



March 27, 2020

Martin Calihan, President  
International Business College  
133 Freeport Road  
Pittsburgh, PA 15215

*Sent Via Email Only: [ppa@bradfordschools.com](mailto:ppa@bradfordschools.com)*

RE: **Final Program Review Determination**  
OPE ID: 00457900  
PRCN: 2019-3-11-30043

Dear President Calihan:

The U.S. Department of Education's (Department's) Office of Federal Student Aid issued a program review report on November 21, 2019 covering International Business College's (IBC'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 2017-2018 and 2018-2019 award years. IBC's final response was received on February 6, 2020. A copy of the program review report (and related attachments) and IBC's responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by IBC 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, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$ 2,891.79.

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 finding in the attached report does not contain any student PII. Instead, the finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A-1, Student Sample, and A-2, Finding #1 Student List. These appendices were encrypted and sent separately to the institution via e-mail.

### **Appeal Procedures:**

If IBC elects to appeal to the Secretary of Education for a review of the financial liabilities established by this FPRD, the institution must file a written request for a hearing. Please note that institutions may appeal financial liabilities only. The Department must receive IBC's request no later than 45 calendar days from the date IBC receives this FPRD. **The Department requests that IBC submit an original and four copies of its complete request for review.** The request must be sent to:

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

IBC'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; and
- (3) include a copy of the FPRD received by the school.

When it submits its request for appeal, the institution may also include documentation it believes the Department should consider in support of the appeal if such documentation is submitted, please provide one copy on an electronic format, preferably as a PDF, such as on a flash drive. Please provide the additional copies in hard copy format.

If any appeal documents include personally identifiable information (PII), the PII must be redacted, except for the student's name and last four digits of his/her social security number (please see the enclosed document, "Protection of Personally Identifiable Information," for instructions on how to mail records containing PII).

If the institution's appeal is timely, the request for appeal will be transmitted to the Department's Office of Hearings and Appeals (OHA), for an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The Hearing Official assigned to the case will issue an order scheduling the submission of briefs and supporting evidence in accordance with 34 C.F.R. § 668.114(c). The institution may therefore submit additional documentation supporting its appeal request at that time. Further, if the institution is appealing a projected

liability amount, it may provide detailed liability information from a complete file review, either at the time it initially submits its appeal request or pursuant to the proceedings at OHA. The procedures followed with respect to IBC's appeal are those provided at 34 C.F.R. Part 668, Subpart H. Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).

**Record Retention:**

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Matthew Couch at (646) 428-3795. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Michael Frola  
Division Director

Encl: Protection of Personally Identifiable Information  
Final Program Review Determination Report (and appendices)

cc: Kathy Chiudioni, Campus President  
Sandra Faris, Financial Aid Administrator  
Indiana Board for Proprietary Education  
Accrediting Commission of Career Schools and Colleges  
Department of Defense  
Department of Veterans Affairs  
Consumer Financial Protection Bureau

Prepared for:

International Business College

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

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**OPE ID: 00457900**  
**PRCN: 2019-3-11-30043**

**Prepared by:**

**U.S. Department of Education**  
**Federal Student Aid**  
**Multi-Regional and Foreign Schools Participation Division**

# Final Program Review Determination

March 27, 2020

<u>Table of Contents</u>	<u>Page</u>
A. Institutional Information	3
B. Scope of Review	4
C. Final Determinations	4
 <i><u>Resolved Findings</u></i>	
Finding #2 Inadequate Separation of Duties Between Authorizing and Awarding Aid and Disbursing Funds	5
Finding #3 Failure to Disaggregate Information on Completion or Graduation Rates	5
 <i><u>Findings with Established Liabilities</u></i>	
Finding #1 Subsidized Direct Loan Over-Award (Inaccurate Needs Analysis)	5
D. Summary of Liabilities	8
E. Payment Instructions	8
F. Appendices	9
Appendix A-1 Student Sample	9
Appendix A-2 Finding #1 Student List	9
Appendix B Program Review Report (PRR)	9
Appendix C Institution’s January 15, 2020 Response to PRR	10
Appendix D Department’s Request to IBC to Resubmit PRR Response	10
Appendix E Institution’s February 6, 2020 Response to PRR	10
Appendix F Finding #1 Estimated Loss (EL) Formula	10

**A. Institutional Information**

International Business College  
 7205 Shadeland Station  
 Indianapolis, IN 46256-3954

<b>Type:</b>	Proprietary	
<b>Highest Level of Offering:</b>	Associate degree	
<b>Accrediting Agency:</b>	Accrediting Commission of Career Schools and Colleges	
<b>Current Student Enrollment:</b>	257	(2018-2019 Award Year)
<b>Percentage of Students Receiving Title IV:</b>	93.77%	(2018-2019 Award Year)
<b>Title IV Participation (NSLDS):</b>	\$7,335,635	(2017-2018 Award Year)

<b><u>Program</u></b>	<b><u>2017-2018</u></b>
Federal Pell Grant (Pell)	\$ 1,924,825
William D. Ford Direct Loan Program (DL)	\$ 5,261,071
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 61,515
Federal Perkins Loans	\$ 88,224

<b>Default Rates:</b>	FY2014	5.8%
	FY2015	7.5%
	FY2016	8.1%

## **B. Scope of Review**

The U.S. Department of Education (Department) conducted a program review at the International Business College (IBC) from June 17, 2019 to June 19, 2019. The review was conducted by Matthew Couch, Jane Eldred, and Adam Quinn.

The focus of the review was to determine IBC's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Federal student aid programs under Title IV of the Higher Education Act of 1965, as amended, U.S.C. § 1070 *et seq.* (Title IV programs). The review consisted of, but was not limited to, an examination of IBC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

The Department identified a sample of 30 files for review from the 2017-2018 and 2018-2019 award years (through June 16, 2019). The Department randomly selected the files from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Two students (#6, #13) that were randomly selected from the data provided by IBC had not been Title IV recipients; therefore, two additional Title IV recipient students (#31, #32) were selected from the student population data to replace the non-Title IV recipients. Appendix A-1 lists the names and social security numbers of the students whose files were examined during the program review.

The Department issued its Program Review Report (PRR) on November 21, 2019 (Appendix B). IBC submitted its first written response to the PRR on January 15, 2020 ("January 15, 2020 Response"), included in Appendix C. IBC's response was materially incomplete and did not contain the file review information as required in the PRR. On January 21, 2020, the Department directed IBC to resubmit its response to the program review report (Appendix D). IBC submitted a subsequent response on February 6, 2020 ("February 6, 2020 Response"), included in Appendix E.

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

## **C. Final Determinations**

### **Resolved Findings - Findings #2 and #3**

IBC has taken the corrective actions necessary to resolve Findings #2 and #3 of the PRR. Therefore, these findings may be considered closed. Appendix E contains the

institution's written response related to the resolved findings, summarized below:

**Finding #2: Inadequate Separation of Duties between Authorizing and Awarding Aid and Disbursing Funds** – In its response to the Department, IBC indicated that it has addressed the Department's concerns by implementing revised procedures which involve multiple persons (4 separate individuals from 2 separate offices) in the drawing, transferring, and reconciliation of TIV funds and the G5 system. Also, IBC has revised its forms to incorporate a sign off for each step of the process. IBC's procedures have been updated to ensure that disbursements and the requesting of funds from the Department are performed by separate employees and an additional staff member from the Aspinwall, PA office monitors the transactions. Further, IBC's central office organization chart has been updated to be more complete and show all other positions involved in the processes, which were not previously included in the organization chart. IBC included acceptable updated policy excerpts, forms, and an updated organizational chart as part of its response.

**Finding #3: Failure to Disaggregate Information on Completion or Graduation Rates** – In its response to the Department, IBC indicated that the Student Right To Know Disclosures for 2019 were immediately revised following the onsite program review and the updated information was distributed in July 2019. IBC noted that revisions were made to the forms for both Indianapolis and Ft. Wayne locations. IBC included an acceptable updated copy of its Student Right To Know Disclosure as part of its response.

**Findings with Established Liabilities – Finding #1**

The PRR Finding #1 with liabilities requiring further action is summarized below. At the conclusion of the finding is a summary of IBC's response to the finding, and the Department's final determination for that finding.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report. Section E of the report details the of the necessary payment instructions.

**Finding 1: Subsidized Direct Loan Over-Award (Inaccurate Needs Analysis)**

**Summary of Noncompliance:** In accordance with 34 C.F.R. § 685.301(a)(4)(ii), institutions that participate in the Federal Direct Loan Program may not originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan for an amount that exceeds the student's estimated cost of attendance less the student's estimated financial assistance for that period and, in the case of a Direct Subsidized Loan, the borrower's expected family contribution for that period.

The *2017-18 and 2018-19 Expected Family Contribution (EFC) Formula Guide* provided guidance in calculating a student's EFC. The methodology for determining the EFC is found in Part F of Title IV of the Higher Education Act of 1965, as amended (HEA), and specifies the criteria, data elements, calculations, and tables that the Department uses in the Federal Need Analysis Methodology to determine the EFC (see HEA §474-479). The law specifies how the EFC of a dependent student must be modified if the student is going to enroll for other than a nine-month period. A student's Institutional Student Information Record (ISIR) contains a table of alternate primary and secondary EFCs for periods of 1-12 months. These are alternate EFCs that an institution must use to award aid (other than Pell Grants) if the student is attending for a period other than nine months.

IBC failed to use the correct EFC when determining the financial aid eligibility for all students in the 3<sup>rd</sup> academic year of the Veterinary Technology (Vet Tech) program. The 3<sup>rd</sup> academic year of the Vet Tech program consists of two months of instruction. IBC determined students' 2-month EFCs by subtracting the 8-month EFC listed on the student's ISIR from the 10-month EFC listed on the students' ISIRs. This resulted in an incorrect EFC used for calculating student aid eligibility on the students' Need Analysis Worksheets, and IBC over-awarded direct loan funds to some students.

**Directives from PRR:** IBC was directed to perform a file review of all 2017-2018 and 2018-19 award year Title IV recipients in the Vet Tech program at the Indianapolis and Fort Wayne locations. The institution was instructed to review all Title IV packaging for students in the Vet Tech program to determine if an incorrect EFC affected any other Title IV packaging and/or disbursements.

IBC was also directed to develop a policy for determining alternate EFCs in conjunction with the EFC guidance provided by the Department in *the Federal Student Aid Handbook - Application and Verification Guide* and provide the updated policy in its response to the PRR.

**Analysis of Liability Determination:** In its January 15, 2020 response (Appendix C), IBC disagreed with Finding #1 and did not perform the required file review. IBC asserted that it was calculating alternate EFCs within the confines of the EFC guidance offered by the Department. IBC noted that its programs are continuous programs and that the institution maintained the philosophy that summer enrollment EFC calculation was applicable to the 3<sup>rd</sup> academic year of their Vet Tech program. IBC proffered information from the National Association of Student Financial Aid Administrators (NASFAA) which went into further detail about packaging for summer terms. While the information provided by IBC and NASFAA was informative with regard to summer terms, the Department recognized that the 3<sup>rd</sup> academic year of the Vet Tech program was not attached to a header or trailer award year. Instead, the 3<sup>rd</sup> academic year EFC was calculated and packaged as its own award year.

On January 21, 2020, the Department instructed IBC to resubmit its response to the PRR and to perform the required file review within 30 days of the date of the resubmission request (Appendix D). The longstanding guidance that the Department cited in the November 21, 2019 PRR has been published annually in the *FSA Handbook*, the *EFC Formula Guide*, and also in the Higher Education Act of 1965. The guidance explains that an institution must, when packaging Direct Loan and/Campus-Based awards, use the appropriate alternate official EFC which corresponds to that remaining period of enrollment. Since IBC does not have a summer term that is used as a trailer or a header, there is no other option for determining a student's EFC.

IBC complied with the Department's directive within the established timeframe and submitted a materially complete response and file review on February 6, 2020 (Appendix E). In its updated response, IBC recognized that that its former practice of deriving a 2 month EFC by subtracting the 8 month EFC listed on a student's ISIR from the 10 month EFC listed on the ISIR was not compliant with Department guidance. IBC stated that it had immediately changed its procedures to use the 2 month EFC figure provided on the student ISIR.

The Department reviewed and tested a sample of 50 student files for accuracy of IBC's data that was submitted as part of the file review requirement. The Department found no errors in the sample tested and accepted the full file review as accurate. From the information that IBC prepared in its file review, the Department has established the following liabilities due to IBC's incorrect needs analysis calculations. The student list the Department used to identify liabilities for this finding is included in Appendix A-2.

### **2017-2018 Award Year**

The total amount of Direct Loan funds that IBC improperly disbursed during the 2017-2018 award year for this finding is **\$ 9,926.00**. 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 has asserted a liability for the estimated loss (EL) that the government may incur with respect to the ineligible loans. The estimated loss is calculated based on the relationship between IBC's cohort default rate and the sector cohort default rate. As a result, the estimated loss that IBC must pay to the Department for these ineligible loans is **\$ 1,288.27.00**.

### **2018-2019 Award Year**

The total amount of Direct Loan funds that IBC improperly disbursed during the 2018-2019 award year for this finding is **\$ 12,355**. The estimated loss (EL) that IBC must pay to the Department for these ineligible loans is **\$ 1,603.52**.

Appendix F contains the results of the calculation of the EL for both award years.

#### D. Summary of Liabilities

The total amount calculated as liabilities from Finding #1 in the program review determination is as follows:

<b>Liabilities</b>	<b>Estimated Loss – DL</b>
Finding #1 2017-2018	\$ 1,288.27
Finding #1 2018-2019	\$ 1,603.52
Total	\$ 2,891.79

<b>Payable To:</b>	<b>TOTAL:</b>
Department	\$ 2,891.79

Estimated Loss (EL): For Finding #1, the table above includes an estimated amount of actual loss rather than the total amount of ineligible loan funds as explained in the Final Determination section for this finding.

#### E. Payment Instructions

##### Liabilities Owed to the Department

IBC owes to the Department \$ 2,891.79. 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 and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section 2 – Instructions by Title IV, HEA Program

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

The following identification data must be provided with the payment:

Amount: \$ 2,891.79  
 DUNS: 152102372  
 TIN: 251482719  
 Program Review Control Number: **2019-3-11-30043**

Liabilities Owed the Department in the case of William D. Ford Direct Loans

**Direct Loan Estimated Loss**

Finding(s): #1  
 Appendix: F

<b>DL Estimated Loss</b>	
Amount	Award Year
\$ 1,288.27	2017-2018
\$ 1,603.52	2018-2019
<b>Total</b>	
\$ 2,891.79	

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

**F. Appendices**

**Appendix A - Student Sample**

Appendix A-1, Student Sample, contains personally identifiable information and will be emailed to IBC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendix A-2, Finding #1 Student List, contains personally identifiable information and will be emailed to IBC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

**Appendix B – Program Review Report (PRR)**

Appendix B, Program Review Report (PRR), does not contain personally identifiable

information. In an effort to keep the appendices together, appendix B will be emailed to IBC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

**Appendix C – Institution’s January 15, 2020 Response to the PRR**

Appendix C, Institution’s January 15, 2020 Response to the PRR, does not contain personally identifiable information. In an effort to keep the appendices together, appendix C will be emailed to IBC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

**Appendix D – Department’s Request to IBC to Resubmit its Response to the PRR**

Appendix D, Department’s Request to IBC to Resubmit its Response to the PRR, does not contain personally identifiable information. In an effort to keep the appendices together, appendix D will be emailed to IBC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

**Appendix E – Institution’s February 6, 2020 Response to the PRR**

Appendix E, Institution’s February 6, 2020 Response to the PRR, does not contain personally identifiable information. In an effort to keep the appendices together, appendix E will be emailed to IBC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

**Appendix F – Finding #1 Estimated Loss (EL) Formula**

Appendix F, Finding #1 Estimated Loss (EL) Formula, does not contain personally identifiable information. In an effort to keep the appendices together, appendix F will be emailed to IBC as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.



November 21, 2019

Kathy Chiudioni  
President  
International Business College  
7205 Shadeland Station  
Indianapolis, IN 46256-3954

UPS 2<sup>nd</sup> Day Air Tracking Number  
1Z A87 964 01 9359 9415

RE: Program Review Report  
OPE ID: 00457900  
PRCN: 2019-3-11-30043

Dear President Chiudioni:

From June 17, 2019 through June 19, 2019, the U.S. Department of Education's Office of Federal Student Aid conducted a review of International Business College's (IBC's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

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

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

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

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

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

The institution's response should be sent directly to Matthew Couch of this office within 60 calendar days of receipt of this letter, at the following address:

Matthew Couch  
U.S. Department of Education  
Office of Federal Student Aid  
32 Old Slip, 25<sup>th</sup> Floor  
New York, NY 10005-3534  
[matthew.couch@ed.gov](mailto:matthew.couch@ed.gov)

**Protection of Personally Identifiable Information (PII):** PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information.

To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. The appendix was encrypted and sent separately to the institution via e-mail. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data or documents containing PII.

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Matthew Couch at (646) 428-3795 [matthew.couch@ed.gov](mailto:matthew.couch@ed.gov).

Sincerely,



Michelle Allred  
Compliance Manager

cc: Sandy Faris, Financial Aid Administrator

Encl: Program Review Report (and appendix)  
Protection of Personally Identifiable Information  
File Review Spreadsheet

Prepared for:

International Business College

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

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the AMERICAN MIND™

**OPE ID: 00457900**  
**PRCN: 2019-3-11-30043**

**Prepared by**  
**U.S. Department of Education**  
**Federal Student Aid**  
**Multi-Regional and Foreign Schools Participation Division**

## Program Review Report

November 21, 2019

## Table of Contents

	Page
A. Institutional Information	3
B. Scope of Review	4
C. Findings	4
1. Subsidized Direct Loan Over-Award (Inaccurate Needs Analysis)	4
2. Inadequate Separation of Duties Between Authorizing and Awarding Aid and Disbursing Funds	8
3. Failure to Disaggregate Information on Completion or Graduation Rates	10
D. Appendix A: Student Sample	10

**A. Institutional Information**

International Business College  
7205 Shadeland Station  
Indianapolis, IN 46256-3954

**Type:** Proprietary  
**Highest Level of Offering:** Associate degree  
**Accrediting Agency:** Accrediting Commission of Career Schools and Colleges  
**Current Student Enrollment:** 257 (2018-2019 Award Year)  
**Percentage of Students Receiving Title IV:** 93.77% (2018-2019 Award Year)  
**Title IV Participation (NSLDS):** \$7,335,635 (2017-2018 Award Year)

<b><u>Program</u></b>	<b><u>2017-2018</u></b>
Federal Pell Grant (Pell)	\$ 1,924,825
William D. Ford Direct Loan Program (DL)	\$ 5,261,071
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 61,515
Federal Perkins Loans	\$ 88,224

**Default Rates:**

FY2013	6.5%
FY2014	5.8%
FY2015	7.5%

## **B. Scope of Review**

The U.S. Department of Education (Department) conducted a program review at the International Business College (IBC) from June 17, 2019 to June 19, 2019. The review was conducted by Matthew Couch, Jane Eldred, and Adam Quinn.

The focus of the review was to determine IBC's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Federal student aid programs under Title IV of the Higher Education Act of 1965, as amended, U.S.C. § 1070 *et seq.* (Title IV programs). The review consisted of, but was not limited to, an examination of IBC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

The Department identified a sample of 30 files for review from the 2017-2018 and 2018-2019 award years (through June 16, 2019). The Department randomly selected the files from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Two students (#6, #13) that were randomly selected from the data provided by IBC had not been Title IV recipients; therefore, two additional Title IV recipient students (#31, #32) were selected from the student population data to replace the non-recipients. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

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

### **Finding 1. Subsidized Direct Loan Over-Award (Inaccurate Needs Analysis)**

**Noncompliance:** Institutions that participate in the Federal Direct Loan Program may not originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan, or a combination of loans, for an amount that exceeds the student's estimated cost of attendance less (A) the student's estimated financial assistance for that period; and (B) in the case of a Direct Subsidized Loan, the borrower's expected family contribution for that period 34 C.F.R. § 685.301(a)(4)(ii).

The 2017-18 and 2018-19 *Expected Family Contribution (EFC) Formula Guide* provide guidance in calculating a student's EFC, which is a number used, in part, to determine a student's eligibility for certain types of federal student aid. The methodology for determining the EFC is found in Part F of Title IV of the Higher Education Act of 1965, as amended (HEA), and specifies the criteria, data elements, calculations, and tables that the Department uses in the Federal Need Analysis Methodology to determine the EFC (HEA §474-479).

As referenced in Chapter 3 of the *Application and Verification Guide* of the 2017-18 and 2018-19 *Federal Student Aid Handbook*, the law specifies how the EFC of a dependent student must be modified if the student is going to enroll for other than a nine-month period. The EFC found in the upper right corner of the first page of the Institutional Student Information Record (ISIR) is based on a nine-month enrollment period and should always be used for awarding a Pell Grant, even if the student is attending for a longer or shorter period. The second section of the "FAA Information" area contains a table of alternate primary and secondary EFCs for periods of 1-12 months. These are alternate EFCs that an institution must use to award aid (other than Pell Grants) if the student is attending for a period other than nine months.

IBC failed to use the correct EFC when determining the financial aid eligibility for all students in the 3<sup>rd</sup> academic year of the Veterinary Technology (Vet Tech) program. As a result, IBC over-awarded direct loan funds to some students due to incorrect student need analysis calculations.

During the onsite review, institution officials explained that for the 3<sup>rd</sup> academic year of the Vet Tech program, which consists of two months of instruction, IBC determined students' 2-month EFC by subtracting the 8-month EFC listed on the student's ISIR from the 10-month EFC listed on the student's ISIR. This resulted in an incorrect EFC used for calculating student aid eligibility on the students' Need Analysis Worksheets. IBC's method of calculating a 2-month EFC is not supported by federal regulations and is inconsistent with written guidance provided by the Department regarding alternate EFC calculations.

The Department identified 17 Vet Tech students from the sample. As a result of incorrect EFCs used for financial aid calculations, the Department has made the following preliminary determinations:

Students #7, 15, and 21: IBC used an incorrect EFC when calculating the needs analysis for these three students, as part of financial aid packaging for the 3<sup>rd</sup> academic year of the Vet Tech program. As a result, the students were awarded more Direct Subsidized loan funds than they were eligible to receive.

Student #7: For the 2018-19 award year, IBC packaged this student for federal aid, for the 3<sup>rd</sup> academic year of the Vet Tech program, using an incorrect EFC of \$1,692. IBC calculated the EFC by subtracting the 8-month EFC (11,939) from the 10-month EFC (13,631), which resulted in the incorrect EFC of \$1,692 ( $13,631 - 11,939 = 1,692$ ). Based on the EFC of \$1,692, Student #7 was eligible for a Subsidized Direct Loan award of \$1,125 and was disbursed \$1,114 on 1/08/2019.

Using the required 2-month EFC of \$2,987 listed on the student's ISIR, the student was eligible for need-based aid in the amount of \$165. Therefore, the total over-award for Student #7 was \$960 ( $1,125 - 165 = 960$ ).

Student #15: For the 2017-18 award year, IBC packaged this student for federal aid, for the 3<sup>rd</sup> academic year of the Vet Tech program, using an incorrect EFC of \$2,016. IBC calculated the EFC by subtracting the 8-month EFC (15,344) from the 10-month EFC (17,360), resulting in the incorrect EFC of \$2,016 ( $17,360 - 15,344 = 2,016$ ). Based on the EFC of \$2,016, Student #15 was eligible for a Subsidized Direct Loan award of \$258 and was disbursed \$256 on 1/08/2019.

Using the required 2-month EFC of \$4,436, the student was not eligible for need-based aid. Therefore, the total over-award for Student #15 was \$258.

Student #21: For the 2018-19 award year, IBC packaged this student for federal aid, for the 3<sup>rd</sup> academic year of the Vet Tech program, using an incorrect EFC of \$1,873. IBC calculated the EFC by subtracting the 8-month EFC (13,744) from the 10-month EFC (15,617), resulting in the incorrect EFC of \$1,873 ( $15,617 - 13,744 = 1,873$ ). Based on the EFC of \$1,873, Student #21 was eligible for a Subsidized Direct Loan award of \$1,125 and was disbursed \$1,114 on 1/08/2019.

Using the required 2-month EFC of \$3,676, the student was eligible for need-based aid in the amount of \$726. Therefore, the total over-award for Student #21 was \$399 ( $1,125 - 726 = 399$ ).

Students #14, 19, 23, and 24: IBC used an incorrect EFC when calculating the needs analysis for these four students, as part of financial aid packaging for the 3<sup>rd</sup> academic year of the Vet Tech program. The students did not take Direct Subsidized loans; therefore, no over-award situation was created nor was there impact on Title IV funds disbursed:

Student #14: For the 2017-18 award year, IBC packaged this student for federal aid, for the 3<sup>rd</sup> academic year of the Vet Tech program, using an incorrect EFC of \$103. IBC calculated the EFC by subtracting the 8-month EFC (816) from the 10-month EFC (919), resulting in the incorrect EFC of \$103 ( $919 - 816 = 103$ ). Based on the EFC of \$103, Student #14 had a financial need of \$4,273 ( $4,376 - 103 = 4,273$ ).

Using the required 2-month EFC of \$204, the student's financial need should have been \$4,172 ( $4,376 - 204 = 4,172$ ).

**Student #19:** For the 2018-19 award year, IBC packaged this student for federal aid, for the 3<sup>rd</sup> academic year of the Vet Tech program, using an incorrect EFC of \$593. IBC calculated the EFC by subtracting the 8-month EFC (3,808) from the 10-month EFC (4,401), resulting in the incorrect EFC of \$593 ( $4,401 - 3,808 = 593$ ). Based on the EFC of \$593, Student #19 had a financial need of \$2,667 ( $3,260 - 593 = 2,667$ ).

Using the required 2-month EFC of \$952, the student's financial need should have been \$2,308 ( $3,260 - 952 = 2,308$ ).

**Student #23:** For the 2018-19 award year, IBC packaged this student for federal aid, for the 3<sup>rd</sup> academic year of the Vet Tech program, using an incorrect EFC of \$328. IBC calculated the EFC by subtracting the 8-month EFC (1,904) from the 10-month EFC (2,233) on the ISIR, resulting in the incorrect EFC of \$328 ( $2,233 - 1,904 = 329$ , however IBC used 328). Based on the EFC of \$328, Student #23 had a financial need of \$4,048 ( $4,376 - 328 = 4,048$ ).

Using the required 2-month EFC of \$476, the student's financial need should have been \$3,900 ( $4,376 - 476 = 3,900$ ).

**Student #24:** For the 2018-19 award year, IBC packaged this student for federal aid, for the 3<sup>rd</sup> academic year of the Vet Tech program, using an incorrect EFC of \$612. IBC calculated the EFC by subtracting the 8-month EFC (4,016) from the 10-month EFC (4,628), resulting in the incorrect EFC of \$612 ( $4,628 - 4,016 = 612$ ). Based on the EFC of \$612, Student #24 had a financial need of \$2,514 ( $3,126 - 612 = 2,514$ ).

Using the required 2-month EFC of \$1,004 listed on the student's ISIR, the student's financial need should have been \$2,122 ( $3,126 - 1,004 = 2,122$ ).

Students #1, 2, 8, 11, 18, 20, 26, 27, 29, and 30: These ten students were not packaged for aid for the 3<sup>rd</sup> academic year of the Vet Tech program.

**Required Action:** Due to the systemic nature of this finding and its potential harm to students, IBC must perform a file review of all Title IV recipients in the Vet Tech program at the Indianapolis and Fort Wayne locations. The institution must review all Title IV packaging for students in the Vet Tech program to determine if an incorrect EFC affected any other Title IV packaging and/or disbursements. The file review must include the 2017-2018 and 2018-19 award years, and the results of the file review must be submitted in an Excel spreadsheet. The Excel spreadsheet must be provided in the format identified in Enclosure 1, in both hardcopy and electronic format (do not .pdf the Excel file, or protect it from further formatting). The spreadsheet should be submitted to the Department no later than 60 days from the receipt of this program review report, and must include:

1. Student name;
2. Student Social Security number;
3. Academic program and location;
4. ISIR # and EFC used for Title IV packaging;
5. Title IV aid awarded and disbursed, separated by program;
6. ISIR # and EFC used for Title IV recalculation;
7. Corrected Title IV aid, separated by program;
8. Amount of over-award; and
9. G5 award number, separated by program.

The spreadsheet submission for the file review will be reviewed by the Department. After reviewing the spreadsheet prepared by IBC, the Department may select a random sample of students to review to confirm the accuracy of the file review. If a student is selected, IBC will be notified and required to submit copies of supporting documentation. If there is a need for repayment of liabilities and interest, further instructions will be provided in the Final Program Review Determination letter. IBC must not attempt to repay any funds owed to the Department until the Final Program Review Determination letter is issued. Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report.

In order to further address the noncompliance, IBC must immediately develop a policy for determining alternate EFCs in conjunction with the EFC guidance provided by the Department in the *Federal Student Aid Handbook - Application and Verification Guide*. IBC must provide the updated policy in its response to this program review report.

## **Finding 2. Inadequate Separation of Duties between Authorizing and Awarding Aid and Disbursing Funds**

**Noncompliance:** 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 the programs under each of the standards established in 34 C.F.R. § 668.16.

An institution must divide the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, or who do not together exercise substantial control over the institution 34 C.F.R. § 668.16(c)(2). If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affects both authorization and disbursement.

IBC failed to adequately separate the functions of authorizing payments and disbursing funds to students' accounts between at least two organizationally independent individuals. Institution

officials informed the Department that staff at the corporate Financial Aid office finalized students' Title IV, HEA awards and that all disbursement actions were performed by staff at the corporate Financial Aid office.

The Department interviewed the Corporate Fiscal Accountant (CFA), who is presently the only Fiscal Accountant in the corporate structure and directly reports to the Corporate Director of Financial Aid. The Department was informed that the CFA's direct job duties included reviewing students' financial plans and making corrections, as needed. The examples of corrections that the CFA routinely performs occur when admissions personnel at the institution incorrectly calculate student financial aid amounts. In those types of situations, the CFA can correct the financial plan. The CFA also stated that it is sometimes necessary to enter in the correct EFC, adjust Direct loan amounts, and send corrections back to the campus for review.

The Corporate Fiscal Accountant is also responsible for processing aid for students. This includes the origination of Pell Grants and Direct Loans, updating the National Student Loan Data System (NSLDS), and requesting funds from the Department's G5 system. The CFA pulls and reviews ISIRs from the Department's ED Express system daily and sometimes can resolve certain ISIR issues. Other times, the ISIR needs to be sent back to the campus for more information or corrections. The CFA is also responsible for releasing funds to students' accounts, transferring information to the Department's Common Origination and Disbursement (COD) system, and overseeing the disbursement letters that students receive.

IBC provided the Department with an organizational chart of the staff at the corporate headquarters. This chart confirmed that the Corporate Fiscal Accountant reports directly to the Corporate Director of Financial Aid. Based on the Corporate Fiscal Accountant's description of job duties, including the review, correction, and authorization of Title IV funds awarded to students, authorizing Title IV disbursements, requesting funds from the Department to balance those disbursements, and accessing both COD and G5, it is clear that this official has access to multiple Department systems to authorize disbursements and to request funds from the Department, and there is not an appropriate separation of duties, nor is there an adequate system of checks and balances.

IBC's failure to adequately separate the duties of authorizing payments and delivering Title IV, HEA funds is an internal control weakness, as well as an inadequate system of checks and balances, which could potentially result in the misuse of Title IV, HEA program funds.

**Required Action:** In order to address the noncompliance, IBC must immediately:

- Establish and implement a system of checks and balances in its administration of the Title IV, HEA programs that separates the functions of authorizing and disbursing Title IV, HEA funds to at least two organizationally independent individuals, and that the functions of awarding and delivering of Title IV, HEA funds are autonomous and separate in all material respects.

- The institution must provide a narrative report with all changes to its organizational structure and reporting relationships that will bring its operations into compliance.
- The institution must provide a copy of all revised policies and procedures, including any revisions to its organizational chart, with its response to this program review report.

### **Finding 3. Failure to Disaggregate Information on Completion or Graduation Rates**

**Noncompliance:** An institution annually must prepare the completion or graduation rates of its certificate or degree-seeking, first-time, full-time undergraduate students. 34 C.F.R. § 668.45(a)(1). Completion or graduation rate information must be disaggregated by gender, by each major racial and ethnic subgroup, by recipients of a Federal Pell Grant, by recipients of a Federal Family Education Loan or a Federal Direct Loan (other than an Unsubsidized Stafford Loan made under the Federal Family Education Loan Program or a Federal Direct Unsubsidized Stafford Loan) who did not receive a Federal Pell Grant, and by recipients of neither a Federal Pell Grant nor a Federal Family Education Loan or a Federal Direct Loan (other than an Unsubsidized Stafford Loan made under the Federal Family Education Loan Program or a Federal Direct Unsubsidized Loan) if the number of students in such group or with such status is sufficient to yield statistically reliable information and reporting will not reveal personally identifiable information about an individual student. 34 C.F.R. § 668.45(a)(6)(i).

IBC failed to disaggregate completion and/or graduation rate information contained in the institution's 2018 and 2019 Student Right-To-Know Disclosures. As part of the program review, IBC's Student Right-To-Know Disclosures were reviewed, and the disclosures were found to contain limited and general, non-categorized information regarding student graduation and transfer-out rates.

**Required Action:** In order to address the noncompliance, IBC must immediately develop and disseminate Student Right-To-Know Disclosure information that disaggregates the specific categories prescribed in 34 C.F.R. § 668.45(a)(6)(i). IBC must include revised Student Right-To-Know Disclosure information in its response to this program review report.

### **D. Appendix A**

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

## **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 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 Win Zip 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 and electronic files 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.**