whether a program described in paragraph (k) of this section satisfies the requirements contained in paragraph (c)(3) or (d) of this section, and of determining the number of credit hours in that educational program with regard to the Title IV, HEA programs –

- (i) a semester hour must include at least 30 clock hours of instruction;
- (ii) a trimester hour must include at least 30 clock hours of instruction; and
- (iii) a quarter hour must include 20 clock hours of instruction.

Effective July 1, 2011, § 668.8(l) states that for purposes of determining whether a program described in paragraph (k) of this section satisfies the requirements contained in paragraph (c)(3) or (d) of this section, and of determining the number of credit hours in that educational program with regard to the Title IV, HEA programs –

- (i) a semester hour must include at least 37.5 clock hours of instruction;
- (ii) a trimester hour must include at least 37.5 clock hours of instruction; and
- (iii) a quarter hour must include 25 clock hours of instruction.

Therefore, for quarter hour programs, such as those offered by PTI, a quarter hour was required to include at least 20 hours of instruction prior to the 11/12 award year and at least 25 hours of instruction effective July 1, 2011. 34 C.F.R. §668.8 (l)(3).²

34 C.F.R. § 668.8 (k)(1) states that if an institution offers an undergraduate educational program in credit hours, the institution must use the formula contained in paragraph (l) of this section to determine whether that program satisfies the requirements contained in paragraph (c) or (d) of this section, and the number of credit hours in that educational program, for purpose of the Title IV, HEA programs **unless** –

- (i) The program is at least two academic years in length and provides and associates degree, a bachelor's degree, a professional degree or an equivalent degree as determined by the Secretary, or
- (ii) Each course within the program is acceptable for full credit towards that institution's associate degree, bachelor's degree, a professional degree, or equivalent degree

Therefore, for Title IV, HEA purposes, non-degree granting institutions whose programs are subject to the clock/credit conversion, each offered hour of instruction must meet the definition of a clock hour.

34 C.F.R. § 600.2 defines a clock hour as a period of time consisting of –

- (1) A 50 to 60 minute class, lecture, or recitation in a 60 minutes period
- (2) A 50 to 60 minute faculty supervised laboratory, shop training, or Internship in a 60 minutes period; or
- (3) Sixty minutes of preparation in a correspondence course

However, effective July 1, 2011, the institution's conversions to establish a minimum number of clock hours of instruction per credit may be less than those specified in paragraph (l)(1) of this section³, if the institution's designated accrediting agency, or recognized State agency for the approval of public postsecondary vocational institutions

²Effective July 1, 2011, with the approval of an institution's Accrediting and licensing body, the Department recognized a limited number of outside classroom hours toward meeting the new 25 hour conversion requirement. For institution's that met these criteria, a quarter still needed to include at least 20 hours of instruction.

³ This is referenced in the previous footnote. Also, Volume 2, Page 2-30 of the 2011-2012 *Federal Student Aid Handbook* provides illustrative examples.

for participation in the Title IV, HEA programs has not identified any deficiencies with the institution's policies and procedures, or their implementation for determining the credit hours as defined in 34 C.F.R. 600.2, that the institution awards for programs or courses so long as the institution's student work outside of class combined with the clock-hours of instruction meet or exceed the numeric requirements of paragraph (I)(1) of this section; and (ii)

- (A) A semester hour must include at least 30 clock hours of instruction;
- (B) A trimester hour must include at least 30 clock hours of instruction; and
- (C) A quarter hour must include at least 20 hour of instruction.

Additionally, § 668.8(k)(2)(iii) states that a program is considered to be a clock-hour program for purposes of the Title IV, HEA programs if the institution does not provide the clock hours that are the basis for the credit hours awarded for the program and, except as provided in 668.4(e), required attendance in the clock hours that are the basis for the credit hours awarded.⁴

Noncompliance:

PTI's Medical Office & Administrative Specialist with Billing and Coding program (MOASBC) is offered 100% online. While the program was approved by the New Jersey State Department of Education and Department of Labor, and accredited by the Accrediting Commission of Career Schools and Colleges (ACCSC), the program was structured so that it did not offer the underlying clock hours of instruction per the regulatory criteria; instead the program relies almost completely on the students completing self-directed study and completing coursework without direct supervision. PTI does not offer the total number of program hours to support the clock to credit hour conversion to students who attended the program, as evidenced by the Accreditation approval document, class master schedules, and confirmed through interviews with a program graduate and staff.

According to documentation provided by the institution, the program content of the Medical Office & Administrative Specialist with Billing and Coding program was structured and offered as follows:

⁴ When an institution is determined to have not offered the underlying clock hours of instruction that meet the approved credit hours, the program is determined to be a clock hour program and is subject to all the requirements of an institution that is offering a program in clock hours. This means that it would become an institution that is required to take attendance, which has further implications on the Return to Title IV calculation and the institution's ability to use mid-point for the withdrawal date if it had previously chose to.

Course Number	Course Titles	Classroom Hours	Lab/Shop/Independent Study Hours	Total Instructional Clock Hours
GB305	Computer & Office Applications	10	50	60
CS814	Word Processing	10	50	60
ME117	Medical Terminology	10	90	100
ME118	Anatomy & Physiology	10	90	100
ME121	Medical Office Procedures & Admin	10	50	60
ME119	Transcription I	10	25	35
ME120	Transcription II	10	25	35
ME122	Automated Medical Office	10	50	60
ME123	Medical Billing & Insurance I	10	50	60
ME 124	Medical Billing & Insurance II	10	50	60
ME125	Fundamentals of Coding I	10	40	50
ME126	Fundamentals of Coding II	10	40	50
PD104	Professional & Career Development	10	30	40
KB204	Keyboarding I	0	50	50
KB205	Keyboarding II	0	50	50
KB206	Keyboarding III	0	50	50
TOTALS:		130	790	920

The hours identified as "Lab/Shop/Independent Study Hours" were not pre-scheduled hours that were supervised by an instructor and none of these hours would meet the requirement for 50 minutes within a 60 minute period of supervised instruction. Instead, the bulk of these hours were comprised of students reading study material offline unsupervised, students completing discussion forum questions and answering chat discussions when they were able, with perhaps, some asynchronous oversight of an instructor. Additionally, while there were quizzes that were part of the program offering,

they were not timed quizzes that were administered on a particular schedule, but rather quizzes that could be taken over and over at the convenience of the student. None of this self-directed learning meets the federal definition of a clock hour of instruction.

Additionally, interviews with staff confirmed that the program was structured so that there was customarily one (1) live lecture a week per topic and one (1) chat session. In addition, instructors had weekly office hours which customarily were only one or two hours a week. Some instructors stated that they taught multiple topics during the same term, and customarily their office hours were the same for all topics that they were teaching. Regardless, office hours were not a required part of the program. Also, instructors regularly stated that they were accessible by phone and email and that they interacted with students in their course on a regular basis. Additionally, instructors stated that if they noticed a student had not been attending their class, they would make attempts to reach that student.

Reviewers asked instructors how many hours that they spent on each course, and one instructor, who stated that she taught between 4-5 courses each term, broke out her tasks as follows:

- Administrative, 4-5 hours per week – this included tasks such as grading, tutoring, phone calls with students;
- Instructional, 5 hours for all classes combined which was described as a 45 minute lecture for each class and a one hour chat session for each class;
- Other, which was described as continuing education of 1 to 2 hours a week.

This instructor clarified that she devoted approximately 5 hours a week to each course.

A different instructor stated that she was teaching 3 courses that term and that she spent approximately 12-15 hours per week on each course. She also described a similar format for the course which she stated included a live content lecture, but some of her time was spent preparing for this lecture. Similarly, she also had office hours, which were 2 hours a week for all students that she taught in all the modules. This instructor stated that she spent 2-3 hours grading and providing feedback to students via her grading. Also, this instructor told reviewers that students were able to access all components of the course elements at any time during a module, with the exception of the live lecture, but that students would still be required to log-on and post to a discussion forum to be counted as active for a particular week.

Another instructor stated that she was available to students during a live chat session that occurred one hour prior to her live lecture and that she was also available during her office hours, but that she would regularly respond to student questions via email or phone. This instructor stated that quizzes were not timed and that they were available to be taken at the student's convenience but due by Sunday at midnight.

During the onsite portion of the program review and after interviewing instructors, reviewers met with and discussed with the institutional officials who were present. Reviewers relayed the fact that their instructors had confirmed that there was a lack of underlying clock hours in their program. Institutional officials did not seem aware of the requirement for a non-degree granting school, and stated that "All schools are doing it this way".

One student interviewed relayed similar information. She stated that she spent about 10 hours per week on her studies and that most of the time was spent reading the assigned reading material offline. The student stated that there was one hour per week of live lecture and that for harder topics, there were two hours per week. She also explained that the whole course outline was online during the entire session so that she could actually do work ahead of time, if for example, she was going to be away. The student explained that she was required to logon at least once a week, and that she believed a counselor looked over their grades and that if a student had not checked in they would receive a letter from PTI. When asked about her overall experience with the program, the student replied that she thought that there should be more interaction, especially during the latter part of the program. When pointedly asked if there any other live events or other prescheduled events other than the live lecture, the student stated that there were not.

The programmatic structure of the MOASBC online certificate program as outlined in the accreditation schedule and described by a student who graduated, as well as instructors responsible for teaching the course, does not meet the requirement of offering the clock hours of instructions, as is required for an institution subject to the clock to credit conversion.

Improper determination of hours of instruction offered can result in incorrect calculations of students' Title IV eligibility. Failure to correctly calculate the number of clock hours offered, and the subsequent clock to credit hour conversion as noted in this finding results in a decrease of supervised instructional time, which is detrimental to students. It also acts to inflate the apparent number of instructional hours offered when determining the amount of Title IV eligibility.

Required Action:

This finding demonstrates that PTI did not offer a program that met the Department's requirement for a converted clock hour program, since it did not offer the underlying clock hours of instruction. Therefore, in order to meet the requirement for offering programs in quarter credit hours, PTI must ensure that it offers the corresponding number

of clock-hours, to support the 25 to 1 conversion to the approved number of quarter credit hours⁵.

Additionally, PTI must immediately undertake a review of its MOASBC online program and accurately report how many hours of its program are legitimate pre-scheduled offered hours of instruction that also meet the federal regulatory definition of a clock hour. For each offered hour of instruction PTI must be able to document that it is a 50 to 60 minute class, lecture or recitation within a 60 minute period, or it must meet the requirement that it is a 50 to 60 minute faculty supervised laboratory, shop training, or Internship in a 60 minutes period.

In preparing this report, PTI must only include and document hours that PTI offered and scheduled as part of its program. Each hour reported must have been a directly supervised hour that is an integral and required component of the program.

For example, PTI may include live lectures delivered by an instructor that are at least 50 minutes in length if the lecture was a scheduled event that all students were informed of and it was considered part of their coursework. PTI may not include hours that are student directed, or are independently undertaken by the student, even if PTI provided the ability to communicate with an instructor via email or phone call on a 24/7 basis. Therefore, office hours offered by an instructor, even though they were previously scheduled and likely known by students may not be included as programmatic hours. Additionally, coursework that a student may be required to complete on their own and are doing so at a time of their choosing, may not be included, even if PTI can establish that it must have taken the student a certain number of hours to complete the assignment. However, these hours may be included, in a separate notation, since such hours may be considered as possible out of classroom hours, if and when credit hour equivalence is being considered.

The report must include a review of the MOASBC online program from its inception, and identify the number of directly supervised scheduled hours offered to its students in all iterations of the MOASBC program. The report should cover each module and make a determination as to the number of offered hours that comprised each week of each module during each structure of the course, and PTI must provide documentary evidence for each hour that it includes as a programmatic hour.

Additionally, after completion of this review, PTI must then prepare a spreadsheet which identifies all Title IV recipient students with the aid that was disbursed to them, separated by program. The spreadsheet must include, at a minimum, the following information:

⁵ In accordance with Federal regulations, effective July 1, 2011, PTI may be eligible to offer hours that support a 25 to 1 conversion, with appropriate Accreditation approval.

Student Name
Social Security Number
Title IV Aid Disbursed, Separated by Program (including Subsidized & Unsubsidized Loans).
Date of Disbursement, Separated by Program
Number of Actual Offered Clock Hours Subject to Conversion
Number of Hours Originally Used for Awarding Purposes

There should be two completed spreadsheets per award year (or one spreadsheet, but with separated tabs) one for graduates of the program and one for students who withdrew or otherwise stopped attending prior to program completion. For those students who stopped attending, PTI must identify the week of the program that they withdrew and the number of hours that were offered prior to their withdrawal. Additionally, for withdrawn students, PTI must also identify the number of days in the payment period that the student stopped attending. All Title IV recipient students during any given award year should be included on one of the spreadsheets, and the spreadsheets must not be protected from formatting adjustments.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Instructions for repayment of liabilities, including interest, will be provided in the Final Program Review Determination letter.

Finding #3 – Attendance Records Inaccurate/Misrepresented

Citation:

34 C.F.R. § 668.73(c) defines misrepresentation as any false, erroneous or misleading statement an eligible institution, one of its representatives, or any ineligible institution or organization, or person with whom the eligible institution has an agreement to provide educational programs, or to provide marketing, advertising, recruiting or admission services makes directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, to a State agency or to the Secretary.

34 C.F.R. § 668.24(a)(2) states that an institution shall establish and maintain, on a current basis, any application for Title IV, HEA program funds and program records that document the eligibility of its educational programs for Title IV, HEA program funds.

Noncompliance:

Attendance records that were contained in the files for students in the MOASBC –online program did not accurately reflect the programmatic structure and were misleading.

PTI's procedures indicate that attendance for the online program is pulled from the Learning Management System (LMS) on a weekly basis. PTI considers a week to be Monday through Sunday. An online student will have attendance recorded for a given week if there is evidence of at least one log in and one action that is counted as attendance. If a student has been deemed to be in attendance for a course sometime during the week, according to actions recorded in the LMS, then attendance records are input in the data base management system and the student gains 10 or 12 hours of presumed attendance for the week, depending on the course. Students typically take two courses at a time.

The attendance records for the first 5 week module as it appeared in the file of Student #2 are recreated below:

Course	Type	Schedule					Attendance		
		Class Date ⁶	Start Time	End Time	Hours	Complete	Code	Hours	Cum
GB305	Scheduled	01/23/2011 Sun	8:00AM	8:00PM	12	Y	P	12.00	12.00
KB204	Scheduled	01/23/2011 Sun	8:00	6:00PM	10	Y	P	10.00	22.00
GB305	Scheduled	01/30/2011 Sun	8:00AM	8:00PM	12	Y	P	12.00	34.00
KB204	Scheduled	01/30/2011 Sun	8:00AM	6:00PM	10	Y	P	10.00	44.00
GB305	Scheduled	02/06/2011 Sun	8:00AM	8:00PM	12	Y	P	12.00	56.00
KB204	Scheduled	02/06/2011 Sun	8:00AM	6:00PM	10	Y	P	10.00	66.00
GB305	Scheduled	02/13/2011 Sun	8:00AM	8:00PM	12	Y	P	12.00	78.00
KB204	Scheduled	02/13/2011 Sun	8:00AM	6:00PM	10	Y	P	10.00	88.00
GB305	Scheduled	02/20/2011 Sun	8:00AM	8:00PM	12	Y	P	12.00	100.00
KB204	Scheduled	02/20/2011 Sun	8:00AM	6:00PM	10	Y	P	10.00	110.00

The attendance records give the appearance that there are scheduled hours of instruction during the week, and that student attendance is being tracked on an hourly basis, when this directly conflicts with PTI's practice. Additionally, given that there is a requirement to offer scheduled hours of instruction in order to meet the clock to credit conversion, the use of the word "Scheduled" is misleading, particularly in the KB204 course (refer to the

⁶ This date is the last date in the week in which classes occurred. So the schedule that is recreated here is for a term that began 1/17/2011.

last topic in the Chart in Finding #2). According to that chart, this class has no scheduled classroom hours of instruction, yet Student #2's documents make it appear as if she has attended 50 hours of scheduled instruction in this course.

Additionally, the actual records from the LMS indicate for the period 2/14/11 – 2/20/11, Student #2 had activity in her KB204 course on 2/16/11 from 7:49 until 8:12, 2/17/11 from 19:20 to 19:43, 2/18/11 on 4:55 to 7:21 and then again on 2/19/11 when she, in part, completed the course evaluation from 5:34 to 5:54. Therefore, her actual total hours for the week were 3 hours and 32 minutes. Also, records from the LMS indicate that Student #2 accessed the KB205 course on 2/17/2011, when this course was not scheduled to begin until 2/21/2011.

There was similar documentation which reflected "Scheduled" hours of instruction, and the receipt of 100% attendance for at least a portion of the attendance records for Students #1, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 24, 25, 26, 27, 28, 29, 30, 36, 41, 42, 43 and 44.

Earlier attendance documents make it appear that daily attendance was taken. There is a column to indicate "Present" or "Absent" for a specific hour of a particular day. In this schedule, the student attends one hour in each course (the same hour) every day of week. A partial representation of how it appeared in the File of Student #40 is below:

Course	Type	Schedule				Attendance		Cumulative		
		Class Date	Start Time	End Time	Hours	Code	Hours	Scheduled	Attended	%
KB204	Scheduled	04/05/2010	8:00AM	9:00AM	1.00	P	1.00	1.00	1.00	100.
GB305	Scheduled	04/05/2010	8:00AM	9:00AM	1.00	P	1.00	2.00	2.00	100.
GB305	Scheduled	04/06/2010	8:00AM	9:00AM	1.00	P	1.00	3.00	3.00	100.
KB204	Scheduled	04/06/2010	8:00AM	9:00AM	1.00	P	1.00	4.00	4.00	100.
GB305	Scheduled	04/07/2010	8:00AM	9:00AM	1.00	P	1.00	5.00	5.00	100.
KB204	Scheduled	04/07/2010	8:00AM	9:00AM	1.00	P	1.00	6.00	6.00	100.
GB305	Scheduled	04/08/2010	8:00AM	9:00AM	1.00	P	1.00	7.00	7.00	100.
KB204	Scheduled	04/08/2010	8:00AM	9:00AM	1.00	P	1.00	8.00	8.00	100.
GB305	Scheduled	04/09/2010	8:00AM	9:00AM	1.00	P	1.00	9.00	9.00	100.
KB204	Scheduled	04/09/2010	8:00AM	9:00AM	1.00	P	1.00	10.00	10.00	100.
GB305	Scheduled	04/10/2010	8:00AM	9:00AM	1.00	A	0.00	11.00	10.00	90.91
KB204	Scheduled	04/10/2010	8:00AM	9:00AM	1.00	P	1.00	12.00	11.00	91.67
GB305	Scheduled	04/11/2010	8:00AM	9:00AM	1.00	P	1.00	13.00	12.00	92.31
KB204	Scheduled	04/11/2010	8:00AM	9:00AM	1.00	P	1.00	14.00	13.00	92.86
GB305	Scheduled	04/12/2010	8:00AM	9:00AM	1.00	P	1.00	15.00	14.00	93.33
KB204	Scheduled	04/12/2010	8:00AM	9:00AM	1.00	P	1.00	16.00	15.00	93.75
GB305	Scheduled	04/13/2010	8:00AM	9:00AM	1.00	P	1.00	17.00	16.00	94.12
KB204	Scheduled	04/13/2010	8:00AM	9:00AM	1.00	P	1.00	18.00	17.00	94.44
GB305	Scheduled	04/14/2010	8:00AM	9:00AM	1.00	A	1.00	19.00	17.00	89.47
KB204	Scheduled	04/14/2010	8:00AM	9:00AM	1.00	P	1.00	20.00	18.00	90.00
GB305	Scheduled	04/15/2010	8:00AM	9:00AM	1.00	P	1.00	21.00	18.00	85.71
KB204	Scheduled	04/15/2010	8:00AM	9:00AM	1.00	P	1.00	22.00	18.00	81.82
GB305	Scheduled	04/16/2010	8:00AM	9:00AM	1.00	P	1.00	23.00	19.00	82.61
KB204	Scheduled	04/16/2010	8:00AM	9:00AM	1.00	P	1.00	24.00	19.00	79.17

GB305	Scheduled	04/17/2010	8:00AM	9:00AM	1.00	P	1.00	25.00	20.00	80.00
KB204	Scheduled	04/17/2010	8:00AM	9:00AM	1.00	P	1.00	26.00	21.00	80.77

This record of attendance is also misleading since it also presents that there are scheduled hours of instruction. Additionally this document bears little resemblance to the student's actual attendance. For example, Student #40 did not have any activity in the LMS for the period April 12 – 17, 2010, yet her attendance record shows multiple hours of attendance on those days, and it appears that she was absent only one of those days.

There was similar documentation which reflected daily attendance (every day of the week) in the files of the following students: #31, 32, 33, 34, 35, 36, 37, 38 and 39.

Required Action:

The attendance documents that were kept for each student and given to reviewers do not accurately depict either the actual attendance taking methodology employed by PTI or the programmatic offered hours of instruction. Therefore, PTI must immediately cease using the type of documentation as it is presented here, since the information on the document could be perceived to be misrepresenting clock hours to inflate or substantiate the hours necessary for Title IV eligibility. In response to this finding, PTI must revise its attendance documentation so that any misleading representation is removed and so that the presentation accurately reflects the program as it is offered.

A copy of the revised documentation must be provided in response to this finding. Additionally, PTI must provide a copy of its procedures which show how attendance is monitored and recorded. PTI must provide examples of the documents that it uses in order to meet this requirement.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding #4 - Conflicting Information – Attendance

Citation:

An institution is required to develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to the student's application for financial aid under Title IV programs. 34 C.F.R. § 668.16(f).

Noncompliance:

There were conflicts in the attendance records kept for the MOASBC program, a program that is offered 100% via distance education. Specifically, there were conflicts between

the attendance records provided by the IT Department versus those that were printed and meant to be the official attendance records. Additionally there were instances when PTI did not adhere to its own policy where it states that students are withdrawn after 14 days of non-attendance.

There were conflicting records related to attendance in the files for students as follows:

Student #1's official attendance record only showed attendance during the week ended 2/6/11 which was captured as 10 hours in the KB 204 course. Records provided by the IT department reflect that the student had various logon activities in course GB 305 as well.

Student #4's official attendance record did not show any attendance after 9/27/2010 and reflects that she had "attended" a total of 31 hours. However, her online records provided by the IT Department indicate activity through 10/31/10.

Student #24's online attendance records do not reflect that she attended for the period from August 28, 2011 until September 16, 2011, a period of 16 days, yet she was not withdrawn from the program and was still enrolled at the time of the review.

Student #40's online attendance records do not indicate that she attended for the period from May 16, 2010 until June 2, 2010. However, there is a letter in the file dated May 27, 2010 stating that Student #40's last attendance date was May 18th. According to PTI policy, Student #40 should have been withdrawn effective May 16, 2010.

Student #41 was withdrawn from the program and a date of 8/21/2011 was used in the Return to Title IV calculation. Notes in the file indicate that this student had some type of academic activity on that day, but the data from LMS do not show there to be any activity on the date in question.

Required Action:

In response to this finding, PTI must attempt to resolve and explain the instances of conflicting information noted, and notify this office of its findings.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding #5 –Incorrect Return to Title IV

Citation:

If a student ceases to attend an institution prior to the completion of his/her program, an institution must refund all unearned Title IV funds. 34 C.F.R. § 668.22. The amount of Title IV funds an institution is entitled to keep is based on the student's withdrawal date. For an institution that is not required to take attendance, the student's withdrawal date is:

- (i) The date, as determined by the institution, that the student began the withdrawal process prescribed by the institution;
- (ii) The date, as determined by the institution, that the student otherwise provided official notification to the institution in writing or orally, of his or her intent to withdraw;
- (iii) If the student ceases attendance without providing official notification to the institution of his or her withdrawal, the mid-point of the payment period;

34 C.F.R. § 668.22(c)(1). The institution may use as the student's withdrawal date a student's last date of attendance at an academically-related activity provided that the institution documents that the activity is academically related and documents the student's attendance at the activity. 34 C.F.R. § 668.22(c)(3)(i). An institution must return unearned Title IV funds as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew. 34 C.F.R. §668.22(j).

34 C.F.R. § 668.22 (l)(7)(i)(A) states that "academic attendance" and "attendance at an academically related activity" include but are not limited to –

- (1) Physically attending a class where there is opportunity for direct interaction between the instructor and students;
- (2) Submitting an academic assignment;
- (3) Taking an exam, an interactive tutorial, or computer-assisted instruction;
- (4) Attending a study group that is assigned by the institution
- (5) Participating in an online discussion about academic matters; and
- (6) Initiating contact with a faculty member to ask a question about the academic subject studied in the course

34 C.F.R. § 668.22 (l)(7)(i)(B) state that an institution may not included activities where a student may be present, but not academically engaged, such as –

- (1) Living in institutional housing;
- (2) Participating in the institution's meal plan
- (3) Logging into an online class without active participation

(4) Participating in academic counseling or advisement

34 C.F.R. § 668.22 (g) states that an institution must return, in the order specified in §668.22 paragraph (i), the lesser of –

- (i) The total amount of unearned Title IV assistance to be returned as calculated under § 668.22 paragraph (e) (4); or
- (ii) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student, as described in §668.22 paragraph (e) (3).

Also guidance provided on Page 5-85 of Volume 5 of the 2010/2011 *Federal Student Aid Handbook* states that “ for a nonterm credit-hour program offered in modules where some or all courses are offered sequentially and all students begin and end the modules at the same time. For a student who successfully completed all modules attempted up to the time the student withdrew, the completion date (and the corresponding number of days in the Return calculation) will be the number of days between the start of the first module and the originally scheduled end of the last module.

However, an institution must take into consideration any credits that a student has attempted, but not successfully completed before withdrawing. (Those credits must be successfully completed before the student is considered to have completed the period.) To do this, the school must modify the denominator used in the Return calculation. The school must add to the number of days between the start of the first module and the scheduled end of the last module, the number of days the student spent in the failed courses/module(s) the student did not successfully complete.”

Noncompliance:

Reviewers asked school officials if PTI was an institution that was required to take attendance and were told that it was. Since the program was offered 100% online, reviewers asked PTI for a statement from the accreditor pertaining to attendance. The statement read, in part, “The policy must promote sufficient levels of student attendance such that the required knowledge, skills, and competencies can be reasonably achieved.”

A. Incorrect Return to Title IV – Improper Withdrawal Date

As previously mentioned in Finding #3, PTI reviews attendance on a weekly basis and inputs attendance information into a database system after confirming that a student has some online work that PTI considers to be attendance. After all attendance is input into the database system, a report is run to identify students who have been absent for two consecutive classes for all of their current classes. Since PTI monitors attendance on a

weekly basis, two consecutive absences would mean a student has missed two weeks' worth of classes.

In accordance with PTI procedures, if students fail to attend a class for 14 days, they are withdrawn from the program. Therefore, PTI further reviews available information for students who appear on the report, and attempts to determine if the student has been in email or phone contact with their instructor, and if they have, they are marked present for the week in which the communication occurred.

Since assignments are due by Sunday of each week, and PTI monitors attendance on a weekly basis, when a student is determined to have withdrawn, the Sunday of the student's last completed week is the date used in the withdrawal calculation, rather than the student's last documented date of attendance at an academically related activity.

B. Incorrect Return to Title IV – Improper Determination of Academically Related Activity

PTI considers the following online actions as captured in the LMS to be indicative of actions that reflect attendance:

- Assignment Upload
- Chat Talk
- Chat Update
- Forum Add Post
- Forum Delete Post
- Forum Search
- Forum Stop Tracking
- Forum Subscribe
- Forum Update Post
- Forum View Discussion
- Game View
- Quiz Attempt
- Quiz Close Attempt
- Quiz Continue Attempt
- Quiz Preview
- Resource View: 01 AAPC Lectures
- Resource View: 01 Typing Master Access
- Resource View: 04 Interview/Stream/Career Connection
- Resource View: LIRN Learning Information & Resource Network
- Resource View: Virtual Classroom (any number)
- Upload Upload

Very few of these activities, without further documentation indicating the academic content of the action, would be sufficient in and of themselves to meet the regulatory definition of an "academically related activity".

For example, regulations state that participating in an online discussion pertaining to academic matters would be considered to be academically related, however, capturing an LMS activity as "Chat Talk" would not be sufficient, unless the record of the chat were reviewed to determine that it contained academic content. So, if a student were in the chat room that is used for class, but the chat content was of a personal nature and did not relate to the class, this would also be captured as "Chat Talk" and this would be insufficient for Return to Title IV purposes. However, a print-out of the chat would be sufficient, because it would be able to document that the chat content pertained and was responsive for the class.

Due to both of the practices as described in Parts A and B, PTI made multiple errors in calculating the Return to Title IV funds due for students since almost no dates used in the calculation were the correct date according to federal regulations. The specific errors in processing return to Title IV funds for sampled students were as follows:

Student #1's return was incorrectly calculated because PTI processed the return using a Last Date of Attendance (LDA) of 2/6/11, a Sunday, when the online activity records reflect that the student last had activity on the LMS on 2/9/2011. However, without further corroborating documentation that the LMS activity was a live lecture where there was direct interaction between the instructor and students, the LMS activity on 2/9/11 may not qualify for regulatory purposes. The activity on the LMS was captured as "Resource View Virtual Classroom #1". If this is not a lecture in which she was able to interact with the instructor, then her last academically related activity might have been the quiz she attempted on 1/31/2011. However, if the student just "viewed" the quiz, and this was captured by the monitor as a "quiz attempt", then the quiz attempt would not be a documented academically related activity that could be used in the withdrawal calculation.

Student #3's return was incorrectly calculated because PTI processed the return using the LDA of 7/10/11, a Sunday, when there is an email documenting her intention to withdraw dated 7/8/11.

Student #4's return was processed using an LDA of 11/7/2010 and there is documentation in her file indicating that she was withdrawn due to poor attendance. Her LMS activity indicates that she logged in and viewed various course elements on November 3rd and November 11th, however her last academically related activity may have been her post to the discussion forum on 10/31/2010, assuming PTI is able to further document that the post was academically related.

Student #6's return was incorrectly calculated because PTI processed the return using the LDA of 6/5/11, a Sunday, when her date of attendance at an academically related activity may have been 06/04/11 assuming that she completed and turned in the quiz that she may have partially attempted, since the activity was recorded as "Quiz Attempt".

Student #12's return was processed effective 5/15/11, a Sunday, for her program that began 5/2/11 after the school learned that the state of Mississippi was unable to confirm that Student #12 had a valid GED. The date on the letter from the state of Mississippi was 5/3/11. This student is also discussed in Finding #6.

There is a letter in the file of Student #14 dated November 4, 2010 indicating that she is being withdrawn from the program since she had failed both of courses in one module two times. However, there was no Return to Title IV calculation form in the file for Student #14.

There are notes in the file of Student #41 indicating that this student called and notified the institution of her intention to withdraw on August 22, 2011, although this phone call does not appear to have been acceptable to PTI, since they did not take action at that time. Additionally, there are a series of notes in her file beginning on August 3, when PTI first began making attendance phone calls to Student #41. On 3 successive days the notes indicate that this student hung up on the caller when they called regarding poor attendance. The notes go on to indicate that Student #41 was required to put her request in writing, which she did via email on August 26, 2011. However, the date that appears to have been used in the return calculation was actually August 21, 2011, presumably based on a note in the file indicating that there was attendance in a course on that day. However, the LMS does not indicate any activity that would count as attendance on this day. Additionally, the return for Student #41 was paid on October 5, 2011, so if her return should have been processed with an earlier date, this return would have been paid late.

Student #42's last activity in the LMS was on 7/29/2011 and the notes in her file indicate that she first mentioned to a school official that she wanted to withdraw from the program on 7/25/2011, but she was called and asked to put her request in writing. Subsequent to that statement, there are notes in her file indicating multiple phone calls and emails from school officials attempting to contact Student #42. It appears that they did reach her and notes indicate that school officials are able to construct an action plan that allowed Student #42 to complete her program. Also, there is a note from an instructor dated 7/27/2011 that indicates that Student #42 had not logged on to her class in 14 days; the instructor had called her to speak about her missing assignments and when she returned that call, the instructor surmised that this could count as active participation. Student #42 relayed to PTI that her work schedule had changed and she had been working 16 hour days and was considering dropping the program. Notes from the instructor state that she could get Week 01 done on Friday, Week 02 done on Saturday and Week 03 on Sunday.

Notes indicate that Student #42 agreed to this plan, and it appeared that her logon activity on 7/29/2011 was attempting to accomplish this, as her activity indicated that she was working on assignments from Week 1 and Week 2. There were multiple attempts to contact Student #42 during early August, and when contact is made, it is learned that she had been in the hospital with health problems. Yet school officials were still trying to urge her to not drop the program. Finally, when Student #42 no longer returned calls, on or about August 16, 2011, notes indicate that a Change of Status form would be processed. The Return to Title IV calculation used an LDA of 7/31/2011 in the calculation.

Student #44 withdrew from the program and, based on activity recorded in the LMS, her last activity that was more than viewing an assignment may have been on 7/24/2011 when she was recorded as having multiple transactions related to attempting a quiz. However, PTI used an LDA of 7/31 and a withdrawal date of 8/1/2011.

Required Action:

Due to the systemic nature of this finding PTI must identify all students who withdrew from the MOASBC online program prior to program completion for the entire period that the program was offered. For each student, PTI must review its records and determine the accurate withdrawal date and/or the accurate last date of attendance at an academically related activity that should have been used in the return calculation. For each student PTI should prepare a spreadsheet with the following information:

- Student Name
- Social Security Number
- Original Withdrawal Date
- Date of Determination
- Correct Withdrawal Date (Based on Academically Related Activity)
- Amount of Title IV Refund Returned
- Date Returned to the Program
- Additional Amount of Title IV Due, by Program
- Number of Days in Payment Period in which Student Withdrew (Denominator)
- Number of Completed Days (Numerator)

Additionally, PTI must provide a copy of the document which supports the Correct Withdrawal Date that is noted in the spreadsheet.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Instructions for repayment of liabilities, including interest, will be provided in the Final Program Review Determination letter.

Finding #6 - Ineligible Disbursements

Citation:

In order to receive Federal Student Aid funds, a student must be qualified to study at the Post-Secondary level. Among the ways a student qualifies is if he or she has a high school diploma or has the recognized equivalent of a high school diploma such as a general education development or GED certificate. 34 C.F.R. § 668.32(e).

An institution is required to develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to the student's application for financial aid under Title IV programs. 34 C.F.R. § 668.16(f).

Noncompliance:

PTI admission criteria indicates that it accepts students into its online MOASBC program if they have a valid high school diploma or GED, and PTI confirms that the student has received these credentials by requiring documentation of the credential which is then kept in the student file.

PTI requested a GED transcript from the state of Mississippi for Student #12, but was informed that the State GED Office did not find a GED record for that student. Therefore, since Student #12 did not have a valid admissions credential, she was not eligible for the \$2,775 Federal Pell grant that was disbursed to her on May 12, 2011. Rather than return the full Pell disbursement, PTI processed a Return to Title IV calculation as of 5/15/11 and returned \$2,497.50 of Pell Grant Funds. Additionally, the date on the letter from the State of Mississippi was May 3, 2011, so it is unclear how the PTI used an LDA of 5/15/2011.

PTI received documentation for Student #15 which indicated that she was not a high school graduate via a letter from the Providence Schools located in Rhode Island, dated December 14, 2010. Additionally, the ISIR for student #15 indicated that she had obtained a GED. While there are notes in the file indicating that Student #15 may have received a GED in South Carolina, PTI was not able to confirm this credential with the state of South Carolina. Rather than return the full Pell disbursement, PTI processed a Return to Title IV calculation as of 12/13/2010 and returned \$2,369.89 of the \$2,775 that had been disbursed. The ledger for Student #15 indicates that this return was processed on 1/27/2011.

Required Action:

If PTI confirms that students misrepresented that they possessed a high school diploma or GED, which is a condition of Title IV eligibility, the student would be ineligible for any Title IV funds.

Therefore, due to the error rate associated with this finding, PTI must review the files for students in the 2010/2011 award year to determine if there are additional students for whom PTI received information that the students were not eligible to attend the institution because the student either did not have the claimed high school diploma or GED.

For those students, PTI must provide the following information in spreadsheet format:

Student Name
Social Security Number
Title IV Aid Awarded and Disbursed, Separated by Program
Date of Original Disbursements, By Program
Title IV Aid Returned, Separated by Program
Date of Return
Date of Documentation that Invalidated Admission Credential

PTI will be apprised of any additional requirements upon review of the response to this finding.

Instructions for repayment of the liability will be provided in the final program review determination letter.

Finding #7 - Verification Violations

Citation:

An institution is responsible for verifying all required information submitted by applicants for student financial assistance in connection with the calculation of their expected family contributions (EFC) for Title IV assistance, 34 C.F.R. §§668.51(a), 668.56(A)(1)(2)(3)(4), and 668.57(a)(b)(c)(d). An institution is responsible for updating information and resolving conflicting information under 34 C.F.R. §668.55(a)(1)(i)(ii) and using corrections to data originally reported to determine whether student eligibility would be impacted, 34 C.F.R. §668.59(a)(b)(c)(d)(e). Title IV aid disbursements without complete or proper verification are institutional liabilities to the Federal aid programs. See the Higher Education Act of 1965, as amended, Part F - Need Analysis, and The Verification Guide

Noncompliance:

PTI failed to accurately verify necessary information required during the verification process for the following students:

Student #5's 2010/2011 Institutional Student Information Record (ISIR) was selected for verification and it indicates that the student had \$0 Other Untaxed Income for 2009. However, line 40 of the tax return for Student #5 indicates that she received an \$800 Making Work Pay credit on the tax return that was filed jointly with her husband. This amount should have been included in Other Untaxed Income and was not.

Student #10's 2010/2011 ISIR was selected for verification and it indicates that the students spouse received income of \$29,087, while the tax return for the spouse indicated Adjusted Gross Income of \$26,087. Additionally, both the spouse and the student received a Making Work Pay credit of \$400 according to their Married Filing Separately income tax returns. The income for the spouse should have been corrected and \$800 of Other Untaxed Income should have been included as an ISIR correction.

Student #22's 2010/2011 ISIR was selected for verification and it indicates that the student had an Adjusted Gross Income of \$9,376; however, the 2009 1040 Income Tax Return indicates that the student had an AGI of \$8,985. Additionally, Student #22 received a Making Work Pay credit for \$400 which should have been included on the ISIR as Other Untaxed Income. At the time of the review there was no 2011/2012 ISIR in the file, yet the 2010/2011 ISIR was processed on May 10, 2011.

Required Action:

For all students identified in this finding, PTI must review, and recalculate the eligibility for Title IV, HEA program funds using the correct information. *However, since specific guidance regarding the Making Work Pay credit was not disseminated prior to the issuance of the 2011/2012 Application and Verification Guide in early April 2011, no remedial action is required for those students where the only error is the improper exclusion of that credit in the needs analysis if verification was completed prior to May 2011.* For all other students, if completion of verification results in a change to a student's eligibility, and/or if PTI is unable to complete verification for any student, PTI must provide the liability results in a spreadsheet format with the following information:

Student Name
Student Social Security Number
Amount of Ineligible Disbursements - identified by Program

Instructions for repayment of liabilities, if any, including interest, will be provided in the Final Program Review Determination letter.

Finding #8 - Conflicting Information – Improper Awarding/Exceeding Annual Award Limits

Citation:

An institution is required to develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to the student's application for financial aid under Title IV programs. 34 C.F.R. § 668.16(f).

Noncompliance:

PTI failed to identify and resolve the following instances of conflicting information during the awarding process for the following students:

NSLDS records for Student #27 indicate that she was enrolled at Florida Technical College effective 9/7/2011 and she received \$1,041 of Federal Pell grant funds for her enrollment at that institution. Based on her 0 EFC, PTI awarded her \$5550 Pell funds and disbursed \$2,775 for her enrollment beginning 9/19/2011. It does not appear if PTI resolved whether Student #27 is eligible for her full award.

Required Action:

In response to this finding, PTI must attempt to resolve and explain the instance of conflicting information noted, and notify this office of its findings.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Instructions for repayment of any liabilities, including any interest, will be provided in the Final Program Review Determination (FPRD) letter.

Finding #9 - Late Payment of Credit Balances

Citation:

Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA funds credited exceeds the amount of institutional charges, 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 balance occurred if the credit balance occurred after the first day of class of a payment period, or no later

than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. §668.164 (e)(1)(2).

Noncompliance:

PTI failed to make timely payments of credit balances to students when the institution received Title IV funds in excess of their tuition and fee charges. Those students had not given permission to PTI to hold those funds on their accounts.

As part of a fiscal review of PTI, reviewers tested procedures for the drawdown and disbursement of funds as well as the subsequent payment of credit balance payments to students. As part of this testing, reviewers found one drawdown request which resulted in 10 students not receiving their credit balances timely. In this instance Federal funds were disbursed to the individual student accounts on July 25, 2011, but credit balance payments were not paid until August 10, 2011.

This instance was discussed with school officials during the onsite portion of the review and reviewers were told that this instance was due to the President being in the hospital and she had been the only person at the time that had been authorized to sign checks. Subsequent to that occurrence, school officials stated that they had amended their procedures so that another school official can sign checks less than \$5,000 and this should ensure that future credit balances are paid timely.

Most of the students identified in the fiscal review who received a late payment of their credit balance were not part of the program review sample; however, Student #11 and Student #43 were included in this group and received a late credit balance payment.

Required Action:

PTI must develop procedures that will ensure the prompt delivery of credit balances to students in the future. Details of those procedures must be provided with the response to this report.

This office will provide PTI with any further instructions upon receipt and review of PTI's response.

Finding #10 – NSLDS Improper Reporting & Late Reporting

Citation:

A school shall, unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days; notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct Plus Loan

has been made to or on behalf of student who enrolled at that school but has ceased to be enrolled on at least a half-time basis. 34 C.F.R. § 685.309 (b)(2)(i)

Noncompliance:

Student #1 withdrew from the program with an LDA of 02/06/2011 yet she was never reported to have been enrolled at PTI, nor is she reported to have withdrawn.

Student #3 officially withdrew from the program on 7/8/2011 but NSLDS reflects her withdrawn status as of 7/11/2011.

Student #4's records inaccurately reflect a withdrawn date of 11/30/2010 in NSLDS. The attendance documentation in her file does not show any logon activity whatsoever after 11/11/2010 and her official attendance records indicate no activity after 11/7/2010. Additionally, there is a letter in her file dated 11/11/10 which states that she had not attended class past 11/3/10. PTI used the 11/7/2010 in the Return to Title IV calculation and NSLDS should reflect the date of last academically related activity, which may have been on October 31, 2010.

Student #5's records inaccurately reflect a withdrawn date of 4/4/2011 in NSLDS, yet she was administratively withdrawn effective 3/27/2011 and that is the date that was used in the Return to Title IV calculation.

Student #6 has a withdrawn date of 6/14/2011 in NSLDS when her LDA used in the Return to Title IV was 6/5/2011. Her last academically related activity may have occurred on 6/4/2011.

Student #14's file had a letter dated November 4, 2010 indicating that she was being withdrawn from the program, yet her withdrawn date reported to NSLDS was 11/08/2010.

Student #15 was never reported to have been enrolled or withdrawn from the program.

Student #17 withdrew with an LDA of 8/24/2010 when her last date of attendance indicates a date of 8/22/2010. Her withdrawn status was first reported to NSLDS on 12/30/2010 and a withdrawal date of 9/8/2010 was reported. Additionally, Student #17 re-enrolled in the program 1/21/11, yet this information was not reported to NSLDS until 11/3/11 even though loans were originated 4/11 and 8/11.

Student #32 was administratively withdrawn for poor attendance and had a last day of attendance of 1/30/2010; however, the withdrawn date was reported to NSLDS incorrectly as 02/16/2010. Additionally, her withdrawn status was reported late on 5/11/2010

Student #38 was administratively withdrawn for poor attendance and had a last day of attendance of 5/23/2011; however, the withdrawn date was reported to NSLDS incorrectly as 6/9/10.

Student #41 withdrew from the program as previously stated in Finding #5. However, NSLDS records show that her withdrawn status was effective 8/30/2011, which was not a relevant date for her withdrawal.

As previously mentioned in Finding #5, Student #42's NSLDS records reflects a withdrawn date of 8/18/2011 when the accurate date for her should be 7/29/2011.

Student #44's withdrawal date in NSLDS is 8/4/2011, however her last academically related activity may have been 7/24/2011, and PTI used 7/31/2011 in the return calculation.

Additionally, PTI failed to report the students' enrollment status in a timely manner for the following students:

Student #	Status	Effective Date	Notification Date
13	Full Time Enrolled	06/14/2010	10/28/2010
20	Full Time Enrolled	1/17/2011	4/28/2011
21	Full Time Enrolled	3/28/2011	9/02/2011
22	Full Time Enrolled	6/06/2011	9/02/2011
26	Full Time Enrolled	03/01/2011	6/30/2011
28	Full Time Enrolled	06/06/2011	09/02/2011
33	Full Time Enrolled	8/31/2009	03/11/2010
35	Graduated	10/31/2010	02/26/2011
37	Graduated	8/22/2010	02/26/2011
38	Withdrawn	6/09/2010	02/26/2011
39	Full Time Enrolled	1/25/2010	05/11/2010

Required Action:

PTI is required to make the necessary status corrections for students who had reporting errors and provide assurances that it will regularly report status changes in the future.

As part of its response to this finding, PTI is required to demonstrate that it has adequate procedures in place to ensure that Student Confirmation Reports reflect accurate data and that student's change of status are reported in a timely manner. Details of those procedures must be provided with the response to this report.

This office will provide PTI with any further instructions upon receipt and review of PTI's response.

Finding # 11 – Improper Disbursement of Federal Direct Loan funds

Citation:

Regulations specify that an institution must disburse Title IV, HEA program funds on a payment period basis and, except for late disbursements, an institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds. 34 C.F.R. § 668.164(b).

For a loan under the Federal Stafford or Direct Loan program, an otherwise eligible student becomes ineligible to receive Title IV, HEA program funds on the date that the student is no longer enrolled at the institution as at least a half-time student for the period of enrollment for which the loan was intended. 34 C.F.R. §668.164(g)(1)

Noncompliance:

Student #3 officially withdrew from the program on 7/8/2011, yet she received a Federal Subsidized Direct loan disbursement of \$1,742 and a Federal Unsubsidized loan of \$2,985 to her account on 7/13/2011. PTI returned the loan funds on 8/8/2011.

Student #15 was withdrawn from the program with an LDA of 12/13/2010, yet she received a Federal Subsidized Direct loan disbursement of \$1,742 and a Federal Unsubsidized loan of \$2,985 on 1/18/2011. PTI returned the loan funds on 1/27/2011.

Required Action:

PTI is required to have procedures in place to ensure that only eligible students receive Federal Direct Loan fund disbursements. These procedures should incorporate PTI's process for identifying whether students have either formally or informally withdrawn from PTI prior to any disbursements. PTI must provide this office with an updated copy of its procedures.

This office will provide PTI with any further instructions upon receipt and review of PTI's response.

Finding #12 - Right to Cancel Notification Inadequate

Citation:

Schools are required to notify students and parents of their right to cancel all or a portion of an education loan disbursement and have the funds returned to the lender. This notice must be sent within 30 days before or after the school credits the student's account with the loan proceeds. 34 C.F.R. 668.165(a)(2)

Noncompliance:

While some student files contained a disbursement notification and the "right to cancel" notification, many of the documents were inadequate and did not sufficiently document that the required notification occurred. While these documents included the Student ID number and the disbursement information, reviewers were unable to determine from the paperwork where and when the information was sent, as not all documents included the name and addresses and many did not include the date it was sent to the student. This deficiency was noted in the files of the following students:

Student # 17, 21, 28, 29, 30

Also, there was no disbursement notification in the file of the following students:

Student's #25, 27, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40

Additionally, while there was notification of the 4/11/2011 disbursement and the right to cancel the disbursement for Student #36, the notification indicates that \$4,127 of Federal Subsidized Direct loan funds was disbursed, when the correct amount of the disbursement was \$579. Also, since there were no notifications for the prior three disbursements, Student #36 was included above.

Required Action:

PTI must review the circumstances surrounding the right to cancel notification provided to Students #17, 21, 28, 29 and 30 and report its findings to this office.

Additionally, PTI must review the circumstances surrounding the lack of the Right to Cancel notification for Student's #25, 27, 31, 33, 34, 35, 36, 37, 39 and 40 and report its findings to this office.

PTI is required to have procedures in place to ensure that all students are notified of their right to cancel a loan disbursement. PTI must provide this office with an updated copy of its procedures.

This office will provide PTI with any further instructions upon receipt and review of PTI's response.

Finding #13 - Failure to Award Federal Pell Grant Funds

Citation:

Students are eligible to receive Title IV assistance if the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution. 34 C.F.R. § 668.32(a)(1)(i).

Noncompliance:

At the time of the onsite visit, PTI stated that it did not award and disburse any Title IV, HEA program funds to students who enrolled and attended the traditional onsite programs offered at the New Jersey location. The programs offered that did not have any Federal funds administered to students enrolled in the programs were the MBC, MAA, MOBA, and MOS programs. Students were customarily referred from a Workforce Investment Act, the New Jersey Division of Vocational Rehabilitation Services and the Department of Welfare. Because these programs often times seek to assist the neediest students, it is likely that many students who enrolled and attended the programs at the NJ location would also have been eligible for Federal Pell grant funds.

When asked why Federal funds were not made available to the NJ students, reviewers were told that staff members in the NJ location were not familiar enough with the Federal Student Aid requirements and since the other programs covered all of the costs for these students, they did not administer funds to that group of students. During the review, reviewers explained to institutional officials that Title IV funds are able to be used for any expenses, including indirect educational expenses such as commutation costs. Additionally, reviewers explained that an institutional may not elect to administer the Title IV funds to only some students.

Reviewers asked for a list of students who had taken the programs in New Jersey and PTI identified the following number of students who had been enrolled in each program from 2009 to the present:

MBC:	7
MAA:	55
MOBA:	39
MOS:	46
MOSBC online:	1
TOTAL:	148

Additionally, PTI may not choose to exclude awarding Federal funds to students in an eligible program or to a class of students to ensure that it meets the Department's "90/10" requirement. According to the financial statements for the year ended 12/31/2010, the 90/10 calculation was 86.8%, and for the year ended 12/31/2011 the 90/10 calculation was 89.16%.

Required Action:

PTI must immediately begin to properly administer the Title IV, HEA programs to students who enroll in their ground programs in New Jersey. Also, PTI must inform any students already enrolled that they can apply for Title IV, HEA funds by filling out the Free Application for Federal Student Aid (FAFSA).

Since school officials indicated that a factor in not administering the programs at that location was due to lack of knowledge or inadequate training of staff working at that location, PTI must identify what steps, if any it has taken to remedy this condition. Additionally, PTI must provide a definitive statement which details how it has or plans to administer the Federal programs to all eligible students in its New Jersey location.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding #14 – Improper Definition of Clock Hour

Citation:

34 C.F.R. § 600.2 defines a clock hour as a period of time consisting of –

- (1) A 50 to 60 minute class, lecture, or recitation in a 60 minutes period
- (2) A 50 to 60 minute faculty supervised laboratory, shop training, or Internship in a 60 minutes period; or
- (3) Sixty minutes of preparation in a correspondence course

Noncompliance:

Even though PTI did not award or disburse funds to students enrolled in their traditional classroom programs offered in their New Jersey location, reviewers asked for and received a copy of how the programs were scheduled and offered to students.

Course schedules provided indicated that PTI was not offering the correct amount of clock hours, according to the Federal definition of a clock hours. PTI had combined two

(2) 50 minute periods and was counting the combined 1.5 hours of offered instruction to be the equivalent of two (2) clock hours of instruction.

During the onsite portion of the program review, reviewers instructed PTI that it must immediately change their current schedule to incorporate and include the proper number of clock hours that were approved. While reviewers were still onsite, PTI stated that it had made the changes and provided a revised schedule for the ground programs offered in New Jersey.

Required Action:

Although it should have administered Title IV, HEA programs funds to the students enrolled in their traditional classrooms in the New Jersey location, there were no disbursements to students in those programs. Therefore, there is no liability as a result of this finding.

However, in response to this finding, PTI must provide an updated schedule for all programs that are offered to their students in the New Jersey location and document how each program calculates and offers the correct amount of clock hours.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding # 15 - Federal Direct Loan Underaward

Citation:

34 C.F.R. § § 685.203(a) through 685.203(c) discuss the criteria for calculating Direct Loan awards as well as state the loan limits applicable for each type of student.

Noncompliance:

Student #41 indicated on her application documentation that she wanted to receive the full amount of loans that she was eligible for according to her grade level. Based on her ISIR for 2011/2012 and her \$0 EFC, she would have been eligible for the full amount of Subsidized Federal Direct Loans, yet she was awarded \$2,187 instead of the \$3,500 she was eligible for. Student #41 also was awarded \$3,750 of Unsubsidized Direct Loans when she could have been eligible for \$6,000. Instead, this student took out private loans in the amount of \$6,546. Student #41 withdrew from the program prior to completion and the loan underaward would impact the amount of aid earned by the student in the Return to Title IV calculation.

Required Action:

PTI must review and report on what transpired with respect to the awarding of Federal Direct Loan funds to Student #41 and report its findings to this office.

Additionally, PTI may not choose to exclude awarding Federal funds to students in an eligible program or to a class of students in order to meet the Department's "90/10" requirement. According to the financial statements for the year ended 12/31/2010, the 90/10 calculation was 86.8%, and for the year ended 12/31/2011 the 90/10 calculation was 89.16%

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding # 16 - Satisfactory Academic Progress Standards Not Met

Citation:

For purposes of determining student eligibility for assistance under a Title IV, HEA program an institution must establish, publish, and apply reasonable standards for measuring whether a student is maintaining satisfactory progress in his/her educational program. 34 C.F.R. § 668.16 (e), 34 C.F.R. 668.32(f) and 34 C.F.R. 668.34.

The Secretary considers the policy to be reasonable if the policy is at least as strict as the institution's standards for a student enrolled in the same educational program who is not receiving assistance under a Title IV, HEA program. These standards must include both a qualitative and a quantitative component. The qualitative component must consist of grades, work projects completed, or comparable factors that are measurable against a norm. The quantitative component consists of a maximum timeframe in which a student must complete his or her educational program and must be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, clock hours completed, etc., as appropriate. In addition, the quantitative component must include a schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum timeframe. The institution must also include specific policies defining the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress. 34 C.F.R. § 668.34.

Noncompliance:

PTI procedures indicate that SAP is evaluated based on the number of offered credits and that the procedures indicate that SAP is checked for students in the MOASBC online

program after 18, 36 and 41.5 credits had been offered. Student files contained transcripts which showed handwritten notations indicating that SAP had been checked.

Based on the structure of the course, students in the earlier version of the program which was offered for the period 8/2009 – 9/18/2011 earned 18 credits sometime in the middle of the 4th module, having earned 21 credits if they successfully completed the 4th module, which was the end of the first payment period. Students would successfully complete 36 credits at the end of the 7th module which was also the end of the second payment period and would earn 41.5 credits at the end of the 9th module.

Beginning in 9/19/2011, the course was re-structured so that students would earn 18 credits at the end of the 4th module which corresponded to the end of the first payment period, would still successfully complete 36 credits at the end of the 7th module and would successfully complete 41.5 credits at the end of the 9th module.

The procedures also appear to directly conflict with the process that is outlined in the policy example, which indicates that, "Academic progress for online students will be evaluated once a student completes term 3 or 4 (term 4 for MOASB-O and term 3 for MOASB-OII), term 7 and term 10. At these points in time, students must comply with both a qualitative standard and a quantitative standard to be making satisfactory academic progress."

The outlined procedure does not appear to ensure that students are able to successfully complete the program within 150% of the program. Also, a student who successfully completes their courses would actually graduate from the program at the end of the 10th term, so it makes little sense to assess SAP at that particular point in time.

Specific instances of non-compliance with the outlined procedures were noted in the files of the following students:

Student #17 had earned a 1.80 GPA at the end of the first payment period. According to policy, this student was supposed to be placed on academic probation, but reviewers could not find any documentation indicating that this occurred.

Student #31 enrolled in the program beginning 10/05/2009, but she did not successfully complete 4 of her modules (the modules that began 1/25/2010, 04/05/2010, 06/14/2010, 8/23/2010) and she failed the module that began 1/17/2011, which would mean that she would have to retake that module as well. Therefore, Student #31 was not making SAP at the point in time in which it was not possible for her to complete the program within 150% of the program, or the equivalent of 69 attempted credits. Based on this requirement, Student #31 would have exceeded her ability to complete the program when she was allowed to begin the module that began 12/6/2010. Even if she successfully completed that module (and she did), she still had 10 credits that she needed to complete

in her remaining modules. At that point, by being allowed to attempt that module, she had already attempted 60.75 credits. However, PTI allowed her to continue past this point in time, and begin the module that began 1/17/2011 and the module after that that began 2/21/2011. Additionally, PTI disbursed \$622 Subsidized Direct Loan and \$830 of Unsubsidized Federal Direct Loan funds to Student #31 on 1/27/2011, at a point in time that she was not able to successfully complete her program. PTI did process a Return to Title IV, with an LDA of 2/27/2011 when the student eventually was withdrawn from the program.

Required Action:

PTI must review the circumstances surrounding what occurred for the students listed in this finding and provide a narrative of its findings. In addition, PTI must revise its policies and procedures to ensure that what occurred with Student #31 is identified so that students, who are not able to complete the program within the regulatory timeframe, are dismissed appropriately.

Additionally, PTI must identify any liability due to the Department as a result of its review of these students and report the results as a part of its response to this finding. Also, PTI must provide a copy of its SAP procedures which incorporate and seek to ensure that the instances identified in this finding do not recur. A copy of the revised procedures must be provided with its response.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Instructions for repayment of any liabilities, including any interest, will be provided in the Final Program Review Determination (FPRD) letter.

Finding # 17 - Failure to Maintain Funds in an Interest Bearing Account

Citation:

An institution must maintain Direct Loan, Federal Pell Grant, Academic Competitiveness Grant, National SMART Grant, TEACH Grant and Federal Work Study program funds in an interest-bearing bank account or an investment account. 34 C.F.R. § 668.163(c)(2)

Noncompliance:

The account that PTI used to keep Federal funds was not interest-bearing, in accordance with Federal regulations.

Required Action:

PTI must immediately begin maintaining Federal program funds in an interest bearing bank account or an investment account.

As part of the response to this Finding, PTI must provide documentation that this has occurred.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding # 18 - Failure to Maintain Funds in an Account Entitled "Federal Funds"

Citation:

For each bank or investment account that includes Title IV, HEA program funds, an institution must clearly identify that Title IV, HEA program funds are maintained in that account by including in the name of each account the phrase "Federal Funds". 34 C.F.R. § 668.163(a)(2)(i).

Noncompliance:

The bank account that PTI used to maintain Federal funds was not identified as such, in accordance with Federal regulations.

Required Action:

PTI must immediately begin maintaining Federal program funds in an account that includes "Federal Funds" in its' title.

In response to this Finding, PTI must provide a copy of a recent bank statement which documents that this has been remedied.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding #19 - Inadequate Return to Title IV Policy

Citation:

An institution must provide students with information about the requirements of 34 C.F.R. §668.22, which details the Department's Federal Return to Title IV (R2T4) policy. This information must be provided in accordance with 34 C.F.R. §668.43 (a)(2) which states that an institution must make readily available to students and prospective students any refund policy with which the institution is required to comply for the return of unearned tuition and fees or other refundable portions of costs paid to the institution.

Noncompliance:

PTI's current Return to Title IV policy is not in compliance with Federal regulations as it does not provide an explanation of any refund policy with which the institution is required to comply (e.g. state, accreditor).

Required Action:

PTI must revise its current Return to Title IV policy to address the area of noncompliance noted above. A copy of PTI's newly revised policy must be submitted in response to this finding.

PTI will be apprised of any additional requirements upon review of the response to this finding.

Finding #20 - Inadequate Satisfactory Academic Policy

Citation:

An institution must establish, publish and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. Included in those standards must be specific policies defining the effect or course incompletes, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress. 34 C.F.R. §668.16(c).

If the institution places students on financial aid warning, or on financial aid probation, as defined in paragraph (b) of this section the policy describes these statuses and that a student on financial aid warning may continue to receive assistance under the Title IV, HEA programs for one payment period despite a determination that the student is not making satisfactory academic progress. Financial aid warning status may be assigned without an appeal or other action by the students; and a student on financial aid warning may receive Title IV, HEA program funds for one payment period. While a student is on

financial aid probation, the institution may require the student to fulfill specific terms and course load or enrolling in specific courses. At the end of one payment period on financial aid probation, the student must meet the institution's satisfactory academic progress standards or the requirements of the academic plan developed by the institution and the student to qualify for further Title IV, HEA funds. 34 C.F.R. §668.34(a)(8).

Financial aid probation means a status assigned by an institution to a student who fails to make satisfactory academic progress and who has appealed and has had eligibility for financial aid reinstated. Financial aid warning means a status assigned to a student who fails to make satisfactory academic progress at the end of each payment period. 34 C.F.R. §668.34(b).

Noncompliance:

PTI's current satisfactory academic progress (SAP) policy is not in compliance with Federal regulations, as it automatically assigns students a probation status which is not in accordance with regulations. Effective July 1, 2011 financial aid probation was a term used to describe a student who had failed to make SAP and had appealed the decision. PTI's policy provided to reviewers indicated that when a student failed, they were automatically considered to be on probation. Also, there was no description of the financial aid warning process in the policies at PTI.

Required Action:

PTI must revise its current SAP policy to address the area of noncompliance noted above.

A copy of PTI's newly revised policy must be submitted in response to this finding.

PTI will be apprised of any additional requirements upon review of the response to this finding.