Index Sheet

Ope Id No: 00927000

School Name: ART INSTITUTE OF ATLANTA

Subfolder: Program Review/FPRD

Doc Type: FPRD with Attachments

Rec Date:

Org Date:

School Year: 2013

ACN:

PRCN: 201040427319

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January 24, 2013

Jo Ann Koch
President
The Art Institute of Atlanta
6600 Peachtree Dunwoody Road
100 Embassy Row
Atlanta, Georgia 30328-1649

UPS Tracking Number
1ZA5467Y0191370325

RE: Final Program Review Determination
OPE ID: 00927000
PRCN: 201040427319

Dear President Koch:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on December 28, 2011 covering Art Institute of Atlanta's (AiA) 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 2008-2009 and 2009-2010 award years. AiA's final response was received on February 23, 2012. A copy of the program review report (and related attachments) and AiA's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by AiA upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

The total liabilities due from the institution from this program review are $9,606.64.

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

Protection of Personally Identifiable Information (PII):

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

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the December 28, 2011 program review report. If AiA 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 AiA receives this FPRD. An original and four copies of the information AiA submits must be attached to the request. The request for an appeal must be sent to:

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

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

Sincerely,
(b)(6); (b)(7(C),(b)(7)(C)
[redacted]
Division Director

Enclosure:
Protection of Personally Identifiable Information

cc: Bela Akbasheva, Financial Aid Administrator
GA Non-Public Postsecondary Education Commission (EXEMPT)
SC Commission on Higher Education

Federal Student Aid
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Prepared for
The Art Institute of Atlanta

OPE ID 00927000
PRCN 201040427319

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

Final Program Review Determination

January 25, 2013

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

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A. Institutional Information

The Art Institute of Atlanta
6600 Peachtree Dunwoody Road
100 Embassy Row
Atlanta, Georgia 30328-1649

Type: Proprietary

Highest Level of Offering: Bachelor Degree

Accrediting Agency: Southern Association of colleges and Schools Commission on Colleges

Current Student Enrollment: 7024 (2010-2011)

% of Students Receiving Title IV, HEA funds: 63% (2010-2011)

Title IV, HEA Program Participation via Postsecondary Education Participants System:

	2010-2011
Federal Pell Grant (Pell)	$29,008,393
Federal Family Educational Loan Program (FFEL)	$620,137
Direct Loan Program (DL)	$126,513,662
Federal Supplemental Education Opportunity Grant (FSEOG)	$1,672,956
Federal Perkins Loan Program (Perkins)	$0
Federal Work Study (FWS)	$422,825

Default Rate FFEL/DL:	2010	13.0%
	2009	16.0%
	2008	7.8%
Default Rate Perkins:	2011	31.4%
	2010	32.0%
	2009	21.3%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Art Institute of Atlanta (AiA) from September 20, 2010 to September 24, 2010. The review was conducted by Melody Parker-Venable, Pamela Clemmer, and Jon Finkelstein.

The focus of the review was to determine AiA's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of AiA's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2008-2009 and 2009-2010 (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. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on December 28, 2011.

Disclaimer:

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

C. Findings and Final Determinations

<u>Resolved Findings</u>

Findings 2 thru 12.

AiA has taken the corrective actions necessary to resolve findings numbers 2 thru 12 of the program review report. Therefore, these findings may be considered closed. AiA's response to the Program Review Report is located at Appendix B. Findings requiring further action by AiA are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of AiA's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on December 28, 2011 is attached as Appendix C.

Finding 1. Failure to Safeguard Federal Perkins Loan Funds.

Citation: *34 C.F.R. § 668.163, Maintaining and Accounting for Funds*
34 C.F.R. § 668.24, Record Retention and Examinations

All schools must maintain a bank account into which the Department transfers, or the school deposits, FSA funds. The account must be federally insured or secured by collateral of value reasonably equivalent to the amount of FSA funds in the account. A school has a fiduciary responsibility to segregate federal funds from all other funds and to ensure that federal funds are used only for the benefit of the eligible student when a school does not maintain a separate account for each FSA program. Under no circumstances may the school use federal funds for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of FSA funds or subjects FSA funds to liens or other attachments (such as would be the case with certain overnight investment arrangements or sweeps). 34 C.F.R. § 668.163 and 34 C.F.R. § 668.24

If a school does not maintain a separate account for FSA program funds, its accounting and internal control systems must:

- *Identify the balance for each FSA program that is included in the school's bank or investment account as readily as if those funds were in a separate account; and*
- *Identify the earnings on FSA program funds in the school's bank or investment account.*

A school must maintain its financial records in accordance with the recordkeeping requirements identified in 34 C.F.R. 668.24.

For each account that contains FSA program funds, a school must identify that FSA funds are maintained in the account by:

- *Including the phrase 'federal funds' in the name of the account, or*
- *Notifying the bank or investment company of the accounts that contain FSA funds and keeping a copy of this notice in its records and filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds.*

The school must keep a copy of the UCC-1 statement in its records.

FSA funds must be maintained in an interest-bearing account or an investment account unless:

- *The school drew down less than $3 million of these funds in the prior award year and anticipates that it will not draw down more than $3 million in the current award year, or*
- *The school can demonstrate that it would not earn over $250 in interest on the funds it will draw down during the award year.*

An investment account must consist predominantly of low-risk income-producing securities. If a school chooses to maintain federal funds in an investment account, the school must maintain sufficient liquidity in that account to make required disbursements to students.

Any interest earned on FSA funds maintained in an interest-bearing or an investment account that exceeds $250 per award year must be remitted to the Department by June 30 of that award year. A school may keep up to $250 per year of the interest or investment revenue earned (other than that earned on Perkins Loan funds) to pay for the administrative expense of maintaining the account.

A school that participates in the Perkins Loan Program must always maintain an interest-bearing account or an investment account for Perkins Loan Funds. The school must maintain sufficient liquidity in its Perkins funds to make all required distributions.

Except for funds received by a school for administrative expenses and for funds used for the Job Location and Development Program, funds received by a school under the FSA programs are held in trust for the intended student beneficiaries. As a trustee of those funds, a school may not use (or use as collateral) FSA funds for any other purpose.

A school has a fiduciary responsibility to –

- *safeguard FSA funds,*
- *ensure FSA funds are used only for the purposes intended,*
- *act on a student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student, and*
- *return to the Department any FSA funds that cannot be used as intended.*

Noncompliance: *It appears that parent corporation (Education Management LLC) arranged with its financial institutions to sweep Federal Perkins Loan funds into investment accounts and/or other interest or revenue generating accounts thus endangering Federal funds entrusted to the Art Institutes of Atlanta, Art Institutes of Tennessee, the Art Institutes* *of Washington and the Art Institutes of Charleston on behalf of the Department. A review of bank accounts for the Federal Perkins Loan funds maintained by the Art Institutes of Atlanta disclosed references to sweep debits/credits, sweep accounts, transfers to/from investment accounts, etc.*

According to an email dated December 6, 2010 from Chris Schwarzer, Director of Administrative and Financial Services for The Art Institute of Atlanta, 'The account balance for the Perkins accounts is swept out nightly and then swept back into the Perkins account each day as an overnight investment. There is no 'investment account' for the Perkins accounts. The investment activity can be seen on the regular monthly statement for each of these accounts as part of the return sweep.' Based upon these statements and a review of the Perkins bank statements, the reviewers requested copies of the sweep/investment accounts to show the earnings generated from the sweep/investment activities. To date, institutional officials have not provided a detailed accounting of the interest and/or revenue generated from Federal Perkins Loan funds. Although the bank statements provided do show in some cases the amount of monthly sweep debits, sweep credits, transfers to investment, transfers from investment, etc., these monthly reports do not show the funds earned.
In addition, the reviewers found it virtually impossible to account for all Federal Perkins collections/disbursements given there were multiple Perkins bank accounts, the parent corporation changed financial institutions, a majority of monthly beginning/ending balances are listed as $0 yet there is activity in the account for investment/sweeping, the beginning/ending balances do not always agree from month to month, and several monthly balances seem to decrease/increase with no noticeable explanation.

From the email string with Mr. Schwarzer, it appears that four separate accounts were identified by Janette Hartley with Perkins Loan funds. Ms. Hartley states that she sent to Mr. Schwarzer all accounts for the AiA group and that at some point their organization changed banks. She also included account AIW (7800) in with AiA (7805). A chart was provided with column headings labeled AICS-7749, AiAD-7909, AITN-7744 and AIW-7800. Ms. Hartley stated that there were no other locations within AiA that has Perkins funds. She then provided the bank statements for the periods July 2008 through December 2010 that had activity. However, a detailed analysis of the Perkins accounts submitted to the reviewers identified additional account numbers.

The following information was taken from bank statements provided by Mr. Schwarzer and Ms. Hartley:

Account Name:	*The Art Institute of Atlanta, Inc. (Decatur Locations) Federal Funds Perkins Account*	
Account Number:	*986634252*	
Bank Information:	*National City Bank*	
Statement Period:	*Beginning Balance:*	*Ending Balance:*
07/01/2008 – 07/31/2008	*$0*	*$0*

08/01/2008 – 08/29/2008	*$0*	*$0*
08/30/2008 – 09/30/2008	*$0*	*$0*
10/01/2008 – 10/31/2008	*$0*	*$0*
11/01/2008 – 11/28/2008	*$0*	*$0*
11/29/2008 – 12/31/2008	*$0*	*$0*
01/01/2009 – 01/30/2009	*$0*	*$0*
01/31/2009 – 02/27/2009	*$0*	*$0*
02/28/2009 – 03/31/2009	*$0*	*$0*

Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'

Account Name:	*The Art Institute of Atlanta, Inc. Perkins Federal Funds Account*		
Account Number:	*658751513*		
Bank Information:	*National City Bank*		
Statement Period:	*Beginning Balance:*	*Ending Balance:*	*Sweep Debits:*
05/31/2008 – 06/30/2008	*$2,997.49*	*$0*	*$26,164.18*
07/01/2008 – 07/31/2008	*$0*	*$222.23*	*$307,842.69*
08/01/2008 – 08/29/2008	*$222.23*	*$0*	*$545,281.24*
08/30/2008 – 09/30/2008	*$0*	*$0*	*$907,636.26*
10/01/2008 – 10/31/2008	*$0*	*$0*	*$101,782.84*

Account Name:	*The Art Institute of Charleston Perkins Federal Account*	
Account Number:	*985385733*	
Bank Information:	*National City Bank*	
Statement Period:	*Beginning Balance:*	*Ending Balance:*
07/01/2008 – 07/31/2008	*$0*	*$0*
08/01/2008 – 08/29/2008	*$0*	*$0*
08/30/2008 – 09/30/2008	*$0*	*$0*
10/01/2008 – 10/31/2008	*$0*	*$0*

11/01/2008 – 11/28/2008	*$0*	*$0*
11/29/2008 – 12/31/2008	*$0*	*$0*
01/01/2009 – 01/30/2009	*$0*	*$0*
01/31/2009 – 02/27/2009	*$0*	*$0*
02/28/2009 – 03/31/2009	*$0*	*$0*
Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'		

Account Name:	*The Art Institute of Tennessee Nashville, Inc. Perkins Federal Funds*	
Account Number:	*984985331*	
Bank Information:	*National City Bank*	
Statement Period:	*Beginning Balance:*	*Ending Balance:*
07/01/2008 – 07/31/2008	*$0*	*$0*
08/01/2008 – 08/29/2008	*$0*	*$0*
08/30/2008 – 09/30/2008	*$0*	*$0*
10/01/2008 – 10/31/2008	*$0*	*$0*
11/01/2008 – 11/28/2008	*$0*	*$0*
11/29/2008 – 12/31/2008	*$0*	*$0*
Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'		
01/01/2009 – 01/30/2009	*$0*	*$0*
01/31/2009 – 02/27/2009	*$0*	*$0*
02/28/2009 – 03/31/2009	*$0*	*$0*
Changed Financial Institution		
Account Name:	*Education Management LLC The Art Institute of Tennessee Nashville Inc Perkins Account*	
Account Number:	*8666527744*	
Bank Information:	*Bank of America*	
Statement Period:	*Beginning Balance:*	*Ending Balance:*
00/00/0000 – 04/30/2009	*$0*	*$100.00 (a)*
05/01/2009 – 05/29/2009	*$100.00*	*$0 (b)*

05/29/2009 – 06/30/2009	*$0*	*$0 (c)*
07/01/2009 – 07/31/2009	*$0*	*$0 (d)*
08/01/2009 – 08/31/2009	*$0*	*$0 (e)*
09/01/2009 – 09/30/2009	*$0*	*$0 (f)*
10/01/2009 – 10/30/2009	*$0*	*$0 (g)*
10/31/2009 – 11/30/2009	*$0*	*$0 (h)*
12/01/2009 – 12/31/2009	*$0*	*$0 (i)*
01/01/2010 – 01/29/2010	*$0*	*$0 (j)*
01/30/2010 – 02/26/2010	*$0*	*$0 (k)*
02/27/2010 – 03/31/2010	*$0*	*$0 (l)*
04/01/2010 – 04/30/2010	*$0*	*$0 (m)*
05/01/2010 – 05/28/2010	*$0*	*$0 (n)*
05/29/2010 – 06/30/2010	*$0*	*$0 (o)*
07/01/2010 – 07/30/2010	*$0*	*$0 (p)*
07/31/2010 – 08/31/2010	*$0*	*$0 (q)*
09/01/2010 – 09/30/2010	*$0*	*$0 (r)*
10/01/2010 – 10/29/2010	*$0*	*$0 (s)*
(a) $100 was deposited from Campus Partners		
(b) $1,400 in Deposits labeled as 'Transfer from Investment' and $1,500 labeled as 'Transfer To Investment' but ending balance is $0.		
(c) $3,250 in Deposits labeled as 'Transfers from Investment' and $3,250 labeled as 'Transfer To Investment' but ending balance is $0.		
(d) $4,950 in Deposits labeled as 'Transfers from Investment' and $5,050 labeled as 'Transfer To Investment' but ending balance is $0.		
(e) $6,542 in Deposits labeled as 'Transfers from Investment' and $6,716.20 labeled as 'Transfer To Investment' but ending balance is $0.		
(f) $9,308.20 in Deposits labeled as 'Transfers from Investment' and $9,348.20 labeled as 'Transfer To Investment' but ending balance is $0.		
(g) $10,798.20 in Deposits labeled as 'Transfers from Investment' and $10,938.20 labeled as 'Transfer To Investment' but ending balance is $0.		
(h) $11,579.80 in Deposits labeled as 'Transfers from Investment' and $11,719.80 labeled as 'Transfer To Investment' but ending balance is $0.		
(i) $21,498.81 in Deposits labeled as 'Transfers from Investment' and $22,025.46 labeled as 'Transfer To Investment' but ending balance is $0.		
(j) $25,046.15 in Deposits labeled as 'Transfers from Investment' and $25,186.15 labeled as 'Transfer To Investment' but ending balance is $0.		
(k) $34,428.91 in Deposits labeled as 'Transfers from Investment' and $35,532.55 labeled as 'Transfer To Investment' but ending balance is		

$0.
(l) $57,953.27 in Deposits labeled as 'Transfers from Investment' and $57,993.27 labeled as 'Transfer To Investment' but ending balance is $0.
(m) $56,798.78 in Deposits labeled as 'Transfers from Investment' and $56,878.78 labeled as 'Transfer To Investment' but ending balance is $0.
(n) $53,229.80 in Deposits labeled as 'Transfers from Investment' and $53,399.80 labeled as 'Transfer To Investment' but ending balance is $0.
(o) $61,698.78 in Deposits labeled as 'Transfers from Investment' and $61,698.78 labeled as 'Transfer To Investment' but ending balance is $0.
(p) $60,014.29 in Deposits labeled as 'Transfers from Investment' and $60,094.29 labeled as 'Transfer To Investment' but ending balance is $0.
(q) $72,138.78 in Deposits labeled as 'Transfers from Investment' and $72,678.78 labeled as 'Transfer To Investment' but ending balance is $0.
(r) $73,314.29 in Deposits labeled as 'Transfers from Investment' and $73,434.29 labeled as 'Transfer To Investment' but ending balance is $0.
(s) $71,449.80 in Deposits labeled as 'Transfers from Investment' and $71,489.80 labeled as 'Transfer To Investment' but ending balance is $0.

Account Name:	*Education Management LLC The Art Institute of Washington Inc Perkins Account*	
Account Number:	*8666527800*	
Bank Information:	*Bank of America*	
Statement Period:	*Beginning Balance:*	*Ending Balance:*
07/01/2009 – 07/31/2009	*$0*	*$0 (aa)*
08/01/2009 – 08/31/2009	*$0*	*$0 (bb)*
09/01/2009 – 09/30/2009	*$0*	*$0 (cc)*
10/01/2009 – 10/30/2009	*$0*	*$0 (dd)*
10/31/2009 – 11/30/2009	*$0*	*$0 (ee)*
12/01/2009 – 12/31/2009	*$0*	*$0 (ff)*
01/01/2010 – 01/29/2010	*$0*	*$0 (gg)*
01/30/2010 – 02/26/2010	*$0*	*$0 (hh)*
02/27/2010 – 03/31/2010	*$0*	*$0 (ii)*

04/01/2010 – 04/30/2010	*$0*	*$0 (jj)*
05/01/2010 – 05/28/2010	*$0*	*$0 (kk)*
05/29/2010 – 06/30/2010	*$0*	*$0 (ll)*
07/01/2010 – 07/30/2010	*$0*	*$0 (mm)*
07/31/2010 – 08/31/2010	*$0*	*$0 (nn)*
09/01/2010 – 09/30/2010	*$0*	*$0 (oo)*
10/01/2010 – 10/29/2010	*$0*	*$0 (pp)*
(aa) $527,404.43 in Deposits labeled as 'Transfers from Investment' and $531,751.80 labeled as 'Transfer To Investment' but ending balance is $0.		
(bb) $411,649.00 in Deposits labeled as 'Transfers from Investment' and $417,516.43 labeled as 'Transfer To Investment' but ending balance is $0.		
(cc) $536,615.11 in Deposits labeled as 'Transfers from Investment' and $542,525.69 labeled as 'Transfer To Investment' but ending balance is $0.		
(dd) $612,947.48 in Deposits labeled as 'Transfers from Investment' and $619,989.74 labeled as 'Transfer To Investment' but ending balance is $0.		
(ee) $638,450.13 in Deposits labeled as 'Transfers from Investment' and $648,556.02 labeled as 'Transfer To Investment' but ending balance is $0.		
(ff) $993,701.90 in Deposits labeled as 'Transfers from Investment' and $1,001,134.45 labeled as 'Transfer To Investment' but ending balance is $0.		
(gg) $1,015,924.51 in Deposits labeled as 'Transfers from Investment' and $1,028,981.08 labeled as 'Transfer To Investment' but ending balance is $0.		
(hh) $1,213,641.43 in Deposits labeled as 'Transfers from Investment' and $1,217,162.68 labeled as 'Transfer To Investment' but ending balance is $0.		
(ii) $1,648,298.84 in Deposits labeled as 'Transfers from Investment' and $1,660,235.89 labeled as 'Transfer To Investment' but ending balance is $0.		
(jj) $1,849,025.82 in Deposits labeled as 'Transfers from Investment' and $1,861,075.66 labeled as 'Transfer To Investment' but ending balance is $0.		
(kk) $1,995,269.62 in Deposits labeled as 'Transfers from Investment' and $2,016,585.66 labeled as 'Transfer To Investment' but ending balance is $0.		
(ll) $2,369,105.51 in Deposits labeled as 'Transfers from Investment' and $2,376,226.81 labeled as 'Transfer To Investment' but ending balance is $0.		
(mm) $2,463,925.97 in Deposits labeled as 'Transfers from Investment' and $2,476,214.28 labeled as 'Transfer To Investment' but ending balance is $0.		
(nn) $2,759,515.32 in Deposits labeled as 'Transfers from Investment' and $2,766,512.56 labeled as 'Transfer To Investment' but ending balance is $0.		
(oo) $2,739,060.59 in Deposits labeled as 'Transfers from Investment' and $2,742,923.76 labeled as 'Transfer To Investment' but ending balance is $0.		
(pp) $2,670,815.47 in Deposits labeled as 'Transfers from Investment' and $2,672,337.02 labeled as 'Transfer To Investment' but ending balance is $0.		

Account Name:	*Education Management LLC* *The Art Institute of Washington Inc* *Perkins Federal Funds Account*		
Account Number:	*649924478*		
Bank Information:	*National City Bank*		
Statement Period:	*Beginning Bal:*	*Ending Balance:*	*Sweep Debits:*
07/01/2008 – 07/31/2008	*$0*	*$0*	*$1,047,919.49*
08/01/2008 – 08/29/2008	*$0*	*$0*	*$570,477.63*
08/30/2008 – 09/30/2008	*$0*	*$0*	*$108,800.68*
10/01/2008 – 10/31/2008	*$0*	*$0*	*$65,482.22*
11/01/2008 – 11/28/2008	*$0*	*$0*	*$26,793.20*
11/29/2008 – 12/31/2008	*$0*	*$0.04*	*$0*

Changed Financial Institution		
Account Name:	*Education Management LLC* *The Art Institute of Washington Inc* *Perkins Account*	
Account Number:	*8666527800*	
Bank Information:	*Bank of America*	
Statement Period:	*Beginning Balance:*	*Ending Balance:*
01/01/2009 – 01/30/2009	*$11,675.30*	*$506.97*
01/31/2009 – 02/27/2009	*$506.97*	*$7,522.09 (a)*
(a) A single transfer of $788 to Account 8666108936. There does not appear to be any daily sweeps or transfers to investments.		
02/28/2009 – 03/31/2009	*$7,522.09*	*$1,703.08 (b)*
(b) A single transfer of $10,700 to Account 8666108936. There does not appear to be any daily sweeps or transfers to investments.		
04/01/2009 – 04/30/2009	*$1,703.08*	*$5,398.12 (c)*
(c) Two transfers totaling $2,565. There does not appear to be any daily sweeps or transfers to investments.		
05/01/2009 – 05/29/2009	*$5,398.12*	*$0 (d)*
(d) This is the first month where transfers to investment appear to begin for this		

account. Total Transfers to Investment were $129,408.50		
05/30/2009 – 06/30/2009	*$0*	*$0 (e)*
(e) Total Transfers to Investment were $366,842.82		

Account Name:	*Education Management LLC The Art Institute of Atlanta Inc Perkins Account*	
Account Number:	*8666527805*	
Bank Information:	*Bank of America*	
Statement Period:	*Beginning Balance:*	*Ending Balance:*
01/01/2009 – 01/30/2009	*$28,322.12*	*$9,506.82*
01/31/2009 – 02/27/2009	*$9,506.82*	*$9,657.70*
02/28/2009 – 03/31/2009	*$9,657.70*	*$41,653.84*
04/01/2009 – 04/30/2009	*$41,653.84*	*$34,218.07*
05/01/2009 – 05/29/2009	*$34,218.07*	*$0 (aaa)*
05/30/2009 – 06/30/2009	*$0*	*$0 (bbb)*
07/01/2009 – 07/31/2009	*$0*	*$0 (ccc)*
08/01/2009 – 08/31/2009	*$0*	*$0 (ddd)*
09/01/2009 – 09/30/2009	*$0*	*$0 (eee)*
10/01/2009 – 10/30/2009	*$0*	*$0 (fff)*
10/31/2009 – 11/30/2009	*$0*	*$0 (ggg)*
12/01/2009 – 12/31/2009	*$0*	*$0 (hhh)*
01/01/2010 – 01/29/2010	*$0*	*$0 (iii)*
01/30/2010 – 02/26/2010	*$0*	*$0 (jjj)*
02/27/2010 – 03/31/2010	*$0*	*$0 (kkk)*
04/01/2010 – 04/30/2010	*$0*	*$0 (lll)*
05/01/2010 – 05/28/2010	*$0*	*$0 (mmm)*
05/29/2010 – 06/30/2010	*$0*	*$0 (nnn)*
07/01/2010 – 07/30/2010	*$0*	*$0 (ooo)*
(aaa) This is the first month where transfers to investments appear on the statements. Such transfers appear to total $664,214.46.		
(bbb) Transfers to investment appear to total $1,109,358.04.		
(ccc) Transfers to investment appear to total $599,449.71.		
(ddd) Transfers to investment appear to total $706,679.69.		
(eee) Transfers to investment appear to total $1,094,307.26		
(fff) Transfers to investment appear to total $1,012,225.35.		
(ggg) Transfers to investment appear to total $805,581.31.		
(hhh) Transfers to investment appear to total $1,425,076.48.		
(iii) Transfers to investment appear to total $1,374,256.42.		
(jjj) Transfers to investment appear to total $1,502,877.99		

(kkk) Transfers to investment appear to total $2,524,908.60.
(lll) Transfers to investment appear to total $3,097,427.67.
(mmm) Transfers to investment appear to total $3,495,538.17.
(nnn) Transfers to investment appear to total $3,806,338.12.
(ooo) $ Transfers to investment appear to total $4,238,523.33.

***Required Action**: In response to this finding, the institution had to immediately cease any sweeping/investing activities which place FSA funds at risk of loss. The institution had to provide documentation within 30 days of receipt of this report that it has ceased such activity.*

In addition, the institution was required to calculate the amount of interest and/or other revenue generated from sweeping/investing activities associated with Federal Perkins Loan funds for the period July 1, 2008 to present.

The institution must provide supporting documentation for the calculation.

The institution had to engage an Independent Public Accountant (IPA) to test the calculations completed by the institution.

The institution had to provide written assurance that all future interest/revenue generated in excess of $250 will be returned annually in accordance with the regulations. Also, the institution must address this issue in its policies and procedures if necessary and provide a copy in response to this report.

AiA's Response: AiA provided confirmation from Bank of America that FSA funds will no longer be swept to investment accounts. AiA states that all future interest/ revenue generated in excess of $250 will be returned annually, in accordance with the regulations.

An Independent Public Accountant's report, as well as AiA's policy concerning interest earned on FSA accounts was included with AiA's response to this finding.

A review of the Federal Perkins bank account statements for the 2007-2008, 2008-2009, and 2009-2010 award years revealed the following in interest accrual:

Location	2007-2008	2008-2009	2009-2010
AiA – Atlanta	$8,374.45	$92.58	$38.57
AiA – Washington	$330.08	$88.13	$25.35
Total	$8,704.53	$180.71	$63.92

Final Determination: The Department accepts the bank statements provided by AiA in response to this finding. AiA must return the interest earned annually on Federal Perkins funds in excess of $250 for the 2007-2008 award year. The amount of ineligible Perkins funds retained by AiA for the 2007-2008 award year is: $8,454.53 *or* ($8,704.53 - $250).

AiA must return the $8,454.53 of ineligible funds to their Perkins account Cash on Hand balance. In addition to returning the ineligible funds AiA must return the Cost of Funds (COF) on the Federal Perkins funds. Cost of Funds is the expense the Department incurred as a result of AiA retaining ineligible funds. The rate of interest is based on when the funds should have been returned to the Department. A copy of the COF calculation is included in Appendix D of this report.

Interest in Excess of $250	Cost of Funds	Total
$8,454.53	$1,152.11	$9,606.64

Instructions for repayment of this liability are included in the Repayment section of this report.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows:

Initial Liabilities	Perkins
Finding 1	$8,454.53
Subtotal 1	**$8,454.53**
Interest/SA	$1,152.11
Subtotal 2	**$1,152.11**
TOTAL	**$9,606.64**
Payable To:	
Perkins Account	**$9,606.64**

E. Payment Instructions

AiA must submit to Melody Parker-Venable, a copy of the front and back of the cancelled check(s) or copies of an electronic transfer of funds, to verify that the payment has been made to the Federal Perkins Loan account, within 45 days of the date of this letter.

F. Appendices

Appendices A, B, C, and D are attached to this report.

Final Program Review Determination
PRCN #: 201040427319

Appendix A

Student Sample

Requested Student Files

Student Number	Student Name	Last Four of SSN
1	(b)(6); (b)(7(C),(b)(7)(C)	
2		
3		
4		
5		
6		
7		
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Final Program Review Determination
PRCN #: 201040427319

Appendix B

Institution's Response

EDMC
Education Management Corporation

February 23, 2012

US Department of Education
Federal Student Aid- School Participation- Atlanta
61 Forsyth Street, Suite 18T20B
Atlanta, GA 30303

Attention: Melody Parker-Venable

Re: **Program Review Response**
Art Institute of Atlanta
School Code: 00927000
PRCN: 201040427319

Dear Ms. Parker-Venable,

We are providing our response to the findings from the Program Review that was conducted the week of September 20, 2010 (report issued December 28, 2011), along with the supporting documentation is enclosed.

Please feel free to contact me should you have any questions.

Sincerely,

(b)(6); (b)(7(C),(b)(7)(C)

Richard Them
SVP, Student Finance & Compliance
Education Management Corporation

Education that Builds Careers
210 Sixth Avenue • 33rd Floor • Pittsburgh, PA • 15222-2603
Phone: 412.562.0900 • Fax: 412.562.0598 • www.edmc.edu

Finding 1. Failure to Safeguard Federal Perkins Loan Funds.

Citation: 34 C.F.R. § 668.163, Maintaining and Accounting for Funds
34 C.F.R. § 668.24, Record Retention and Examinations

It appears that parent corporation (Education Management LLC) arranged with its financial institutions to sweep Federal Perkins Loan funds into investment accounts and/or other interest or revenue generating accounts thus endangering Federal funds entrusted to the Art Institutes of Atlanta, Art Institutes of Tennessee, the Art Institutes of Washington and the Art Institutes of Charleston on behalf of the Department. A review of bank accounts for the Federal Perkins Loan funds maintained by the Art Institutes of Atlanta disclosed references to sweep debits/credits, sweep accounts, transfers to/from investment accounts, etc.

According to an email dated December 6, 20 I 0 from Chris Schwarzer, Director of Administrative and Financial Services for The Art Institute of Atlanta, 'The account balance for the Perkins accounts is swept out nightly and then swept back into the Perkins account each day as an overnight investment. There is no 'investment account' for the Perkins accounts. The investment activity can be seen on the regular monthly statement for each of these accounts as part of the return sweep.' Based upon these statements and a review of the Perkins bank statements, the reviewers requested copies of the sweep/investment accounts to show the earnings generated from the sweep/investment activities. To date, institutional officials have not provided a detailed accounting of the interest and/or revenue generated from Federal Perkins Loan funds. Although the bank statements provided do show in some cases the amount of monthly sweep debits, sweep credits, transfers to investment, transfers from investment, etc., these monthly reports do not show the funds earned.

In addition, the reviewers found it virtually impossible to account for all Federal Perkins collections/disbursements given there were multiple Perkins bank accounts, the parent corporation changed financial institutions, a majority of monthly beginning/ending balances are listed as $0 yet there is activity in the account for investment/sweeping, the beginning/ending balances do not always agree from month to month, and several monthly balances seem to decrease/increase with no noticeable explanation.

From the email string with Mr. Schwarzer, it appears that four separate accounts were identified by Janette Hartley with Perkins Loan funds. Ms. Hartley states that she sent to Mr. Schwarzer all accounts for the AiA group and that at some point their organization changed banks. She also included account [redacted] A chart was provided with column headings labeled [redacted] Ms. Hartley stated that there were no other locations within AiA that has Perkins funds. She then provided the bank statements for the periods July 2008 through December 2010 that had activity. However, a detailed analysis of the Perkins accounts submitted to the reviewers identified additional account numbers.

The following information was taken from bank statements provided by Mr. Schwarzer and Ms. Hartley:

Account Name:	The Art Institute of Atlanta, Inc. (Decatur Locations) Federal Funds Perkins Account	
Account Number:	(b)(4)	
Bank Information:	National City Bank	
Statement Period:	Beginning Balance:	Ending Balance:
07/01/2008 – 07/31/2008	$0	$0
08/01/2008 – 08/29/2008	$0	$0
08/30/2008 – 09/30/2008	$0	$0
10/01/2008 – 10/31/2008	$0	$0
11/01/2008 – 11/28/2008	$0	$0
11/29/2008 – 12/31/2008	$0	$0
01/01/2009 – 01/30/2009	$0	$0
01/31/2009 – 02/27/2009	$0	$0
02/28/2009 – 03/31/2009	$0	$0

Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'

Account Name:	The Art Institute of Atlanta, Inc. Perkins Federal Funds Account		
Account Number:	(b)(4)		
Bank Information:	National City Bank		
Statement Period:	Beginning Balance:	Ending Balance:	Sweep Debits:
05/31/2008 – 06/30/2008	$2,997.49	$0	$26,164.18
07/01/2008 – 07/31/2008	$0	$222.23	$307,842.69
08/01/2008 – 08/29/2008	$222.23	$0	$545,281.24
08/30/2008 – 09/30/2008	$0	$0	$907,636.26
10/01/2008 – 10/31/2008	$0	$0	$101,782.84

Account Name:	The Art Institute of Charleston Perkins	
Account Number:	(b)(4)	
Bank Information:	National City Bank	
Statement Period:	Beginning Balance:	Ending Balance:
07/01/2008 – 07/31/2008	$0	$0
08/01/2008 – 08/29/2008	$0	$0
08/30/2008 – 09/30/2008	$0	$0
10/01/2008 – 10/31/2008	$0	$0
11/01/2008 – 11/28/2008	$0	$0
11/29/2008 – 12/31/2008	$0	$0
01/01/2009 – 01/30/2009	$0	$0
01/31/2009 – 02/27/2009	$0	$0
02/28/2009 – 03/31/2009	$0	$0

Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'

Account Name:	The Art Institute of Tennessee Nashville, Inc. Perkins Federal Funds	
Account Number:	(b)(4)	
Bank Information:	National City Bank	
Statement Period:	Beginning Balance:	Ending Balance:
07/01/2008 – 07/31/2008	$0	$0
08/01/2008 - 08/29/2008	$0	$0
08/30/2008 – 09/30/2008	$0	$0
10/01/2008 – 10/31/2008	$0	$0
11/01/2008 – 11/28/2008	$0	$0
11/29/2008 – 12/31/2008	$0	$0
Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'		
01/01/2009 – 01/30/2009	$0	$0
01/31/2009 – 02/27/2009	$0	$0
02/28/2009 – 03/31/2009	$0	$0
Changed Financial Institution		
Account Name:	Education Management LLC The Art Institute of Tennessee Nashville Inc Perkins Account	
Account Number:	(b)(4)	
Bank Information:	Bank of America	
Statement Period:	Beginning Balance:	Ending Balance:
00/00/0000 – 04/30/2009	$0	$100.00 (a)
05/01/2009 – 05/29/2009	$100.00	$0 (b)
05/29/2009 – 06/30/2009	$0	$0 (c)
07/01/2009 – 07/31/2009	$0	$0 (d)
08/01/2009 - 08/31/2009	$0	$0 (e)
09/01/2009 - 09/30/2009	$0	$0 (f)
10/01/2009 – 10/30/2009	$0	$0 (g)
10/31/2009 – 11/30/2009	$0	$0 (h)
12/01/2009 – 12/31/2009	$0	$0 (i)
01/01/2010 – 01/29/2010	$0	$0 (j)
01/30/2010 – 02/26/2010	$0	$0 (k)
02/27/2010 – 03/31/2010	$0	$0 (l)
04/01/2010 – 04/30/2010	$0	$0 (m)
05/01/2010 – 05/28/2010	$0	$0 (n)

05/29/2010 – 06/30/2010	$0	$0 (o)
07/01/2010 – 07/30/2010	$0	$0 (p)
07/31/2010 – 08/31/2010	$0	$0 (q)
09/01/2010 – 09/30/2010	$0	$0 (r)
10/01/2010 – 10/29/2010	$0	$0 (s)

(a) $100 was deposited from Campus Partners

(b) $1,400 in Deposits labeled as 'Transfer from Investment' and $1,500 labeled as 'Transfer To Investment' but ending balance is $0.

(c) $3,250 in Deposits labeled as 'Transfers from Investment' and $3,250 labeled as 'Transfer To Investment' but ending balance is $0.

(d) $4,950 in Deposits labeled as 'Transfers from Investment' and $5,050 labeled as 'Transfer To Investment' but ending balance is $0.

(e) $6,542 in Deposits labeled as 'Transfers from Investment' and $6,716.20 labeled as 'Transfer To Investment' but ending balance is $0.

(f) $9,308.20 in Deposits labeled as 'Transfers from Investment' and $9,348.20 labeled as 'Transfer To Investment' but ending balance is $0.

(g) $10,798.20 in Deposits labeled as 'Transfers from Investment' and $10,938.20 labeled as 'Transfer To Investment' but ending balance is $0.

(h) $11,579.80 in Deposits labeled as 'Transfers from Investment' and $11,719.80 labeled as 'Transfer To Investment' but ending balance is $0.

(i) $21,498.81 in Deposits labeled as 'Transfers from Investment' and $22,025.46 labeled as 'Transfer To Investment' but ending balance is $0.

(j) $25,046.15 in Deposits labeled as 'Transfers from Investment' and $25,186.15 labeled as 'Transfer To Investment' but ending balance is $0.

(k) $34,428.91 in Deposits labeled as 'Transfers from Investment' and $35,532.55 labeled as 'Transfer To Investment' but ending balance is $0.

(l) $57,953.27 in Deposits labeled as 'Transfers from Investment' and $57,993.27 labeled as 'Transfer To Investment' but ending balance is $0.

(m) $56,798.78 in Deposits labeled as 'Transfers from Investment' and $56,878.78 labeled as 'Transfer To Investment' but ending balance is $0.

(n) $53,229.80 in Deposits labeled as 'Transfers from Investment' and $53,399.80 labeled as 'Transfer To Investment' but ending balance is $0.

(o) $61,698.78 in Deposits labeled as 'Transfers from Investment' and $61,698.78 labeled as 'Transfer To Investment' but ending balance is $0.

(p) $60,014.29 in Deposits labeled as 'Transfers from Investment' and $60,094.29 labeled as 'Transfer To Investment' but ending balance is $0.

(q) $72,138.78 in Deposits labeled as 'Transfers from Investment' and $72,678.78 labeled as 'Transfer To Investment' but ending balance is $0.

(r) $73,314.29 in Deposits labeled as 'Transfers from Investment' and $73,434.29 labeled as 'Transfer To Investment' but ending balance is $0.

(s) $71,449.80 in Deposits labeled as 'Transfers from Investment' and $71,489.80 labeled as 'Transfer To Investment' but ending balance is $0.

Account Name:	Education Management LLC The Art Institute of Washington Inc Perkins Account	
Account Number:	(b)(4)	
Bank Information:	Bank of America	
Statement Period:	Beginning Balance:	Ending Balance:
07/01/2009 – 07/31/2009	$0	$0 (aa)
08/01/2009 – 08/31/2009	$0	$0 (bb)
09/01/2009 – 09/30/2009	$0	$0 (cc)
10/01/2009 – 10/30/2009	$0	$0 (dd)
10/31/2009 – 11/30/2009	$0	$0 (ee)
12/01/2009 – 12/31/2009	$0	$0 (ff)
01/01/2010 – 01/29/2010	$0	$0 (gg)
01/30/2010 – 02/26/2010	$0	$0 (hh)
02/27/2010 – 03/31/2010	$0	$0 (ii)
04/01/2010 – 04/30/2010	$0	$0 (jj)
05/01/2010 – 05/28/2010	$0	$0 (kk)
05/29/2010 – 06/30/2010	$0	$0 (ll)
07/01/2010 – 07/30/2010	$0	$0 (mm)
07/31/2010 – 08/31/2010	$0	$0 (nn)
09/01/2010 – 09/30/2010	$0	$0 (oo)
10/01/2010 – 10/29/2010	$0	$0 (pp)

(aa) $527,404.43 in Deposits labeled as 'Transfers from Investment' and $531,751.80 labeled as 'Transfer To Investment' but ending balance is $0.

(bb) $411,649.00 in Deposits labeled as 'Transfers from Investment' and $417,516.43 labeled as 'Transfer To Investment' but ending balance is $0.

(cc) $536,615.11 in Deposits labeled as 'Transfers from Investment' and $542,525.69 labeled as 'Transfer To Investment' but ending balance is $0.

(dd) $612,947.48 in Deposits labeled as 'Transfers from Investment' and $619,989.74 labeled as 'Transfer To Investment' but ending balance is $0.

(ee) $638,450.13 in Deposits labeled as 'Transfers from Investment' and $648,556.02 labeled as 'Transfer To Investment' but ending balance is $0.

(ff) $993,701.90 in Deposits labeled as 'Transfers from Investment' and $1,001,134.45 labeled as 'Transfer To Investment' but ending balance is $0.

(gg) $1,015,924.51 in Deposits labeled as 'Transfers from Investment' and $1,028,981.08 labeled as 'Transfer To Investment' but ending balance is $0.

(hh) $1,213,641.43 in Deposits labeled as 'Transfers from Investment' and $1,217,162.68 labeled as 'Transfer To Investment' but ending balance is $0.

(ii) $1,648,298.84 in Deposits labeled as 'Transfers from Investment' and $1,660,235.89 labeled as 'Transfer To Investment' but ending balance is $0.

(jj) $1,849,025.82 in Deposits labeled as 'Transfers from Investment' and $1,861,075.66 labeled as 'Transfer To Investment' but ending balance is $0.

(kk) $1,995,269.62 in Deposits labeled as 'Transfers from Investment' and $2,016,585.66 labeled as 'Transfer To Investment' but ending balance is $0.

(ll) $2,369,105.51 in Deposits labeled as 'Transfers from Investment' and $2,376,226.81 labeled as 'Transfer To Investment' but ending balance is $0.

(mm) $2,463,925.97 in Deposits labeled as 'Transfers from Investment' and $2,476,214.28 labeled as 'Transfer To Investment' but ending balance is $0.

(nn) $2,759,515.32 in Deposits labeled as 'Transfers from Investment' and $2,766,512.56 labeled as 'Transfer To Investment' but ending balance is $0.

(oo) $2,739,060.59 in Deposits labeled as 'Transfers from Investment' and $2,742,923.76 labeled as 'Transfer To Investment' but ending balance is $0.

(pp) $2,670,815.47 in Deposits labeled as 'Transfers from Investment' and $2,672,337.02 labeled as 'Transfer To Investment' but ending balance is $0.

Account Name:	Education Management LLC The Art Institute of Washington Inc Perkins Federal Funds Account		
Account Number:	(b)(4)		
Bank Information:	National City Bank		
Statement Period:	Beginning Bal:	Ending Balance:	Sweep Debits:
07/01/2008 – 07/31/2008	$0	$0	$1,047,919.49
08/01/2008 – 08/29/2008	$0	$0	$570,477.63
08/30/2008 – 09/30/2008	$0	$0	$108,800.68
10/01/2008 – 10/31/2008	$0	$0	$65,482.22
11/01/2008 – 11/28/2008	$0	$0	$26,793.20
11/29/2008 – 12/31/2008	$0	$0.04	$0
Changed Financial Institution			
Account Name:	Education Management LLC The Art Institute of Washington Inc Perkins Account		
Account Number:	(b)(4)		
Bank Information:	Bank of America		
Statement Period:	Beginning Balance:	Ending Balance:	
01/01/2009 – 01/30/2009	$11,675.30	$506.97	
01/31/2009 – 02/27/2009	$506.97	$7,522.09 (a)	
(a) A single transfer of $788 to Account [redacted] There does not appear to be any daily sweeps or transfers to investments.			
02/28/2009 – 03/31/2009	$7,522.09	$1,703.08 (b)	
(b) A single transfer of $10,700 to Account [redacted] There does not appear to be any daily sweeps or transfers to investments.			
04/01/2009 – 04/30/2009	$1,703.08	$5,398.12 (c)	
(c) Two transfers totaling $2,565. There does not appear to be any daily sweeps or transfers to investments.			
05/01/2009 – 05/29/2009	$5,398.12	$0 (d)	
(d) This is the first month where transfers to investment appear to begin for this account. Total Transfers to Investment were $129,408.50			
05/30/2009 – 06/30/2009	$0	$0 (e)	
(e) Total Transfers to Investment were $366,842.82			

Account Name:	Education Management LLC The Art Institute of Atlanta Inc Perkins Account	
Account Number:	(b)(4)	
Bank Information:	Bank of America	
Statement Period:	Beginning Balance:	Ending Balance:
01/01/2009 – 01/30/2009	$28,322.12	$9,506.82
01/31/2009 – 02/27/2009	$9,506.82	$9,657.70
02/28/2009 – 03/31/2009	$9,657.70	$41,653.84
04/01/2009 – 04/30/2009	$41,653.84	$34,218.07
05/01/2009 – 05/29/2009	$34,218.07	$0 (aaa)
05/30/2009 – 06/30/2009	$0	$0 (bbb)
07/01/2009 – 07/31/2009	$0	$0 (ccc)
08/01/2009 – 08/31/2009	$0	$0 (ddd)
09/01/2009 – 09/30/2009	$0	$0 (eee)
10/01/2009 – 10/30/2009	$0	$0 (fff)
10/31/2009 – 11/30/2009	$0	$0 (ggg)
12/01/2009 – 12/31/2009	$0	$0 (hhh)
01/01/2010 – 01/29/2010	$0	$0 (iii)
01/30/2010 – 02/26/2010	$0	$0 (jjj)
02/27/2010 – 03/31/2010	$0	$0 (kkk)
04/01/2010 – 04/30/2010	$0	$0 (lll)
05/01/2010 – 05/28/2010	$0	$0 (mmm)
05/29/2010 – 06/30/2010	$0	$0 (nnn)
07/01/2010 – 07/30/2010	$0	$0 (ooo)

(aaa) This is the first month where transfers to investments appear on the statements. Such transfers appear to total $664,214.46.

(bbb) Transfers to investment appear to total $1,109,358.04.

(ccc) Transfers to investment appear to total $599,449.71.

(ddd) Transfers to investment appear to total $706,679.69.

(eee) Transfers to investment appear to total $1,094,307.26

(fff) Transfers to investment appear to total $1,012,225.35.

(ggg) Transfers to investment appear to total $805,581.31.

(hhh) Transfers to investment appear to total $1,425,076.48.

(iii) Transfers to investment appear to total $1,374,256.42.

(jjj) Transfers to investment appear to total $1,502,877.99

(kkk) Transfers to investment appear to total $2,524,908.60.

(lll) Transfers to investment appear to total $3,097,427.67.

(mmm) Transfers to investment appear to total $3,495,538.17.

(nnn) Transfers to investment appear to total $3,806,338.12.

(ooo) $ Transfers to investment appear to total $4,238,523.33.

Required Action: In response to this finding, the institution must immediately cease any sweeping/investing activities which place FSA funds at risk of loss. The institution must provide documentation within 30 days of receipt of this report that it has ceased such activity.

In addition, the institution must calculate the amount of interest and/or other revenue generated from sweeping/investing activities associated with Federal Perkins Loan funds for the period July 1, 2008 to present. If necessary, the institution must reconstruct the account balances to provide a proper accounting for all Perkins Loan funds collected and disbursed along with all associated earnings/revenue. A report/spreadsheet detailing the results of the institution's calculation must be submitted and must address the following concerns identified by the Department:

1. Identify all bank accounts, investment accounts and/or any other accounts into which Federal Perkins Loan funds were deposited during the period of the review
2. Verify the beginning and ending balances of every account
3. Identify the interest/revenue generated either daily or monthly for each account
4. Identify all collections, refunds, returns
5. Identify all disbursements made in the form of Perkins Loans to students
6. Identify any other charges to the accounts with descriptions of the charges

The institution must provide supporting documentation for the calculation and the items listed above. Based upon the amount of earnings, the institution may also be responsible for reimbursing the Department for excess interest/revenue generated on the Perkins Loan funds.

The institution must engage an Independent Public Accountant (IPA) to test the calculations completed by the institution. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the accounting. The suggested procedures must be provided to Melody Parker-Venable within 30 days of the institution's receipt of the Program Review Report. Ms. Parker-Venable will review the procedures, indicate if any changes are needed, and approve the procedures.

The IPA must apply the Agreed upon Procedures to test the accounting completed by the institution, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all accounting elements as specified in the finding requirement as presented in the Program Review Report. The IPA must prepare the report in accordance with AICPA Attestations Standards. The IPA's report must be submitted with the institution's response to this Program Review Report.

The institution must also provide written assurance that all future interest/revenue generated in excess of $250 will be returned annually in accordance with the regulations. Also, the institution must address this issue in its policies and procedures if necessary and provide a copy in response to this report.

AiA Response: We are providing the requested supporting documentation for items one through six listed above, on the enclosed CD.

Also attached you will find the independent public accountant's report as requested, along with our policy concerning interested earned on FSA accounts.

In addition, please find confirmation from our Bank of America that we are no longer sweeping FSA funds to investment accounts. As well as our assurance that all future interest/revenue generated in excess of $250 will be returned annually in accordance with the regulations.

See Exhibit #1

Finding 2. Students and/or Parents not Notified of Title IV Awards

Citation: 34 C.F.R. § 668.165, Notices and Authorizations

The institution did not provide award notices to the students and/or parents, as required by the regulations.

The institution does not have an adequate system to notify students of the amount and type of Title IV funds they can expect to receive, and how and when that amount will be disbursed. Therefore, the institution does not provide adequate financial aid counseling to its Title IV eligible students.

Failure to provide adequate financial aid counseling to eligible students constitutes an inability to properly administer the Title IV, HEA programs.

AiA Response: AiA respectfully disagrees with the Department's finding. AiA believes that it has been in compliance with the notice requirements found in 34 CFR 668.165(a)(1). AiA does provide award notices and adequate counseling as evidenced by the attached example of an award notice along with the accompanying policy. The financial aid plan ("award notice") meets the requirements of the regulations because it provides the type of financial aid awarded for each term, specifically identifying subsidized and unsubsidized loans. The reverse side of the financial aid plan ("award notice") explains to the student the conditions of the awards by type of award and explains that all federal financial aid funds are disbursed as credits on the student's account as early as ten days prior to the first day of class, except for first-time borrowers, when loan funds are disbursed 30 days after the student has been in class for 30 days. This meets the requirements of 34 CFR 668.165(a)(1).

A financial aid plan ("award notice") for each of the students reviewed during the program review are attached. As you can see, the current financial aid plan ("award notice") and the description on the reverse side, which describes how and when the students will receive their Title IV funds, meet the requirements as outlined in 34 CFR 668.165(a)(1). In responding to the program review report, AiA took the opportunity to expand the explanations found on the reverse side of the financial aid plan ("award notice") to include the statement that students should expect to receive a Right to Cancel Notification when the loan funds are credited on their student accounts and that students have a right to modify the amount of the loans they are awarded. For your information, we are attaching the modified the description on the reverse side of the financial aid plan ("award notice").

We are also providing policies and procedures for the general notification process used at AiA to apprise its recipients of their Title IV awards.

Finally, we are including the Right to Cancel Notification procedures which include two examples from each of the computer systems of the type of receipt that is sent to students and parents, when applicable, when loan funds are credited to students' accounts. These notices meet the requirements of 34 CFR 668.165(a)(2), including providing the student or parent with the right to cancel or modify the loan amount.

See Exhibit #2.

Finding 3. Satisfactory Academic Progress Policy (SAP) not Adequately Developed.

Citation: 34 C.F.R. § 668. I 6(e) Standards of Administrative Capability
2009-2010 Federal Student Aid Handbook

AiA' s SAP policy for degree-seeking students permits a student to be placed on consecutive periods of probation. The institution's policy reads:

1. *At the end of the second quarter, students must achieve a CGPA of 1.0 and an ICR of* 33.33%. *Anything below these milestones will result in probation.*
2. *At the end of the third quarter, student must attain a CGPA of 1.0 and ICR of* 33.33%. *Anything below these milestones will result in dismissal.*
3. *At the end of the third quarter, students with a CGPA under* 1.5, *but at least 1.0and/ or an ICR below 50%, but at least* 33.33% *will be placed on probation.*
4. *At the end of the sixth quarter, and every second quarter thereafter, student must accomplish a CGPA of2.0 and an ICR of66.67%. Anything below these milestones will result in dismissal.*

In addition to the consecutive periods of probation, AiA's SAP policy does not provide students with the procedures for appealing a satisfactory progress determination and the procedures for reestablishing satisfactory progress.

AiA Response: We are attaching the updated SAP policy which reflects the new requirements found in the program integrity regulations of October 29, 2010, effective July 1, 2011,which includes the appeal process and the process for re-establishing satisfactory academic progress (see pages 5-7) as required. In accordance with the program integrity regulations, the SAP policy describes the appeal process on pages 5-6 of the SAP policy, the status of Academic/Financial Aid Probation on page 6 of the SAP policy, and the process of re-instatement following an appeal on page 6 of the SAP policy. We are confident that the current policy meets the requirements under current regulations.

We are also providing a copy of the SAP Procedures for the Art Institute of Atlanta and its Branch Campuses.

We do not believe that any further action is required.

See Exhibit #3.

Finding 4. Ineligible Student/ Invalid High School Diploma.

Citation: 34 C.F.R. § 668.32 Student Eligibility
34 C.F.R. § 668.154 Institutional Accountability

Student number 24 received a high school diploma from John Adams Virtual School, located in Miami, Florida. The state of Florida does not regulate, approve, or license private secondary schools. Additionally, Florida Department of Education does not officially recognize any of the various agencies that accredit private schools.

Furthermore, it appears that John Adams Virtual School offers a high school diploma for a fee, requiring little if any coursework, and ascertainable attendance. They purportedly award a diploma based on the successful completion of a test. While the school does appear on a list maintained by the Florida Department of Education for Florida private schools, the State of Florida does not recognize this as a valid high school merely because it is included on such a list. This is clearly indicated on the Florida Department of Education's website as follows:

> Florida Private Schools Directory
>
> Information contained in this database was submitted by private schools as part of the annual survey requirement found in Section 1002.42(2)(b), Florida Statutes. The intent of the Legislature in creating the database was to provide "a service to the public, to governmental agencies, and to other interested parties" and not to "regulate; control, approve, or accredit private educational institutions." Section 1002.42 (2)(h), Florida Statutes. As such, the Department of Education does not verify the accuracy of the data submitted pursuant to the annual survey and inclusion of a school's information in the database does not imply approval or accreditation by the Department of Education.

Accordingly, the identification of a private high school on the Florida Department of Education's list does not confirm that the school is able to award a valid high school diploma.

For all reasons stated above, the high school diploma in question is considered invalid, and as a result, AiA may be liable for the ineligible amounts of Title IV funds disbursed to the student in question.

AiA Response: AiA recognizes the importance of ensuring that applicants graduate from a valid high school. Up until the implementation of the program integrity regulations as of July 1, 2011, there was no requirement to have policies and procedures for questioning the validity of a high school diploma. We believe prior to July 1, 2011, the Department's only guidance pertaining to confirming the validity of high school diplomas was found in a margin note on page 1-7 of the 2010-2011 FSA Handbook (and prior year versions of the FSA Handbook as well). The margin note advised schools that a student may self-certify that he or she has a high school diploma and "a copy of one is not required for the financial aid office." The margin note went on to say that "you might have concerns about the validity of a diploma from a particular school. One source is the department of education for the state in which the school is located. If the department has jurisdiction over the high school, they can tell you if a diploma from the school (which does not have to be accredited) is recognized by the state."

When student 24 applied to AiA, AiA staff reviewed the student's documents, which included the John Adams High School transcript, a transcript from the Atlanta Public Schools indicating that the student had progressed to the 11th grade, a high school diploma from John Adams High School indicating that the student had graduated from the institution on 08/19/2005 after passing a minimum of 21 credits, and a college academic transcript from the Berklee School of Music. As the Department noted above, the State of Florida does not "regulate, control, approve, or accredit private educational institutions." If AiA questioned the validity of the applicant's high school diploma, the state of Florida would not have been able to assist in validating the high school. It was also apparent that the Berklee School of Music had previously accepted the student into a four-year program and according to the student's NSLDS records, the student had received financial aid while at the Berklee School of Music. We are also forwarding copies of the ISIRs for three award years, 2008-2009, 2009-2010, and 2010-2011, where in all three award years, the student self-certified that she had graduated high school. At the time student 24 applied for admission to AiA, there was no reason to believe that the student did not have a valid high school diploma.

Please note that the student did graduate on September 25, 2010. We have attached the student's transcript for your reference.

In addition to submitting the documents described above, we are also attaching a copy of the AiA current policy on "Validation of High School/GED Credentials," which has been developed and followed in accordance with the current program integrity regulations. AiA can assure the Department of Education that it is making every effort to determine the validity of high school diplomas presented by applicants to AiA in accordance with the requirements that are effective as of July 1, 2011.

See Exhibit #4.

Finding 5. Exit Counseling Deficiencies.

Citation: 34 C.F.R. § 682.604(g), Exit Counseling
34 C.F.R. § 685.304, Exit Counseling

AiA did not document exit counseling in a timely manner for Student Numbers 10, 18, and 27.

Student Number 10: Last Date of Attendance was 12/18/2008; exit counseling documents were mailed to the student on 9/20/2010.

Student Number 18: Last Date of Attendance was 3/19/2009; exit counseling documents were mailed to the student on 5/15/2010.

Student Number 27: Last Date of Attendance was 9/24/2008; exit counseling documents were mailed on 9/20/2010.

AiA's Response: AiA understands the importance of providing exit counseling to students who graduate or withdraw from school. AiA understands that exit counseling is one of the most important tools to prevent a student borrower from becoming a defaulter. Following the program review, we were able to find the exit counseling for Student 18, which was completed on 3/3/2009, before she withdrew from AiA. As soon as AiA was apprised of the fact that the documentation was not available to confirm that exit counseling had occurred for Students 10 and 27, AiA mailed out exit counseling materials and attached you will find copies of the materials, including the envelope that is date stamped, documenting that the exit counseling materials were mailed to Students 10 and 27.

AiA believes these were isolated incidents because this procedure is taken very seriously. AiA spends a good deal of time with students counseling them as to the importance of repaying their student loans. We are attaching a copy of the policies and procedures for exit counseling. We are also attaching a copy of the default management plan, which includes the entrance and exit counseling process.

See Exhibit #5.

Finding 6. Eligibility for Additional Unsubsidized Loan not Documented.

Citation: 34 C.F.R. § 682.201, Eligible Borrowers
34 C.F.R. § 685.203, Loan Limits
34 C.F.R. § 668.24, Record Retention and Examination

Students 1, 12, and 16 received an increased unsubsidized loan amount; however, the students' files do not contain documentation records of the parent's PLUS loan denial or other documented exceptional circumstances. Students Number 1, 12, and 16 are dependent students. Each student was disbursed and additional unsubsidized loan.

AiA Response: AiA understands that it must maintain documentation of the parent borrower's PLUS loan denial or other documented exceptional circumstances for all students who may be eligible for additional unsubsidized loans. While we cannot be certain what was made available during the on-site review, AiA is providing copies of the credit denials for each of the Students cited in the finding. Additionally, AiA is providing a copy of the policy and procedures used to verify the student's eligibility for an additional unsubsidized loan.

See Exhibit 6.

Finding 7. Incomplete Verification.

Citation: 34 C.F.R. § 668.56, Items to be Verified.
34 C.F.R. § 668.57, Acceptable Documentation.

For the 2009-2010 award year, the parents of student number 4 each filed a Form 1040 tax return. The student's mother and father indicated a filing status of *'single'* on their respective tax returns.

The mother's tax filing (status: *single)* reported her AGI as $21,046. The father's tax filing (status: *single)* reported his AGI as $38,296. The amounts were then added together and used as the AGI amount reported on the F AFSA.

The parents should have been asked to amend their tax filings as *'married, filing separate'* or *'married, filing jointly'*. The EFC must be calculated by using the updated AGIs from the parents corrected filing status.

Student number 4 received $2450 in Pell disbursements; $6000 in FFEL Unsubsidized funds; and $6500 in FFEL Subsidized funds.

AiA Response: We believe that this finding reflects an isolated case because AiA understands that it must review the documents provided during the verification process. As requested, AiA is providing the amended tax returns for the parents of Student 4. The parents amended their returns to reflect the correct filing status, "Married filing separately." We are also providing a copy of the ISIR for 2009-2010 transaction 1, which indicates that the information for Adjusted Gross Income, U.S. Income Tax Paid, and Mother's and Father's Income Earned from Work remain the same and match the amended returns. The only difference between the tax return and the ISIR was the filing status. There was no change in eligibility as the income information was properly reported. It should be noted that the parents have correctly filed as married in subsequent tax years. The only difference was the filing status. We believe that no further action is required.

See Exhibit #7.

Finding 8: Late Credit Balance Payments.

Citations: 34 C.F .R. § 668.164, Student Assistance General Provisions
34 C.F.R. § 668.165, 668.165, Student Assistance General Provisions

AiA did not pay Title IV credit balances to the following students within the allotted timeframe as specified by the regulations:

AiA Response: On February 10, 2012, AiA advised Ms. Melody Parker-Venable that the institution had an authorization to maintain the credit balances for the Students 2, 8, 20, and 23 who were identified in the finding as not having received their credit balance. Under 34 CFR 668.164(b)(1)(ii), an institution may hold on behalf of the student or parent (in the case of PLUS loans) Title IV HEA program funds that would otherwise be paid directly to the student or parent. At the time of the review, the authorizations to hold Title IV funds were in each of the files and may have been inadvertently overlooked. We are forwarding copies of the authorizations. We are also providing a copy of the policy and procedures regarding holding credit balances.

When AiA advised Ms. Parker-Venable of the availability of the authorizations to hold credit balances, she agreed that there would not be a requirement to perform a file review once the authorizations were submitted as part of the response.

See Exhibit #8.

Finding 9. Return to Title IV Funds Not Made.

Citation: 34 C.F.R. § 668.22, Treatment of Title IV Funds When a Student Withdraws

AiA did not process the Return to Title IV Funds for Student Number 21.

AiA must calculate the refund for the Student #21 identified in this finding and provide the refund calculation and all supporting documentation with its response to this report.

AiA Response: AiA does not agree that Student 21 withdrew from AiA and was subject to the Return of Title IV calculation. While AiA agrees that Student 21 withdrew from two of the three courses in the Fall 2008 quarter, Student 21 completed the quarter by finishing one course with a grade of B. Page 5-87 of the 2011-2012 FSA Handbook states that "An institution must have a procedure for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal." Since Student 21 completed the quarter and passed a course, the student was not a withdrawal and a Return of Title IV was not required. We are providing a copy of Student 21's academic transcript and attendance record. The latter shows that the student was in attendance throughout the quarter. No class was held during the last week, thus the question mark. We believe that no further action is required.

See Exhibit #9.

Finding 10. Prior Year Charges Paid with Current Year Funds.

Citations: 34 C.F.R. § 668.164(d), Disbursing Funds.

AiA applied in excess of $200 of the 2009-2010 Title IV program funds to 2008-2009 award year charges for Student Number 14. As of June 29, 2009 (Spring 2009), the student's balance owed was $1,307.09. This remaining balance was paid with funds from the 2009-2010 award year.

AiA Response: AiA does not agree that it applied in excess of $200 of the 2009-2010 award year Title IV program funds toward the 2008-2009 award year charges. AiA has annotated the ledger of Student 14 to demonstrate that AiA did not apply more than $200 toward the prior year charges. In fact, there were no Title IV credit balances. We have identified each term with a letter (A-E) for the ease of tracking the terms, and we combined the terms into loan periods (see bottom of the exhibit). If the two loan periods are analyzed, as was done, it shows that the charges exceeded the Title IV disbursements in all cases. Clearly, there was no credit balance in loan period 2 to use toward the charges in the first loan period. Therefore, AiA did not apply any excess Title IV funds for prior year charges. AiA believes that no further action is required.

AiA is also providing a copy of the authorization from Student 14 permitting the institution to apply Title IV charges toward the book and supply charges. These charges were used to determine the total allowable charges for each loan period.

See Exhibit #10.

Finding 11. No Unofficial Withdrawal Policy.

Citations: 34 C.F.R. § 668.16, Standards of Administrative Capability
Dear Colleague Letter GEN 04-03, Return of Title IV Aid
34 C.F.R. § 668.43, Institutional Information.

Additionally, 34 C.F.R. § 668.43 states that institutional information that the institution must make readily available to enrolled and prospective students includes:

- the cost of attending the institution;

- any refund policy with which the institution is required to comply for the return of unearned tuition and fees or other refundable portions of cost paid to the institution;
- the requirements and procedures for officially withdrawing from the institution, and;
- a summary of the requirements under § 668.22 for the return of Title IV grant or loan assistance.

AiA does not have a standard policy or procedure for identifying unofficial withdrawals.

AiA Response: AiA does not agree that it does not have a standard policy or procedure for identifying unofficial withdrawals. AiA is providing with this response page 189 of the 2009 Catalog that specifies that AiA will terminate a student who misses seven (7) (consecutive) class days (or within twenty (20) calendar days from the student's last day of attendance) and do not officially withdraw. The Catalog also describes the process a student must follow to officially withdraw. The same page of the Catalog provides the summary of the Return of Title IV policy.

While not requested, we are also providing the Department with the Attendance Procedures.

See Exhibit #11.

Finding 12. Incomplete Campus Security and Crime Prevention Policies.

Citation: 34 C.F.R. § 668.46, Institutional Security Policies and Crime Statistics

AiA's policies for the Annual Campus Security Report are incomplete because the following required information was not properly addressed or is missing from the policy:

Location	Required Information
AiA – Atlanta AiA – Northern Virginia AiA – Washington (partially addressed)	Missing policies for making timely warning reports to members of the campus community regarding the occurrence of crimes. Exhibit 12B
AiA – Atlanta AiA – Northern Virginia	Policy does not include a list of the titles of each person or organization to whom students and employees should report the criminal offenses. Exhibit 12B
AiA – Atlanta AiA – Northern Virginia AiA – Charleston AiA – Nashville AiA – Decatur	Does not include a statement of current policies concerning campus law enforcement that describes the procedures that encourage pastoral counselors and professional counselors. Exhibit 12B
AiA – Atlanta AiA – Northern Virginia AiA – Washington AiA – Charleston AiA – Nashville AiA – Decatur	A description of any drug or alcohol-abuse education programs. Exhibit 12A and 12B

AiA – Atlanta AiA – Northern Virginia AiA – Washington AiA – Charleston	Regarding institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs, the policy does not include notification to students of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses. Exhibit 12B
AiA – Northern Virginia	A statement of policies concerning campus law enforcement that encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies. Exhibit 12B

AiA Response: AiA is providing both the Campus Security and Crime Prevention policies for 2010 and 2011. AiA does not agree that it was not in compliance with the disclosure requirements for crime reporting. We have highlighted in yellow those items in the 2010 Crime Report that meet the requirements that are noted above. The only addition AiA made to the crime policies in 2011 is we have added under "Campus Law Enforcement" that "The Institution does not have any pastoral or professional counselors, however, victims and witnesses to crimes may file a report on a voluntary, confidential basis." Nevertheless, we believe that we did not have to make this disclosure since AiA provided for the confidentiality and voluntary basis for reporting crimes under "Reporting Crimes and Emergencies." Further, since we do not have any pastoral or professional counselors, we had concluded that we did not have to note this, but at your suggestion, we have added the statement to the 2011 Crime Report. The Crime Reports for 2010 and 2011 are included as Exhibit 12B.

We believe that we have met the requirements for the Crime Report and the Drug and Alcohol Prevention Program.

We are also enclosing as Exhibit A the "Drug –Free Workplace and Campus" policies, which are distributed annually to each student and employee along with the Crime Report. Reference is made to the Drug and Alcohol program in the Crime Reports as well, which we highlighted in yellow in the 2010 Crime Report.

See Exhibits 12A (Drug and Alcohol Policies) and 12B (Crime Reports). The required information is noted in the policies and reports and highlighted in yellow.

D. Recommendations

The following is a recommendation based upon observations made by the review team during the program review. AiA is not required to provide a response to, nor is AiA required to act upon, these recommendations. However, the review team believes that adoption of this recommendation will assist the institution in its administration of Title IV, HEA program funds.

The institution's Federal Perkins Loan default rate for the most recent award year (2009) is 21.9%, which is approaching the threshold.

It is recommended that AiA develop a default management plan for lowering the Perkins default rate and procedures for due diligence in collecting Perkins Loan funds.

AiA Response: AiA agrees with the recommendation and had already established a Perkins Loan Program Management and Default Prevention Policy for The Art Institutes. AiA believes, like the Department, that it should engage in default prevention activities for all of the loan programs. We have attached a copy of the Perkins Loan management policy.

See Exhibit 13.

THE ART INSTITUTE OF ATLANTA c/o EDUCATION MANAGEMENT CORPORATION

AGREED-UPON PROCEDURES

December 28, 2011

TABLE OF CONTENTS

Fogle & Associates, LLC
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To Education Management Corporation and
the U.S. Department of Education:

We have performed the procedures enumerated below, which were agreed to by Education Management Corporation ("EDMC") and the U.S. Department of Education ("USDE") (the specified parties), solely to assist you with respect to Finding #1 – Failure to Safeguard Federal Perkins Loan Funds – in the U.S. Department of Education's Program Review Report of the Art Institute of Atlanta's administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, dated December 28, 2011. The Art Institute of Atlanta's ("AiA") management is responsible for responding to this finding. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As specified in Finding #1, for the period from July 1, 2008 through December 28, 2011, our procedures are as follows:

1) We obtained and inspected all bank statements into which Perkins Loan funds were deposited.
2) We obtained and inspected EDMC's bank reconciliation spreadsheets for those bank accounts.
3) We compared the reconciled balance to the accounting records.
4) We recomputed EDMC's interest income as indicated / calculated on the Perkins Loan fund bank statements and summarized on the bank reconciliation spreadsheets.
5) We traced selected checks, debits, and credits to relevant supporting documentation, from the reconciliations back to the source documents.

Our findings are as follows:

- During the month of January 2009, for the Art Institute of Atlanta bank account, the bank reconciliation spreadsheet did not include the National City Bank account activity. Thus, the beginning and ending balances did not properly reconcile to the bank statements. Per review of that bank statement, the only apparent effect was that $0.70 of interest income was not recorded.
- During the month of February 2009, for the Art Institute of Atlanta bank account, the bank reconciliation spreadsheet did not include the National City Bank account activity. Thus, the beginning and ending balances did not properly reconcile to the bank statements. Per review of that bank statement, the only apparent effect was that $0.52 of interest income was not recorded.
- During the month of March 2009, for the Art Institute of Atlanta bank account, the bank reconciliation spreadsheet did not include the National City Bank account activity. Thus, the beginning and ending balances did not properly reconcile to the bank statements. Per review of that bank statement, the only apparent effect was that $0.42 of interest income was not recorded.

- During the month of May 2009, for the Art Institute of Atlanta bank account, the bank reconciliation spreadsheet did not include the National City Bank account activity. Thus, the beginning and ending balances did not properly reconcile to the bank statements. Per review of that bank statement, the only apparent effect was that $0.28 of interest income was not recorded.
- Per our recalculations, total interest income (AiA and all locations) was approximately $183 for 2008-09, $64 for 2009-10, $248 for 2010-11, and $41 from July 1, 2011 through December 28, 2011.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the validity of USDE's Finding #1 and of AiA's compliance therein. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Education Management Corporation and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Fogle & Associates, LLC

February 15, 2012

Bank of America
Merrill Lynch

Amber Quintana
Cash Manager
Education Management Corporation
210 Sixth St.
Pittsburgh, PA 15222

Dear Amber:

Please accept this letter as explanation of the change from an overnight sweep investment product on your Art Institute of Atlanta Perkins Loan account XXXX527805 to an interest bearing checking account.

On July 21, 2011 Bank of America began offering an interest bearing checking account in response to the legislation enacted by the Dodd-Frank bill, which effectively repealed Regulation Q. Further information on the act can be found within the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Sec. 627. Interest-bearing transaction accounts authorized. (a) Repeal of prohibition on payment of interest on demand deposits).

On January 5, 2012, Bank of America discussed with EDMC the availability of an interest bearing checking account, and after choosing that option EDMC closed its overnight investment sweep account and changed the Art Institute of Atlanta Perkins Loan account XXXX527805 to an interest bearing checking account.

Please do not hesitate to contact me should you have any additional questions.

Sincerely,

(b)(6); (b)(7(C),(b)(7)(C)

Joseph Guzzardi, CTP
VP; Treasury Sales Officer
Bank of America Merrill Lynch
Bank of America, N.A.
Global Commercial Banking
Koppers Building
436 7th Ave, Ste 125
Pittsburgh, PA 15219
412.454.8963

FSA Account Policy

Approved by: **Richard Them**

History: **Implemented – February 2012**

Revised –

Related Policies:

References:

http://www.ifap.ed.gov/bbooks/attachments/1005BlueBookCh13ManagingFederalFunds.pdf

Purpose or Scope:

The purpose of this policy is to promote sound cash management policies that relate to FSA funds

Definitions:

Relating to FSA funds:

Policy relates to FSA funds which includes but is not limited to: Direct Loan, Pell Grant, FSEOG, and the FWS program. Any interest earned on FSA funds that exceeds $250 per award year must be remitted to the Department by June 30 of that award year. A school may keep up to $250 per year of the interest (*other than that earned on Perkins Loan funds*) to pay for the administrative expense of maintaining the account.

Guidance:

It is the policy of Education Management Corporation (EDMC or the "Company") to reconcile the FSA bank accounts monthly and determine any interest earned on an annual basis in order to remit as necessary per the Department of Education (DoE) rules and regulations.

Procedures:

During the monthly FSA account reconciliation the school will compare its interfund records to its FSA bank statements. Based on a cumulative reconciliation of the interfund account to the bank statements, a calculation of total annual interest will be determined. Any interest earned on FSA program funds maintained that exceeds $250 per award year will be remitted to the Department by June 30 of that award year.

Where possible, the interest will be returned through the G5 website at:

https://www.g5.gov/ext/wps/portal?g5.parameters.errorcode=&g5.parameters.error=&g5.parameters.username=unauthenticated

With a username and password, go to the main menu and select "Refunds" and then "Interest"

When G5 is not an option, the excess interest income will be returned to ED by check:

U.S. Department of Education
P.O. Box 952023
St. Louis, Missouri 63195-2023

The school will note on the check the school's D-U-N-S number and Document Award Number, and will also indicate that the remittance is for interest earned.

Policy Disclaimer:

Final Program Review Determination
PRCN #: 201040427319

Appendix C

Program Review Report

START HERE
GO FURTHER
FEDERAL STUDENT AID

Prepared for

Arts Institute of Atlanta

OPE ID 00927000
PRCN 201040427319

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

Program Review Report

December 28, 2011

Federal Student Aid School Participation Team – Atlanta
61 Forsyth Street SW, Room 18T40
Atlanta, Georgia 30303
www.FederalStudentAid.ed.gov

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Table of Contents

A. Institutional Information

Arts Institute of Atlanta
6600 Peachtree Dunwoody Road
100 Embassy Row
Atlanta, Georgia 30328-1649

Type: Proprietary

Highest Level of Offering: Bachelor

Accrediting Agency: Southern Association of Colleges and Schools Commission on Colleges

Current Student Enrollment for 2010-2011: 7024

% of Students Receiving Title IV: 63% (2010-2011)

Title IV Participation as reported via Postsecondary Education Participants System:

	2009-2010
Federal Pell Grant (Pell)	$21,602,286
Federal Family Educational Loan Program (FFEL)	$85,237,807
Direct Loan Program (DL)	$24,059,250
Federal Supplemental Education Opportunity Grant (FSEOG)	$1,268,695
Federal Perkins Loan Program (Perkins)	$145,507
Federal Work Study (FWS)	$315,934

Default Rate FFEL/DL:	2008	7.8%
	2007	7.0%
	2006	4.8%
Default Rate Perkins:	2009	21.3%
	2008	29.3%
	2007	29.1%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Arts Institute of Atlanta (AiA) from September 20, 2010 to September 24, 2010. The review was conducted by Melody Parker-Venable, Pamela Clemmer, and Jon Finkelstein.

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

A sample of 30 files was identified for review from the 2008-2009 and 2009-2010 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and 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 AiA'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 AiA 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 AiA to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Failure to Safeguard Federal Perkins Loan Funds.

Citation: 34 C.F.R. § 668.163, Maintaining and Accounting for Funds
34 C.F.R. § 668.24, Record Retention and Examinations

All schools must maintain a bank account into which the Department transfers, or the school deposits, FSA funds. The account must be federally insured or secured by collateral of value reasonably equivalent to the amount of FSA funds in the account. A school has a fiduciary responsibility to segregate federal funds from all other funds and to ensure that federal funds are used only for the benefit of the eligible student when a school does not maintain a separate account for each FSA program. Under no circumstances may the school use federal funds for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of FSA funds or subjects FSA funds to liens or other attachments (such as would be the case with certain overnight investment arrangements or sweeps). 34 C.F.R. § 668.163 and 34 C.F.R. § 668.24

If a school does not maintain a separate account for FSA program funds, its accounting and internal control systems must:

- Identify the balance for each FSA program that is included in the school's bank or investment account as readily as if those funds were in a separate account; and
- Identify the earnings on FSA program funds in the school's bank or investment account.

A school must maintain its financial records in accordance with the recordkeeping requirements identified in 34 C.F.R. 668.24.

For each account that contains FSA program funds, a school must identify that FSA funds are maintained in the account by:

- Including the phrase 'federal funds' in the name of the account, or
- Notifying the bank or investment company of the accounts that contain FSA funds and keeping a copy of this notice in its records and filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds.

The school must keep a copy of the UCC-1 statement in its records.

FSA funds must be maintained in an interest-bearing account or an investment account unless:

- The school drew down less than $3 million of these funds in the prior award year and anticipates that it will not draw down more than $3 million in the current award year, or
- The school can demonstrate that it would not earn over $250 in interest on the funds it will draw down during the award year.

An investment account must consist predominantly of low-risk income-producing securities. If a school chooses to maintain federal funds in an investment account, the school must maintain sufficient liquidity in that account to make required disbursements to students.

Any interest earned on FSA funds maintained in an interest-bearing or an investment account that exceeds $250 per award year must be remitted to the Department by June 30 of that award year. A school may keep up to $250 per year of the interest or investment revenue earned (other than that earned on Perkins Loan funds) to pay for the administrative expense of maintaining the account.

A school that participates in the Perkins Loan Program must always maintain an interest-bearing account or an investment account for Perkins Loan Funds. The school must maintain sufficient liquidity in its Perkins funds to make all required distributions.

Except for funds received by a school for administrative expenses and for funds used for the Job Location and Development Program, funds received by a school under the FSA programs are held in trust for the intended student beneficiaries. As a trustee of those funds, a school may not use (or use as collateral) FSA funds for any other purpose.

A school has a fiduciary responsibility to --

- safeguard FSA funds,
- ensure FSA funds are used only for the purposes intended,
- act on a student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student, and
- return to the Department any FSA funds that cannot be used as intended.

Noncompliance: It appears that parent corporation (Education Management LLC) arranged with its financial institutions to sweep Federal Perkins Loan funds into investment accounts and/or other interest or revenue generating accounts thus endangering Federal funds entrusted to the Art Institutes of Atlanta, Art Institutes of Tennessee, the Art Institutes of Washington and the Art Institutes of Charleston on behalf of the Department. A review of bank accounts for the Federal Perkins Loan funds maintained by the Art Institutes of Atlanta disclosed references to sweep debits/credits, sweep accounts, transfers to/from investment accounts, etc.

According to an email dated December 6, 2010 from Chris Schwarzer, Director of Administrative and Financial Services for The Art Institute of Atlanta, 'The account balance for the Perkins accounts is swept out nightly and then swept back into the Perkins account each day as an overnight investment. There is no 'investment account' for the Perkins accounts. The investment activity can be seen on the regular monthly statement for each of these accounts as part of the return sweep.' Based upon these statements and a review of the Perkins bank statements, the reviewers requested copies of the sweep/investment accounts to show the earnings generated from the sweep/investment activities. To date, institutional officials have not provided a detailed accounting of the interest and/or revenue generated from Federal Perkins Loan funds. Although the bank statements provided do show in some cases the amount of monthly sweep debits, sweep credits, transfers to investment, transfers from investment, etc., these monthly reports do not show the funds earned.

In addition, the reviewers found it virtually impossible to account for all Federal Perkins collections/disbursements given there were multiple Perkins bank accounts, the parent corporation changed financial institutions, a majority of monthly beginning/ending balances are listed as $0 yet there is activity in the account for investment/sweeping, the beginning/ending balances do not always agree from month to month, and several monthly balances seem to decrease/increase with no noticeable explanation.

From the email string with Mr. Schwarzer, it appears that four separate accounts were identified by Janette Hartley with Perkins Loan funds. Ms. Hartley states that she sent to Mr. Schwarzer all accounts for the AiA group and that at some point their organization changed banks. She also included account AIW (7800) in with AiA (7805). A chart was provided with column headings labeled AICS-7749, AiAD-7909, AITN-7744 and AIW-7800. Ms. Hartley stated that there were no other locations within AiA that has Perkins funds. She then provided the bank statements for the periods July 2008 through December 2010 that had activity. However, a detailed analysis of the Perkins accounts submitted to the reviewers identified additional account numbers.

The following information was taken from bank statements provided by Mr. Schwarzer and Ms. Hartley:

Account Name:	The Art Institute of Atlanta, Inc. (Decatur Locations) Federal Funds Perkins Account	
Account Number:	(b)(4)	
Bank Information:	National City Bank	
Statement Period:	Beginning Balance:	Ending Balance:
07/01/2008 – 07/31/2008	$0	$0
08/01/2008 – 08/29/2008	$0	$0
08/30/2008 – 09/30/2008	$0	$0
10/01/2008 – 10/31/2008	$0	$0
11/01/2008 – 11/28/2008	$0	$0
11/29/2008 – 12/31/2008	$0	$0
01/01/2009 – 01/30/2009	$0	$0
01/31/2009 – 02/27/2009	$0	$0
02/28/2009 – 03/31/2009	$0	$0

Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'

Account Name:	The Art Institute of Atlanta, Inc. Perkins Federal Funds Account
Account Number:	(b)(4)
Bank Information:	National City Bank

Statement Period:	Beginning Balance:	Ending Balance:	Sweep Debits:
05/31/2008 – 06/30/2008	$2,997.49	$0	$26,164.18
07/01/2008 – 07/31/2008	$0	$222.23	$307,842.69
08/01/2008 – 08/29/2008	$222.23	$0	$545,281.24
08/30/2008 – 09/30/2008	$0	$0	$907,636.26
10/01/2008 – 10/31/2008	$0	$0	$101,782.84

Account Name:	The Art Institute of Charleston Perkins Federal Account	
Account Number:	(b)(4)	
Bank Information:	National City Bank	
Statement Period:	Beginning Balance:	Ending Balance:
07/01/2008 – 07/31/2008	$0	$0
08/01/2008 – 08/29/2008	$0	$0
08/30/2008 – 09/30/2008	$0	$0
10/01/2008 – 10/31/2008	$0	$0
11/01/2008 – 11/28/2008	$0	$0
11/29/2008 – 12/31/2008	$0	$0
01/01/2009 – 01/30/2009	$0	$0
01/31/2009 – 02/27/2009	$0	$0
02/28/2009 – 03/31/2009	$0	$0

Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'

Account Name:	The Art Institute of Tennessee Nashville, Inc. Perkins Federal Funds	
Account Number:	(b)(4)	
Bank Information:	National City Bank	
Statement Period:	Beginning Balance:	Ending Balance:
07/01/2008 – 07/31/2008	$0	$0
08/01/2008 – 08/29/2008	$0	$0
08/30/2008 – 09/30/2008	$0	$0
10/01/2008 – 10/31/2008	$0	$0
11/01/2008 – 11/28/2008	$0	$0
11/29/2008 – 12/31/2008	$0	$0
Notes: For the statement period November 1, 2008-November 28, 2008, there is a section labeled 'Important Information About Your Account' which contains the statement 'For sweep accounts, the FDIC Transaction Account Guarantee does not apply to the funds that are swept into an interest bearing or non-transaction account. At the end of the business day, the funds will be insured based on the type of account the funds are in after the sweep has taken place.'		
01/01/2009 – 01/30/2009	$0	$0
01/31/2009 – 02/27/2009	$0	$0
02/28/2009 – 03/31/2009	$0	$0
Changed Financial Institution		
Account Name:	Education Management LLC The Art Institute of Tennessee Nashville Inc Perkins Account	
Account Number:	(b)(4)	
Bank Information:	Bank of America	
Statement Period:	Beginning Balance:	Ending Balance:
00/00/0000 – 04/30/2009	$0	$100.00 (a)
05/01/2009 – 05/29/2009	$100.00	$0 (b)
05/29/2009 – 06/30/2009	$0	$0 (c)
07/01/2009 – 07/31/2009	$0	$0 (d)
08/01/2009 – 08/31/2009	$0	$0 (e)
09/01/2009 – 09/30/2009	$0	$0 (f)
10/01/2009 – 10/30/2009	$0	$0 (g)
10/31/2009 – 11/30/2009	$0	$0 (h)
12/01/2009 – 12/31/2009	$0	$0 (i)
01/01/2010 – 01/29/2010	$0	$0 (j)
01/30/2010 – 02/26/2010	$0	$0 (k)
02/27/2010 – 03/31/2010	$0	$0 (l)
04/01/2010 – 04/30/2010	$0	$0 (m)
05/01/2010 – 05/28/2010	$0	$0 (n)

05/29/2010 – 06/30/2010	$0	$0 (o)
07/01/2010 – 07/30/2010	$0	$0 (p)
07/31/2010 – 08/31/2010	$0	$0 (q)
09/01/2010 – 09/30/2010	$0	$0 (r)
10/01/2010 – 10/29/2010	$0	$0 (s)
(a) $100 was deposited from Campus Partners		
(b) $1,400 in Deposits labeled as 'Transfer from Investment' and $1,500 labeled as 'Transfer To Investment' but ending balance is $0.		
(c) $3,250 in Deposits labeled as 'Transfers from Investment' and $3,250 labeled as 'Transfer To Investment' but ending balance is $0.		
(d) $4,950 in Deposits labeled as 'Transfers from Investment' and $5,050 labeled as 'Transfer To Investment' but ending balance is $0.		
(e) $6,542 in Deposits labeled as 'Transfers from Investment' and $6,716.20 labeled as 'Transfer To Investment' but ending balance is $0.		
(f) $9,308.20 in Deposits labeled as 'Transfers from Investment' and $9,348.20 labeled as 'Transfer To Investment' but ending balance is $0.		
(g) $10,798.20 in Deposits labeled as 'Transfers from Investment' and $10,938.20 labeled as 'Transfer To Investment' but ending balance is $0.		
(h) $11,579.80 in Deposits labeled as 'Transfers from Investment' and $11,719.80 labeled as 'Transfer To Investment' but ending balance is $0.		
(i) $21,498.81 in Deposits labeled as 'Transfers from Investment' and $22,025.46 labeled as 'Transfer To Investment' but ending balance is $0.		
(j) $25,046.15 in Deposits labeled as 'Transfers from Investment' and $25,186.15 labeled as 'Transfer To Investment' but ending balance is $0.		
(k) $34,428.91 in Deposits labeled as 'Transfers from Investment' and $35,532.55 labeled as 'Transfer To Investment' but ending balance is $0.		
(l) $57,953.27 in Deposits labeled as 'Transfers from Investment' and $57,993.27 labeled as 'Transfer To Investment' but ending balance is $0.		
(m) $56,798.78 in Deposits labeled as 'Transfers from Investment' and $56,878.78 labeled as 'Transfer To Investment' but ending balance is $0.		
(n) $53,229.80 in Deposits labeled as 'Transfers from Investment' and $53,399.80 labeled as 'Transfer To Investment' but ending balance is $0.		
(o) $61,698.78 in Deposits labeled as 'Transfers from Investment' and $61,698.78 labeled as 'Transfer To Investment' but ending balance is $0.		
(p) $60,014.29 in Deposits labeled as 'Transfers from Investment' and $60,094.29 labeled as 'Transfer To Investment' but ending balance is $0.		
(q) $72,138.78 in Deposits labeled as 'Transfers from Investment' and $72,678.78 labeled as 'Transfer To Investment' but ending balance is $0.		
(r) $73,314.29 in Deposits labeled as 'Transfers from Investment' and $73,434.29 labeled as 'Transfer To Investment' but ending balance is $0.		
(s) $71,449.80 in Deposits labeled as 'Transfers from Investment' and		

$71,489.80 labeled as 'Transfer To Investment' but ending balance is $0.

Account Name:	Education Management LLC The Art Institute of Washington Inc Perkins Account	
Account Number:	(b)(4)	
Bank Information:	Bank of America	
Statement Period:	Beginning Balance:	Ending Balance:
07/01/2009 – 07/31/2009	$0	$0 (aa)
08/01/2009 – 08/31/2009	$0	$0 (bb)
09/01/2009 – 09/30/2009	$0	$0 (cc)
10/01/2009 – 10/30/2009	$0	$0 (dd)
10/31/2009 – 11/30/2009	$0	$0 (ee)
12/01/2009 – 12/31/2009	$0	$0 (ff)
01/01/2010 – 01/29/2010	$0	$0 (gg)
01/30/2010 – 02/26/2010	$0	$0 (hh)
02/27/2010 – 03/31/2010	$0	$0 (ii)
04/01/2010 – 04/30/2010	$0	$0 (jj)
05/01/2010 – 05/28/2010	$0	$0 (kk)
05/29/2010 – 06/30/2010	$0	$0 (ll)
07/01/2010 – 07/30/2010	$0	$0 (mm)
07/31/2010 – 08/31/2010	$0	$0 (nn)
09/01/2010 – 09/30/2010	$0	$0 (oo)
10/01/2010 – 10/29/2010	$0	$0 (pp)
(aa) $527,404.43 in Deposits labeled as 'Transfers from Investment' and $531,751.80 labeled as 'Transfer To Investment' but ending balance is $0.		
(bb) $411,649.00 in Deposits labeled as 'Transfers from Investment' and $417,516.43 labeled as 'Transfer To Investment' but ending balance is $0.		
(cc) $536,615.11 in Deposits labeled as 'Transfers from Investment' and $542,525.69 labeled as 'Transfer To Investment' but ending balance is $0.		
(dd) $612,947.48 in Deposits labeled as 'Transfers from Investment' and $619,989.74 labeled as 'Transfer To Investment' but ending balance is $0.		
(ee) $638,450.13 in Deposits labeled as 'Transfers from Investment' and $648,556.02 labeled as 'Transfer To Investment' but ending balance is $0.		
(ff) $993,701.90 in Deposits labeled as 'Transfers from Investment' and $1,001,134.45 labeled as 'Transfer To Investment' but ending balance is $0.		
(gg) $1,015,924.51 in Deposits labeled as 'Transfers from Investment' and $1,028,981.08 labeled as 'Transfer To Investment' but ending balance is $0.		

(hh) $1,213,641.43 in Deposits labeled as 'Transfers from Investment' and $1,217,162.68 labeled as 'Transfer To Investment' but ending balance is $0.
(ii) $1,648,298.84 in Deposits labeled as 'Transfers from Investment' and $1,660,235.89 labeled as 'Transfer To Investment' but ending balance is $0.
(jj) $1,849,025.82 in Deposits labeled as 'Transfers from Investment' and $1,861,075.66 labeled as 'Transfer To Investment' but ending balance is $0.
(kk) $1,995,269.62 in Deposits labeled as 'Transfers from Investment' and $2,016,585.66 labeled as 'Transfer To Investment' but ending balance is $0.
(ll) $2,369,105.51 in Deposits labeled as 'Transfers from Investment' and $2,376,226.81 labeled as 'Transfer To Investment' but ending balance is $0.
(mm) $2,463,925.97 in Deposits labeled as 'Transfers from Investment' and $2,476,214.28 labeled as 'Transfer To Investment' but ending balance is $0.
(nn) $2,759,515.32 in Deposits labeled as 'Transfers from Investment' and $2,766,512.56 labeled as 'Transfer To Investment' but ending balance is $0.
(oo) $2,739,060.59 in Deposits labeled as 'Transfers from Investment' and $2,742,923.76 labeled as 'Transfer To Investment' but ending balance is $0.
(pp) $2,670,815.47 in Deposits labeled as 'Transfers from Investment' and $2,672,337.02 labeled as 'Transfer To Investment' but ending balance is $0.

Account Name:	Education Management LLC The Art Institute of Washington Inc Perkins Federal Funds Account		
Account Number:	(b)(4)		
Bank Information:	National City Bank		
Statement Period:	Beginning Bal:	Ending Balance:	Sweep Debits:
07/01/2008 – 07/31/2008	$0	$0	$1,047,919.49
08/01/2008 – 08/29/2008	$0	$0	$570,477.63
08/30/2008 – 09/30/2008	$0	$0	$108,800.68
10/01/2008 – 10/31/2008	$0	$0	$65,482.22
11/01/2008 – 11/28/2008	$0	$0	$26,793.20
11/29/2008 – 12/31/2008	$0	$0.04	$0
Changed Financial Institution			

Account Name:	Education Management LLC The Art Institute of Washington Inc Perkins Account	
Account Number:	(b)(4)	
Bank Information:	Bank of America	
Statement Period:	Beginning Balance:	Ending Balance:
01/01/2009 – 01/30/2009	$11,675.30	$506.97
01/31/2009 – 02/27/2009	$506.97	$7,522.09 (a)
(a) A single transfer of $788 to Account 8666108936. There does not appear to be any daily sweeps or transfers to investments.		
02/28/2009 – 03/31/2009	$7,522.09	$1,703.08 (b)
(b) A single transfer of $10,700 to Account 8666108936. There does not appear to be any daily sweeps or transfers to investments.		
04/01/2009 – 04/30/2009	$1,703.08	$5,398.12 (c)
(c) Two transfers totaling $2,565. There does not appear to be any daily sweeps or transfers to investments.		
05/01/2009 – 05/29/2009	$5,398.12	$0 (d)

(d) This is the first month where transfers to investment appear to begin for this account. Total Transfers to Investment were $129,408.50		
05/30/2009 – 06/30/2009	$0	$0 (e)
(e) Total Transfers to Investment were $366,842.82		

Account Name:	Education Management LLC The Art Institute of Atlanta Inc Perkins Account	
Account Number:	(b)(4)	
Bank Information:	Bank of America	
Statement Period:	Beginning Balance:	Ending Balance:
01/01/2009 – 01/30/2009	$28,322.12	$9,506.82
01/31/2009 – 02/27/2009	$9,506.82	$9,657.70
02/28/2009 – 03/31/2009	$9,657.70	$41,653.84
04/01/2009 – 04/30/2009	$41,653.84	$34,218.07
05/01/2009 – 05/29/2009	$34,218.07	$0 (aaa)
05/30/2009 – 06/30/2009	$0	$0 (bbb)
07/01/2009 – 07/31/2009	$0	$0 (ccc)
08/01/2009 – 08/31/2009	$0	$0 (ddd)
09/01/2009 – 09/30/2009	$0	$0 (eee)
10/01/2009 – 10/30/2009	$0	$0 (fff)
10/31/2009 – 11/30/2009	$0	$0 (ggg)
12/01/2009 – 12/31/2009	$0	$0 (hhh)
01/01/2010 – 01/29/2010	$0	$0 (iii)
01/30/2010 – 02/26/2010	$0	$0 (jjj)
02/27/2010 – 03/31/2010	$0	$0 (kkk)
04/01/2010 – 04/30/2010	$0	$0 (lll)
05/01/2010 – 05/28/2010	$0	$0 (mmm)
05/29/2010 – 06/30/2010	$0	$0 (nnn)
07/01/2010 – 07/30/2010	$0	$0 (ooo)
(aaa) This is the first month where transfers to investments appear on the statements. Such transfers appear to total $664,214.46.		
(bbb) Transfers to investment appear to total $1,109,358.04.		
(ccc) Transfers to investment appear to total $599,449.71.		
(ddd) Transfers to investment appear to total $706,679.69.		
(eee) Transfers to investment appear to total $1,094,307.26		
(fff) Transfers to investment appear to total $1,012,225.35.		

Final Program Review Determination
PRCN #: 201040427319

Appendix D

Cost of Funds Calculation

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: **Art Institutes of Atlanta 00927000**

Perkins Interest from Sweep Accounts

No.	Description/Name	Ineligible Disbrsmnt	Program	Disbursement Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
	Interest Earned 07/08	$11,272.70	Perkins	7/1/2008	1/14/2013	1658	3.00%	$ 8,454.53	$ -	$ 1,152.11

Total Ineligible	$11,272.70

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS	
Federal SEOG	
Federal Perkins	
Total C-B Spent	$ -
ACA Percentage	

	Total	Federal Share
Pell	$ -	$ -
ACG	$ -	$ -
SMART	$ -	$ -
TEACH	$ -	$ -
FWS	$ -	$ -
FSEOG	$ -	$ -
Perkins	$ 11,272.70	$ 8,454.53
FWS-50% Match	$ -	$ -
FWS-No Match	$ -	$ -
FSEOG-No Match	$ -	$ -
Perkins-No Match	$ -	$ -
Total Campus-Based	$ 11,272.70	$ 8,454.53

Totals	$ -	$ 1,152.11
ACA Liability		
Interest Breakdown		
Pell Grants	$ -	$ -
ACG	$ -	$ -
SMART	$ -	$ -
TEACH	$ -	$ -
FWS	$ -	$ -
FSEOG	$ -	$ -
Perkins	$ -	$ 1,152.11
FWS-50% Match	$ -	$ -
FWS-No Match	$ -	$ -
FSEOG-No Match	$ -	$ -
Perkins-No Match	$ -	$ -

ACA Breakdown

FWS	
FSEOG	
Perkins	
FWS-50% Match	
FWS-No Match	
FSEOG-No Match	
Perkins-No Match	

ELECTRONIC RECORDS MANAGEMENT (ERM)
INDEX / SCHOOL RECORD REQUEST

Purpose: (Mark only one box:)
- ☒ Scan document(s) for input to EDMS
- ☐ Amend documents previously scanned/submitted
- ☐ Request for document(s) to be retrieved from EDMS
- ☐ Add to documents previously scanned/submitted

Requestor:	M. Parker-Venable	Phone Number:	404-974-9299	Today's Date:	1/18/2013

ERM File Index Information (* Required Fields: 1, 2, 7 and 8) (Other fields as applicable)					
1. OPEID (8 digits): *	00927000	2. SCHOOL NAME: *	The Art Institutes of Atlanta		
3. ACN:		Comments/Special Instructions: (Indicate if documents contain PII)			
4. PRCN:	201040427319				
5. OIG ACN:					
6. FACACN:		7. STATE: *	GA	8. DOCDATE: *	9. FY:

ERM DOCUMENT GROUPING

Folder: PROGRAM REVIEW / Program Review Documents

- ☐ Program Review Report w/Attachments
- ☐ Announcement letter
- ☐ Entrance Conference Documents
- ☐ Exit Conference Documents
- ☐ Institution Response
- ☐ ED Response to Institution Response
- ☐ Reviewer Checklist
- ☐ Pell Adjustments **

Folder: PROGRAM REVIEW / Internal Correspondence

- ☐ ED Policy
- ☐ PLI
- ☐ PIPSG
- ☐ OIG
- ☐ AAASG (OGC)
- ☐ SESG Management
- ☐ Program Operations
- ☐ Emails (Correspondence and Documents) of importance

Folder: PROGRAM REVIEW / External Correspondence

- ☐ Accrediting Agency
- ☐ Emails (Correspondence and Documents) of importance
- ☐ State Licensing Agency
- ☐ Guarantee Agency

Folder: PROGRAM REVIEW / FPRD

- ☐ FPRD w/Attachments
- ☐ Expedited Determination Letter (EDL)
- ☒ Reviewer Checklist
- ☐ Proof of mail receipt

** Inactive files

[Please note: If it appears that a document does not fit in any subfolder category, refer to the chart in Section 25.2 of the Program Review Procedures (Type of Records to be Forwarded to IPM for Scanning into ERM).]