



January 10, 2020

Mr. Jeffery Freeman
President
Pinnacle Career Institute
10301 Hickman Mills Drive
Kansas City, MO 64137

UPS Tracking # 1ZA879643595172648

RE: **Final Program Review Determination**
OPE ID: 01040500
PRCN: 201620729235

Dear Mr. Freeman:

The U.S. Department of Education's (Department's) School Participation Team – Kansas City issued a program review report on November 8, 2017, covering Pinnacle Career Institute's (Pinnacle) 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 2014–15 and 2015–16 award years. Pinnacle's response was received November 21, 2017. A copy of the program review report (and related attachments) and Pinnacle's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Pinnacle 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 **\$360,803.00**.

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

Protection of Personally Identifiable Information (PII):

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

findings in the attached report does not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendices B – Student Level Liabilities/Cost of Funds and C – Estimated Loss also contain PII. These appendices were encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

If Pinnacle 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 Pinnacle's request no later than 45 calendar days from the date Pinnacle receives this FPRD. **The Department requests that Pinnacle 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

Pinnacle'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 Pinnacle'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).

If the institution has any questions regarding this letter, please contact Holly Wolfe Walkenbach at Holly.WolfeWalkenbach@ed.gov or (816) 268-0416. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Dvak Corwin
Division Director

Enclosures:

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

cc: Alberto Bravo, Financial Aid Administrator
Daniel Day, MO Department of Higher Education and Workforce Development
Juanita Gurubatham, Accrediting Commission of Career Schools and Colleges
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

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.

Prepared for

Pinnacle Career Institute

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

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OPE ID 01040500
PRCN 201620729235

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

Final Program Review Determination

January 10, 2020

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A. Institutional Information

Pinnacle Career Institute
10301 Hickman Mills Drive
Kansas City, MO 64137-1600

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: 870 (AY2014–15)

Percentage of Students Receiving Title IV, HEA funds: 94% (AY2014–15)

Title IV, HEA Program Participation (Source: PCNet)

	2016–17
Federal Pell Grant Program (Pell Grant)	\$2,051,799.00
William D. Ford Federal Direct Loan Program (Direct Loan)	\$3,845,604.00
Federal Supplemental Educational Opportunity Grant (SEOG)	\$ 111,088.00

Default Rate FFEL/DL:	FY2016	10.4%
	FY2015	9.2%
	FY2014	10.8%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Pinnacle Career Institute (Pinnacle) from February 8, 2016 to February 12, 2016. The review was conducted by Joy Frazier, Jenny Armontrout, and Holly Wolfe Walkenbach.

The focus of the review was to determine Pinnacle's compliance with specific 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 was focused on an examination of Pinnacle's compliance with 34 C.F.R §§ 668.22; 668.41 – 43; 668.51 – 61; and 668.161 – 166.

The review consisted of an examination of Pinnacle's institutional records, policies and procedures, and student files. A sample of 30 files was identified for review from the 2014–15 and 2015–16 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 5 files were selected based on students who enrolled in the Massage Therapy program. Appendix A 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) November 8, 2017, included in Appendix D. Pinnacle submitted a partial written response to the PRR November 21, 2017 ("November 21, 2017 Response"), included in Appendix E. The November 21, 2017 Response contained written responses for Findings 1 – 14. Pinnacle submitted its required file reviews for Findings 1, 5, 6, and 7 to the Department March 11, 2019. This response completed Pinnacle's response to the PRR.

Disclaimer:

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

C. Final Determinations

Resolved Findings/Findings without Liabilities

Findings #2 – 4, 8 – 14

Pinnacle took corrective actions necessary to resolve Finding #2 – Program Length Exceeds 150 Percent of State Authorized Length; Finding #3 – Satisfactory Academic Progress (SAP) Policy Deficiencies; Finding #4 – Inadequate Verification; Finding #8 – Title IV, HEA Credit Balance Not Disbursed Timely; Finding #9 – Incorrect Loan Periods Used; Finding #10 – National Student Loan Data System (NSLDS) Reporting Late/Incorrect; Finding #11 – Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement (COD) System; Finding #12 – Inaccurate Record Keeping; Finding #13 – Failure to Properly Document Professional Judgment Decisions; and Finding #14 – Use of Current Year Funds to Pay Prior-Year Charges Exceeding \$200.

During the scope of this review, Pinnacle operated another location under OPE ID: 02613000 that was subject to program review (PRCN: 201610729167) with the same review scope as this program review. Federal student aid was centrally administered for both OPE IDs; therefore, both OPE IDs were cited with substantially similar deficiencies. The Department issued the PRR for OPE ID: 02613000 August 30, 2017; that OPE ID subsequently closed August 31, 2017. Considering those circumstances, the Department elected to refer two policy-related findings to this FPRD: NSLDS Reporting Late/Inaccurate and Inaccurate Reporting of Disbursement Dates to COD.

Pinnacle provided updated financial aid policies and explanations to address policy deficiencies cited in the PRR, which resolved Findings #9, 10, 11, and 13. Pinnacle also retained a third-party servicer to help in its administration of Title IV, HEA programs.

Finding 2 – Program Length Exceeds 150 Percent of State Authorized Length: Pinnacle disputed the finding. The institution stated that it ceased enrolling students in the Massage Therapy program that exceeded 150 percent of the state authorized length of the program after receiving a cease and desist letter from the Department dated March 3, 2016. Through the review process the Department confirmed the institution amended the length of the Massage Therapy program and all Massage Therapy students in the program review either began before March 3, 2016, and were allowed to finish the program, or, were enrolled under a new contract after that date for a program length that complied with state requirements. As such, the Department did not establish any liabilities related to the finding.

Finding 3 – Satisfactory Academic Progress (SAP) Policy Deficiencies: Pinnacle contended that its SAP policies complied with federal regulations though it conceded that the policy may not have been clearly defined in parts. Pinnacle updated its SAP policy to

clarify that maximum time frame is based on cumulative credit hour attempts and that students must maintain a 2.0 grade point average after the third term of a program. Additionally, Pinnacle concurred that Student #13 should have been placed on SAP Warning. However, the oversight ultimately did not result in any ineligible disbursement of Title IV, HEA program funds.

Finding 4 – Inadequate Verification: Pinnacle provided an explanation for the discrepancy in the amount of education credit listed on Student #19’s FAFSA and tax transcript that resolved the issue. The institution provided documentation for Student #21 that supported the student’s number in household and untaxed income, including SNAP benefits. The information Pinnacle provided resolved the finding and subsequently did not result in any liabilities.

Finding 12 - Inaccurate Record Keeping: Pinnacle resolved this finding by providing an explanation for the Direct Unsubsidized Loan discrepancy between Student #31’s ledger card and COD. Pinnacle explained that it was an entry error that was addressed through its reconciliation process. Additionally, Pinnacle provided documentation from COD that the Direct Unsubsidized Loan disbursement was changed from “Pending” to “Disbursed” in the COD system.

Finding 14 – Use of Current Year Funds to Pay Prior-Year Charges Exceeding \$200: Pinnacle clarified that prior year charges were not paid using Title IV, HEA program funds. Rather the prior-year balances were converted to an institutional loan for which the student made out-of-pocket payments. Pinnacle provided the student’s complete ledger card as documentation.

Therefore, these findings may be considered closed.

Findings with Established Liabilities

The program review report findings with liabilities requiring further action are summarized below. At the conclusion of each finding is a summary of Pinnacle’s response to the finding, and the Department’s final determination for that finding. A copy of the program review report issued November 8, 2017 is attached as Appendix D.

Finding 1. Academic Year Definition Deficiencies

Summary of Noncompliance: An academic year for a program of study must include for an undergraduate program offered in credit hours, a minimum of 30 weeks of instructional time and at least 24 semester or trimester credit hours or 36 quarter credit hours. *34 C.F.R. § 668.3(a)*. For a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), or for a student enrolled in an eligible program that measures progress in credit hours and uses

nonstandard terms that are substantially equal in length, the payment period is the academic term. *34 C.F.R. § 668.4(a)*.

A full-time student is defined by regulation as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. The student's workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as a full-time student. For a term-based program, the student's workload may include repeating any coursework previously taken in the program but may not include more than one repetition of a previously passed course. However, for an undergraduate student, an institution's minimum standard must equal or exceed one of the following minimum requirements: for a program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), 12 semester hours or 12 quarter hours per academic term. For a program that measures progress in credit hours and uses nonstandard terms (terms other than semesters, trimesters, or quarters) the number of credits determined by dividing the number of weeks of instructional time in the term by the number of weeks of instruction time in the program's academic year; and multiplying the fraction determined in this definition by the number of credit hours in the program's academic year. *34 C.F.R. § 668.2*.

An institution must define an academic year for each of its eligible programs in terms of the number of credit hours and weeks of instructional time in accordance with the requirements of *34 C.F.R. § 668.3* for the purposes of determining a student's Pell Grant award for an award year. *34 C.F.R. § 690.63(g)(2)*.

For institutions that use Formula 3 to award and disburse Pell Grant funds, a school must first determine the student's enrollment status for the term. Based on that enrollment status, the institution determines the student's annual award from the Payment Schedule for full-time students, or, the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students then multiplies that amount by the number of weeks of instructional time in the term divided by the number of weeks of instructional time in the programs academic year. *34 C.F.R. § 690.63(a)(3)*; *34 C.F.R. § 690.63(d)*.

Pinnacle failed to provide and follow an academic year definition consistent with a single academic year structure prior to and during the onsite portion of the review. In correspondence dated November 19, 2015, Pinnacle reiterated that it defined its academic year as a standard term, quarter credit hours with 36 weeks of instruction and 36 quarter credit hours with each term comprised of three four-week modules that do not overlap and using Pell Formula 3. Pinnacle explained during the onsite portion of the program review that it defined its academic year structure as a standard academic year. However, while it used a standard academic year to award aid, its awarding practices contained characteristics only permissible in a non-term academic year environment. Pinnacle considered all students as attending full-time. Standard academic year awarding

requirements do not allow institutions to consider all students full-time, but rather require institutions to award aid for an academic term based on a student's enrollment status. In addition, while onsite Pinnacle representatives stated in interviews that the institution defined an academic term as one four-week module and a payment period as containing three four-week modules. Standard term payment periods are the length the semester or quarter, the length of a module would not meet the minimum weeks required to be considered a term within a standard academic year. Pinnacle also extended payment periods until students attempted¹ three four-week long modules before it considered the student to have progressed to the next payment period which is only permissible in a non-term academic year environment. Standard terms are required to have a discrete beginning and ending regardless of a student's enrollment or successful completion of coursework.

Directives from PRR: The Department required Pinnacle to draft a financial aid policy that defined its academic year and awarding structures and then using the academic year definition, complete a comprehensive file review for the 2014–15; 2015–16; and 2016–17 award years to determine if Pinnacle appropriately administered Title IV, HEA program funds in compliance with federal regulations by applying the updated academic year definitions.

Analysis of Liability Determination: Pinnacle initially disputed the facts contained in the PRR related to this finding but ultimately acquiesced to the finding. Pinnacle's response maintained that the academic year and term structure were not discussed as a part of this program review. The Department acknowledged Pinnacle's assertion. While the onsite portion of this program review may not have focused specifically on the deficiencies pertaining to this finding, Pinnacle's deficient academic year definitions and subsequent noncompliant administration of Title IV, HEA programs were discovered and deliberated in the program review conducted the week of November 2, 2015, at Pinnacle's Lawrence, Kansas location (OPE ID: 02613000, PRCN 201610729167). The referenced program review disclosed that the administration of Title IV, HEA program funds is centrally processed for all Pinnacle locations. As a result, any deficiency in Pinnacle's administration of Title IV, HEA program funds occurred systemically at all its locations. Therefore, this finding was included in the PRR to address the deficiency at this location and assert appropriate liabilities as the scope of both program reviews covered the same award years.

Pinnacle reiterated its revised academic year definition in its November 21, 2017 Response: standard term, quarter credit hours with 36 weeks of instruction and 36 quarter credit hours. The Department used this academic year definition to review Pinnacle's response to this finding. The institution opted to complete a statistical sample off which projections were based rather than completing a full file review for all students as

¹ Regardless of whether or not the student successfully completed the payment period.

required in the PRR. The institution provided a statistically valid sample of students from the 2014–15, 2015–16, and 2016–17 award years that did not withdraw from the institution in its March 11, 2019 Response.

The Department accepted Pinnacle’s data regarding identified liabilities. The institution’s statistical sample totaled 300 students out of a universe of 1368. Students that withdrew from the institution were omitted from the universe to prevent the creation of duplicate liabilities. Of those 300 students in the statistical sample, Pinnacle identified 71 students to whom the institution awarded more Pell Grant funds than the students were eligible. Of those 300 students in the statistical sample, Pinnacle identified 23 students to whom the institution awarded more Direct Loan funds than the students were eligible.

The Department projected liabilities based on the results of a review of valid statistical samples completed by Pinnacle. An average liability was calculated for the statistical samples for each Title IV, HEA program with liabilities, and this average was multiplied against the total population being reviewed.

Pinnacle’s response indicated that the total amount of Pell Grant liabilities in the statistical sample for this finding is \$36,680.00. An average liability of \$122.27 was calculated by dividing \$36,680.00 by the number of students in the statistical sample (300). This average liability was then multiplied by the total number of students in the population (1,368) from which the statistical sample was derived. Therefore, the Pell Grant projected liability amount for this finding that Pinnacle must pay to the Department is \$167,265.00 (\$167,265.36, *rounded*). **Appendix B.**

Additionally, Pinnacle is liable for the cost of funds (COF) associated with the improper disbursement of Title IV, HEA funds. The total COF liability due to the Department resulting from improper payments of Pell Grant funds is \$600.00 (\$600.38 in Pell Grant COF, *rounded*). The charges were computed using the COF for Pell Grants as published in the Federal Register by the Department of Treasury, effective from June 30, 2017, to the date of the issuance of the PRR. Detailed information about this COF liability determination may be found in **Appendix B.**

Pell Grant liabilities of \$167,865.00 established in this finding are also established in **Finding 6**. Duplicated liability amounts have been removed from the Established Liabilities – Duplicate Liabilities Removed table.

Pinnacle’s response indicated that the total amount of Direct Subsidized Loan liabilities in the statistical sample for this finding is \$13,385.00. An average liability of \$44.62 was calculated by dividing \$13,385.00 by the number of students in the statistical sample (300). This average liability was then multiplied by the total number of students in the population (1,368) from which the statistical sample was derived. Therefore, the Direct Subsidized Loan projected liability amount for this finding is \$61,040.16. **Appendix B.**

Pinnacle's response indicated that the total amount of Direct Unsubsidized Loan liabilities in the statistical sample for this finding is \$16,766.00. An average liability of \$55.89 was calculated by dividing \$16,766.00 by the number of students in the statistical sample (300). This average liability was then multiplied by the total number of students in the population (1,368) from which the statistical sample was derived. Therefore, the Direct Unsubsidized Loan projected liability amount for this finding is \$76,457.52.

Appendix B.

Pinnacle's response indicated that the total amount of Direct PLUS Loan liabilities in the statistical sample for this finding is \$721.00. An average liability of \$2.40 was calculated by dividing \$721.00 by the number of students in the statistical sample (300). This average liability was then multiplied by the total number of students in the population (1,368) from which the statistical sample was derived. Therefore, the Direct Unsubsidized Loan projected liability amount for this finding is \$3,283.20. **Appendix B.**

The total amount of Direct Loan funds that Pinnacle improperly disbursed during the 2014–15 through 2016–17 award years for this finding is \$140,780.88. 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 EL is calculated based on the relationship between Pinnacle's cohort default rate and the sector cohort default rate. As a result, the EL that Pinnacle must pay to the Department for these ineligible loans is \$3,375.00 (\$3,375.34, rounded). **Appendix C** contains the results of the calculation of the EL.

Direct Loan liabilities of \$3,375.00 included in this finding are also established in **Finding 7**. Duplicated liability amounts will be removed in the Summary of Liabilities table.

The total liabilities owed as a result of this finding are **\$171,240.00**.

Instructions for the payment of liabilities attributable to this finding are provided in **Section E** of this FPRD letter.

Finding 5. Incorrect Return of Title IV Funds (Return) Calculations

Summary of Noncompliance: When a recipient of Title IV, HEA grant or loan funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV, HEA grant or loan funds that the student earned as of the student's withdrawal date. *34 C.F.R. § 668.22(a)(1)*.

A student is considered to have withdrawn from the payment period or period of enrollment if in the case of a program that is measured in credit hours, the student does

not complete all the days in the payment period or period of enrollment that the student was scheduled to complete. For a payment period or period of enrollment in which courses are offered in modules, a student is not considered to have withdrawn if the institution obtains written confirmation from the student at the time that would have been a withdrawal of the date that he or she will attend a module that begins later in the same payment period or period of enrollment. *34 C.F.R. § 688.22(a)(2)(i) and (ii)*.

Previously, under guidance provided in Dear Colleague Letter GEN-00-24, if a student attending a standard, term-based program offered in modules ceased attendance after completing one module, the student was not considered to have withdrawn, and the schools was not required to perform a Return calculation. This is no longer the case. Under the October 29, 2010, final regulations, for all programs offered in modules, a student is considered to have withdrawn for Title IV purposes if the student ceases attendance at any point prior to completing the payment period or period of enrollment, unless the school obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment. *2015–16 Federal Student Aid Handbook, Vol. 5, Chap. 1, pg. 61*.

The PRR cited six students for whom Pinnacle failed to properly perform a Return calculation:

Student #2: Pinnacle used the incorrect total number of days, incorrectly recalculated Pell Grant award amounts, and failed to include an inadvertent overpayment of Direct Loans to complete the Return calculation.

Student #4: The length of the payment period was incorrect due to Pinnacle's improper definition of academic year. Pinnacle also included ineligible Direct Loan amounts in the Return calculation.

Students #9, 10, 13, and 15: Pinnacle used an incorrectly recalculated Pell Grant award to complete the Return calculation.

Directives from PRR: The Department required Pinnacle to conduct a file review of all students who withdrew from the institution during the 2014–15, 2015–16, and 2016–17 award years to ensure the institution correctly completed Return calculations for all withdrawn students.

Analysis of Liability Determination: Pinnacle completed the required file review and the Department accepted the results of the institution's file review. The table below summarized the results of Pinnacle's completed file review:

AY	Number of Returns Completed	Number of Returns that Resulted in Title IV, HEA Program Funds Still Due to the Department	Error Rate
2014-15	567	275	48.5%
2015-16	506	263	52%
2016-17	331	31	9.4%

Pinnacle is liable for the return of the amounts listed below for each respective Title IV, HEA program:

Title IV Program	Liability Amount	COF Amount
Pell Grant	\$147,953.00	\$3,028.00 (\$3,028.11, rounded)
Direct Subsidized Loan	\$24,989.00	\$487.00
Direct Unsubsidized Loan	\$12,191.00	\$243.00
Direct PLUS Loan	\$662.00	\$10.00

Pinnacle is also responsible for the COF associated with its failure to correctly and timely calculate Returns for students who withdrew from the institution. The charges were computed using the COF for each Title IV, HEA program, as published in the Federal Register by the Department of the Treasury, effective from the date of withdrawal to the date of the issuance of the PRR. Detailed information about this COF liability determination may be found in **Appendix B**.

Pinnacle must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

Instructions for the payment of liabilities attributable to this finding are provided in **Section E** of this FPRD letter.

Finding 6. Incorrect Pell Grant Awards

Summary of Noncompliance: The Federal Pell Grant payment for a payment period using Formula 3 is determined by the student's enrollment status for the term. The Pell Grant award for a payment period is determined by using the annual award that corresponds to a student's enrollment status and estimated family contribution (EFC) from the Pell Payment Schedule for full-time students, or, the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students. The appropriate annual award is then multiplied by the fraction of the number of weeks of instructional time in the term then divided by the number of weeks of instructional time in the program's academic year. *See 34 C.F.R. § 690.63(d).*

Pinnacle systemically failed to determine Pell Grant payments using correct enrollment statuses for students due to deficiencies related to and outlined in **Finding 1**. Rather it

determined Pell Grant payments for all students using the Pell Grant annual award for full-time status, regardless of whether or not the student enrolled and attended enough credit hours in a payment period to be considered full-time. The PRR identified **Students #2, 3, 7, 8, 9, 10, 13, 14, 19, 20, 31, 32, 34, and 35** as students impacted by this error.

Directives from PRR: The Department required Pinnacle to perform a file review for all students who received Pell Grant funds during AY2014–15, AY2015–16, and AY2016–17, to determine the correct enrollment statuses for each student in each payment period, and based on the correct enrollment status, correctly calculate Pell Grant disbursements for each payment period for each student.

Analysis of Liability Determination: Pinnacle did not dispute the finding. It addressed Pell Grant awarding and recalculation policies in its November 21, 2017 Response and in **Finding 1**. The institution opted to complete a statistical sample from which projections were based rather than completing a full file review for all students as required in the PRR. The institution provided a statistically valid sample of students from the 2014–15, 2015–16, and 2016–17 award years that did not withdraw from the institution in its March 11, 2019 Response.

The Department accepted Pinnacle's data regarding identified liabilities. The institution's statistical sample totaled 300 students out of a universe of 1,368. Students that withdrew from the institution were omitted from the universe to prevent the creation of duplicate liabilities. Of those 300 students in the statistical sample, Pinnacle identified 71 students to whom the institution disbursed more Pell Grant funds than the amounts for which the students were eligible.

The Department projected liabilities based on the results of a review of a valid statistical sample completed by Pinnacle. An average liability was calculated for the statistical samples for each Title IV, HEA program with liabilities, and this average was multiplied against the population being reviewed.

Pinnacle's response indicated that the total amount of Pell Grant liabilities in the statistical sample for this finding is \$36,680.00. An average liability of \$122.27 was calculated by dividing \$36,680.00 by the number of students in the statistical sample (300). This average liability was then multiplied by the total number of students in the population (1,368) from which the statistical sample was derived. Therefore, the Pell Grant projected liability amount for this finding that Pinnacle must pay to the Department is \$167,265.00 (\$167,265.36, *rounded*). **Appendix B.**

Additionally, Pinnacle is liable for the COF associated with the improper use of Title IV, HEA funds. The total COF liability due to the Department resulting from improper payments of Pell Grant funds is \$600.00 (\$600.38 in Pell Grant interest, *rounded*). The COF were computed using the COF for Pell Grants as published in the Federal Register by the Department of Treasury, effective from June 30, 2017 to the date of the issuance

of the PRR. Detailed information about this COF liability determination may be found in **Appendix B**.

Pell Grant liabilities of \$167,865.00 were established in **Finding 1**. Duplicated amounts will be removed from the Established Liabilities – Duplicate Liabilities Removed table.

The total liabilities owed as a result of this finding are **\$167,865.00**.

Instructions for the payment of liabilities attributable to this finding are provided in **Section E** of this FPRD letter.

Finding 7. Incorrect Direct Loan Awards

Summary of Noncompliance: For a program of study that is one academic year or more in length with less than a full academic year remaining, the annual Direct Unsubsidized Loan amount for a dependent student is the amount of the same ratio to \$2,000 as the number of credit hours enrolled divided by the number of credit hours in the academic year. *34 C.F.R. § 685.203(b)(ii)*.

If a student has received a determination of need for a Direct Subsidized Loan that is \$200 or less, a school may choose not to originate a Direct Subsidized Loan for that student and to include the amount as part of a Direct Unsubsidized Loan. *34 C.F.R. § 685.301(a)(7)*.

In no case may a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended, 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 (EFC) for that period. *34 C.F.R. § 685.203(j)*.

Pinnacle systemically failed to properly prorate Direct Loan awards for student in their final periods of study due to deficiencies related and outlined in **Finding 1**. The PRR identified **Student #'s 14, 15, 19, 26, and 27** as examples of this issue.

Additionally, Pinnacle disbursed Direct Subsidized Loan funds to an ineligible student. **Student #4** was ineligible to receive Direct Subsidized Loan funds as the student was a dependent student and the student's ISIR lacked parental information solely because the student's parents refused to provide their financial information.

The PRR also identified **Student #'s 31, 32, 33, 34, and 35** as students enrolled in the Massage Therapy program who received ineligible Direct Loan disbursements because the program that exceeded 150 percent of the program length minimums mandated by the state of Missouri. **Finding 2** in the PRR addressed the program length deficiencies.

Directives from PRR: The Department required Pinnacle to conduct a file review of all students who received Direct Loan funds during the 2014–15, 2015–16, and 2016–17 award years to ensure the institution correctly awarded and disbursed Direct Loan funds to all students.

Analysis of Liability Determination: Pinnacle did not dispute the finding. It addressed Direct Loan awarding practices in its November 21, 2017 Response. This response resolved the issue related to **Finding 2**; therefore, Massage Therapy students, including **Student #'s 31 – 35**, were not included in this finding solely based on program length.

The institution opted to complete a statistical sample from which projections were based rather than completing a full file review for all students as required in the PRR. The institution provided a statistically valid sample of students from the 2014–15, 2015–16, and 2016–17 award years that did not withdraw from the institution in its March 11, 2019 Response.

The Department accepted Pinnacle's data regarding identified liabilities. The institution's statistical sample totaled 300 students out of a universe of 1,368. Students that withdrew from the institution were omitted from the universe to prevent the creation of duplicate liabilities. Of those 300 students in the statistical sample, Pinnacle identified 23 students to whom the institution disbursed more Direct Loan funds than which the students were eligible.

The Department projected liabilities based on the results of a review of a valid statistical sample completed by Pinnacle. An average liability was calculated for the statistical samples for each Title IV, HEA program with liabilities, and this average was multiplied against the population being reviewed.

Pinnacle's response indicated that the total amount of Direct Subsidized Loan liabilities in the statistical sample for this finding is \$13,385.00. An average liability of \$44.62 was calculated by dividing \$13,385.00 by the number of students in the statistical sample (300). This average liability was then multiplied by the total number of students in the population (1,368) from which the statistical sample was derived. Therefore, the Direct Subsidized Loan projected liability amount for this finding is \$61,040.16. **Appendix B.**

Pinnacle's response indicated that the total amount of Direct Unsubsidized Loan liabilities in the statistical sample for this finding is \$16,766.00. An average liability of \$55.89 was calculated by dividing \$16,766.00 by the number of students in the statistical sample (300). This average liability was then multiplied by the total number of students in the population (1,368) from which the statistical sample was derived. Therefore, the Direct Unsubsidized Loan projected liability amount for this finding is \$76,457.52. **Appendix B.**

Pinnacle's response indicated that the total amount of Direct PLUS Loan liabilities in the statistical sample for this finding is \$721.00. An average liability of \$2.40 was calculated by dividing \$721.00 by the number of students in the statistical sample (300). This average liability was then multiplied by the total number of students in the population (1,368) from which the statistical sample was derived. Therefore, the Direct Unsubsidized Loan projected liability amount for this finding is \$3,283.20. **Appendix B.**

The total amount of Direct Loan funds that Pinnacle improperly disbursed during the 2014–15 through 2016–17 award years for this finding is \$140,780.88. 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 EL is calculated based on the relationship between Pinnacle's cohort default rate and the sector cohort default rate. As a result, the EL that Pinnacle must pay to the Department for these ineligible loans is \$3,375.00 (\$3,375.34, *rounded*). Appendix C contains the results of the calculation of the EL.

Direct Loan liabilities of \$3,375.00 were established in **Finding 1**. Duplicated amounts have been removed from the Established Liabilities – Duplicate Liabilities Removed table.

The total liabilities owed as a result of this finding are **\$3,375.00**.

Instructions for the payment of liabilities attributable to this finding are provided in **Section E** of this FPRD letter.

D. Summary of Liabilities

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

Established Liabilities – Duplicate Liabilities				
Liabilities	Pell (Closed Award Year)	Direct Loan	EL DL	
Finding 1	\$167,265.00	\$0.00	\$3,375.00	
Finding 5	\$147,953.00	\$37,842.00	\$0.00	
Finding 6	\$167,265.00	\$0.00	\$0.00	
Finding 7	\$0.00	\$0.00	\$3,375.00	
Subtotal	\$482,483.00	\$37,842.00	\$6,750.00	
COF	\$4,228.00	\$740.00		
Subtotal	\$4,228.00	\$740.00		
TOTAL	\$486,711.00	\$38,582.00	\$6,750.00	
Payable To:				Totals
Department	\$486,711.00	\$38,582.00	\$6,750.00	\$532,043.00

Established Liabilities – Duplicate Liabilities Removed				
Liabilities	Pell (Closed Award Year)	Direct Loan	EL DL	
Finding 1	\$167,265.00	\$0.00	\$3,375.00	
Finding 5	\$147,953.00	\$37,842.00	\$0.00	
Finding 6	\$0.00	\$0.00	\$0.00	
Finding 7	\$0.00	\$0.00	\$0.00	
Subtotal	\$315,218.00	\$37,842.00	\$3,375.00	
COF	\$3,628.00	\$740.00		
Subtotal	\$3,628.00	\$740.00		
TOTAL	\$318,846.00	\$38,582.00	\$3,375.00	
Payable To:				Totals
Department	\$318,846.00	\$38,582.00	\$3,375.00	\$360,803.00

The Established Liabilities-Duplicate Liabilities table above contains duplicate liabilities. The Established Liabilities-Duplicate Liabilities Removed table reflects adjustments made to remove all duplicate liabilities as described in the final determinations for **Findings 1, 6, and 7**. As conveyed in **Findings 6 and 7**, liabilities established in those findings occurred as a result of the systemic violations identified in **Finding 1**.

For the Direct Loan liabilities associated with **Findings 1 and 7**, the tables above include an estimated amount of loss rather than the total amount of ineligible Direct Loan funds as explained in the Final Determination section for each of these findings.

E. Payment Instructions

Pinnacle owes to the Department **\$360,803.00**. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. Pinnacle must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If Pinnacle's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

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

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable findings and Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).

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

Terms of Payment

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

If full payment cannot be made within 45 days of the date of this letter, contact the Centralized Receivables Service (CRS) at 1-855-549-2683 to apply for a payment plan. Interest charges and other conditions apply.

If within 45 days of the date of this letter, Pinnacle 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 Pinnacle from the Federal Government. **Pinnacle may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Pinnacle 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.

Instructions by Title IV, HEA Program

1. Liabilities Owed the Department in the case of Direct Loans

A. Direct Loan Closed Award Years (Request Extended Processing)

Finding: 5
 Appendix: B

Pinnacle must repay the following Direct Loan liabilities:

DL Closed Award Year		
Amount (Principal)	Amount (COF)	Award Year
\$16,775.00	\$460.00	2014-15
\$16,362.00	\$240.00	2015-16
\$4,705.00	\$40.00	2016-17
Total Principal	Total COF	
\$37,842.00	\$740.00	

The disbursement record for each student identified in the appendix listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix. A copy of the adjustment to each student’s COD record must be sent to Holly Wolfe Walkenbach **within 45 days of the date of this letter.**

Request Extended Processing

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

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

B. Direct Loan Estimated Loss

Finding: 1
 Appendix: C

DL Estimated Loss	
Amount	\$3,375.00
Total	\$3,375.00

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

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

A. Pell Grant – Closed Award Year

Finding: 5
 Appendix: B

Pinnacle must repay:

Pell Grant - Closed Award Year		
Amount (Principal)	Amount (COF)	Award Year
\$67,546.00	\$1,780.00	2014–15
\$70,998.00	\$1,161.00	2015–16
\$9,409.00	\$87.00	2016–17
Total Principal	Total COF	
\$147,953.00	\$3,028.00	

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

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student’s COD record must be sent to Holly Wolfe Walkenbach **within 45 days of the date of this letter.**

B. Federal Pell Grant — Projected Liabilities

Finding: 1
Appendix: B

Pinnacle must pay:

Federal Pell Grant—Projected Liabilities		
Amount (Principal)	Amount (COF)	Title IV Program
\$167,265.00	\$600.00	Pell Grant
Total Principal	Total COF	
\$167,265.00	\$600.00	

Pinnacle must pay the amount referenced above in projected Pell Grant liabilities reflected above. The funds will be returned to the general program fund for the Pell Grant program. This amount is reflected in the total amount owed to the Department.

F. Appendices

Appendices A – Student Samples, B – Student Level Liabilities/Cost of Funds, and C – Estimated Loss contain personally identifiable information and will be emailed to Pinnacle as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip files will be sent in a separate email.

Appendices D – F are attached to this report.

Appendix A. Program Review Student Samples

Appendix B. Student Level Liabilities/Cost of Funds

Appendix C. Estimated Loss Calculation

Appendix D. Program Review Report

Prepared for

Pinnacle Career Institute

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

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PRCN 201620729235

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

Program Review Report

November 8, 2017

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A. Institutional Information

Pinnacle Career Institute
1001 E. 101st Terrace
Kansas City, MO 64131

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 870 (2014–15)

% of Students Receiving Title IV: 94% (2014–15)

Title IV Participation (PC Net):

	2014–15
Direct Subsidized Loan	\$2,687,529
Direct Unsubsidized Loan	\$3,747,419
Direct PLUS Loan	\$92,165
Federal Pell Grant Program	\$3,753,411
Federal Supplemental Opportunity Grant Program (SEOG)	\$161,817

Default Rate FFEL/DL: FY2014: 10.8%
 FY2013: 12.4%
 FY2012: 20.1%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Pinnacle Career Institute (PCI) from February 8, 2016, to February 12, 2016.

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

A sample of 30 files was identified for review from the 2014-2015 and 2015-2016 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. Additionally, 5 files were reviewed for Massage Therapy. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

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

Finding 1. Academic Year Definition Deficiencies

Citation: An academic year for a program of study must include: for a program offered in credit hours, a minimum of 30 weeks of instructional time; or for a program offered in clock-hours, a minimum of 26 weeks of instructional time; and for an undergraduate program, an amount of instructional time whereby a full-time student is expected to complete at least 24 semester or trimester credit hours or 36 quarter credit hours for a program measured in credit hours; or 900 clock-hours for a program measured in clock-hours. *See 34 C.F.R. §668.3(a).*

For a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), or for a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are substantially equal in length, the payment period is the academic term. See 34 C.F.R. §668.4(a).

For a student enrolled in an eligible program that measures progress in credit hours and does not have academic terms or for a program that measures progress in clock hours, and the program is more than one academic year in length, the first payment period is the period of time in which a student successfully completes half of the number of credit- or clock-hours in the program and half the number of weeks of instructional time in the academic year. The second payment period is the period of time in which the student successfully completes the academic year. For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length, the first payment period is the period of time in which the student successfully completes half of the number of credit- or clock-hours in the remaining portion of the program and half the number of weeks of instructional time remaining in the program. The second payment period is the period of time in which the student successfully completes the remainder of the program and for any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program. See 34 C.F.R. §668.4(c).

A week is a consecutive seven-day period. A week of instructional time is any week in which at least one day of regularly scheduled instruction or examinations occurs or, after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations; and instructional time does not include any vacation periods, homework, or periods of orientation or counseling. See 34 C.F.R. §668.3(b). Award year is defined as the period of time from July 1 of one year through June 30 of the following year. See 34 C.F.R. §600.2.

A full-time student is defined by regulation as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. The student's workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as a full-time student. For a term-based program, the student's workload may include repeating any coursework previously taken in the program but may not include more than one repetition of a previously passed course. However, for an undergraduate student, an institution's minimum standard must equal or exceed one of the following minimum requirements: for a program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), 12 semester hours or 12 quarter hours per academic term. For a program that measures progress in credit hours and does not use terms, 24 semester hours or 36 quarter hours over the weeks of instruction time in the academic year, or the prorated equivalent if the program is less than one academic year. For a program that measures progress in credit hours and uses nonstandard terms (terms other than semesters, trimesters, or quarters) the number of credits determined by dividing the number of weeks of instructional time in the term by the number of weeks of instruction time in the program's academic year; and multiplying the

fraction determined in this definition by the number of credit hours in the program's academic year. See 34 C.F.R. §668.2.

For the purposes of determining a student's Pell Grant award for an award year, an institution must define an academic year for each of its eligible programs in terms of the number of credit or clock hours and weeks of instructional time in accordance with the requirements of *34 C.F.R. §668.3. See 34 C.F.R. §690.63(g)(2).*

For purposes of the FSA programs, there are three basic types of academic calendars: standard term, nonstandard term, and non-term.

Generally, a term is a period in which **all classes** are scheduled to begin and end within a set time frame, and academic progress is measured in credit hours. However, if these periods overlap within a program, they may not be treated as a term-based program for FSA purposes. Term-based programs can either have standard terms or nonstandard terms. Standard terms using quarters have terms that are approximately 10 to 12 weeks in length and the academic calendar includes three quarters in the fall, winter, spring, and often a summer term. Academic progress is measured in quarter credit-credit hours, and full-time is at least 12 quarter credits. You may combine shorter terms or modules to meet the requirements of a standard term (i.g., semester, trimester, or quarter). For example: a program offered in 8 nonstandard terms, each 6 weeks in length, and students earn 6 quarter credit each term. You may choose to combine each consecutive pair of nonstandard terms and consider the program to be offered in 4 quarters. See 2015–16 Federal Student Aid Handbook, Vol. 3, Chap. 1, pg. 6.

If you choose not to combine a nonstandard term in this manner, the program must be treated as a non-term program for Direct Loans, and a Formula 3 program for Pell Grants. The fact that you did not combine the term does not negate the requirement that a student must be considered for Title IV aid if enrolled and eligible in the term.

See 2015–16 Federal Student Aid Handbook, Vol. 3, Chap. 1, pg. 6.

Nonstandard terms are terms (where all coursework is expected to begin and end within a set period of time) that are not semester, trimester or quarter terms. It is possible for programs with of equal length to be considered nonstandard. For example, a school could offer a program with six consecutive 5-week modules, with each module counting as a nonstandard term. Unlike standard terms, the length of the term is not necessarily associated with the type of credit-hours awarded. Some nonstandard terms are the length of a semester (14 – 17 weeks) but award quarter credits. Others are the length of a quarter (10-12 weeks) but award semester credits.

See 2015–16 Federal Student Aid Handbook, Vol. 3, Chap. 1, pg. 7.

A program that measures progress in credit-hours is considered to be using a non-term calendar if it has courses that do not begin and end within a set period of time; courses that overlap; self-paces and independent study courses that overlap terms; or sequential courses that do not begin and end within a term. See 2015–16 Federal Student Aid Handbook, Vol. 3, Chap. 1, pg. 7.

The definition of a payment period is applicable to all Title IV, HEA programs except Federal Work Study (FWS). The common definition is integral to requirements for the administration of FSA funds. Title IV, HEA program funds (except FWS) must be made on a payment period basis. The evaluation of a student's satisfactory academic progress is required to correspond with the end of a payment period. *See 2015–16 Federal Student Aid Handbook, Vol. 3, Chap. 1, pg. 9.*

Noncompliance: PCI failed to provide an academic year definition consistent with any particular academic year structure. The institution also failed to use the number of credit hours approved by the Department on its Eligibility and Certification Approval Report (ECAR) in its program length definitions. As a consequence, the lack of sufficient definitions for these fundamental components in the administration of Title IV, HEA program funds resulted in the systemic failure to administer Title IV, HEA program funds in accordance with regulations.

PCI asserted it administers its academic programs using a standard term academic year comprised of 36 weeks and 36 quarter credits, with each quarter comprised of three, 4-week modules and each module equals 4 quarter credit-hours for financial aid purposes and that it considers all of its students as attending full-time. PCI also asserted it uses Pell Formula 3, and that it considered a single four-week module as a "term" in its Pell Grant awarding. None of the institutional policies or procedures PCI provided to reviewers contained a succinct and formal definition or policy.

A Four-Week Term is not a Standard Term

Regulations provide, and, the *Federal Student Aid Handbook* further clarifies, that standard terms for the purpose of awarding and disbursing Title IV, HEA program funds, are 15- to 17-weeks long for semester and trimesters and 10- to 12-weeks long for quarters. These terms may be comprised of shorter nonstandard terms. Given that PCI provides instruction to students in four-week modules that is four financial aid credit-hours, combining three modules meets the quarter definition of 10-12 weeks long. For standard term academic year purposes, the compilation of the three modules into a 12-week quarter would be considered the "term" or payment period, not the individual four-week module.

Standard Term Programs Have Defined Enrollment Statuses Other than Full-Time

The concept that students are always considered enrolled full-time is contrary to the definition of standard term; it is however, a non-term academic year concept. Regulations require institutions follow standard or nonstandard academic calendars to determine enrollment statuses of full-time, three-quarter-time, half-time, and less-than-half time for a term. Student eligibility to receive a disbursement of Direct Loans funds for a term is contingent upon the student's enrollment status being at least half-time. Additionally, the use of Formula 3 to make Pell Grant award determinations also require schools to determine enrollment statuses and use the annual Pell Grant Award schedules that correspond with enrollment status.

As a result of following standard term academic year definitions, full-time enrollment would be 12 credit hours (three, four-week modules), which would be used as the basis to determine other enrollment statuses.

While regulations provide that the definition of an academic year may change from academic year to academic year based upon the types of courses in which the student enrolls, regulations do not sanction using different academic year definitions for different Title IV, HEA programs for the same award year.

Standard Academic Year Terms are not Extended

Standard academic years have a set beginning and ending date, regardless of a student's enrollment or successful completion of coursework within the term. In initial interviews, PCI staff stated that students must successfully complete all three courses (modules) in a quarter to progress to the next payment period. Institutional representatives elaborated that if a student failed a course, PCI extended the payment period to include an additional module in which the student may successfully pass the failed course.

When reviewers informed PCI that they did not observe this practice in the student file sample, PCI then contended that it required students to attempt – not successfully complete – three courses before it considered the student to have progressed to the next payment period. Reviewers noted in the review sample that PCI extended payment periods in instances in which students requested a waiver to not attend a module within a quarter. For example:

Student #4: The student enrolled and commenced attendance in the Massage Therapy certificate program 08/11/14. Based on PCI definition of its academic year, the academic year for this student should have been from 08/11/14 – 05/10/15. The student submitted a waiver to sit out the December 2014 module. The student earned an F for the November 2014 and March 2015 modules. The loan period for this student's Direct Loans had a loan period end date of 06/07/15, to include an additional module for the waived module, but not two additional modules for the earned Fs.

This student is also cited in **Finding 5, Finding 7, Finding 9, and Finding 10.**

Extending payment periods when a student does not attend or fails a module within a payment period is not consistent with administering Title IV, HEA funds in a standard academic year. Additionally, only extending payment periods when a student does not attend a module, but not extending a payment period when a student fails a module does not comply with any regulatory requirements for any academic year structure.

Academic Calendars and Overlapping Terms

Reviewers noted discrepancies between the published academic calendar and scheduled meeting days, and courses overlapping and not:

Student #19: The student enrolled and began attendance in the Electronics Technology associates program 03/09/15. The first quarter spanned from 03/09/15 to 06/07/15, and the second quarter spanned from 06/08/15 to 09/06/15. The table below lists the scheduled beginning and ending dates of the published academic calendar compared to the beginning and ending dates of scheduled class, per attendance records:

Module/Class – 1st Quarter	Scheduled Beginning Date	Scheduled End Date
March 2015 Module	03/09/15	04/12/15
ET203	03/09/15	04/22/15
April 2015 Module	04/13/15	05/10/15
ET206	04/27/15	06/04/15
May 2015 Module	05/11/15	06/07/15
Module/Class – 2nd Quarter		
June 2015 Module	06/08/15	07/05/15
ET205	06/08/15	07/15/15
July 2015 Module	07/06/15	08/09/15
ET204	07/27/15	09/02/15
GE204	07/30/15	09/03/15
August 2015 Module	08/10/15	09/06/15

As the table above shows, the actual course schedules are contrary to the academic calendar and any discussion and/or description PCI provided for its course structure. Only two courses, ET203 and ET205, have beginning dates that coincide with the scheduled beginning dates of the module published on the 2015 academic catalog in the catalog. Additionally, none of the courses scheduled end dates coincide with the end date of the modules, as listed on the academic calendar. Furthermore, courses ET204 and GE204 overlap. While overlapping courses occurred within a quarter, reasonable opportunity exists for overlapping coursework to occur over defined payment periods or quarters, especially because PCI starts students monthly. Coursework overlapping terms or payment periods is not a component of a standard academic year, rather it would require the use of a nonterm academic year structure for financial aid purposes.

This student is also cited in **Finding 4**, **Finding 6**, and **Finding 7**.

Inconsistent Use of Program Length

PCI did not have consistent program length definitions. PCI also delivered and defined its program lengths with more credit-hours than approved by the Department or its accreditor. PCI staff advised that all courses for which a student earns a grade, rather than Pass/Fail courses, six academic credits listed in its course catalog definition equaled 4 financial aid credit-hours (“4:6 credit conversion” listed in the table below). PCI later informed reviewers that all courses that receive a grade are four credit-hours for financial aid purposes, regardless of the academic credits assigned to a course on a student’s transcript. PCI mentioned one exception: the Dental Assisting Externship course was assigned eight financial aid credit-hours because the course was delivered over the length of two modules. However, reviewers noted that some dental assisting

transcripts listed the externship as a single course within a quarter, while other transcripts listed the externship as two courses.

The table below demonstrates the discrepancies and various program lengths PCI provided for its programs:

Program	Catalog	Interview	Enrollment Agreement	ECAR	4:6 credit conversion	ACICS Approval
Massage Therapy	70 hours	70 credit hours	70 credit hours	40 credit hours	46.6 credits	1200 CH
	11 months	44 weeks	44 weeks	40 weeks		-
Esthetician	89 hours	89 credit hours	89 credit hours	48 credit hours	59.3 credits	1200 CH
	12 months	48 weeks	48 weeks	48 weeks		-
Dental Assistant	54-56 credit hours	54 credit hours	54 credit hours	40 credit hours	36 credits	1000 CH
	9 month	36 weeks	40 weeks	40 weeks		-
Medical Assistant	69 credit hours	69 credit hours	69 credit hours	48 credit hours	46 credits	1200 CH
	12 months	48 weeks	48 weeks	48 weeks		-
Pharmacy Technician	63 credit hours	-	63 credit hours	44 credit hours	42.7 Credits	1100 CH
	11 months	-	44 weeks	44 weeks		-

Given the array of program length definitions, the Department used the program lengths approved on PCI's Eligibility and Certification Approval Report (ECAR) to evaluate student files, which accurately lists the clock-hours to quarter credit-hour conversion of ACICS' approved hours.

Required Action: PCI must define and implement an academic year definition that fully and consistently complies with all the regulatory requirements and definitions of a specific academic year type (standard, nonstandard, or non-term) the institution decides best meets the needs of its students. PCI must provide this academic year definition to the Department within 14 days of its receipt of this report. After the Department determines PCI's academic year definition sufficiently complies with all regulatory definitions, PCI must then proceed with the all other required action contained in this report.

Once an adequate academic year definition has been adopted, PCI must perform a comprehensive file review in which it reconstructs student files using the updated academic year definition for all students in the 2014-15, 2015-16, and 2016-17 (year-to-date) award years. **Appendix B** contains file review instructions for this finding. PCI will use the updated and applied academic year definitions to complete all other file reviews required in this report.

Finding 2. Program Length Exceeds 150 Percent of State Authorized Length

Citation: If an educational program offered by the institution is required to prepare a student for gainful employment in a recognized occupation, the institution must demonstrate a reasonable relationship between the length of the program and entry level requirements for the recognized occupation for which the program prepares the student. The Department considers the relationship to be reasonable if the number of clock-hours provided in the program does not exceed by more than 50 percent the minimum number of clock-hours required for training in the recognized occupation for which the program prepares the student, as established by the State in which the institution is located, if the State has established such a requirement, or as established by any Federal agency. *See 34 C.F.R. §668.14(b)(26)(i).*

Missouri state statutes stipulate that a person desiring a license to practice massage therapy shall complete a program of massage therapy studies, as defined by the board, consisting of at least five hundred hours of supervised instruction and subsequently passing an examination approved by the board. The examination may consist of school examinations. The program and course of instruction shall be approved by the board. A person completing a massage therapy program comprised of less than five hundred hours of supervised instruction may submit an application for licensure and the board shall establish requirements for the applicant to complete the requirements of paragraph (a) of subdivision (2) of this subsection. *See RSMo. §324.265.1(1); 20 CSR 2197-2.*

Noncompliance: PCI systemically disbursed Title IV, HEA program funds to students enrolled in the Massage Therapy certificate program in excess of 150 percent of the minimum program length. The Massage Therapy certificate program's published required program length is 70 quarter credit-hours or 1,100 clock-hours. PCI officials stated during the on-site portion of the review, that for financial aid purposes, students are awarded 1,100 clock-hours which the institution converted to 44 quarter credit-hours.

The state of Missouri requires massage therapy programs to be a minimum of 500 clock-hours in duration. Per the above noted citation, certificate programs that prepare students for gainful employment may not exceed by more than 50 percent the minimum number of clock-hours required for training in the recognized occupation for which the program prepares the student. Therefore, in the state of Missouri, a massage therapy certificate program may not exceed 750 clock-hours.

Based on the regulation and state statute referenced above, the Massage Therapy certificate program was ineligible for Title IV, HEA aid as it exceeded 750 clock-hours or 30 quarter credit-hours. The acceptance of the student clock- and credit-hours by Missouri's Massage Therapy Board does not relieve PCI of its responsibility to comply with Title IV, HEA regulations. As a result, PCI made ineligible disbursements of Pell Grant and Direct Loan funds to students. Examples of incorrect Pell Grant and Direct Loan awarding as a result of this issue are provided in **Finding 6** and **Finding 7**, respectively.

Required Action: The institution was informed March 3, 2016, to cease new student enrollment into the Massage Therapy program offered for 1100 clock-hours. Based on precedent, students currently enrolled may remain Title IV, HEA program eligible but new students are not to be enrolled pending reevaluation of the Massage Therapy program. PCI updated its ECAR to offer the Massage Therapy certificate program to meet state and federal program length requirements, with an initial approval date of 10/26/16.

Finding 3. Satisfactory Academic Progress (SAP) Policy Deficiencies

Citation: An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if –

- 1) The policy is at least as strict as the policy the institution applies to a student who is not receiving assistance under the Title IV, HEA programs;
- 2) The policy provides for consistent application of standards to all students within categories of students;
- 3) The policy provides that a student's academic progress is evaluated
 - a. At the end of each payment period if the educational program is either one academic year in length or shorter than an academic year; or
 - b. For all other educational programs, at the end of each payment period or at least annually to correspond with the end of a payment period.
- 4) The policy specifies the grade point average (GPA) that a student must achieve at each evaluation;
- 5) The policy specifies the pace at which a student must progress through his or her educational program to ensure that the student will complete the program with the maximum timeframe; an institution calculates the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted.
- 6) The policy describes how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions.
- 7) The policy provides that, at the time of each evaluation, a student who has not achieved the required GPA or who is not successfully completing his or her educational program at the required pace, is no longer eligible to receive assistance under the Title IV, HEA programs; *See C.F.R. §668.34(a)(1 – 7).*

The policy should describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours. *See 34 C.F.R. §668.34(a)(6).*

A student on financial aid warning may continue to receive assistance under the Title IV, HEA programs for one payment period despite a determination that the student is not making

satisfactory academic progress. Financial aid warning status may be assigned without an appeal or other action by the student. See 34 C.F.R. §668.34(a)(8)(i).

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

The following definitions apply to the terms used in 34 C.F.R. §668.34:

- (1) *Appeal*. Appeal means a process by which a student who is not meeting the institution's satisfactory academic progress standards petitions the institution for reconsideration of the student's eligibility for Title IV, HEA program assistance.
- (2) *Financial aid probation*. Financial aid probation means a status assigned by an institution to a student who fails to make satisfactory academic progress and who has appealed and has had eligibility for aid reinstated.
- (3) *Financial aid warning*. Financial aid warning means a status assigned to a student who fails to make satisfactory academic progress at an institution that evaluates academic progress at the end of each payment period.
- (4) *Maximum time frame*. For an undergraduate program measured in credit hours, a period that is no longer than 150 percent of the published length of the educational program, as measured in credit hours. See 34 C.F.R. §668.34(b).

The Higher Education Act requires a specific qualitative review at the end of the student's second academic year. The "second academic year" is defined as a student being at the school for six quarters, regardless of a student's enrollment status. At that point, the student must have a GPA of at least 2.0 or its equivalent or have academic standing consistent with the institution's graduation requirements. See 2015-16 Federal Student Aid Handbook, Vol. 1, Chap. 1, pg. 9; and See Program Integrity Questions and Answers – Satisfactory Academic Progress, R-A2.

Noncompliance: PCI's satisfactory academic progress (SAP) policy does not meet regulatory standards in several aspects.

The graduated pace of completion PCI uses for its programs do not meet regulatory minimums. While PCI states that maximum time frame to complete a program is 150 percent of the published length of a program, the pace of completion outlined in its student catalog does not guarantee a student would complete his or her program within 150 percent of the published length. The table below is an excerpt from PCI's published SAP policy in its catalog, pg. 79:

Students Enrolled in Certificate or Degree Programs:

Terms	CGPA Required in Certificate Program	Required Completion % of Credit Hours Attempted
First Term	1.30	33%

Second Term	1.60	50%
Third Term	2.0	67%

The above graduated rate of progress does not ensure completion of a program within 150 percent of the published length. In order to complete the program within 150 percent, a student needs to average a rate of completion of 67 percent per evaluation point. PCI's current average rate of progress is 50 percent $((33+50+67)/3)$.

Additionally, PCI's SAP policy needs to clarify that after six quarters a student must have at least a 2.0 GPA, regardless of enrollment status.

PCI's SAP policy incorrectly omits Pass/Fail courses from its maximum time frame calculations. All coursework counted toward a student's program should be included in maximum time frame determinations.

PCI's policy fails to adequately define SAP Probation in accordance with regulatory requirements.

PCI also failed to adequately adhere to its SAP policy for students:

Student #13: The student enrolled and commenced attendance in the Medical Assistant certificate 03/10/14. The student withdrew from the institution 06/09/14, at which point the student only had a 1.0 GPA; PCI's SAP policy stated that students need to earn a 1.33 cumulative GPA after the first term (quarter) to meet SAP. The student then reentered the institution in the same program 09/08/14. However, PCI did not place the student on SAP Warning upon reentry. PCI should have placed the student on SAP Warning and maintained documented the student's file with the SAP information.

This student is also cited in **Finding 5**, **Finding 6**, and **Finding 9**.

Required Action: PCI must update its SAP policy to address the above-mentioned deficiencies. The updated SAP policy should accompany PCI's response to this report.

Finding 4. Inadequate Verification

Citation: The Secretary considers an institution to have administrative capability, in part, if the institution develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs. In determining whether the institution's system is adequate, the Secretary considers whether the institution obtains and reviews all student aid applications, need analysis documents, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant; any documents, including any copies of State and Federal income tax returns, that are normally collected by the institution to verify information received from the student or other sources; and any other information normally available to the institution

regarding a student's citizenship, previous educational experience, documentation of the student's social security number, or other factors relating to the student's eligibility for funds under the Title IV, HEA programs. See 34 C.F.R. §668.16(f).

An institution must establish and use written policies for verifying information on an applicant's financial aid application. *34 C.F.R. § 668.53.* The purpose of verification is to ensure accuracy in determining a student's eligibility for Title IV, HEA funds. If a student is selected for verification, an institution is responsible for confirming information reported on the student's application for Title IV, HEA funds, as well as resolving any conflicting information that presents itself regarding the application. For each award year the Secretary publishes in the Federal Register notice the information that an institution and an applicant may be required to verify. Supporting documentation collected from the student or parent(s) is compared with the information that was reported on the student's Institutional Student Information Record (ISIR). See 34 C.F.R. §§ 668.54, 668.56.

An institution must retain in the student's file any verification documentation it collects to serve as evidence that it completed the verification process. See 34 C.F.R. §§ 668.24(c)(1)(i),(ii).

In addition, an institution is required to provide each student selected for verification a clear explanation of the student's responsibilities in the verification process. *34 C.F.R. § 668.53(b).*

An institution is required to identify and resolve discrepant information that would affect a student's eligibility, regardless of the source and regardless of whether the student is selected for verification. See 34 C.F.R. § 668.16(f). Resolution includes determining what information is correct and documenting the institution's findings in the student's file. For example, an institution is required to have a system in place to review any documents, including copies of federal tax return and tax account transcripts, which are normally collected by the school to verify information received from the student or other sources. See 2015–2016 Federal Student Aid Handbook, Vol. 2, Chap. 3, pg. 37–38.

An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information in accordance with the provisions of this subpart. These policies and procedures must include:

- (1) Describe the deadlines for students to submit documentation and the consequences of the failure to meet those deadlines;
- (2) Describe the method the institution will notify the student of award changes due to verification;
- (3) Describe the standard procedures for referring overpayment cases to the Department;
- (4) Describe the required correction procedures for students; and
- (5) Describe the standard procedures for referring a student to the Office of Inspector General under 34 C.F.R. § 668.16 (g).

See 34 C.F.R. § 668.53.

In some cases the institution, not the CPS, will select a student for verification. Your institution must verify any information it has reason to believe is incorrect on any application. At the institution's discretion, it may require a student to verify any Free Application for Federal Student Aid (FAFSA) information and to provide any reasonable documentation in accordance with consistently applied school policies. In either situation the institution may, but is not required to, include any of the CPS verification items not already included. Even if the institution opts to not include CPS verification items, these students are considered selected for verification and, as with CPS-selected applications, all other verification requirements, such as deadlines, allowable tolerances, and interim disbursement rules, apply. *See 2015–16 FSA Handbook, Application and Verification Guide, Chap. 4; p. 77.*

The *Federal Register* requires, in part, for the adequate verification of the Identity/Statement of Educational Purpose that an applicant must appear in person and present the following documentation to an institutionally authorized individual to verify the applicant's identity:

- An unexpired valid government-issued photo identification such as, but not limited to, a driver's license, non-driver's identification card, other State-issued identification, or passport.
 - The institution must maintain an annotated copy of the unexpired valid government-issued photo identification that includes:
 - The date the identification was presented;
 - The name of the institutionally authorized individual who reviewed the identification.

See Federal Register published June 25, 2014, Vol. 79, No. 122, pg. 36042 – 36043.

Students selected for the V6 – Household Resources Group must verify the items in the Standard Verification Group (V1) as well as certain other untaxed income on the 2015–16 FAFSA:

- Payments to tax-deferred pension and retirement savings plans;
- Child support received;
- Housing, food, and other living allowances paid to members of the military, clergy, and others;
- Veterans' non-educational benefits;
- Other untaxed income;
- Money received or paid on the applicant's behalf;
- Resources or benefits not appearing on the FAFSA, such as in-kind support from a relative or government agency.

See 2015–16 Federal Student Aid Handbook, AVG, pg. 76.

Noncompliance: PCI failed to adequately verify students selected for verification. In at least two instances, PCI failed obtain sufficient documentation to complete the verification process for students. Additionally, PCI also failed to update information on the ISIR based on information a student provided on the verification worksheet:

Student #19: The student was selected by CPS for V1 verification for the 2015–16 award year. The student’s tax transcript provided during the verification process indicated the student had a \$1,500 education credit; however, PCI failed to update the ISIR with the information.

This student is also cited in **Finding 1**, **Finding 6**, and **Finding 7**.

Student #21: The student was selected by CPS for V6 verification for the 2015–16 award year. The student was considered dependent for financial aid purposes, and had a 0 EFC. PCI awarded to the student for the award year \$5,775 in Pell Grant (AY15–16); \$300 in SEOG (AY15–16); \$3,500 in Direct Subsidized Loan (AY15–16); \$2,000 in Direct Unsubsidized Loan (AY15–16); and \$4,289 in Direct PLUS Loan (AY15–16) funds. PCI failed to verify and collect adequate documentation regarding additional household resources not reported on the FAFSA including child support received, in-kind support from family members or government agencies. Only a copy of a SNAP card was provided as documentation of support received. Additionally, the ISIR listed 6 in household; the information provided on the student’s verification worksheet indicated that the student included his girlfriend in number in household. PCI did not collect or provide proof that the family provided financial support for the non-family member; therefore the number in household should have only been 5. PCI failed to correct the issue. The ISIR also was not updated to reflect that a household member was a recipient of SNAP benefits. Therefore, PCI failed to complete the verification process for this student and the student was not eligible to receive disbursements of Pell Grant, SEOG, and Direct Subsidized Loan funds.

Required Action: PCI must amend its verification policies and procedures to ensure the institution properly documents resolution of conflicting information. PCI must submit a revised Verification Policy that addresses each deficiency cited above and complies with applicable Title IV, HEA regulations. A copy of these policies and procedures must accompany PCI’s response to this report. Additionally, PCI must address the aforementioned verification errors, collecting additional documentation and completing hand-calculated EFCs, if necessary. In the event that PCI is unable to complete verification for **Student #21**, all Title IV, HEA funds may be assessed as a liability to be returned to the Department.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instruction for repayment of any liabilities will be provided in the FPRD. PCI must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 5. Incorrect Return of Title IV Funds (Return) Calculations

Citation: When a recipient of Title IV, HEA grant or loan funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV, HEA grant or loan funds that the student earned as of the student’s withdrawal date. *See 34 C.F.R. §668.22(a)(1).*

A student is considered to have withdrawn from the payment period or period of enrollment if in the case of a program that is measured in credit hours, the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete. For a payment period or period of enrollment in which courses are offered in modules, a student is not considered to have withdrawn if the institution obtains written confirmation from the student at the time that would have been a withdrawal of the date that he or she will attend a module that begins later in the same payment period or period of enrollment.

See 34 C.F.R. §688.22(a)(2)(i) and (ii).

If a student withdraws from a term-based credit-hour program offered in modules during a payment period or period of enrollment and reenters the same program prior to the end of the period, the student is eligible to receive any Title IV, HEA program funds for which he or she was eligible prior to withdrawal, including funds that were returned by the institution or student, provided the student's enrollment status continues to support the full amount of those funds.

See 34 C.F.R. §688.22(a)(2)(iii)(A).

If the total amount of Title IV, HEA program funds that the student earned is less than the amount of Title IV, HEA program funds that were disbursed to the student as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV, HEA programs and no additional disbursements may be made to the student for the payment period or period of enrollment. See 34 C.F.R. §668.22(a)(4).

If the total amount of Title IV, HEA program funds that the student earned is greater than the total amount of Title IV, HEA program funds that were disbursed to the student as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. See 34 C.F.R. §668.22(a)(5).

The percentage of Title IV HEA program funds earned by a student is equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date, if the date of the student's withdrawal occurs on or before completion of 60 percent of the payment period or period of enrollment or 100 percent if the student's withdrawal date occurs after completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours. See 34 C.F.R. §668.22(e)(2).

"Institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution. See 34 C.F.R. §668.22(g)(2).

Institutional charges are used to determine the portion of unearned Title IV aid that the school is responsible for returning. Schools must ensure that all appropriate fees, as well as applicable charges for books, supplies, materials, and equipment are included in Step 5, Part G of the Return calculation. See 2015–16 Federal Student Aid Handbook, Vol. 5, Chap. 1, pg. 15.

For the purposes of completing a Return calculation, percentages are calculated to four decimal places, and rounded to three decimal places. The third decimal is rounded up if the fourth decimal place is five or above. For example, 0.4486 would be rounded to 0.449, or 44.9 percent. The one exception to the rounding rule occurs in determining the percentage of Title IV, HEA program funds earned. Student who withdraw at any point **after the 60 percent point** in the payment period or period of enrollment have earned 100 percent of their Title IV, HEA program funds. To recognize that students completing more than 60 percent of the period (by any amount) earn 100 percent of their Title IV, HEA program funds, amounts of 0.6001 through 0.6004 are not rounded for the purpose of determining whether a student has earned 100 percent of Title IV, HEA program funds for the payment period or period of enrollment.

See 2015–16 FSA Handbook, Vol. 5, Chap. 1, pg. 26.

A post-withdrawal disbursement must be made from available grant funds before available loan funds. If outstanding charges exist on the student's account, the institution may credit the student's account up to the amount of outstanding charges with all or a portion of any grant funds that make up the post-withdrawal disbursement and loan funds that make up the post-withdrawal disbursement only after obtaining confirmation from the student that they still wish to have the loan funds disbursed. The institution must disburse directly to the student any amount of post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. The institution must offer to disburse directly to a student any amount of a post-withdrawal disbursement of loan funds that is not credited to the student's account. The institution must make a direct disbursement of any loan funds that make up the post-withdrawal disbursement only after obtaining the student's confirmation that the student still wishes to have the loan funds disbursed.

See 34 C.F.R. §668.22(a)(6).

Previously, under guidance provided in Dear Colleague Letter GEN-00-24, if a student attending a standard, term-based program offered in modules ceased attendance after completing one module, the student was not considered to have withdrawn, and the schools was not required to perform a Return calculation. This is no longer the case. Under the October 29, 2010, final regulations, for all programs offered in modules, a student is considered to have withdrawn for Title IV purposes if the student ceases attendance at any point prior to completing the payment period or period of enrollment, unless the school obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment.

2015–16 Federal Student Aid Handbook, Vol. 5, Chap. 1, pg. 61.

Unearned funds returned by the institution or the student, as appropriate, must be credited to outstanding balances on Title IV, HEA program loans made to the student or on behalf of the student for the payment period or period of enrollment for which a return of funds is required. Those funds must be credited to the outstanding balances for the payment period or period of enrollment for which a return of funds is required in the following order: Direct Unsubsidized

Loans; Direct Subsidized Loans; Perkins Loans; Direct PLUS Loans. See 34 C.F.R. §668.22(i)(1).

Noncompliance: PCI failed to properly complete Return calculations for withdrawn students. PCI systemically did not include book fees in the institutional charges section of the Return calculation; however, this error did not result in a liability for any of the Return calculation within the sample.

The students listed below exemplify the additional Return calculation errors contained in the sample:

Student #2: The student enrolled and commenced attendance in the Medical Billing and Coding Specialist associates program 01/12/15. The program was listed and approved on PCI's ECAR as 94 credit hours and 60 weeks of instruction. The student had a 0 EFC for the 2014–15 award year, was grade level 1, and was considered independent for financial aid purposes. The student's first quarter spanned from 01/12/15 to 04/12/15, and contained 84 scheduled days of instruction. The student was scheduled to attend 12 credit-hours (three courses), or full-time. PCI awarded and disbursed to the student for the quarter \$1,910 in Pell Grant funds 02/12/15, and \$75 in SEOG funds, \$1,155 in Direct Subsidized Loan funds, and \$1,979 in Direct Unsubsidized Loan funds 02/11/15. The student attended 4 credit-hours (one course) for the first module of the quarter, submitted a waiver to sit out the second module of the quarter (28 days), and was scheduled to return for the third module 03/09/15. The student failed to return for the third module. The student's LDA occurred 02/02/15, and completed 22 days of instruction. PCI completed a Return calculation for this student, determining the student earned 26.2 percent of Title IV, HEA program funds for the quarter (22 days / 84 days). PCI should have used 56 total days in the quarter (84 days of instruction – 28 days in module waived) and determined the student earned 39.3 percent of Title IV, HEA program funds for the quarter. Additionally, PCI used an incorrectly recalculated Pell Grant award in the calculation. The student was only eligible to receive \$478 in Pell Grant funds for the quarter; however, PCI used \$637 in its Return calculation for this student. Additionally, PCI failed to include the Direct Loan disbursements made as inadvertent overpayments as "aid that could have been disbursed" in the Return calculation, resulting in understating the amount of Title IV, HEA program funds the student earned. These errors resulted in the incorrect determination that the student earned \$186.54 in Title IV, HEA program funds for the quarter; when based on the correct Return calculation, the student earned \$1,448.46 in Title IV, HEA program funds but was only eligible to receive \$478 in Pell Grant funds and \$75 in SEOG funds because the student did not achieve at least half-time enrollment status to receive post-withdrawal disbursements of Direct Loan funds. PCI returned \$1,161 in Pell Grant funds, \$1,155 in Direct Subsidized Loans, and \$1,979 in Direct Unsubsidized Loan funds. These errors did not result in a liability because PCI returned more in Pell Grant funds than required.

This student is also cited in **Finding 6**.

Student #4: The student enrolled and commenced attendance in the Massage Therapy certificate program 08/11/14. PCI defined its academic year as 36 credit hours and 36 weeks of instruction, comprised of three 12-week quarters; each quarter contained three, four-week modules. For the 2014–15 award year, the student was considered a grade-level 1, dependent student for financial aid purposes and only had Direct Unsubsidized Loan eligibility because the student’s parent refused to provide their financial information. The student began her third module, which spanned from 02/09/15 to 05/10/15, and contained 84 days of instruction. PCI disbursed \$1,154 in Direct Subsidized Loans (AY2014–15) and \$659 in Direct Unsubsidized Loans (AY2014-15) 02/17/15 for the quarter. The student subsequently withdrew 04/08/15, or completed 52 days. Based on the issues described in **Finding 1**, PCI used the incorrect payment period (03/09/15 – 06/07/15) to complete the Return calculation. As a result, PCI incorrectly determined the student completed 28.6 percent of the payment period, and thereby earned the equivalent percentage of Title IV, HEA program funds. Subsequently, PCI returned \$635 in Direct Subsidized Loan and \$659 in Direct Unsubsidized Loan funds to the Department for this student. Based on the errors in **Finding 7**, the student was only eligible to receive Direct Unsubsidized Loans; thus, the Direct Subsidized Loan should not have been included in the Return calculation. PCI should have determined that the student completed 61.9 percent of the payment period and therefore earned 100 percent of the Direct Unsubsidized Loan disbursement for the payment period. PCI’s errors in its Return calculation for the student ultimately did not result in a liability.

This student is also cited in **Finding 1**, **Finding 7**, **Finding 9**, and **Finding 10**.

Student #9: The student enrolled and commenced attendance in the Medical Assistant certificate program 12/01/14. The program was listed and approved on PCI’s ECAR as 48 credit hours and 48 days of instruction; however, PCI listed the program in its catalog as 44 credit hours and 12 months of instruction. PCI defined the academic year for this program as 36 credit hours and 36 weeks of instruction. The student commenced attendance in the scheduled second quarter which spanned from 03/09/15 to 06/07/15. PCI disbursed to the student for the quarter \$1,260 in Pell Grant (AY14–15); \$1,155 in Direct Subsidized Loan (AY14–15); and \$1,979 in Direct Unsubsidized Loan (AY14–15) funds. The student subsequently withdrew and had an LDA of 03/16/15, at which time the student only began attendance in 4 credit hours, or less-than-half-time. PCI used an incorrectly recalculated Pell Grant award of \$420 to complete the Return calculation when it should have used \$315. As a result, PCI incorrectly determined that the student earned \$337.63 in Title IV, HEA program funds when the student only earned \$328.48. PCI returned \$1,979 in Direct Unsubsidized Loan; \$1,155 in Direct Subsidized Loan; and \$922 in Pell Grant funds as a result of its return calculation. PCI returned \$13.48 in Direct Subsidized Loan and \$82 in Pell Grant funds more than required by the calculation. Hence, the Return calculation errors did not result in a liability for this student for this finding.

The student is also cited in **Finding 6**.

Student #10: The student enrolled and commenced attendance in the HVAC Technician certificate program 06/08/15. The program was listed and approved on PCI’s ECAR for 48 credit hours and 48 weeks of instruction; however, the program is listed in the catalog as 69 credit

hours and 12 months of instruction. The student began his second quarter of the academic year which spanned from 09/07/15 to 11/29/15. PCI disbursed to the student for the quarter \$75 in SEOG (AY15–16); \$1,925 in Pell Grant (AY15–16); \$1,155 in Direct Subsidized Loan (AY14–15); and \$1,979 in Direct Unsubsidized Loan (AY14–15) funds. The student subsequently withdrew and had a LDA of 10/04/15, at which point the student only attended 4 credit hours, or less-than-half-time. PCI incorrectly recalculated the student's Pell Grant and used the incorrect amount of \$642 to complete the Return calculation. PCI should have used a less-than-half-time Pell Grant of \$477. PCI determined the student earned \$1,282.38 in Title IV, HEA program funds. However, the student only earned \$1,227.44. As a result, PCI returned \$110.06 too much in Direct Subsidized Loan funds. The errors did not result in a liability for this student for this finding.

This student is also cited in **Finding 6**.

Student #13: The student enrolled and commenced attendance in the Medical Assistant program 09/08/14. For the 2014–15 award year, the student was grade level 1, considered independent, and had a 0 EFC for financial aid purposes. The student began the first quarter which was scheduled from 09/08/14 to 11/30/14. PCI disbursed to the student for the quarter \$578 in Direct Subsidized Loan (AY2014–15); \$990 in Direct Unsubsidized Loan (AY2014–15); and \$1,910 in Pell Grant (AY2014–15) funds 10/08/14; and \$577 in Direct Subsidized Loan (AY2014–15); \$990 in Direct Unsubsidized Loan (AY2014–15) funds 10/22/14. PCI determined 11/03/14, that the student unofficially withdrew and had an LDA of 10/17/14, having begun attendance in 8 credit hours (2 courses), or half-time. PCI used an incorrect Pell Grant recalculation of \$637 to complete the Return calculation. Based on the incorrect Pell Grant amount, PCI determined the student earned \$1,795.47 in Title IV, HEA program funds and that the institution needed to return \$410 (409.53, *rounded*) as a result of the Return calculation. However, using the correct Pell Grant amount of \$955, PCI should have determined that the student earned \$1,947.62 in Title IV, HEA program funds and that it needed to return \$575 (\$575.38, *rounded*) as a result of the Return calculation. PCI returned \$577 in Direct Subsidized Loans and \$990 in Direct Unsubsidized Loan funds due to the inadvertent overpayment and \$415 in Direct Subsidized Loan funds as a result of the calculation. Since regulations stipulate a specific order in which to return funds to the Department, PCI should have returned Unsubsidized Loan funds before returning Direct Subsidized Loan funds. As a result, PCI needs to return \$575 in Direct Subsidized Loan funds to the Department for this student for this finding.

This student is also cited in **Finding 3**, **Finding 6**, and **Finding 9**.

Student #35: The student enrolled and commenced attendance in the Massage Therapy certificate program 11/02/15. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of instruction. For the 2015–16 award year, the student had a 0 EFC. PCI disbursed \$1,155 in Direct Subsidized Loan (AY15–16) and \$1,925 in Pell Grant (AY15–16) funds to the student for the first quarter. The student subsequently withdrew and had a LDA of 12/14/15, only beginning

attendance in 8 credit hours, or half-time. PCI used incorrect Pell Grant and Direct Subsidized Loan fund amounts in its Return calculation. PCI should have used \$963 in Pell Grant and \$972 in Direct Subsidized Loan funds to complete the Return calculation to determine the student earned \$1,041.92, and that \$972 in Direct Subsidized Loan and \$21 (\$21.08, rounded) in Pell Grant funds needed to be returned as a result of the calculation. PCI returned the entire Direct Subsidized Loan disbursement of \$1,155. PCI needs to return \$21 in Pell Grant funds as a result of this finding for this student.

This student is also cited in **Finding 6** and **Finding 7**.

Required Action: PCI must conduct a file review of all students who withdrew from the institution during the 2014–15, 2015–16, and 2016–17 award years to ensure the institution correctly completed a Return calculation for withdrawn student. **Appendix B** contains instructions and formatting requirements to adequately complete the file review for this finding. The completed file review must accompany PCI's response to this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instruction for repayment of any liabilities will be provided in the FPRD. PCI must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 6. Incorrect Pell Grant Awards

Citation: For institutions using Formula 3 to calculate Pell Grant awards for students, a student's Pell Grant for any payment period is calculated under provisions of *34 C.F.R. §690.63(d)*, if the student is enrolled in an eligible program that measures progress in credit hours and is offered in academic terms other than standard term with at least 30 weeks of instruction or standard terms with less than 30 weeks of instructional time. *See 34 C.F.R. §690.63(a)(3)*.

A student's Federal Pell Grant for a payment period, *i.e.*, an academic term, for a student in a program using terms and credit hours, other than those described in other sections of *C.F.R. §690.63*, is calculated by determining a student's enrollment status for the term. For a student enrolled in a term other than a semester, trimester, or quarter, the student's enrollment status is determined by dividing the number of weeks of instructional time in the term by the number of weeks of instructional time in the program's academic year and then multiplying the result of that fraction by the number of credit hours in the program's academic year to determine the number of hours required to be enrolled to be considered a full-time student; and determine the student's enrollment status by comparing the number of hours in which the student enrolls in the term to the number of hours required to be considered full-time for that term; based upon that enrollment status, determine the student's annual award from the Payment Schedule for full-time or the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time; and multiply the annual award by the fraction of the number of weeks of instructional time in the term divided by the number of weeks of instructional time in the program's academic year. *See 34 C.F.R. §690.63(d)*.

The amount of a student's award for an award year may not exceed his or her Scheduled Federal Pell Grant award for that award year. *See 34 C.F.R. §690.63(g)(1).*

Award year is defined as the period of time from July 1 of one year through June 30 of the following year. *See 34 C.F.R. §600.2.*

Standard terms are semesters, trimester, or quarters, as these words are traditionally used. In traditional usage, an individual semester or trimester provides about 14 to 17 weeks of instructional time and full-time is defined as at least 12 semester or trimester hours. The program's academic calendar generally consists of three terms, one each in fall, spring, and summer. In traditional usage of the term "quarter," an individual quarter provides about 10 to 12 weeks of instructional time, and full-time is defined as at least 12 quarter hours. The program's academic calendar generally includes three quarters in the fall, winter, and spring and often a summer quarter as well. *See 2015–16 Federal Student Aid Handbook, Vol. 3, Chap. 3, pg. 46.*

Any term that isn't one of the standard terms described above is a nonstandard term. Sometimes schools refer to terms by standard names when they are, in fact, nonstandard terms. For example, a program may be made up of terms called quarters, but progress is measured in semester hours. **If a student's program contains any nonstandard terms, it cannot be considered a standard term program.** *2015–16 Federal Student Aid Handbook, Vol. 3, Chap. 3, pg. 46.*

Non-term programs may be measured in either clock-hours or credit-hours. **If a student's program contains coursework not offered for completion within set beginning and end dates, the program cannot be considered a term-based program.** *2015–16 Federal Student Aid Handbook, Vol. 3, Chap. 3, pg. 46.*

Noncompliance: PCI systemically failed to make appropriate awards of Pell Grant funds to students due to deficient academic year and program length definitions. As discussed in **Finding 1**, institutions with a standard term academic year structure may utilize Pell Formula 3 to make Pell Grant awards based on a student's enrollment status for a standard term (e.g. semester, trimester, or quarter), not a single module within the standard term that the institution calls a "term." Institutions should then make Pell Grant award determinations using the Disbursement Schedules for three-quarter-time, half-time, and less-than-half-time that correspond with the student's enrollment for the entire quarter.

PCI used the provision in Formula 3 to determine enrollment status standards for nonstandard terms to arrive at its conclusion of the institution's definition of full-time, whereby full-time is determined by multiplying the credit hours in an academic year by the number of weeks in a nonstandard term divided by the number of weeks in an academic year. Thus, PCI determined that 4 credit hours equaled full-time enrollment by taking 36 credit hours in its academic year multiplied by 4 weeks in a [nonstandard] term divided by 36 weeks in an academic year. While $36 \times 4 / 36 = 4$, this enrollment status standard is not applicable to standard term institutions. PCI should have determined that since it defines its academic year as 36 credits and 36 weeks of

instruction offered in three 12-week quarters, each comprised of three, 4-week modules, with only one, 4 credit hour course taken per module, full-time enrollment equaled 12 credit hours in a quarter ($36 \times 12 / 36 = 12$). Therefore, students would need to attend all three modules in a quarter to be considered full-time.

Based on the faulty determination of full-time enrollment, PCI then incorrectly used the Pell Grant Payment Schedule for Determining Full-Time Scheduled Awards to make all Pell Grant disbursement determinations, regardless of actual enrollment in a payment period. As a result of this awarding error, PCI systemically overawarded students that attended less than three modules in a quarter.

Additionally, PCI used credit hours exceeding the number of credits approved by its accreditor and on its ECAR. As a result, PCI systemically awarded Pell Grant funds to students in excess of the student's Title IV, HEA program eligibility.

The examples listed below exemplify the errors discussed above which resulted in Pell Grants overawards made to students:

Student #2: The student enrolled and commenced attendance in the Medical Billing and Coding Specialist associates program 01/12/15. The program was listed and approved on PCI's ECAR as 94 credit hours and 60 weeks of instruction. The student had a 0 EFC for the 2014–15 award year. For the student's first quarter which spanned from 01/12/15 to 04/12/15, the student was scheduled to attend 12 credit-hours (three courses). PCI awarded and disbursed to the student \$1,910 in Pell Grant funds for the quarter ($\$5,730$ Pell Grant funds [from the Payment Schedule for Full-Time Annual Awards] * 4 weeks in a module/36 weeks in an academic year * 3 nonstandard terms). The student began attendance in 4 credit-hours (one course). The student then submitted a waiver to sit out the second module of the quarter, and was scheduled to return for the third module. PCI recalculated the student's Pell Grant award and determined the student was eligible to receive \$1,273 in Pell Grant funds ($\$5,730$ Pell Grant funds [from the Payment Schedule for Full-Time Annual Awards] * 4 weeks in a module/36 weeks in an academic year * 2 nonstandard terms) and returned \$637 in Pell Grant funds. The student failed to return for the third module; hence, the student was considered to have withdrawn as of the student's LDA of 02/02/15, at which time the student only attended 4 credit-hours. As a result, the student was only eligible to receive \$478 in Pell Grant funds for the payment period ($\$1,444$ Pell Grant funds [from the Disbursement Schedule for Determining Less-Than-Half-Time Annual Awards] * 12 weeks in the payment period/36 weeks of instructional time in an academic year). While PCI should have returned \$1,478 in Pell Grant funds based on the correct recalculation of the student's actual enrollment for the quarter, this error did not result in a liability because PCI returned more Pell Grant funds than necessary as a result of its Return calculation for this student.

This student is also cited in **Finding 4**.

Student #3: The student enrolled and commenced attendance in the Medical Assistant certificate program 06/09/14. The program was listed and approved on PCI's ECAR as 48 credit hours and 48 weeks of instruction for the program. The student completed the first the first academic year and commenced attendance in the final quarter of the program, comprised of 12 credit-hours (three courses), or full-time. The final quarter spanned from 03/09/15 for 06/07/15. The student had a 0 EFC for the 2014–15 award year. PCI awarded and disbursed to the student \$1,910 in Pell Grant funds (\$5,730 Pell Grant funds [from the Payment Schedule for Full-Time Annual Awards] *4 weeks of the module/36 weeks of instruction in an academic year * 3 nonstandard terms). The student subsequently withdrew 05/08/15, at which time the student had only attended 8 credit-hours (two courses), or half-time enrollment. PCI failed to recalculate the student's Pell Grant to \$955 for the quarter (\$2,865 Pell Grant funds [from the Payment Schedule for Half-Time Annual Awards] *12 weeks in the payment period/36 weeks of instruction in an academic year). PCI needs to return **\$955** in Pell Grant funds to the Department for this student for this finding.

Student #7: The student enrolled and commenced attendance in the Medical Assistant certificate program 12/02/13. The program was listed and approved on PCI's ECAR as 48 credit hours and 48 days of instruction; however, PCI listed the program in its catalog as 44 credit hours and 12 months of instruction. PCI defined the academic year for this program as 36 credit hours and 36 weeks of instruction. For the 2014–15 award year, the student had a 2867 EFC. The student began the first quarter of her final period of study which spanned from 09/08/14 to 11/30/14. The student only attended 8 credit hours, or half-time enrollment. PCI disbursed to the student for the quarter \$960 in Pell Grant (AY14–15) funds. The student was only eligible to receive \$480 (\$1440 Pell Grant funds [from the Disbursement Schedule for Determining Half-Time Annual Awards] *12 weeks in the payment period/36 weeks of instructional time in an academic year). PCI needs to return **\$480** in Pell Grant funds for this student for this quarter.

The student subsequently began attendance in the second quarter of her second academic year which spanned from 12/01/14 to 03/08/15, in which the student only needed to attend 4 credit-hours to complete the program. PCI disbursed to the student \$320 in Pell Grant (AY14–15) funds for the quarter. The student was only eligible to receive \$240 in Pell Grant funds for the quarter (\$720 Pell Grant funds [from the Disbursement Schedule for Determining Less-Than-Half-Time Annual Awards] *12 weeks in the payment period/36 weeks of instructional time in an academic year). PCI needs to return **\$80** in Pell Grant funds for this student for this quarter.

PCI needs to return a total of **\$560** in Pell Grant funds for this student for this finding.

Student #8: The student enrolled and commenced attendance in the Medical Assistant certificate program 12/02/13. The program was listed and approved on PCI's ECAR as 48 credit hours and 48 days of instruction; however, PCI listed the program in its catalog as 44 credit hours and 12 months of instruction. PCI defined the academic year for this program as 36 credit hours and 36 weeks of instruction. For the 2014–15 award year, the student had a 2867 EFC. The student began the first quarter of her final period of study which spanned from 09/08/14 to 11/30/14. The student only attended 8 credit hours, or half-time enrollment. PCI disbursed to the student for the

quarter \$960 in Pell Grant (AY14–15) funds. The student was only eligible to receive \$480 (\$1440 Pell Grant funds [from the Disbursement Schedule for Determining Half-Time Annual Awards] *12 weeks in the payment period/36 weeks of instructional time in an academic year). PCI needs to return \$480 in Pell Grant funds for this student for this quarter.

The student subsequently began attendance in the second quarter of her second academic year which spanned from 12/01/14 to 03/08/15, in which the student only needed to attend 4 credit-hours to complete the program. PCI disbursed to the student \$320 in Pell Grant (AY14–15) funds for the quarter. The student was only eligible to receive \$240 in Pell Grant funds for the quarter (\$720 Pell Grant funds [from the Disbursement Schedule for Determining Less-Than-Half-Time Annual Awards] *12 weeks in the payment period/36 weeks of instructional time in an academic year). PCI needs to return \$80 in Pell Grant funds for this student for this quarter.

PCI needs to return a total of \$560 in Pell Grant funds for this student for this finding.

Student #9: The student enrolled and commenced attendance in the Medical Assistant certificate program 12/01/14. The program was listed and approved on PCI's ECAR as 48 credit hours and 48 days of instruction; however, PCI listed the program in its catalog as 44 credit hours and 12 months of instruction. PCI defined the academic year for this program as 36 credit hours and 36 weeks of instruction. For the 2014–15 award year the student had a 1904 EFC. The student commenced attendance in the scheduled second quarter which spanned from 03/09/15 to 06/07/15. PCI disbursed to the student for the quarter \$1,260 in Pell Grant (AY14–15). The student subsequently withdrew and had an LDA of 03/16/15, at which time the student only began attendance in 4 credit hours, or less-than-half-time. The student was only eligible to receive \$315 in Pell Grant funds (\$945 Pell Grant funds [from the Disbursement Schedule for Determining Less-Than-Half-Time Annual Awards] *12 weeks in the payment period/36 weeks of instructional time in an academic year). PCI returned \$922 as a result of its Return calculation. PCI still needs to return to the Department \$23 in overawarded Pell Grant funds for this student for this quarter.

The student is also cited in **Finding 5**.

Student #10: The student enrolled and commenced attendance in the HVAC Technician certificate program 06/08/15. The program was listed and approved on PCI's ECAR for 48 credit hours and 48 weeks of instruction; however, the program is listed in the catalog as 69 credit hours and 12 months of instruction. The student began his second quarter of the academic year which spanned from 09/07/15 to 11/29/15. PCI disbursed to the student for the quarter \$1,925 in Pell Grant (AY15–16) funds. The student subsequently withdrew and had a LDA of 10/04/15, at which point the student only attended 4 credit hours, or less-than-half-time. PCI incorrectly recalculated the student's Pell Grant as \$642 and returned \$1,238 to the Department. The student was only eligible to receive \$477 in Pell Grant funds for the quarter (\$1,433 Pell Grant funds [from the Disbursement Schedule for Determining Less-Than-Half-Time Annual Awards] * 12 weeks in the payment period/36 weeks of instructional time in an academic year). PCI still needs to return \$165 in Pell Grant funds for this student for this finding.

This student is also cited in **Finding 5**.

Student #13: The student enrolled and commenced attendance in the Medical Assistant program 09/08/14. For the 2014–15 award year, the student had a 0 EFC. The student began the first quarter which was scheduled from 09/08/14 to 11/30/14. PCI disbursed to the student for the quarter a full-time Pell Grant award of \$1,910 (AY2014–15) 10/08/14. The student unofficially withdrew and had an LDA of 10/17/14, having begun attendance in 8 credit hours (2 courses), or half-time; therefore, the student only was eligible to receive \$955 in Pell Grant funds for the quarter (\$2,865 Pell Grant funds [from the Disbursement Schedule for Determining Half-Time Annual Awards] *12 weeks in the payment period/36 weeks of instructional time in an academic year). PCI incorrectly recalculated the student's Pell Grant award to \$1,273 and returned \$637 to the Department. As a result, PCI needs to return \$318 in Pell Grant funds to the Department for this student for this finding.

This student is also cited in **Finding 3, Finding 5, and Finding 9**.

Student #14: The student enrolled and commenced attendance in the Medical Assistant certificate program 08/11/15. The program was listed and approved on PCI's ECAR as 48 credit hours and 48 days of instruction; however, PCI listed the program in its catalog as 44 credit hours and 12 months of instruction. PCI defined the academic year for this program as 36 credit hours and 36 weeks of instruction. The first quarter of the student's second academic year spanned from 05/11/15 to 08/09/15. For the 2015–16 award year the student had a 1809 EFC. PCI disbursed \$1,309 in Pell Grant funds (AY15–16) to the student for the quarter, based on full-time enrollment. However, the student only commenced attendance in 8 credit hours, or half-time enrollment. Therefore, the student was only eligible to receive \$654 in Pell Grant funds for the quarter. PCI needs to return \$655 in Pell Grant funds for this student for this finding.

This student is also cited in **Finding 7**.

Student #19: The student enrolled and commenced attendance in the Electronics Technology associates program 03/09/15. This program was listed on and approved on PCI's ECAR as 122 credit hours and 72 weeks of instruction. The student previously completed and transferred in credit hours from the Electronics Technology certificate program and only needed to complete 20 hours for the academic year. The student had a 0 EFC for the 2015–16 award year. The first quarter spanned from 03/09/15 to 06/07/15. PCI disbursed to the student \$1,910 in Pell Grant funds (AY14–15) for the quarter. The student was only enrolled in eight credit hours for the quarter, or half-time. Based on the student's half-time enrollment status, the student was only eligible to receive \$955 in Pell Grant funds (\$2,865 Pell Grant funds [from the Disbursement Schedule for Determining Half-Time Annual Awards]* 12 weeks in a quarter/36 weeks in an academic year). As a result, PCI needs to return \$955 in Pell Grant funds for this student for this finding.

This student is also cited in **Finding 2, Finding 4, and Finding 7**.

Student #20: The student enrolled and commenced attendance in the Medical Billing and Coding Specialist associates program 11/02/15. This program was listed on and approved on PCI's ECAR as 94 credit hours and 60 weeks of instruction. The student had a 0 EFC for the 2015–16 award year. The student's first quarter spanned from 11/02/15 to 02/07/16; the student was scheduled to attend 12 credit hours. PCI disbursed \$1,925 in Pell Grant funds to the student for the quarter (AY15–16) (\$5,775 Pell Grant funds [from the Payment Schedule for Full-Time Annual Awards] *4 weeks of the module/36 weeks of instruction in an academic year * 3 nonstandard terms). The student unofficially withdrew 01/08/16, and only attended 8 credit hours, or half-time, and was only eligible to receive \$963 in Pell Grant funds for the quarter (\$2,888 Pell Grant funds [from the Disbursement Schedule for Determining Half-Time Annual Awards]* 12 weeks in a quarter/36 weeks in an academic year). PCI failed to recalculate the student's Pell Grant funds award for the quarter. As a result, PCI needs to return to the Department **\$962**.

Student #31: The student enrolled and commenced attendance in the Massage Therapy certificate program 04/07/14. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of instruction. For the 2014–15 award year, the student had a 0 EFC. PCI made the following Pell Grant disbursements to the student for the academic year: first quarter – \$1,910 (AY14–15); second quarter – \$1,910 (AY14-15); and third quarter – \$1,910 (AY14–15), totaling \$5,730 in Pell Grant funds disbursed to the student for the academic year. However, the student was only eligible to receive \$4,775 for the academic year (first quarter: full-time Pell Grant award of \$1,910 (AY14–15); second quarter: full-time Pell Grant award of \$1,910 (AY14-15); and third quarter: half-time Pell Grant award of \$955 (AY14–15). PCI overawarded the student by \$955 for the first academic year.

The student subsequently enrolled and commenced attendance in a second academic year, which spanned from 06/08/15 to 09/06/15. PCI disbursed \$361 in Pell Grant (AY15–16) funds. The student was ineligible to receive any Title IV, HEA program funds for this academic year because the program exceeded 150 percent of the program length minimums set forth in Missouri statute, and the student already received the maximum Title IV, HEA program fund disbursements possible the previous academic year for this program. PCI overawarded the student by \$361 for the second academic year.

PCI needs to return a total of **\$1,316** in Pell Grant funds for this student for this finding.

This student is also cited in **Finding 7**, **Finding 12**, and **Finding 13**.

Student #32: The student enrolled and commenced attendance in the Massage Therapy certificate program 04/07/14. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of

instruction. For the 2013–14 and 2014–15 award years, the student had a 0 EFC. PCI made the following Pell Grant disbursements to the student for the academic year: first quarter – \$1,882 (AY13–14); second quarter – \$1,910 (AY14–15); and third quarter – \$1,910 (AY14–15), totaling \$5,702 in Pell Grant funds disbursed to the student for the academic year. However, the student was only eligible to receive \$4,747 for the academic year (first quarter: full-time Pell Grant award of \$1,882 (AY13–14); second quarter: full-time Pell Grant award of \$1,910 (AY14–15); and third quarter: half-time Pell Grant award of \$955 (AY14–15). PCI overawarded the student by **\$955** for the first academic year.

The student subsequently enrolled and commenced attendance in a second academic year, which spanned from 03/09/15 to 06/07/15. For the 2014–15 award year, the student had a 0 EFC. PCI disbursed \$1,910 in Pell Grant (AY14–15) funds. The student was ineligible to receive any Title IV, HEA program funds for this academic year because the program exceeded 150 percent of the program length minimums set forth in Missouri statute, and the student already received the maximum Title IV, HEA program fund disbursements possible the previous academic year for this program. PCI returned \$637 in Pell Grant funds to the Department as a result of a Return calculation. PCI overawarded the student by \$1,273 for the second academic year.

PCI needs to return a total of **\$2,228** in Pell Grant funds for this student for this finding.

This student is also cited in **Finding 7**.

Student #34: The student enrolled and commenced attendance in the Massage Therapy certificate program 08/11/14. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of instruction. For the 2014–15 award year, the student had a 0 EFC. PCI made the following Pell Grant disbursements to the student for the academic year: first quarter – \$1,910 (AY14–15); second quarter – \$1,910 (AY14–15); and third quarter – \$1,910 (AY14–15), totaling \$5,730 in Pell Grant funds disbursed to the student for the academic year. However, the student was only eligible to receive \$4,775 for the academic year (first quarter: full-time Pell Grant award of \$1,910 (AY14–15); second quarter: full-time Pell Grant award of \$1,910 (AY14–15); and third quarter: half-time Pell Grant award of \$955 (AY14–15). PCI overawarded the student by **\$955** for the first academic year.

The student subsequently enrolled and commenced attendance in a second academic year, which spanned from 05/11/15 to 08/09/15. For the 2015–16 award year the student had a 0 EFC. PCI disbursed \$1,284 in Pell Grant (AY15–16) funds to the student for the quarter. The student was ineligible to receive any Title IV, HEA program funds for this academic year because the program exceeded 150 percent of the program length minimums set forth in Missouri statute, and the student already received the maximum Title IV, HEA program fund disbursements possible the previous academic year for this program. PCI needs to return **\$1,284** in Pell Grant funds for this student for this finding for this student for this academic year.

PCI needs to return a total of **\$2,239** in Pell Grant funds for this student for this finding.

This student is also cited in **Finding 7**.

Student #35: The student enrolled and commenced attendance in the Massage Therapy certificate program 11/02/15. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of instruction. For the 2015–16 award year, the student had a 0 EFC. PCI disbursed \$1,925 (AY15–16) to the student for the first quarter. The student subsequently withdrew and had a LDA of 12/14/15, only beginning attendance in 8 credit hours, or half-time. The student was only eligible to receive \$963 in Pell Grant funds for the quarter (\$2,888 Pell Grant funds [from the Disbursement Schedule for Determining Half-Time Annual Awards]* 12 weeks in a quarter/36 weeks in an academic year). PCI recalculated the student’s Pell Grant as \$1,283 in Pell Grant funds for the quarter and returned a total of \$726 in Pell Grant funds as a result of its Return calculation. PCI needs to return a **\$236** in Pell Grant funds for this student for this finding.

This student is also cited in **Finding 5**.

Required Action: PCI must conduct a file review of all students who received Pell Grant funds during the 2014–15, 2015–16, and 2016–17 award years to determine students’ correct enrollment statuses for each quarter, and Pell Grant eligibility, and then correctly calculate Pell Grant disbursements for each quarter. **Appendix B** contains instructions and formatting requirements to adequately complete the file review for this finding. The completed file review must accompany PCI’s response to this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instruction for repayment of any liabilities will be provided in the FPRD. PCI must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 7. Incorrect Direct Loan Awards

Citation: For a program of study that is one academic year or more in length with less than a full academic year remaining, the annual Direct Unsubsidized Loan amount for a dependent student is the amount of the same ratio to \$2,000 as the number of credit hours enrolled divided by the number of credit hours in the academic year. *See 34 C.F.R. §685.203(b)(ii).*

If a student has received a determination of need for a Direct Subsidized Loan that is \$200 or less, a school may choose not to originate a Direct Subsidized Loan for that student and to include the amount as part of a Direct Unsubsidized Loan. *See 34 C.F.R. §685.301(a)(7).*

In no case may a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan amount exceed the student’s estimated cost of attendance for the period of enrollment for which the loan is

intended, 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 (EFC) for that period. See 34 C.F.R. §685.203(j).

Noncompliance: PCI incorrectly awarded Direct Loan to students in multiple ways. Due to the issues outlined in **Finding 1**, PCI systemically failed to correctly prorate Direct Loans for students for their final periods of study. Additionally, the sample contained two instances in which the institution awarded Direct Loans to ineligible students. The students listed below exemplify the aforementioned issues:

Student #4: The student enrolled in and began the Massage Therapy certificate program 08/11/14. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was listed on and approved on PCI's ECAR as 40 credit hours and 40 weeks of instruction. PCI defined its academic year as 36 credits and 36 weeks of instruction. The student's first academic year spanned from 08/11/14 to 05/10/15. For the 2014–15 award year, the student was considered a grade-level 1 and dependent for financial aid purposes based on information contained in the student's ISIR, transaction 2. However, the student's parent refused to provide their financial information. PCI awarded the student for the award year \$3,500 in Direct Subsidized Loans (AY2014–15) and \$2,000 in Direct Unsubsidized Loans (AY2014–15). The student was ineligible to receive the Direct Subsidized Loan award because the student did not qualify for a dependency override. While PCI obtained a signed and stated statement from the student's parent refusing to provide financial support, the student was only eligible to receive \$5,500 in Direct Unsubsidized Loans. PCI returned \$642 (gross) in Direct Subsidized Loans as a result of a Return calculation; PCI needs to return **\$2,858** in Direct Subsidized Loan funds for this student for this finding.

This student is also cited in **Finding 1**, **Finding 5**, **Finding 9**, and **Finding 10**.

Student #14: The student enrolled and commenced attendance in the Medical Assistant certificate program 08/11/15. The program was listed and approved on PCI's ECAR as 48 credit hours and 48 days of instruction; however, PCI listed the program in its catalog as 44 credit hours and 12 months of instruction. PCI defined the academic year for this program as 36 credit hours and 36 weeks of instruction. The student began her final period of study 05/11/15, in which the student needed to complete 8 credit hours. For the 2014–15 award year, the student was grade-level 2 and independent for financial aid purposes. As a result, PCI should have determined the student was eligible to receive \$1,000 in Direct Subsidized Loans and \$1,333 in Direct Unsubsidized Loan funds. PCI disbursed to the student for the academic year \$1,250 in Direct Subsidized Loan (AY14–15) and \$1,668 in Direct Unsubsidized Loan (AY14–15) funds. PCI needs to return **\$250** in Direct Subsidized Loan and **\$335** in Direct Unsubsidized Loan funds for this student for this finding.

This student is also cited in **Finding 6**.

Student #15: The student enrolled and commenced attendance in the Medical Billing and Coding Specialist associates program 05/12/14. PCI listed this program in its catalog as 94 credit hours and 15 months of instruction; however, the program was listed and approved on PCI's ECAR as 103 credit hours and 64 weeks of instruction. The student's began her final period of study 02/09/15, that spanned from 02/09/15 to 05/10/15, in which the student needed to complete 12 hours (3 courses) to complete the program. For the 2014–15 award year, the student was grade level 2 and independent for financial aid purposes. As a result, PCI should have determined the student was eligible to receive \$1,500 in Direct Subsidized Loans and \$2,000 in Direct Unsubsidized Loan funds for the final period of study. PCI disbursed to the student for the payment period \$2,125 in Direct Subsidized Loan funds (AY2014–15) and \$2,601 in Direct Unsubsidized Loan funds (AY2014–15). PCI returned \$232 in Direct Unsubsidized Loan funds in accordance with its authorization from the student to return Title IV, HEA program fund credit balances back to the Department upon graduation. PCI needs to return **\$369** in Direct Unsubsidized Loan funds (AY2014–15) and **\$625** in Direct Subsidized Loan funds (AY2014–15) for this student for this finding.

Student #19: The student enrolled and commenced attendance in the Electronics Technology associates program 03/09/15. This program was listed on and approved on PCI's ECAR as 122 credit hours and 72 weeks of instruction. The student previously completed and transferred in credit hours from the Electronics Technology certificate program and only needed to complete 20 hours for the academic year. PCI defined its academic year as 36 credits and 36 weeks of instruction. For the 2014–15 award year, the student was considered grade-level two and independent for financial aid purposes. PCI disbursed \$3,000 in Direct Subsidized Loan funds (AY14–15) and \$1,478 in Direct Unsubsidized Loan funds (AY14–15) to the student for the academic year. However, the student was only eligible to receive \$2,500 in Direct Subsidized Loan funds and \$3,333 in Direct Unsubsidized Loan funds. PCI needs to return **\$500** in Direct Subsidized Loan funds to the Department for this student for this finding.

This student is also cited in **Finding 1**, **Finding 4**, and **Finding 6**.

Student #26: The student enrolled and commenced attendance in the Pharmacy Technician certificate program 09/07/15. The program was listed on and approved on PCI's ECAR as 44 credit hours and 44 weeks of instruction. PCI defined its academic year as 36 credits and 36 weeks of instruction. The student was considered a grade level 1, independent student for financial aid purposes. Based on the information in the file the student needed to complete 24 credits (8 courses) to complete the program, which should have spanned from 09/07/15 to 05/29/16. PCI awarded the student \$3,722 in Direct Subsidized Loan funds (AY 2015–16) and \$5,200 in Direct Unsubsidized Loan funds (AY2015–16). However, PCI should have determined the student was only eligible to receive \$2,333 in Direct Subsidized Loan funds and \$4,000 in Direct Unsubsidized Loan funds for the 2015–16 award year. However, PCI only disbursed to the student for the 2015–16 award year \$1,815 in Direct Subsidized Loan funds and \$2,978 in Direct Unsubsidized Loan funds.

Student #27: The student enrolled and commenced attendance in the Personal Trainer certificate. The program was listed on and approved on PCI's ECAR as 48 credit hours and 48 weeks of instruction. PCI defined its academic year as 36 credit hours and 36 weeks of instruction. The student commenced her final period of study during the 2015–16 award year, which spanned from 07/06/15 to 10/04/15, during which the student needed to complete 12 credit hours. For the 2015–16 award year, the student was considered independent for financial aid purposes. PCI awarded and disbursed to the student for the final period of study \$1,500 in Direct Subsidized Loan funds (AY2015–16), \$667 in Direct Unsubsidized Loan funds (AY2015–16), and \$1,380 in Direct PLUS Loan funds (AY2015–16). PCI failed to award this student as an independent student and failed to properly prorate Direct Loan awards for this student.

PCI should not have awarded and disbursed a Direct PLUS Loan for this student for the 2015–16 award year because the student was independent for financial aid purposes. Thus, the student's parent was ineligible to take out a Direct PLUS Loan and the student also was ineligible for a Direct PLUS Loan. While PCI returned \$1,172 in Direct PLUS Loan funds in accordance with its authorization from the student to return Title IV, HEA program fund credit balances back to the Department, PCI needs to return **\$157** in Direct PLUS Loan funds for this student for this finding.

PCI also failed to correctly prorate Direct Loan funds for this student. PCI should have determined the student was eligible to receive \$2,000 in Direct Unsubsidized Loan funds (\$4,500 * 12 financial aid credit hours remaining in program/36 financial aid credit hours in an academic year). As a result of PCI awarding the student as a dependent student rather than an independent student, PCI's incorrect proration of the student's Direct Unsubsidized Loan did not result in a liability.

Student #31: The student enrolled and commenced attendance in the Massage Therapy certificate program 09/08/14. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of instruction. For the 2014–15 award year, the student was grade-level 1 and independent for financial aid purposes. The student's first academic year spanned from 09/08/14 to 06/07/15. PCI disbursed to the student for the academic year \$3,500 in Direct Subsidized Loan (AY14–15) and \$4,356 in Direct Unsubsidized Loan (AY14–15) funds. However, the student was only eligible to receive \$2,916 in Direct Subsidized Loan and \$5,000 in Direct Unsubsidized Loan funds. PCI needs to return **\$584** in Direct Subsidized Loan funds for this student for this finding.

The student subsequently enrolled and commenced attendance in a second academic year, which spanned from 06/08/15 to 09/06/15. PCI disbursed \$1,000 in Direct Subsidized Loan (AY14–15) and \$1,264 Direct Unsubsidized Loan (AY14–15). The student was ineligible to receive any Title IV, HEA program funds for this academic year because the program exceeded 150 percent of the program length minimums set forth in Missouri statute, and the student already received the maximum Title IV, HEA program fund disbursements possible the previous academic year

for this program. PCI needs to return a total of **\$1,000** in Direct Subsidized Loan funds and **\$1,264** in Direct Unsubsidized Loan funds for this student for this finding.

PCI needs to return a total of **\$1,584** in Direct Subsidized Loan and **\$1,264** in Direct Unsubsidized Loan funds for this student for this finding.

This student is also cited in **Finding 6**, **Finding 12**, and **Finding 13**.

Student #32: The student enrolled and commenced attendance in the Massage Therapy certificate program 04/07/14. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year definition for this program is 36 credit hours and 36 weeks of instruction. For the 2014–15 award year, the student was grade-level 1 and was considered independent for financial aid purposes. The student's first academic year spanned from 04/07/14 to 01/11/15. PCI disbursed to the student for the academic year \$3,500 in Direct Subsidized Loan (AY13–14) and \$4,584 in Direct Unsubsidized Loan (AY13–14) funds. However, the student was only eligible to receive \$2,916 in Direct Subsidized Loan and \$5,000 in Direct Unsubsidized Loan funds. PCI needs to return \$584 in Direct Subsidized Loan funds for this student for this finding.

The student subsequently enrolled and commenced attendance in a second academic year, which spanned from 03/09/15 to 06/07/15. PCI disbursed \$1,000 in Direct Subsidized Loan (AY14–15) and \$803 Direct Unsubsidized Loan (AY14–15). The student was ineligible to receive any Title IV, HEA program funds for this academic year because the program exceeded 150 percent of the program length minimums set forth in Missouri statute, and the student already received the maximum Title IV, HEA program fund disbursements possible the previous academic year for this program. PCI returned \$161 in Direct Unsubsidized Loan funds to the Department as a result of a Return calculation. PCI needs to return a total of **\$1,584** in Direct Subsidized Loan funds and **\$642** in Direct Unsubsidized Loan funds for this student for this finding.

Student #33: The student enrolled and commenced attendance in the Massage Therapy certificate program 04/07/14. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of instruction. For the 2014–15 award year, the student was grade-level 1 and independent for financial aid purposes. The student's first academic year spanned from 04/07/14 to 01/11/15. PCI disbursed to the student for the academic year \$9,500 in Direct Unsubsidized Loan (AY13–14) funds. However, the student was only eligible to receive \$7,916 in Direct Unsubsidized Loan. PCI needs to return **\$1,584** in Direct Unsubsidized Loan (AY13–14) funds for this student for this finding.

The student subsequently enrolled and commenced attendance in a second academic year, which spanned from 01/12/15 to 04/12/15. PCI disbursed \$2,309 in Direct Unsubsidized Loan (AY14–15) funds to the student for the quarter. The student was ineligible to receive any Title IV, HEA

program funds for this academic year because the program exceeded 150 percent of the program length minimums set forth in Missouri statute, and the student already received the maximum Title IV, HEA program fund disbursements possible the previous academic year for this program. PCI returned \$47 in Direct Unsubsidized Loan funds based on authorization it received to return Title IV, HEA program credit balances to the appropriate program. PCI needs to return \$2,262 in Direct Unsubsidized Loan (AY14–15) funds for this student for this finding.

PCI needs to return a total of \$3,846 in Direct Unsubsidized Loan funds for this student for this finding.

Student #34: The student enrolled and commenced attendance in the Massage Therapy certificate program 08/11/14. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of instruction. For the 2014–15 award year, the student was grade-level 1 and independent for financial aid purposes. PCI awarded and disbursed to the student for the award year \$3,500 in Direct Subsidized Loan (AY14–15) and \$4,375 in Direct Unsubsidized Loan (AY14–15) funds. The student was only eligible to receive \$2,916 in Direct Subsidized Loans and \$5,000 in Direct Unsubsidized Loan funds. PCI returned \$124 in Direct Unsubsidized Loan funds based on the student's authorization to return Title IV, HEA program credit balances to the appropriate program at the end of an academic year. PCI needs to return \$584 in Direct Subsidized Loan funds for this student for this finding, for this academic year.

The student subsequently enrolled and commenced attendance in a second academic year, which spanned from 05/11/15 to 08/09/15. PCI disbursed \$1,000 in Direct Subsidized Loan (AY14–15) and \$561 in Direct Unsubsidized Loan (AY14–15) funds to the student for the quarter. The student was ineligible to receive any Title IV, HEA program funds for this academic year because the program exceeded 150 percent of the program length minimums set forth in Missouri statute, and the student already received the maximum Title IV, HEA program fund disbursements possible the previous academic year for this program. PCI needs to return \$1,000 in Direct Subsidized Loan and \$561 in Direct Unsubsidized Loan funds for this student for this finding for this student for this academic year.

PCI needs to return a total of \$1,584 in Direct Subsidized Loan and \$561 in Direct Unsubsidized Loan funds for this student for this finding.

This student is also cited in **Finding 6**.

Student #35: The student enrolled and commenced attendance in the Massage Therapy certificate program 11/02/15. PCI listed this program as 44 credit hours and 44 weeks of instruction; however, the program was only Title IV, HEA program fund-eligible for 30 credit hours, as outlined in **Finding 2**. The academic year is defined as 36 credit hours and 36 weeks of instruction. For the 2015–16 award year, the student was grade-level 1 and dependent with a parent who was ineligible for a Direct PLUS Loan for financial aid purposes. For the 2015–16

award year, PCI awarded the student \$3,500 in Direct Subsidized Loan and \$3,853 in Direct Unsubsidized Loan funds. However, the student was only eligible to receive \$2,916 in Direct Subsidized Loan (\$972 per quarter) and \$5,000 in Direct Unsubsidized Loan funds (\$1,666 per quarter). For the student's first quarter, which spanned from 11/02/15 to 02/07/16, PCI disbursed to the student \$1,155 in Direct Subsidized Loan (AY15-16) and did not disburse any Direct Unsubsidized Loan funds to the student. The student subsequently withdrew 12/14/15. PCI returned the entire Direct Subsidized Loan disbursement of \$1,155, as a result of the Return process. While the error did not result in an overaward of Direct Loans for the 2015-16 award year, the failure to prorate Direct Loans adversely impacted the Return calculation.

This student is also cited in **Finding 5** and **Finding 6**.

Required Action: PCI must conduct a file review of all students who received Direct Loan funds during the 2014-15, 2015-16, and 2016-17 award years to ensure the institution correctly awarded and disbursed Direct Loans to eligible students. **Appendix B** contains instructions and formatting requirements to adequately complete the file review for this finding. The completed file review must accompany PCI's response to this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instruction for repayment of any liabilities will be provided in the FPRD. PCI must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 8. Title IV, HEA Credit Balance Not Disbursed Timely

Citation: A Title IV, HEA credit balance occurs whenever the amount of Title IV, HEA program funds credited to a student's ledger account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period. A Title IV, HEA credit balance must be paid directly to the student or parent as soon as possible, but no later than 14 days after the credit balance occurred if the credit balance occurred after the first day of class of a payment period; or 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

See 34 C.F.R. §668.164(h).

If an institution holds excess student funds, the institution must, notwithstanding any authorization obtained by the institution, pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded.

See 34 C.F.R. §668.165(b)(5)(iii).

Noncompliance: In at least one instance PCI failed to pay a Title IV, HEA program credit balance to a student:

Student #34: The student completed the Massage Therapy program 07/06/15. At the time the student graduated, a Title IV, HEA program fund credit balance of \$57.91 remained on the student's ledger card. The credit balance amount is attributed from a Pell Grant disbursement (AY15-16). At the time of the review, the credit balance still had not been issued to the student. PCI needs to return **\$57.91** in Pell Grant funds for this student for this finding.

Required Action: PCI needs to amend its policies and procedures to ensure Title IV, HEA program credit balances are issued within regulatory time frames. Additionally, PCI must provide a written narrative regarding how it failed to issue a credit balance to this student. A copy of the amended policies and procedure and written narrative must accompany PCI's response to this report.

Instruction for repayment of any liabilities will be provided in the FPRD. PCI must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 9. Incorrect Loan Periods Used

Citation: A period of enrollment is the period for which a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan is intended. The period of enrollment must coincide with one or more bona fide academic terms established by the school for which institutional charges are generally assessed. The period of enrollment is also referred to as the loan period. *See 34 C.F.R. §685.102(b).*

Noncompliance: PCI failed to correctly update loan period end dates when students separated from the institution. Additionally, PCI incorrectly extended loan period end dates when students did not attend a module in a quarter so that the loan period reported to NSLDS spanned the length of time it took a student to attempt the nine credit hours, causing loan periods to not match the period of the students enrollment. Incorrect loan period reporting may have the potential to negatively impact students' future borrowing. The examples listed below exemplify the errors discussed above:

Student #4: The student enrolled and commenced attendance in the Massage Therapy certificate program 08/11/14. Based on PCI definition of its academic year, the academic year for this student should have been from 08/11/14 – 05/10/15. The student submitted a waiver to sit out the December 2014 module. PCI certified for the 2014-15 academic year for this student a Direct Subsidized Loan and Direct Unsubsidized Loan from 08/11/14 to 06/07/15. PCI should have certified the loan period end dates as 05/10/15 for this student.

This student is also cited in **Finding 1, Finding 5, Finding 7, and Finding 10.**

Student #8: The student enrolled and commenced attendance in the Medical Assistant certificate program 12/02/13, and commenced his final period of study 09/08/14. The final period contained two quarters and spanned from 09/08/14 to 03/08/15. PCI certified a Direct Unsubsidized Loan from 09/08/14 to 10/05/14; certified a Direct Subsidized Loan from 09/08/14 to 10/05/14; and

another Direct Subsidized Loan from 10/06/14 to 02/08/15. PCI should have certified the loans to match the period of enrollment.

Student #13: The student enrolled and commenced attendance in the Medical Assistant certificate 03/10/14. PCI certified a Direct Subsidized Loan and Direct Unsubsidized Loan for this student for 03/10/14 – 11/30/14. The student withdrew from the institution 06/09/14. PCI failed to update the loan period end dates for these loans to 06/07/14, to reflect the payment period in which the student received Direct Loan funds. The student then reentered the institution in the same program 09/08/14. PCI certified a Direct Subsidized Loan and Direct Unsubsidized Loan for 09/08/14 – 01/11/15, resulting in overlapping loan periods. The student again withdrew, effective 10/17/14. PCI should have updated the loan period end dates to 11/30/14, to match the student's period of enrollment.

This student is also cited in **Finding 3**, **Finding 5**, and **Finding 6**.

Student #20: The student enrolled and commenced attendance in the Medical Billing and Coding Specialist associates program 11/02/15. The student's first academic year for this program spanned from 11/02/15 – 08/07/16. PCI incorrectly certified Direct Subsidized and Direct Unsubsidized loans with an ending date of 07/25/16. The student subsequently withdrew and had an LDA of 01/08/16. The student only received one disbursement of \$1,167 in Direct Subsidized Loan (AY15–16) and \$2,000 in Direct Unsubsidized Loan (AY15–16) funds 12/03/15, during the first quarter of the academic year. PCI should have updated the student's loan period end date for both loans to 02/07/16, to reflect the end of the quarter in which the student received disbursements of Direct Loan funds.

Required Action: PCI must review and correct the loan periods for each student who received Direct Loan funds in the 2014–15 and 2015–16 award years. PCI must include in its response to the report, a written narrative of the outcome of this review and should include the number of students impacted by the review.

Finding 10. National Student Loan Data System (NSLDS) Reporting Late/Incorrect

Citation: Upon receipt of an enrollment report, a school must update all information included in the report and return the report in the manner and format prescribed and within the timeframe prescribed. *See 34 C.F.R. §685.310(b)(1).*

Unless it expects to submit its next updated enrollment report within the next 60 days, a school must submit enrollment information within 30 days after the date the school discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended, or a student who is enrolled at the school and who received a loan under Title IV of the Act has changed his or her permanent address. *See 34 C.F.R. §685.310(b)(2).*

The final regulations, published on November 1, 2013 and effective on July 1, 2014, change the nature and frequency of enrollment reporting to NSLDS. Specifically, the regulations provide that schools must respond to the Secretary's request for enrollment information (1) within a timeframe specified by the Secretary, (2) in a manner specified by the Secretary, and (3) in a format specified by the Secretary. Under the authority of those regulations, beginning July 1, 2014, we will request enrollment information from schools every 60 days and schools will be required to respond to those requests within 15 days of the date that we send the electronic enrollment reporting roster to the school or to its designated third-party servicer. *See DCL GEN-14-07.*

Noncompliance: PCI routinely failed to accurately and timely report enrollment status information to NSLDS. Failure to provide correct and timely enrollment information to NSLDS causes harm to students by preventing them from fully enjoying the six-month grace period for Direct Loan repayment to which they are entitled or otherwise negatively impact the student's educational and loan repayment endeavors. The students listed below exemplify PCI's non-compliance with regard to timely and accurately reporting enrollment statuses:

Student #1: The student withdrew from the Medical Assistant program and had a LDA of 05/17/15; however, PCI incorrectly reported to NSLDS a withdraw date of 06/01/15, for this student.

Student #3: The student enrolled in and began attendance in the Medical Assistant program 06/09/14. However, PCI failed to report any enrollment status to NSLDS until 10/22/14, 74 days late. Additionally, the student withdrew and had a LDA of 05/08/15; however, PCI incorrectly reported to NSLDS the student's withdraw date as 05/26/15.

Student #4: The student enrolled and began attendance in the Massage Therapy certificate program 08/10/14. PCI failed to report any enrollment status to NSLDS until 10/22/14, 12 days late. Additionally, the student withdrew from the institution and had a LDA of 04/08/15; however, PCI incorrectly reported to NSLDS a withdraw date of 04/22/15, its date of determination that the student withdrew.

This student is also cited in **Finding 1, Finding 5, Finding 7, and Finding 9.**

Student #34: The student enrolled and commenced attendance in the Massage Therapy certificate program 08/11/14. PCI did not report the student's enrollment to NSLDS until 10/22/14, 11 days late.

Required Action: PCI must review the enrollment status of all its current students, as well as all students who ceased attendance in the 2013–14 and 2014–15 award years, and verify that each listed enrollment status is current or update the enrollment status to bring it current. PCI should include in its response to this report, a written narrative about the number of students reviewed and the number of students impacted by the review. Additionally, PCI must develop policies and

procedures for reporting enrollment status changes to NSLDS. A copy of the policy and procedures must accompany PCI's response to this report.

Finding 11. Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement (COD) System

An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with:

- 1) Funds received from the Secretary; or
- 2) Institutional funds used in advance of receiving Title IV, HEA program funds.

See 34 C.F.R. §668.164(a).

A school participating in the Direct Loan Program shall ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements of 34 C.F.R. §685.200. A school shall provide to the Secretary borrower information that includes but is not limited to:

- 1) The borrower's eligibility for a loan, as determined in accordance with 34 C.F.R. §685.200 and 34 C.F.R. § 685.203;
- 2) The student's loan amount; and
- 3) The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds. *See 34 C.F.R. §685.301(a).*

34 C.F.R. § 690.83 requires institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit Federal Pell Grant and/or Direct Loan disbursement records to the COD system no later than 15 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement information. The disbursement date to be reported to COD is the date the institution credits funds to a student's account or pays funds to a student or parent directly. *COD Technical Reference, 2013-2014, Volume 2.*

Additionally, in the Program Participation Agreement signed by PCI, the institution agreed to comply with Federal Direct Loan Program regulations including implementation of a quality assurance process and to document that the institution is in compliance with correctly and timely reporting the status of borrower loan records and enrollment status, disbursements and adjustments to COD in a timely manner and completing monthly reconciliation and Program Year Closeout. *34 C.F.R. §685.300(b)(9).*

Noncompliance: PCI systemically failed to accurately report disbursement dates to COD. The following chart illustrates a sample of the difference between the dates that Title IV, HEA program funds were disbursed to four student accounts as recorded in the student's file versus the disbursement dates reported to COD:

Student Number	Program	COD Net Amt.	Student File Net Amount	COD Disbursement Date	Student File Disbursement Date
1	Federal Pell Grant	\$1,910	\$1,910	11/24/14	12/01/14
3	Direct Subsidized	\$495	\$495	04/13/15	04/08/15
3	Direct Unsubsidized	\$512	\$512	04/13/15	04/08/15
3	Federal Pell Grant	\$1,910	\$1,910	03/09/15	03/04/15
21	Federal Pell Grant	\$1,925	\$1,925	12/02/15	12/24/15
21	Direct Subsidized	\$1,167	\$1,155	12/02/15	12/14/15
27	Direct PLUS	\$441	\$441	07/06/15	07/02/15
27	Direct Subsidized	\$500	\$500	08/10/15	08/05/15

Required Action: PCI must review, revise and, as necessary, develop COD reporting procedures to ensure the institution accurately reports to COD the date the institution actually disburses Title IV, HEA program funds to each student’s account. Additionally, PCI must develop policies and procedures relating to Direct Loan Quality Assurance processes that include reporting loan records, disbursements, and adjustments to disbursements correctly to COD. The response to the program review must include a narrative of the processes used by PCI describing how it meets quality assurance requirements and a copy of the most recent results of its internal review. Copies of these procedures must accompany PCI response to this report.

Finding 12. Inaccurate Record Keeping

Citation: An institution must maintain accounting and internal control systems that identify the cash balance of funds of each Title IV, HEA program that are included in the institution’s depository account or accounts as readily as if those funds were maintained in a separate depository account; identify the earnings on Title IV, HEA program funds maintained in the institution’s depository account or accounts; and maintain its fiscal records in accordance with the provisions in 34 C.F.R. §668.24. *See 34 C.F.R. §668.163(d).*

An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis financial records that reflect each Title IV, HEA program transaction and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. *See 34 C.F.R. §668.24(b).*

Noncompliance: PCI failed to accurately account for and reconcile Title IV, HEA program fund transactions. In at least one instance, reviewers identified discrepancies between a student’s ledger card and COD records:

Student #31: The student’s ledger card reflected a disbursement of \$1,484 in Direct Unsubsidized Loan funds (AY14–15) posted to the student’s account 03/04/15. However, COD shows the disbursement as “pending” rather than disbursed.

This student is also cited in **Finding 6, Finding 7, and Finding 13.**

Required Action: PCI needs to provide a written narrative that indicates how the error occurred and what steps the institution took to correct the issue. The narrative must address why PCI did not identify and correct this issue through its reconciliation process for the 2014–15 award year. Additionally, PCI needs to provide written assurances that the issue will not occur in the future and what policies and procedures have been implemented to prevent further issues. A copy of the written narrative and procedures must accompany PCI's response to this report.

Finding 13. Failure to Properly Document Professional Judgment Decisions

Citation: The Higher Education Act gives financial aid administrators the authority, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, unusually high child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a dislocated worker, the number of parents enrolled at least half time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a participation program agreement, a change in housing status that results in an individual being homeless, or other changes in a family's income, a family's assets or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing shall be interpreted as limiting the authority of the aid administrator in such cases to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards, or to offer a dependent student financial assistance or a Direct Unsubsidized Loan without requiring the parents of such student to file the FAFSA if the aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file the FAFSA. No student or parent shall be charge a fee for collecting, processing, or delivering such supplementary information. *See HEA Sec. 479A(a).*

The reason for a professional judgment adjustment **must be documented** in the student's file, and it must relate to the special circumstances that differentiate him – not to conditions that exist for a whole class of students. You must resolve any inconsistency or conflict information shown on the output document **before** making any adjustments.

See 2015–16 Federal Student Aid Handbook, AVG, Chap.5, pg. 121.

Records that an institution must maintain in order to comply with regulatory record retention requirements include – in part – but are not limited to the Institutional Student Information

Record; application data submitted; and documentation of each student's or parent borrower's eligibility for Title IV, HEA program funds. See 34 C.F.R. §668.163(c).

Noncompliance: PCI failed to properly document special circumstances resulting in the institution's use of professional judgment. In at least one instance, PCI failed to maintain and provide documentation substantiating a professional judgment decision:

Student #31: The student enrolled and commenced attendance in the Massage Therapy certificate program 09/08/14. For the 2014–15 award year, PCI performed a professional judgment adjustment for this student, changing data elements that reduced the student's initial EFC of 4189 to 0. The only documentation PCI provided for the professional judgment was an institutional "Professional Judgment Form" that stated the student lost his job. PCI did not collect any other information, such as a student statement, W-2s, or unemployment records to support the PCI's decision.

This student is also cited in **Finding 6**, **Finding 7**, and **Finding 12**.

Required Action: PCI needs to update its policies and procedures regarding professional judgment adjustments. The updated policies should address how PCI will ensure adequate documentation of professional judgement decisions including what documentation is acceptable. A copy of the updated policies and procedures must accompany PCI's response to this report.

Finding 14. Use of Current Year Funds to Pay Prior-Year Charges Exceeding \$200

Citation: An institution may credit a student's ledger account with Title IV, HEA program funds to pay for allowable charges associated with the current payment period. Allowable charges are the amount of tuition, fees, and institutionally provided room and board assessed the student for the payment period; and the amount incurred by the student for the payment period for purchasing books, supplies, and other educationally related goods and services provided by the institution for which the institution obtains the student's or parent's authorization. An institution may include in one or more payment periods for the current year, prior year charges of not more than \$200 for tuition, fees, and institutionally provided room and board without obtaining the student's or parent's authorization and educational related goods and services provided by the institution if the institution obtains the student's or parent's authorization. For the purposes of this section, the current year is the current loan period for a student or parent who receives only a Direct Loan; the current award year for a student who does not receive a Direct Loan but receives funds under any other Title IV, HEA program; or at the discretion of the institution, either the current loan period or the current award year if a student receives a Direct Loan and funds from any other Title IV, HEA program. A prior year is any loan period or award year prior to the current loan period or award year, as applicable. An institution may include in the current payment period unpaid allowable charges from any previous payment period in the current award year or current loan period for which the student was eligible for any Title IV, HEA program funds. See 34 C.F.R. §668.164(c).

Noncompliance: In at least once instance, PCI used current year funds to pay for a student's prior year charges in excess of \$200:

Student #26: The student enrolled and commenced attendance in the Pharmacy Technician program 09/07/15. Based on documentation in the student's file and reported to NSLDS, the student previously attended the institution, with an LDA of 10/09/14. The ledger card PCI provided for this student began with the 09/07/15 quarter and contained a 09/07/15 entry bearing a description of "Roll Forward Balance" of \$347.84, which appeared to then be paid by Title IV, HEA program funds disbursed to the student from the 2015–16 award year.

Required Action: PCI must provide a written narrative regarding why the institution paid prior year charges in excess of \$200 for this student. Additionally, PCI needs to update its policies and procedures to ensure that in the future the institution will not use current year Title IV, HEA program funds to pay for more than \$200 of prior year charges. The procedures should include any and all actions and monitoring processes to prevent this from happening in the future. The written narrative and a copy of the updated policies and procedures should accompany PCI's response to this report.

D. Appendices

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

Appendix B. File Reconstruction Instructions

PCI is advised that the student file reviews discussed in this report, identified by the finding in which they appear, should be completed in the following order: Finding 1, Finding 6, Finding 7, and Finding 5. File reconstructions should occur after required policies and procedures have been developed and implemented, when required.

As a reminder, corrections to a student’s eligibility for Title IV, HEA program funds that occur early in a student’s enrollment must be carried forward as necessary into the later file reviews in order to maintain the integrity of the results for each finding.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the FPRD letter. PCI must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 1. Academic Year Definition Deficiencies

As required in **Finding 1**, PCI should compile the required information in an Excel workbook and submit in an electronic format. The workbook should be compiled in the following manner:

Name	SSN	Program	Academic Year	Program Length - Credit Hr.	Program Length - Weeks	Program Length -- Clock Hr.
Jones, John	***_**_****	Medical Assistant	2014-15	48	48	1200
“ “	“ “	“ “		48	48	1200

(continued)

Payment period	Original Pay. Pd. start date	Original Pay. Pd. end date	Original Pay. Pd. Correct?	Correct Pay. Pd. start date	Correct Pay. Pd. end date
1	07/09/14	10/05/14	Y	07/09/14	10/05/14
2	10/06/14	02/09/15	N	10/06/14	01/11/15

(continued)

Enrollment Status	T4 Eligible Cred Hr. in Pay. Pd.	AY Definition – Credit Hr.	AY Definition - Weeks
FT	12	36	36
HT	8	36	36

Finding 5. Incorrect Return to Title IV, HEA Program Funds (Return) Calculations

As required in **Finding 5**, PCI is required to perform a comprehensive file review that includes all Title IV, HEA recipients who officially or unofficially withdrew during the 2014–15, 2015–16, and 2016–17 (year to date) award year. PCI must identify and review the files of all Title IV, HEA program recipients for whom a Return calculation was performed or should have been performed in the award year. For Returns that are found to have been paid late, not paid, improperly paid, improperly calculated, or not calculated, PCI must provide the following information:

- (1) A spreadsheet that contains, for each Title IV recipient who officially or unofficially withdrew, the following information:
 - (a) Student's last name, first name;
 - (b) Student's Social Security number;
 - (c) Student's EFC;
 - (d) Award Year;
 - (e) Payment Period Beginning Date;
 - (f) Payment Period Ending Date;
 - (g) Student's last date of attendance;
 - (h) Student's withdrawal date;
 - (i) The date that PCI determined that the student withdrew;
 - (j) The date that the original Return was calculated;
 - (k) Number of scheduled number of credit-hours for the payment period;
 - (l) Number of credit-hours student actually attended for the payment period;
 - (m) The amount of Title IV funds returned, if applicable (organized by Title IV program);
 - (n) The date(s) the Return(s) were made (organized by Title IV program);
 - (o) Amount of post-withdrawal disbursement (PWD), if applicable;
 - (p) Title IV program from which PWD was made;
 - (q) Date PWD was paid;
 - (r) Date of corrected Return of Title IV Funds calculation, if applicable;
 - (s) Corrected amount of Return, if applicable;
 - (t) Difference between original Return amount and corrected Return amount;
 - (u) Title IV program(s) to which corrected Return should be made, if applicable;
 - (v) Amount of corrected PWD that should be made, if applicable;
 - (w) Title IV program from which corrected PWD should be made, if applicable;
 - (x) If Return calculation was first performed as a result of the PRR.
- (2) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew in the 2014–15, 2015–16, and 2016–17 (year to date) award year;

- (3) A copy of the complete corrected Return of Title IV Funds calculation, if applicable;
- (4) A copy of all pertinent student account cards for the Returns identified above. The account card should reflect the disbursements included in the Return calculation as well as the return of the Title IV funds, if applicable;
- (5) Legible copies of all audit trail documentation (*i.e.* wire transfer records on bank statements, institutional drawdown and refund reports, screen prints of Common Origination and Disbursement [COD] screens with pertinent detail information) to support the return of the funds to the Title IV accounts. The documentation must clearly identify the amount of the Return for the individual in question. If a Return was repaid to the Title IV programs by check, then a legible copy of the cancelled check, front and back, must be submitted;
- (6) A copy of PCI's official withdrawal form (or other official withdrawal documentation) for each Title IV recipient who officially withdrew, with the official date of withdrawal notated.
- (7) Copies of all pertinent attendance records supporting PCI's determination of the student's last date of attendance.
- (8) In cases where a PWD was calculated, copies of documentation establishing that the PWD was offered to the student or parent, and the student or parent's response to that offer. In cases where no such documentation is necessary, PCI must provide documentation indicating that the student was notified that a PWD was made on their behalf, the amount of the disbursement, and the date that it occurred;
- (9) For unearned Title IV aid that is required to be returned by a student, copies of all supporting documentation establishing that PCI contacted the student and made appropriate repayment arrangements, as outlined in federal regulations.

PCI should compile the required information in an Excel spreadsheet, organized by individual student, then AY. The spreadsheet should be compiled in the following format:

Award year	Student's last name, first name	SSN	EFC	Payment Pd. Begin Date	Payment Pd. End Date	Last date of attendance
2014-15	Doe, Jane	***	0	12/01/14	03/08/15	1/15/15
" "	Doe, Jill	" "	" "	" "	" "	" "

(continued)

Withdrawal date	Date of determination	Originally Scheduled Credit Hr	Actual Credit Hrs. Attended	Date Return calculation performed	Amount of Return, if applicable	Title IV program
1/15/15	02/09/15	12	8	02/15/15	\$2,000	DL Unsub
" "	" "	" "	" "	" "	\$1,300	DL Sub

(continued)

Date Return was made	Amount of PWD, if applicable	PWD program	Date PWD paid	Date of corrected Return calculation, if	Corrected amount of Return, if applicable
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				applicable	
02/16/15	n/a	n/a	n/a	09/15/17	\$2,500
02/16/15	" " "	" "	" "	09/15/17	\$1,350

(continued)

Difference between original calc amount and corrected amount	Amount of corrected PWD, if applicable	PWD program	R2T4 Calc. 1 st performed as result of Program Review?
\$500	n/a	n/a	N
\$50	" "	" "	" "

The file review spreadsheet must also clearly indicate the particular Title IV, HEA program or programs to which a particular Return was or should have been made. The following abbreviations should be used in the spreadsheet to indicate the various programs: Pell, DL Sub, DL Unsub, and DL PLUS.

Finding 6. Incorrect Pell Grant Awards

As required in **Finding 6**, PCI must conduct a file review of all students who received Pell Grant funds during the 2014–15, 2015–16, and 2016–17 award years to determine students’ correct enrollment statuses for each quarter, and Pell Grant eligibility, and then correctly calculate Pell Grant disbursements for each quarter.

PCI should compile the required information in an Excel workbook and submit it in an electronic format. The workbook should be compiled in the following manner:

Name	SSN	Program	Academic Year	EFC	Pay. Pd. start date	Pay. Pd. end date
Jones, John	***_**_****	Medical Assistant	2014–15	0	07/09/14	10/05/14
" "	" "	" "	" "	" "	10/06/14	01/11/15

(continued)

Original Enrollment Status	Scheduled Credit Hr. for Pay. Pd.	Actual Enrollment Status	Actual Credit Hr. attended for Pay. Pd.	Pell Award Year	Pell Disbursement Date
FT	12	HT	8	2014–15	07/19/14
HT	8	HT	8	" "	10/16/14

(continued)

Pell Disbursement Amt.	Correct Pell Disbursement Amt.	Correct Pell Disbursement Amt.	Difference between original and corrected Pell Disb.
\$1,910	\$955	\$955	\$955
\$1,273	\$955	\$955	\$318

Finding 7. Incorrect Direct Loan Awards

As required in **Finding 7**, PCI must conduct a file review of all students who received Direct Loan funds during the 2014–15, 2015–16, and 2016–17 award years to ensure the institution correctly awarded and disbursed Direct Loans to eligible students.

PCI should compile the required information in an Excel workbook and submit it in an electronic format. The workbook should be compiled in the following manner:

Name	SSN	Program	Academic Year	BFC	Independent or Dependent	Grade Level	Pay. Pd. start date
Jones, John	***_**_****	Medical Assistant	2014–15	0	D	1	07/09/14
" "	" "	" "	" "	0	D	2	10/06/14

(continued)

Pay. Pd. end date	Final Period of Study?	COA for Final Period of Study	Scheduled Credit Hr. for Pay. Pd.	Actual Credit Hr. attended for Pay. Pd.	DL Award Year	Title IV, HEA Loan Program
10/05/14	N	N/A	12	4	2014–15	DL Sub
01/11/15	Y	4580	8	8	" "	DL Unsub

(continued)

Amount Originally Disbursed	Disbursement Date	Correct Disbursement Amt.	Difference between original and correct Disb. Amt.
\$1,450	07/15/14	\$0	\$1,450
\$990	10/15/14	\$444	\$546

Appendix E. Institution's Written Response