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April 18, 2016

Dr. Rashed Elyas  
President/CEO  
Marinello Schools of Beauty  
501 S. Beverly Drive, Suite 240  
Beverly Hills, CA 90212-4562

Certified Mail  
Return Receipt Requested  
#: 70150640000610807870

RE: **Final Program Review Determination**  
Marinello School of Beauty – Hemet, CA  
OPE ID: 03467300  
PRCN: 201440928805

Dear Dr. Elyas:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report on January 15, 2015 covering Marinello School of Beauty's (MSB's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2011-2012, 2012-2013, and 2013-2014 award years. MSB's final response was received on February 17, 2015. A copy of the program review report (and related attachments) and MSB's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by MSB upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

**Purpose:**

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

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

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

The total liabilities due from the institution from this program review are \$2,957.36. This FPRD contains detailed information about the liability determination.

This school closed on February 4, 2016. In the future, borrowers may submit successful applications for closed school discharges of Title IV loans borrowed by students who attended MSB. If that occurs, the Department will use the program review process to recover those liabilities from MSB at that time. Neither the Department's issuance of this FPRD, nor payment by MSB of the liabilities identified in it, in any way waives the Department's right to repayment of liabilities either existing now, but unknown to the Department, or accruing in the future.

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

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

**Appeal Procedures:**

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

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

MSB'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 MSB'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 Pilar M. Diaz, Senior Institutional Review Specialist, at (415) 486-5368.

Sincerely,



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

Enclosures:  
Protection of Personally Identifiable Information  
Final Program Review Determination

cc: Designated Assignee for MSB:  
Development Specialists, Inc. As Assignee  
333 South Grand Avenue, Suite 4070  
Los Angeles, CA 90071  
Attn.: Geoffrey Berman (by e-mail to [gberman@dsi.biz](mailto:gberman@dsi.biz))  
National Accrediting Commission of Career Arts and Sciences  
California Bureau for Private Postsecondary Education  
Department of Defense (via e-mail at [osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil](mailto:osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil))  
Department of Veterans Affairs (via e-mail at [INCOMING.VBAVACO@va.gov](mailto:INCOMING.VBAVACO@va.gov))  
Consumer Financial Protection Board (via e-mail at [CFPB\\_ENF\\_Students@cfpb.gov](mailto:CFPB_ENF_Students@cfpb.gov))

## PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

**Marinello School of Beauty**

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**OPE ID: 03467300**

**PRCN: 201440928805**

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

**Final Program Review Determination  
April 18, 2016**

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**A. Institutional Information**

Marinello School of Beauty  
2627 West Florida Avenue  
Hemet, CA 92545

Type: Proprietary

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

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

State Agencies: UT Division of Occupational & Professional Licensing  
CA Bureau for Private Postsecondary Education

Current Student Enrollment (as of September, 2014): 914

Percentage of Students Receiving Title IV (as of September, 2014): 90%

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

	<u>2013 - 2014 Award Year</u>
Federal Pell Grant Program	\$5,898,162
Federal Supplemental Educational Opportunity Grant Program	\$118,616
William D. Ford Federal Direct Loan Program (Direct Loan)	\$9,221,790

Default Rate FFEL/DL:	2012	15.9%
	2011	22.5%
	2010	13.0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Marinello School of Beauty, Hemet Campus (MSB) from September 15-19, 2014. The review was conducted by Pilar M. Diaz, Lana Walter, and Anna Archila.

The focus of the review was to determine MSB'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 MSB'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 45 files was identified for review from the 2011-2012, 2012-2013 and 2013-2014 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A Program Review Report (PRR) was issued on January 16, 2015.

### **Disclaimer:**

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

## **C. Findings and Final Determinations**

### **Resolved Findings**

MSB has taken the corrective actions necessary to resolve findings ## 2 and 3; therefore, these findings may be considered closed. Please refer to the attached document containing the institution's written response related to the resolved findings.

### **Findings with Final Determinations**

The program review report findings requiring further action or where additional comment is warranted are summarized below. At the conclusion of each finding is a summary of MSB's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on January 16, 2015 is attached as Appendix B.

### **Finding #1. Questionable High School Diploma Credentials**

**Citation Summary:** *To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in 34 C.F.R. § 668.16. The Secretary considers an institution to have that administrative capability if the institution, among other criteria, develops and follows procedures to evaluate the validity of a student's high school completion if the institution or the Secretary has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education. 34 C.F.R. § 668.16(p).*

*A student is eligible to receive Title IV, HEA program assistance if the student, among other requirements, has a high school diploma or its recognized equivalent. 34 C.F.R. § 668.32(e)(1).*

**Noncompliance Summary:** *During the Program Review, the reviewers questioned the validity of copies of some high school diplomas and high school transcripts appearing in student files, particularly diplomas from a purported "secondary school" that, in fact, may not provide a secondary school education. This school is Parkridge Private School, where three of the sampled students obtained "diplomas." These are students #20, 33, and 44. However, when Department officials discussed the matter with schools officials and interviewed two of the students who had obtained Parkridge diplomas, it was discovered that the attainment of a diploma at this school results from having studied materials mailed to them from Parkridge, and from taking a written test after paying a fee (a portion of which is subsidized by MSB if the student subsequently enrolls at MSB). As described in the Department's Federal Student Aid Handbook (2013-14 edition), a "diploma mill" is an institution that, in part, grants "diplomas" to students who pay a fee with little work expected in return for that diploma. The Parkridge Private School appears to meet these particular criteria. The Department questions whether MSB's system of validating high school credentials is compliant with Title IV requirements, in light of the referrals MSB provides to Parkridge, the subsidies paid for students who obtain credentials from this school, and the lack of evidence that this school provides education that qualifies students for a legitimate high school diploma.*

*In addition, subsequent to the Program Review, the reviewers submitted information obtained from MSB regarding high school diplomas to the California Department of Education to confirm whether the sampled students graduated from valid public high schools. The California Department of Education could not confirm that the following students, who reported they had graduated from public California high schools, did, in fact, graduate from recognized California high schools: ## 2, 12, 14, 15, 17, 19, 22, 28, 39, 40, and 43.*

**Required Action Summary:** *MSB was required to review the high school diplomas and other documentation of high school graduation collected on all students who received Title IV aid during the 2011-12, 2012-13, and 2013-14 award years, including the Parkridge Private School "graduates," to verify that those students graduated from legitimate secondary schools, and met the eligibility criteria to receive Title IV funds. MSB was required to evaluate the validity of all high school credentials and collect additional information, if necessary, to verify Title IV eligibility. A summary of MSB's review was to be provided, in response to the PRR, in a spreadsheet format that included the following information:*

- *Award Year*
- *Student Name*
- *Social Security Number*
- *Admission based on (choose one): HS graduation, GED recipient, ATB (If any student did not meet one of these criteria, an explanation was required.)*
- *If HS graduate, name and location of HS*
- *Any narrative analysis that will explain MSB's evaluation of each student's credentials*

*MSB was also asked to note any problems that were uncovered when reviewing high school credentials, including any students who were found ineligible on the basis of MSB's analysis of high school diplomas.*

*Further, MSB was required to provide a detailed explanation of how it determined that Parkridge Private School does not meet the "diploma mill" definition above and an explanation on each student for whom the state could not verify high school graduation from a public California high school. MSB's procedures used to validate high school graduation information and additional information collected on the sampled students was to be provided in response to the PRR. Any students who did not meet all eligibility criteria will be deemed ineligible for Title IV funds.*

**MSB's Response:** MSB disagreed with the finding that any students had presented invalid high school diplomas, and otherwise presented its defense to the finding as indicated in its response to the PRR.

**Final Determination:** The Department has significant concerns regarding the Parkridge Private School (at-a-distance) diploma obtained by many MSB students. As a result, this finding was referred to the Department's Multi-Regional and Foreign Schools Division (MRFSD) for further research and follow-up in order that the other findings in this FPRD may be closed at this time.

**Finding #4. Crime Awareness Requirements Not Met – Incomplete Annual Security Report**

*Citation Summary: The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) and the Department's regulations require that all institutions that receive Title IV, HEA funds must, by October 1 of each year, publish and distribute to its current students and employees, a comprehensive Annual Security Report (ASR) that contains, at a minimum, all of the statistical and policy elements enumerated in 34 C.F.R. § 668.46(b). With the exception of certain drug and alcohol program information, cross referencing to other publications is not sufficient to meet the publication and distribution requirements. § 485(f) of the HEA; 34 C.F.R. § 668.46(b).*

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

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

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

*ASR itself. Institutions are also required to disclose alcohol and drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies of the issuance of timely warnings, emergency notifications, and evacuation procedures. As noted above, all required statistics and policies must be included in a single comprehensive document. 34 C.F.R. § 668.46(b)(2).*

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

***Noncompliance Summary:*** *MSB violated multiple provisions of the Clery Act. Specifically, the School has persistently failed to prepare and publish a materially-complete ASR. Consequently, MSB has also failed to actively distribute such a report to all enrolled students and current employees. The Department reviewed the School's 2013 ASR. MSB provided a copy of its 2013 ASR to students via its website and by setting forth the ASR and crime statistics in its catalog. However, the School does not have a procedure for providing a copy of its ASR to prospective students or prospective employees. Furthermore, the MSB's 2013 ASR did not include the following required statistical disclosures and policy statements:*

- *Provisions that describe procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics;*
- *A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others;*
- *A description of programs designed to inform students and employees about the prevention of crimes; and*
- *A description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses.*

*Failure to publish an accurate and complete ASR (2013) in accordance with federal regulations and to actively distribute the document to students and employees deprives interested persons of important campus security information that allows its members to be informed and play an active role in their own safety and security.*

***Required Action Summary:*** *MSB was required to publish and distribute an accurate and complete ASR for 2014 in accordance with the Clery Act and the Department's regulations and to provide documentation evidencing its distribution.*

*In addition, MSB had to provide documentation to the Department evidencing that the 2014 ASR includes the aforementioned missing statements as well as a certification statement attesting to the fact that the materials were distributed in accordance with the Clery Act. This certification was also to affirm that the school understands all of its Clery Act obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur.*

*The exceptions identified above constitute serious violations of the Clery Act that by their nature cannot be cured. There is no way to truly "correct" violations of these types once they occur. MSB was given an opportunity to develop a materially-complete ASR and to properly distribute it in accordance with federal regulations and in doing so, will begin to bring its overall campus security program into compliance with the Clery Act as required by its Program Participation Agreement (PPA). However, the school was advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose adverse administrative actions and/or other corrective measures as a result.*

**MSB Response:** The Department reviewed MSB's 2011 and 2012 ASRs in September 2013, during the Program Review fieldwork performed on OPE ID 00747600 at the Marinello school in Los Angeles. Informal feedback was provided during that fieldwork, and, immediately upon receiving that feedback, MSB performed a review of its policies and procedures related to the Clery Act and slightly revised its policies and procedures in this area to ensure continued compliance with the Clery Act going forward, including as it related to the posting and distribution of its 2013 ASR.

MSB disagreed with the conclusion, in the PRR, that it failed to publish an accurate and complete ASR for 2013. MSB posted an accurate and complete 2013 ASR via its website and sent the proper active notification, meeting all notification requirements, by October 1, 2013 to all of its enrolled students and employees. Also, as mentioned, it updated its policies and procedures related to providing a copy of its ASR to prospective students at that time. Therefore, MSB disagreed with the language in the PRR stating that MSB does not have a procedure for providing a copy of its ASR to prospective students or prospective employees.

MSB posted a complete 2014 ASR via its website and asserted that MSB met all notification requirements noted in Clery Act regulations and the Department of Education's *Handbook for Campus Safety and Security Reporting*.

**Final Determination:** Finding #4 of the PRR cited MSB for its failure to produce an accurate and complete ASR in 2013. The review team determined that that the institution did provide campus safety information and took remedial action as recommended during the Program Review conducted at MSB OPE ID 00747600, which included the revisions to the 2011, 2012, and 2013 ASRs. However, the 2013 ASR omitted some disclosures

listed in the noncompliance section above and was not actively distributed to all required recipients. Specifically, prospective students and employees were not actively notified about the report's availability. As a result of these violations, MSB was required to publish and distribute an accurate and complete 2013 ASR including the missing statements as well as a certification statement to affirm that the school understands all of its Clery Act obligations and that it took the necessary corrective actions to ensure that these violations do not recur. MSB did not agree with the finding citing its failure to publish an accurate and complete ASR for 2013 and submitted documentation to support that all notification requirements were met. In addition, clarification regarding the missing policy statements was provided. MSB posted a complete 2014 ASR via its website and sent the proper active notification by the deadline. MSB also provided a statement that certifies that the school understands its Clery Act obligations. MSB believes it has taken all necessary actions to ensure ongoing compliance.

Typically, serious violations of the type noted above would have resulted in a referral for the imposition of a fine. However, MSB ceased its participation in the Title IV, HEA programs effective February 4, 2016. As such, the Department will neither initiate a fine action nor require any remedial action specifically related to this finding and considers this finding to be closed for purposes of the Program Review. Notwithstanding this action, MSB officials are reminded that the exceptions identified in this finding constitute serious violations of the Clery Act that by their nature cannot be cured. The officials and directors of MSB are also put on notice that these violations would have to be addressed to the Department's satisfaction in the event consideration is given to participation in the Title IV programs in the future.

#### **Finding #5. Conflicting information**

*Citation Summary: The Secretary considers an institution to have administrative capability if the institution develops and applies adequate systems to resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under the Title IV, HEA programs. 34 C.F.R. § 668.16(f).*

*Noncompliance Summary: MSB failed to resolve conflicting information for the following students in the selected sample:*

*Student #10: This student was a Dependent Student who received aid in the 2011-2012 and 2012-2013 award years. For the first year, the student used her mother's income of \$0 on the FAFSA, with three family members and one household member in college; yet, for the second year this student used her father's income of \$125,000 when completing the FAFSA and also indicated three family members and one in college. There was no information in the file to indicate who provides more than 50% of this student's support nor was there a reason why the "responsible" parent was changed on the application.*

*Student #32: This student's ISIR 02 for the 2013-2014 award year indicated that the student's marital status was separated; however, the file contained a copy of a marriage certificate. No documentation was available to resolve the conflicting information regarding the student's marital status.*

**Required Action Summary:** *MSB was required to resolve the conflicting information from these students' records and provide documentation that reconciles the discrepant information. Procedures to resolve this kind of discrepancy had to be developed and provided in response to the PRR.*

**MSB's Response:** MSB agreed that student #32 has conflicting information in the student file, as noted in the PRR. For student #32, the condition was caused by an oversight on behalf of the Financial Aid Representative who did not see the marriage certificate in the student's academic file. However, MSB disagreed with the finding as it relates to student #10 and provided a clarification statement and supporting documentation to resolve the conflicting information.

**Final Determination:** MSB agreed that student #32's file contained conflicting information and did not provide documentation to resolve the conflicting information. Therefore, the Department is establishing Pell Grant and Federal Supplemental Educational Opportunity Grant (FSEOG) liabilities in the total amount of \$2,957.36. These liabilities, including interest on the ineligible disbursements, are outlined in Section D of this PRR, Summary of Liabilities.

The total amount of Direct Loan funds that MSB improperly disbursed during the 2013-14 award year for this finding is \$3,209, including \$1,732 in a subsidized Direct Loan and \$1,477 in an unsubsidized Direct Loan. However, in lieu of requiring the institution to assume the risk of default by purchasing the ineligible loans from the Department, or asserting a liability for the entire loan amount, the Department determines a liability for the estimated actual loss (EAL) that the government may incur with respect to the ineligible loans. As a result of this calculation, no liability based on EAL will be established for this finding. Appendix D contains the results of the calculation of the EAL.

**D. Summary of Liabilities**

The total amount calculated as liabilities from the findings in the FPRD is as follows.

**Established Liabilities**

<b>Liabilities</b>	<b>Pell Grant (2013-14 AY)</b>	<b>FSEOG (2013-14 AY)</b>	<b>EAL Direct Loans</b>
Finding 5	\$2,823.00	\$100.00	
Interest	\$ 33.18	\$ 1.18	
<b>TOTAL</b>	<b>\$2,856.18</b>	<b>\$ 101.18</b>	<b>\$ 0</b>
Payable To:			
Department	\$2,856.18	\$ 101.18	\$ 0

**E. Payment Instructions**

**1. Liabilities Owed to the Department**

MSB owes to the Department \$ 2,957.36. Payment must be made by forwarding a check made payable to the “U.S. Department of Education” to the following address within 45 days of the date of this letter:

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

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

If the check is sent special delivery (signature/receipt required), the check must be sent to the following address:

U.S. Bank  
 1005 Convention Plaza  
 St. Louis, MO 63101  
 Attn: Govt. Lockbox Tram MO-SL-C2GL  
 Re: For Dept. of Ed. 979026

**Payment must be made via check**

**Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in the Common Origination and Disbursement (COD) system, as required by the applicable finding and Section 2 of these payment instructions entitled Pell – Closed Award Year**

**(below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).**

The following identification data must be provided with the payment:

Amount: \$ 2,957.36  
DUNS: 832526300  
TIN: 562419687  
Program Review Control Number: 201440928805

### **Terms of Payment**

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

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

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

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

**2. Pell and FSEOG – Closed Award Year**

Finding: # 5.

<b>Pell and FSEOG - Closed Award Year</b>			
Principal Amount	Interest Amount	Title IV Grant	Award Year
\$ 2,823.00	\$ 33.18	Pell	2013-14
\$ 100.00	\$ 1.18	FSEOG	2013-14
<b>Total Principal</b>	<b>Total Interest</b>		
\$ 2,923.00	\$ 34.36		

The Pell Grant disbursement record for student # 32 (identified in Appendix A) must be adjusted in the COD system based on the recalculated amount identified in this report.

**Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.** A copy of the adjustment to the student’s COD record must be sent to Pilar M. Diaz **within 45 days of the date of this letter.**

**F. Appendices**

Appendix A: Student Sample, contains personally identifiable information and will be emailed to MSB as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email. The other Appendices listed below are attached to this FPRD.

Appendix B: Copy of the Program Review Report

Appendix C: MSB’s Written Response to the Program Review Report

Appendix D: Estimated Actual Loss Calculation

Appendix E: Cost of Funds