

**GIBBS COLLEGE
DBA KATHARINE GIBBS SCHOOL
MONTCLAIR, NEW JERSEY**

**SCHEDULE OF MANAGEMENT'S ASSERTIONS REGARDING
SPECIFIED COMPLIANCE REQUIREMENTS ^A**

1. Gibbs College dba Katharine Gibbs School complied with the Institutional Eligibility and Participation compliance requirements listed in Section II of the ED SFA Guide.
2. Gibbs College dba Katharine Gibbs School complied with the Reporting requirements, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting listed in Section II of the ED SFA Guide.
3. Gibbs College dba Katharine Gibbs School complied with the Student Eligibility compliance requirements listed in Section II of the ED SFA Guide.
4. Gibbs College dba Katharine Gibbs School complied with the Disbursements compliance requirements listed in Section II of the ED SFA Guide.
5. Gibbs College dba Katharine Gibbs School complied with the Refund/Return of Title IV Funds compliance requirements listed in Section II of the ED SFA Guide.
6. Gibbs College dba Katharine Gibbs School complied with the Grant Administration and Payment System (GAPS) and Cash Management compliance requirements listed in Section II of the ED SFA Guide.
7. Gibbs College dba Katharine Gibbs School does not participate in the Perkins Loan Program. As such, Gibbs College dba Katharine Gibbs School complied with the Federal Perkins Loan Collections, Due Diligence and NSLDS compliance requirements listed in Section II of the ED SFA Guide.
8. Gibbs College dba Katharine Gibbs School complied with the Administrative Capability compliance requirements listed in Section II of the ED SFA Guide.

^A Reference to the ED SFA Guide refers to the *Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, prepared by the U.S. Department of Education, Office of Inspector General, 2000 Revision.

**GIBBS COLLEGE
DBA KATHARINE GIBBS SCHOOL
MONTCLAIR, NEW JERSEY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

POPULATION SUMMARY

Total population:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 5,338,889	\$ 16,934,483	\$ -	\$ 406,610	\$ -	\$ 174,381
Students	2,425	3,288	-	1,027	-	100

Enrolled, graduated or students on an approved leave of absence:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 4,029,523	\$ 13,514,175	\$ -	\$ 309,405	\$ -	\$ 165,843
Students	1,748	2,489	-	758	-	89
Sample -						
Dollars	\$ 79,826	\$ 252,940	\$ -	\$ 4,067	\$ -	\$ 6,874
Students	42	48	-	10	-	5

Withdrew, dropped or terminated students:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 1,309,366	\$ 3,420,308	\$ -	\$ 97,205	\$ -	\$ 8,538
Students	677	799	-	269	-	11
Dollars Refunded	\$ 319,591	\$ 1,232,704	\$ -	\$ 11,780	\$ -	\$ -
Students with Refunds	346	614	-	52	-	-
Sample -						
Dollars	\$ 35,298	\$ 74,151	\$ -	\$ 2,133	\$ -	\$ -
Students	21	23	-	9	-	-
Dollars Refunded	\$ 10,151	\$ 30,891	\$ -	\$ 166	\$ -	\$ -
Students with Refunds	15	19	-	1	-	-

Benchmark withdrawal rate calculation and sample criteria:

Total students in universe	3,535
Enrolled, graduated or students on an approved leave of absence	2,612
Withdrew, dropped or terminated students	923
Benchmark withdrawal rate	26.11%
Sample criteria	Approach 1
Number of students selected from enrolled, graduated or students on approved leave of absence	50
Number of students selected from withdrew, dropped or terminated students	25
Total number of students with refunds paid in universe	710
Total number of students with refunds paid in sample	21

Summary of questioned costs from noncompliance (See accompanying findings):

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Students	-	-	-	-	-	-

**GIBBS COLLEGE
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

DEFINITION OF MATERIAL NON-COMPLIANCE

The following thresholds, in relation to management's assertions, have been established with respect to material non-compliance. If the instances of non-compliance exceed these thresholds of materiality, the exceptions are considered material requiring appropriate further action:

	<u>Percent instances of non-compliance</u>
1. Institutional Eligibility and Participation	0%
2. Reporting	10%
3. Student Eligibility	10%
4. Disbursements	10%
5. Refund Compliance (except timeliness as to which the percentage is 5% - see Refund Timeliness discussion below)	10%
6. Cash Management	5% of federal Title IV funds
7. Perkins Collections and Due diligence	10%
8. Administrative Capability	0%

Refund Timeliness

With respect to refund timeliness, all instances of non-compliance are reported in the schedules of findings and questioned costs when the refund check clearance date exceeds the required timeframe prescribed in regulation. Expanded samples are performed based on the following criteria:

- (a) If more than 5% (and more than two student refunds) of refunds are *issued and cleared* the bank after the required timeframe.
- (b) If more than 5% (and more than two student refunds) of refunds are *issued prior* to their due date but *clear* the bank more than 15 days after the required timeframe.
- (c) A combination of (a) and (b) above which yields more than 5% (and more than two student refunds) late refunds based on this definition of material non-compliance.

**GIBBS COLLEGE
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MONTCLAIR, NEW JERSEY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-1 (Repeat Finding)

Statement of Condition

Federal Family Education Loan Program (FFELP) exit counseling was not always performed in a timely manner.

Criteria

All institutions must provide exit counseling for FFELP borrowers in a timely manner and maintain documentation in each student borrower's file.

Effect

In 4 of FFELP 71 files tested, documentation found in the student files indicated that loan exit counseling was not performed timely.

Cause

The Institution's procedures for counseling borrowers in a timely manner were not uniformly applied.

Recommendation

The Institution should adhere to its procedures with respect to providing borrowers with loan exit counseling in a timely manner and maintaining documentation in the student files.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule B.

GIBBS COLLEGE
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MONTCLAIR, NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-2(Repeat Finding)

Statement of Condition

The Institution did not update the National Student Loan Data System (NSLDS) in a timely manner for certain students.

Criteria

Institutions are required to notify the National Student Loan Data System within 60 days of a student's change in enrollment status. The institution may utilize the Student Status Confirmation Report for notification if the report will be submitted within 60 days of the status change.

Effect

Of 71 FFELP files tested, we requested and received NSLDS enrollment status history detail for 40 withdrawn and graduated students. In 14 of the 40 students tested, the student's enrollment status was reported late. Additionally, the enrollment status date was reported incorrectly for 2 students.

Cause

The Institution's procedures with respect to timely notification to NSLDS of borrowers' enrollment status changes were not closely followed.

Recommendation

The Institution needs to follow its procedures to ensure that NSLDS is promptly notified when borrowers cease to be enrolled on less than a half-time basis.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule C.

**GIBBS COLLEGE
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MONTCLAIR, NEW JERSEY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-3 (Repeat Finding)

Statement of Condition

A Return of Title IV funds for one student was not made in a timely manner.

Criteria

The U.S. Department of Education requires that payments made under the Return of Title IV funds provisions be returned within 30 days of a student's official withdrawal date and clear the bank within 45 days of the withdrawal date (34 CFR 668.22). These regulations, which became effective July 1, 2003, were implemented by the Institution on November 1, 2002, an option allowed in the final regulation package. The U.S. Department of Education considers a refund to be paid when it clears the bank.

Effect

A Return of Title IV funds payment was not paid within the required time frame for 1 of 25 student files tested for refund compliance. The late payment associated with this finding is as follows:

<u>Amount Of Refund</u>	<u>Program Paid</u>	<u>LDA</u>	<u>Determination Date</u>	<u>Check Issue Date</u>	<u>Check issue Due Date</u>	<u>Check Cancellation Date</u>
\$ 249	FPELL	2/5/03	3/7/03	5/20/03	4/6/03	5/21/03

16 days late

Cause

The refund noted above was not written in a timely manner, and in this isolated case, it appears that the Institution's control procedures for processing refunds and Return of Title IV funds payments were not followed.

Recommendation

The Institution should take steps to ensure that its procedures for the timely disbursement of refunds and Returns of Title IV funds payments are strictly followed.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule C.

**GIBBS COLLEGE
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-4

Statement of Condition

Ineligible funds were not returned in a timely manner for one student.

Criteria

Ineligible disbursements credited to student accounts are to be returned to the appropriate Title IV program within 30 days of the later of the determination date or the date the funds were delivered to the student's tuition account.

Effect

In 1 of 75 files tested, ineligible Title IV funds were not returned within the required time frame. The payments associated with this finding are as follows:

<u>Title IV Program</u>	<u>Amount Due</u>	<u>Due Date</u>	<u>Date Returned</u>
FFELP	\$1,132	2/15/03	10/20/03
FFELP	1,293	2/15/03	10/20/03

Cause

In this isolated instance, procedures to ensure timely returns of ineligible funds were not followed.

Recommendation

The Institution's control procedures for processing Return of Title IV funds payments should be closely followed.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule B.

GIBBS COLLEGE
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-5

Statement of Condition

Students were underawarded in Federal Pell Grant funds.

Criteria

An institution is required to pro-rate loan and Federal Pell award amounts, perform need analysis calculations and review prior aid history to ensure that students are appropriately awarded.

Effect

Of 63 Federal Pell Grant files tested, 2 students were underawarded in 2002-03 Federal Pell Grant funds. Student No. 1 was underawarded Federal Pell Grant funds in the amount of \$300. Student No. 2 was underawarded Federal Pell Grant funds in the amount of \$228.

Cause

The Institution did not always follow its procedures with respect to the awarding of Title IV funds.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no fields available for data entry.

**GIBBS COLLEGE
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-6

Statement of Condition

Tuition charges from the enrollment agreement did not agree with charges on one student's account ledger.

Criteria

An institution is required to maintain accurate program and student records. The amount charged on the enrollment agreement should agree with the amount charged on the student account ledger.

Effect

In 1 of 75 files tested, there was a discrepancy in the tuition charges listed on the enrollment agreement and the tuition charges listed on the student's ledger.

Cause

In this isolated case, the Institution did not follow its procedures to ensure that the correct amount of tuition is recorded on the student's account.

Recommendation

The Institution should follow its procedures more diligently to ensure that the correct tuition charges are appropriately reflected in student accounts.

Additional Information

Upon learning of this finding, the Institution corrected the student's ledger. We reviewed the corrected ledger and determined the revisions were accurate.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no questioned costs associated with this finding.

**GIBBS COLLEGE
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-7

Statement of Condition

Federal Work Study (FWS) timesheets were consistent with the disbursement records for the corresponding time period for one student.

Criteria

Under FWS guidelines, records must include a certification, signed by the student's supervisor (an official of the school or off-campus agency), that the student has worked and has earned the amount being paid. For students paid on an hourly basis, the certification must include or be supported by a time record showing the hours worked in clock-time sequence or the total hours worked per day. FWS records must also include documentation of the date and amount of each payment of Federal Work Study wages.

Effect

Of 5 FWS files tested, 1 student had FWS disbursements that did not correspond with the amount earned for hours worked. The student received the following FWS funds for the period in question:

<u>Student No.</u>	<u>Total Hrs. Actual</u>	<u>Total Hrs. Paid</u>	<u>Rate</u>	<u>Amount Paid</u>	<u>Amount Earned</u>	<u>Amount Overpaid</u>	<u>Amount Underpaid</u>
1	158.5	156	\$ 7.00	\$ 1092.00	\$ 1109.50	N/A	\$ 17.50
	39.5	37	7.00	259.00	276.50	N/A	17.50

Cause

In this isolated case, the Institution failed to adhere to its procedures with respect to verification of hours worked versus hours paid and amount earned for FWS students and with respect to Federal Work Study records.

Recommendation

The Institution should adhere to its procedures and not disburse FWS funds without appropriate verified documentation of hours worked and amount earned.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no fields available for data entry.

GIBBS COLLEGE
DBA KATHARINE GIBBS SCHOOL
MONTCLAIR, NEW JERSEY

AUDITORS' COMMENTS ON RESOLUTION MATTERS
RELATING TO PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

The Institution's compliance audit for the year ended December 31, 2002, dated March 27, 2003 was performed by Almich & Associates.

The Institution has not received a final audit determination letter from the U.S. Department of Education.

The findings noted in the independent auditors' report, and the corrective actions taken are as follows:

Finding No. 02-1 (Repeat Finding)

The auditors found that in 13 of 65 FFELP files tested, that loan exit counseling was not performed timely.

Action Taken

In its corrective action plan, the Institution stated that further stated that it will follow its procedures to en students with the 30 days required from the date the In dropped below half time status. As noted in Finding No to its procedures with respect to providing borrowers with loan exit counseling in a timely manner --- maintaining documentation in the student files.

John A. Jones
Review

Finding No. 02-2 (Repeat Finding)

The auditors found that of 25 files tested for refund compliance, the Return of Title IV funds payments for 2 students were not paid within the required timeframe. Based on our definition of material non-compliance an expanded sample was not required.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Institution further states that it will ensure tighter control in order to facilitate the return of Title IV fund within the 30 day required time from the students Date of Determination. As noted in Finding No. 03-3 of this report, the Institution should take steps to ensure that its procedures for the timely disbursement of refunds and Returns of Title IV funds payments are strictly followed.

Finding No. 02-3 (Repeat Finding)

The auditors found that of 75 files tested for student eligibility, 1 student's Institutional Student Information Record (ISIR) contained conflicting information that was not resolved prior to the disbursement of Title IV funds. The reported tax paid and earned income credit were incorrect. The Institution recalculated the need analysis for the student using the corrected data. The auditors reviewed the documentation during fieldwork and found it to be accurate. The student remained eligible for all Title IV funds received. There are no remaining questioned costs associated with this finding.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Institution further stated that it has enhanced its file review procedures to ensure that Title IV funds are not disbursed prior to resolving confliction information. We found no exceptions with respect to unresolved conflicting information during file testing for the current audit period.

Finding No. 02-4 (Repeat Finding)

The auditors found that of the 75 files tested, 4 students' files selected for verification contained incomplete or missing information. The Institution recalculated the need analysis for Student No. 1 and obtained the missing tax form and recalculated for Student No. 4 using the correct data. The auditors reviewed the documentation and found it to be accurate. Student No. 1 remained eligible for all Title IV funds received. Student No. 4 had reduced Federal Pell Grant eligibility in the amount of \$700. The student remained eligible for all other Title IV aid received. For Student No. 3, the Institution obtained the missing signature. The student remained eligible for all Title IV aid received. Remaining questioned costs associated with this finding are \$1,300.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Institution further stated that it has enhanced its verification procedures, which include utilizing a third party agency for quality assurance and loan certification. We found no exceptions with respect to incomplete verification during file testing for the current audit period.

Finding No. 02-5 (Repeat Finding)

The auditors found that in 1 of the 75 files tested, the Free Application for Federal Student Aid (FAFSA) or Institutional Student Information Record (ISIR) was not signed by the student. The Institution obtained the signature on the FAFSA. The auditors reviewed the document during fieldwork and found it to be accurate. The student remained eligible for all Title IV aid received. There are no remaining questioned costs associated with this finding.

Action Taken

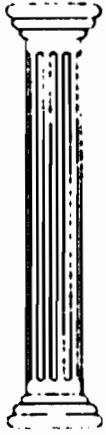
In its corrective action plan, the Institution stated that it concurred with the finding. The Institution further stated that procedures have been implemented to ensure that all signatures on the FAFSA or ISIR are received for each Title IV recipient. In addition to obtaining the signatures the Institution will ensure that the appropriate documentation is maintained in student files. We found no exceptions with respect to missing signatures on a FAFSA or ISIR during file testing for the current audit period.

Finding No. 02-6

The auditors found that of 65 FFELP files tested, 1 dependent student received a Federal Unsubsidized Stafford Loan in the amount of \$3,849 without appropriate documentation.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Institution further stated that procedures have been implemented to ensure that documentation of parent loan denial is consistently maintained in student files. We found no exceptions with respect to missing parent loan denial documentation during file testing for the current audit period.



Gibbs College

OFFICE OF THE CHANCELLOR

Gibbs College

EIN: 223275485

OPE ID: 00750700

Audit Firm: Almich and Associates

Corrective Action Plan for the Fiscal Year Ended December 31, 2003

Finding 03-1

The school concurs with the finding.

As the exit counseling documentation was provided, no further action was taken.

The Director of Financial Aid has strengthened internal procedures to ensure exit counseling documentation is provided to students before, or within 30 days after, the student graduates, withdraws, or drops below half-time status.

Finding 03-2

The school concurs with the finding. This finding is unusual and not consistent with school policy.

The school has correctly reported the enrollment statuses to NSLDS.

The Director of Financial Aid has worked with its third party servicer and implemented procedures to ensure that enrollment status changes are reported on a timely basis. The procedures include monitoring receipt of the enrollment status confirmation report in the mailbox, using the school computer system to match enrollment status and update NSLDS records to ensure that all students are included in the status reports, and ensuring submission of the report on a 60 day cycle. The Director of Financial Aid and third party servicer will monitor that the reports are submitted every 60 days and that enrollment statuses are accurately reported.

Finding 03-3

The school concurs with the finding.

As the refund was made, no further action was taken relative to the students in the finding.

The Vice President of Finance has strengthened internal procedures to ensure refunds are paid within 30 days of the date of determination. uses are accurately reported.

Finding 03-4

The school concurs with the finding. This finding is unusual and not consistent with school policy.

As the ineligible funds were returned, no further action was taken relative to the students in the finding.

The Vice President of finance has strengthened internal procedures to ensure that ineligible funds are returned within the required timeframe.

Finding 03-5

The school concurs with the finding. This finding is unusual and not consistent with school policy.

The school has provided an institutional grant to replace to underawarded Pell Grant.

The Director of Financial Aid has strengthened internal procedures to ensure Title IV funds are properly awarded based on eligibility criteria.

Finding 03-6

The school concurs with the finding. This finding is unusual and not consistent with school policy.

As the ledger card was corrected, no further action was taken.

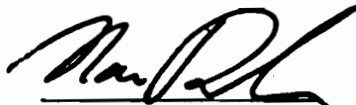
The Vice President of finance has strengthened internal procedures to ensure tuition is properly charged.

Finding 03-7

The school concurs with the finding. This finding is unusual and not consistent with school policy.

The school has paid the underpayment of earnings.

The Vice President of Finance has strengthened internal procedures to ensure that timesheets and payroll records are consistent for proper payment.



Norman Rankis
Chancellor

6/28/2004.

Date

Finding No. 02-7

The auditors found that of the 75 files tested, the credit balance for 1 student was paid after the 14-day prescribed time frame.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Institution further stated that it will follow its procedure to ensure that credit balances on student accounts are refunded within 14 days. We found no exceptions with respect to late payments of credit balances during file testing for the current audit period.

Finding No. 02-8

The auditors found that in 1 of 65 FFELP files tested, the student's enrollment status was reported incorrectly. The enrollment status on National Student Loan Data System (NSLDS) was reported as "Withdrawn". The correct status is "Graduated".

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Institution further stated that it will ensure that all status changes are reported correctly and on time to NSLDS. As noted in Finding No. 03-2 of this report, the Institution needs to follow its procedures to ensure that NSLDS is promptly notified when borrowers cease to be enrolled on less than a half-time basis.

Finding No. 02-9

The auditor found that the total 2001-2002 Federal Pell Grant authorization as shown on the EDGAPS Activity Report for the award year ended June 30, 2002 dated March 20, 2003 was \$3,659,005. Audited Pell disbursements are \$3,056,659. Final net draws per EDGAPS are \$3,056,659. The Fiscal Operations Report indicates Pell disbursements of \$3,880,281. The final authorization exceeds EDGAPS net draws and audited disbursements in the amount of \$602,346.

Action Taken

The Institution did not comment on Finding No 02-09 in their corrective action plan. We noted that the Institution continues to work with its servicer to reconcile the 2001-02 Pell awards. We found no exceptions with respect to unreconciled Pell awards during file testing for the current audit period.

Continuing to reconcile

Other Reviews

The Institution underwent a Federal Program Review of its administration of the federally funded student financial assistance programs in September 2003. The Institution received a Program Review Report from the U.S. Department of Education dated December 5, 2003. The report contained four findings. The findings related to incomplete verification, ineligible Title IV disbursements, unmade Title IV refunds, and unauthorized retention of student credit balances. For Finding No. 2, relating to ineligible Title IV disbursements, a 100% file review of all Title IV recipients for the 2002-03 award year was required to be conducted and certified by an independent auditor. In our report dated February 9, 2004 we reported on the results of the file review. The Institution has not received a final determination letter from the U.S. Department of Education.

GIBBS COLLEGE

NORWALK, CONNECTICUT

EIN NUMBER: 061388463

OPE ID NUMBER: 01287700

DUNS NUMBER: (b)(2)

COMPLIANCE ATTESTATION EXAMINATION
OF THE TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

at NORWALK, CONNECTICUT

FEDERAL PELL GRANT PROGRAM (84.063)
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY
GRANT PROGRAM (84.007)
FEDERAL WORK STUDY PROGRAM (84.033)
FEDERAL FAMILY EDUCATION LOAN PROGRAM (84.032)

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003

ALMICH & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

**GIBBS COLLEGE
NORWALK, CONNECTICUT**

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AUDITOR INFORMATION SHEET

GIBBS COLLEGE
10 NORDEN PLACE
NORWALK, CONNECTICUT 06855-1436

EIN NUMBER: 061388463

OPE ID NUMBER: 01287700

DUNS NUMBER: (b)(2)

TEL. NO.: 203-663-2320

FAX NO.: 203-899-0788

PRESIDENT: Lorren West

CONTACT PERSON & TITLE: Alex Ormeno
Director of Financial Planning

LEAD AUDITOR : John F. Woll
 LICENSE NUMBER : Home State: 51024 Out of State(s): 10570
 ENGAGEMENT PARTNER : Linda H. Cooley
 FIRM'S NAME : Almich & Associates
 ADDRESS : 19000 MacArthur Blvd., Suite 610
 Irvine, CA 92612
 TEL. NO. : (949) 475-5410
 FAX NO. : (949) 475-5412

Programs Examined:

FSEOG	84.007	X
FFELP	84.032	X
FWS	84.033	X
FPL	84.038	
Pell	84.063	X
FDLP	84.268	

For the Award Year that ended during the institution's fiscal year, the percentage of:

Correspondence or telecommunication courses to total courses	<u>N/A</u>
Regular students enrolled in correspondence courses	<u>N/A</u>
Regular students that are incarcerated	<u>N/A</u>
Regular students enrolled based on ability to benefit	<u>N/A</u>
For short term programs:	
Completion	<u>N/A</u>
Placement	<u>N/A</u>

The campuses/locations considered as part of this entity and covered or excluded by this examination are:

All Locations	>50% of Program Offered @ Site	Location On Eligibility Letter	Notice to ED Prior to Offering Instruction	Date		Of CPA's Last Visit	Exclusion Reason
				Opened	Closed		
<u>Main Campus</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>9/2/75</u>	<u>N/A</u>	<u>2/23 - 2/25/04</u>	<u>N/A</u>

Institution's Primary Accrediting Organization: Accrediting Council of Independent Colleges and Schools

Other Accrediting Organizations: N/A

Records for the accounting and administration of the SFA programs are located at:

Main Campus:

Gibbs College

10 Norden Place

Norwalk, Connecticut 06855-1436

SERVICER INFORMATION SHEET

AMS SERVICING GROUP
a subsidiary of Academic Management Services Corporation
2400 REYNOLDA ROAD
WINSTON-SALEM, NC 27106

TEL. NO. (336) 607-2259
FAX NO. (336) 607-2025
EXECUTIVE VICE PRESIDENT: Paul Lombardo
CONTACT PERSON & TITLE: Lisa Koniuto,
Manager, Contracts and Audit

LEAD AUDITOR: Peter Coode
FIRM'S NAME: PriceWaterhouseCoopers LLP
ADDRESS: 150 Fayetteville Street Mall
Suite 2300
Raleigh, NC 27601

TEL. NO. (919) 755-3110
FAX NO. (919) 755-3099

DIVISION OF RESPONSIBILITY FOR COMPLIANCE REQUIREMENTS

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of AMS Servicing Group Service Center</i>	<i>Explanation of Divided Responsibility</i>
I. Computer operations			
A. Terminal and software security	X	X	The responsibilities indicated at left relate only to System III and do not extend to any systems maintained by institutions. Regarding System III, institutions who have so contracted have security and integrity responsibilities associated with DataLink, an on-line data entry and inquiry system.
B. Data integrity	X	X	
C. System and data backup		X	
D. Disaster recovery plan		X	
II. Cash management		N/A	AMS provides no cash management services.
A. Drawdowns			
B. Authorization vs. Expenditures			
C. Reconcile G/L to bank			
D. Bank account notes federal funds			
III. Financial reports			
A. FISAP	X	X	AMS processes Perkins loan transactions and generates certain FISAP-required data; it is the customer's responsibility to prepare the FISAP and properly include certain information from data provided by AMS.
B. GAPS		N/A	
C. Pell IPS		N/A	

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of AMS Servicing Group Service Center</i>	<i>Explanation of Divided Responsibility</i>
IV. Institutional eligibility A. Participation agreement/ECAR B. Accreditation status C. Admissions policy D. Eligible programs E. Calculation of institution eligibility ratios F. Licenses G. Administrative capability items		N/A	No institutional eligibility services are performed by AMS.
V. Student eligibility A. High School diploma or equivalent or ability to benefit B. Regularly enrolled in eligible program C. Citizen or permanent resident D. Satisfactory progress E. Default/refund status F. Social security number match requirement G. Other requirements		N/A	No Student eligibility services are performed by AMS.
VI. Coordination of programs A. Financial aid organization B. Other information available C. Need analysis D. Professional judgment documentation		N/A	No coordination services are performed by AMS.
VII. Administrative capability A. Student file maintenance B. Record retention C. Verification		N/A	No administrative services are performed by AMS.
VIII. Disbursements A. Financial aid transcripts/NSLDS information B. Independent/Dependent status determination C. Timing and amount of disbursements		N/A	No disbursements are made by AMS.
IX. Refunds or overpayments A. Policy B. Refund calculations C. Overpayment calculations D. Disbursements and accounting for refunds/overpayments		N/A	No refunds or overpayment services are performed by AMS.
X. Institutional disclosure A. Accuracy of institutional data B. Disclosure to students		N/A	No institutional disclosure services are performed by AMS.

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of AMS Servicing Group Service Center</i>	<i>Explanation of Divided Responsibility</i>
XI. Pell Grant		N/A	No Pell Grant services are performed by AMS.
A. Types of expenditures allowed			
B. Program performance			
1. Calculation and disbursement of award			
2. Timing of payment, cutoff dates for receipts of SARs			
C. Financial reports			
XII. Campus-based programs (general)			AMS processes Perkins loan transactions and generates certain FISAP-required data; it is the customer's responsibility to prepare the FISAP and properly include certain information from data provided by AMS. In addition, the customer may have knowledge of certain transactions not reflected on AMS-generated reports and may modify the data provided to reflect such transactions in their FISAP preparation process.
A. Types of expenditure allowed			
1. Program expenditures	X		
2. Administrative cost allowance	X		
B. Program performance			
1. Accuracy of FISAP data	X	X	
2. System of need analysis, etc.	X		
XIII. Campus-based programs (Perkins)			(1) AMS performs a range of due diligence procedures depending on the nature of the contract between EFG and its customers.
A. Type of expenditures allowed	X	N/A	
B. Matching	X	N/A	
C. Program performance			
1. Student eligibility	X	N/A	
2. Approved promissory note	X	N/A	
3. Due diligence	X	X (1)	(2) Customers are responsible for maintaining source documents, AMS processes transactions and maintains computer-based records.
4. Repayment records	X	X (2)	
D. Special compliance requirements			
1. Minimum cash balance; cash planning	X	N/A	
2. Treatment of interest earned on Perkins loan balance	X	N/A	
XIV. Campus-based programs (FSEOG)		N/A	AMS performs no servicing related to FSEOG program.
A. Eligible expenditures			
B. Matching			
C. Selection of students for FSEOG awards			
XV. Campus-based programs (FWS)		N/A	AMS performs no servicing related to FWS program.
A. Types of expenditures and employment allowed			
1. Types of employment allowed			
2. Types of expenditures allowed			
B. Matching			
C. Program performance			
1. Selection of students for employment			

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of AMS Servicing Group Service Center</i>	<i>Explanation of Divided Responsibility</i>
2. Approval of time sheets and payment to students			
D. Special compliance requirements			
1. JLD and CSJLD programs	X		
2. CSL programs (5% minimum)	X		
XVI. Federal Family Education Loans (FFEL)		N/A	No FFELP processing is performed using the System III servicing system.
A. Program performance			
1. Determination of eligibility and completion of application	X		
2. Default reduction measures	X		
3. Entrance and exit counseling	X		
4. Loan disbursement	X		
5. EFT Roster reconciliation	X		
6. Eligibility for disbursement	X		
B. Status reporting			
1. SSCR completion	X		
2. Change in enrollment status	X		
C. Special compliance requirements			
1. Refund policy	X		
2. Refunds to lenders	X		
XVII. Federal Direct Loan Program (FDLP)		N/A	No FDLP processing is performed utilizing the System III servicing system.
A. Program performance			
1. Determination of eligibility	X		
2. Entrance and exit counseling	X		
3. Exporting & importing electronic files to/from the LOC	X		
4. Loan disbursement	X		
5. Monthly data matching including:			
a. Loan and cash detail records	X		
b. Summary records	X		
B. FDLP status reporting			
1. SSCRs	X		
2. Change in enrollment status	X		

SERVICER INFORMATION SHEET

NATIONAL STUDENT CLEARINGHOUSE
13454 SUNRISE VALLEY DRIVE, SUITE 300
HERNDON, VIRGINIA 20171

TEL. NO. (703) 742-7791
FAX NO. (703) 742-7792
PRESIDENT: Daniel R. Boehmer
CONTACT PERSON & TITLE: George Levathes, Asst. Vice President

LEAD AUDITOR: Denise Dombay
E MAIL ADDRESS: Denise.dombay@ev.com
FIRM'S NAME: Ernst & Young, LLP
ADDRESS: 8484 Westpark Drive
McLean, VA 22102

TEL. NO. (703) 747-1000
FAX NO. (703) 747-0131

DIVISION OF RESPONSIBILITY FOR COMPLIANCE REQUIREMENTS

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of National Student Clearinghouse</i>	<i>Explanation of Divided Responsibility</i>
I. Computer operations			
A. Terminal and software security	X		
B. Data integrity	X		
C. System and data backup	X		
D. Disaster recovery plan	X		
II. Cash management			
A. Drawdowns	X		
B. Authorization vs. Expenditures	X		
C. Reconcile G/L to bank	X		
D. Bank account notes federal funds	X		
III. Financial reports			
A. FISAP	X		
B. EDPMTS/EDCAPS	X		
C. Pell IPS	X		
IV. Institutional eligibility			
A. Participation agreement/ECAR	X		
B. Accreditation status	X		
C. Admissions policy	X		
D. Eligible programs	X		
E. Calculation of institution eligibility ratio	X		
F. Licenses	X		
G. Administrative capability items	X		

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of National Student Clearinghouse</i>	<i>Explanation of Divided Responsibility</i>
V. Student eligibility			
A. High School diploma or equivalent or ability to benefit	X		
B. Regularly enrolled in eligible program	X		
C. Citizen or permanent resident	X		
D. Satisfactory progress	X		
E. Default/refund status	X		
F. Social security number match requirement	X		
G. Other requirements	X		
VI. Coordination of programs			
A. Financial aid organization	X		
B. Other information available	X		
C. Needs analysis	X		
D. Professional judgment documentation	X		
VII. Administrative capability			
A. Student file maintenance	X		
B. Record retention	X		
C. Verification	X		
VIII. Disbursements			
A. Financial aid transcripts/NSLDS information	X		
B. Independent/Dependent status determination	X		
C. Timing and amount of disbursements	X		
IX. Refunds or overpayments			
A. Policy	X		
B. Refund calculations	X		
C. Overpayment calculations	X		
D. Disbursements and accounting for refunds/overpayments	X		
X. Institutional disclosure			
A. Accuracy of institutional data	X		
B. Disclosure to students	X		
XI. Pell Grant			
A. Types of expenditures allowed	X		
B. Program performance			
1. Calculation and disbursement of award	X		
2. Timing of payment, cutoff dates for receipts of SARs	X		
C. Financial reports	X		

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of National Student Clearinghouse</i>	<i>Explanation of Divided Responsibility</i>
XII. Campus-based programs (general)			
A. Types of expenditure allowed			
1. Program expenditures	X		
2. Administrative cost allowance	X		
B. Program performance			
1. Accuracy of FISAP data	X		
2. System of need analysis, etc.	X		
XIII. Campus-based programs (Perkins)			
A. Type of expenditures allowed	X		
B. Matching	X		
C. Program performance			
1. Student eligibility	X		
2. Approved promissory note	X		
3. Due diligence	X		
4. Repayment records	X		
D. Special compliance requirements			
1. Minimum cash balance; cash planning	X		
2. Treatment of interest earned on Perkins loan balance	X		
XIV. Campus-based programs (FSEOG)			
A. Eligible expenditures	X		
B. Matching	X		
C. Selection of students for FSEOG awards	X		
XV. Campus-based programs (FWS)			
A. Types of expenditures and employment allowed			
1. Types of employment allowed	X		
2. Types of expenditures allowed	X		
B. Matching	X		
C. Program performance			
1. Selection of students for employment	X		
2. Approval of time sheets and payment to students	X		
D. Special compliance requirements			
1. JLD and CSJLD programs	X		
2. CSL programs (5% minimum)	X		

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of National Student Clearinghouse</i>	<i>Explanation of Divided Responsibility</i>
XVI. Federal Family Education Loans (FFEL)			
A. Program performance			
1. Determination of eligibility and completion of application	X		
2. Default reduction measures	X		
3. Entrance and exit counseling	X		
4. Loan disbursement	X		
5. EFT Roster reconciliation	X		
6. Eligibility for disbursement	X		
B. Status reporting			
1. SSCR completion		X	
C. Special compliance requirements			
1. Refund policy	X		
2. Refunds to lenders	X		
XVII. Federal Direct Loan Program (FDLP)			
A. Program performance			
1. Determination of eligibility	X		
2. Entrance and exit counseling	X		
3. Exporting & importing electronic files to/from the LOC	X		
4. Loan disbursement	X		
5. Monthly data matching including:			
a. Loan and cash detail records	X		
b. Summary records	X		
B. FDLP status reporting			
1. SSCRs		X	
2. Change in enrollment status	X		

ALMICH & ASSOCIATES

AN ACCOUNTANCY CORPORATION

• Certified Public Accounting and Business Services •

REPORT ON COMPLIANCE WITH SPECIFIED REQUIREMENTS APPLICABLE TO THE SFA PROGRAMS

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Gibbs College:

We have examined management's assertions that Gibbs College complied with the specified compliance requirements, listed on the accompanying schedule, regarding Institutional Eligibility, Reporting, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting, Student Eligibility, Disbursements, Refunds/Return of Title IV Funds, GAPS and Cash Management, Perkins Loans, and Administrative Capability listed in Section II of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, relative to participation in the Federal Student Financial Assistance Programs during the year ended December 31, 2003. Management is responsible for Gibbs College's compliance with those requirements. Our responsibility is to express an opinion on Gibbs College's compliance based on our examination.

Our examination was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and the Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, issued by the U.S. Department of Education, Office of the Inspector General, 2000 Revision, and accordingly, included examining, on a test basis, evidence about Gibbs College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Gibbs College's compliance with specified requirements.

In our opinion, Gibbs College complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2003.

This report is intended solely for the information and use of the board of directors, management, and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California
February 25, 2004

GIBBS COLLEGE
NORWALK, CONNECTICUT

SCHEDULE OF MANAGEMENT'S ASSERTIONS REGARDING
SPECIFIED COMPLIANCE REQUIREMENTS ^A

1. Gibbs College complied with the Institutional Eligibility and Participation compliance requirements listed in Section II of the ED SFA Guide.
2. Gibbs College complied with the Reporting requirements, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting listed in Section II of the ED SFA Guide.
3. Gibbs College complied with the Student Eligibility compliance requirements listed in Section II of the ED SFA Guide.
4. Gibbs College complied with the Disbursements compliance requirements listed in Section II of the ED SFA Guide.
5. Gibbs College complied with the Refund/Return of Title IV Funds compliance requirements listed in Section II of the ED SFA Guide.
6. Gibbs College complied with the Grant Administration and Payment System (GAPS) and Cash Management compliance requirements listed in Section II of the ED SFA Guide.
7. Gibbs College does not participate in the Federal Perkins Loan Program. As such, Gibbs College complied with the Federal Perkins Loan Collections, Due Diligence and NSLDS compliance requirements listed in Section II of the ED SFA Guide.
8. Gibbs College complied with the Administrative Capability compliance requirements listed in Section II of the ED SFA Guide.

^A Reference to the ED SFA Guide refers to the *Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, prepared by the U.S. Department of Education, Office of Inspector General, 2000 Revision.

GIBBS COLLEGE
NORWALK, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

POPULATION SUMMARY

Total population:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 2,842,917	\$ 13,647,923	\$ -	\$ 269,504	\$ -	\$ 85,098
Students	845	1,385	-	454	-	46

Enrolled, graduated or students on an approved leave of absence:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 2,363,177	\$ 11,966,776	\$ -	\$ 198,746	\$ -	\$ 85,098
Students	656	1,134	-	339	-	46
Sample -						
Dollars	\$ 102,284	\$ 450,605	\$ -	\$ 9,333	\$ -	\$ 9,764
Students	29	45	-	12	-	5

Withdrawn, dropped or terminated students:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 479,740	\$ 1,681,147	\$ -	\$ 70,758	\$ -	\$ -
Students	189	251	-	115	-	-
Dollars Refunded	\$ 90,825	\$ 425,136	\$ -	\$ 6,660	\$ -	\$ -
Students with Refunds	89	184	-	22	-	-
Sample -						
Dollars	\$ 58,787	\$ 157,092	\$ -	\$ 9,166	\$ -	\$ -
Students	22	19	-	12	-	-
Dollars Refunded	\$ 10,053	\$ 42,697	\$ -	\$ 1,432	\$ -	\$ -
Students with Refunds	13	15	-	4	-	-

Benchmark withdrawal rate calculation and sample criteria:

Total students in universe	1,417
Enrolled, graduated or students on an approved leave of absence	1,146
Withdrawn, dropped or terminated students	271
Benchmark withdrawal rate	19.12%
Sample criteria	Approach 1
Number of students selected from enrolled, graduated or students on approved leave of absence	50
Number of students selected from withdrew, dropped or terminated students	25
Total number of students with refunds paid in universe	211
Total number of students with refunds paid in sample	22

Summary of questioned costs from noncompliance (See accompanying findings):

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Students	-	-	-	-	-	-

GIBBS COLLEGE
NORWALK, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

DEFINITION OF MATERIAL NON-COMPLIANCE

The following thresholds, in relation to management's assertions, have been established with respect to material non-compliance. If the instances of non-compliance exceed these thresholds of materiality, the exceptions are considered material requiring appropriate further action:

	<u>Percent instances of non-compliance</u>
1. Institutional Eligibility and Participation	0%
2. Reporting	10%
3. Student Eligibility	10%
4. Disbursements	10%
5. Refund Compliance (except timeliness as to which the percentage is 5% - see Refund Timeliness discussion below)	10%
6. Cash Management	5% of federal Title IV funds
7. Perkins Collections and Due diligence	10%
8. Administrative Capability	0%

Refund Timeliness

With respect to refund timeliness, all instances of non-compliance are reported in the schedules of findings and questioned costs when the refund check clearance date exceeds the required timeframe prescribed in regulation. Expanded samples are performed based on the following criteria:

- (a) If more than 5% (and more than two student refunds) of refunds are *issued and cleared* the bank after the required timeframe.
- (b) If more than 5% (and more than two student refunds) of refunds are *issued prior* to their due date but *clear* the bank more than 15 days after the required timeframe.
- (c) A combination of (a) and (b) above which yields more than 5% (and more than two student refunds) late refunds based on this definition of material non-compliance.

GIBBS COLLEGE
NORWALK, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-1

Statement of Condition

Total Federal Pell Grant authorized disbursements for the award year ended June 30, 2003 were not properly reflected in the U.S. Department of Education Grant Administration and Payment System (EDGAPS).

Criteria

The disbursement of Federal Pell awards should match the total amount of authorized awards as identified in EDGAPS and in the Common Origination and Disbursement system (COD). The authorized amounts and disbursed amounts should be accurately reflected on the Institution's EDGAPS reports, COD reports and Fiscal Operations Report.

Effect

The total 2002-03 Federal Pell Grant authorization as shown on the EDGAPS Activity Report for the award year ended June 30, 2003 was \$1,225,622. Audited Pell disbursements are \$1,232,153. Final net draws per EDGAPS are \$1,180,693. The COD Report indicates Pell disbursements of \$1,225,622. The final authorization exceeds EDGAPS net draws in the amount of \$44,929. Audited disbursements exceed the authorization in the amount of \$6,531.

Cause

The Institution has not performed a final reconciliation of EDGAPS information, its cash receipts and internal records.

Recommendation

The Institution needs to perform a final reconciliation of its 2002-03 Pell awards, authorization and its cash receipts. Additionally, the Institution should continue to pursue its efforts to ensure that U.S.D.E. records reflect all adjustments. If necessary, the Institution should submit the appropriate adjustments to U.S.D.E., following the guidance in Dear Colleague Letter P00-2.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no fields available for data entry.

GIBBS COLLEGE
NORWALK, CONNECTICUT

AUDITORS' COMMENTS ON RESOLUTION MATTERS
RELATING TO PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

The Institution's compliance audit for the year ended December 31, 2002, dated February 19, 2003, was performed by Almich & Associates.

The Institution has not received a final audit determination letter from the U. S. Department of Education.

The finding noted in the independent auditors' report, and corrective action taken, are as follows.

Finding No. 02-1

Of 65 files tested, the auditors found that 3 students' files selected for verification contained inaccurate information. Total questioned costs were \$10,306. The auditors added that, upon learning of the finding, the Institution recalculated the need analysis for all 3 of the students, using the accurate data. The 3 students remained eligible for all aid received, and the auditors reported that there were no remaining questioned costs associated with the finding.

Action Taken

In its corrective action plan, the Institution concurred with the finding. The Institution stated that it will continue to follow its procedures for obtaining and reviewing documentation for verified student files. We found no exceptions with respect to verification completion and accuracy during our file testing for the current audit period.

GIBBS COLLEGE

BOSTON, MASSACHUSETTS

EIN NUMBER: 043218659

OPE ID NUMBER: 00748100

DUNS NUMBER: (b)(2)

COMPLIANCE ATTESTATION EXAMINATION
OF THE TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

at BOSTON, MASSACHUSETTS

FEDERAL PELL GRANT PROGRAM (84.063)
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY
GRANT PROGRAM (84.007)
FEDERAL WORK STUDY PROGRAM (84.033)
FEDERAL FAMILY EDUCATION LOAN PROGRAM (84.032)

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003

ALMICH & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

**GIBBS COLLEGE
BOSTON, MASSACHUSETTS**

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AUDITOR INFORMATION SHEET

GIBBS COLLEGE
 126 NEWBURY STREET
 BOSTON, MASSACHUSETTS 02116
 EIN NUMBER: 043218659
 OPE ID NUMBER: 00748100
 DUNS NUMBER: (b)(2)
 TEL. NO.: 617-578-7100
 FAX NO.: 617-262-6210
 PRESIDENT: David Waldron
 CONTACT PERSON & TITLE: Lisa Sander
 Director of Financial Aid

LEAD AUDITOR : John F. Woll
 LICENSE NUMBER : Home State: 51024 Out of State(s): 20357
 ENGAGEMENT PARTNER : Linda H. Cooley
 FIRM'S NAME : Almich & Associates
 ADDRESS : 19000 MacArthur Blvd., Suite 610
 Irvine, CA 92612
 TEL. NO. : (949) 475-5410
 FAX NO. : (949) 475-5412

Programs Examined:

FSEOG	84.007	X
FFELP	84.032	X
FWS	84.033	X
FPL	84.038	
Pell	84.063	X
FDLP	84.268	

For the Award Year that ended during the institution's fiscal year, the percentage of:

Correspondence or telecommunication courses to total courses	<u>N/A</u>
Regular students enrolled in correspondence courses	<u>N/A</u>
Regular students that are incarcerated	<u>N/A</u>
Regular students enrolled based on ability to benefit	<u>N/A</u>

For short term programs:

Completion	<u>N/A</u>
Placement	<u>N/A</u>

The campuses/locations considered as part of this entity and covered or excluded by this examination are:

All Locations	>50% of Program Offered @ Site	Location On Eligibility Letter	Notice to ED Prior to Offering Instruction	Date		Of CPA's Last Visit	Exclusion Reason
				Opened	Closed		
Boston, MA Main Campus	Yes	Yes	Yes	5/1/67	N/A	5/03-5/08/04	N/A

Institution's Primary Accrediting Organization: Accrediting Council for Independent Colleges and Schools

Other Accrediting Organizations: N/A

Records for the accounting and administration of the SFA programs are located at:

Main Campus:

**Gibbs College
126 Newbury Street
Boston, MA 02116**

SERVICER INFORMATION SHEET

GLOBAL FINANCIAL AID SERVICES, INC.
10467 CORPORATE DRIVE
GULFPORT, MS 39503

TEL. NO.	<u>(228) 523-1000</u>
FAX NO.	<u>(228) 523-1050</u>
PRESIDENT:	<u>Mr. Edward J. Addison, Jr.</u>
CONTACT PERSON & TITLE:	<u>Ms. Chyrl Ayers-Meeker, Vice President</u>
LEAD AUDITOR:	<u>Michael C. Facer</u>
E MAIL ADDRESS:	<u>Mfacer@weworski.com</u>
LICENSE NUMBER:	<u>Home State: CA 61244, Out of State: MS R-2503</u>
FIRM'S NAME:	<u>Weworski & Associates</u>
ADDRESS:	<u>4660 La Jolla Village Drive, Suite 880</u> <u>San Diego, CA 92122</u>
TEL. NO.	<u>(858) 546-1505</u>
FAX NO.	<u>(858) 546-1405</u>

DIVISION OF RESPONSIBILITY FOR COMPLIANCE REOUIREMENTS

<i>Compliance Requirements (Platinum Service)</i>	<i>Responsibility of Institution</i>	<i>Responsibility of Global Financial Aid Services, Inc.</i>	<i>Explanation of Divided Responsibility</i>
I. Computer operations			
A. Terminal and software security	X	X	See Footnotes
B. Data integrity	X	X	See Footnotes
C. System and data backup	X	X	See Footnotes
D. Disaster recovery plan	X	X	See Footnotes
II. Cash management			
A. Drawdowns		X	
B. Authorization vs. Expenditures		X	
C. Reconcile G/L to bank		X	
D. Bank account notes federal funds		X	
III. Financial reports			
A. FISAP		X	
B. EDPMTS/EDCAPS		X	
C. Pell IPS		X	
IV. Institutional eligibility			
A. Participation agreement/ECAR	X		
B. Accreditation status	X		
C. Admissions policy	X		
D. Eligible programs	X		
E. Calculation of institution eligibility ratios	X		
F. Licenses	X		
G. Administrative capability items	X		

<i>Compliance Requirements (Platinum Service)</i>	<i>Responsibility of Institution</i>	<i>Responsibility of Global Financial Aid Services, Inc.</i>	<i>Explanation of Divided Responsibility</i>
V. Student eligibility			
A. High School diploma or equivalent or ability to benefit	X	X	See Footnotes
B. Regularly enrolled in eligible program	X		
C. Citizen or permanent resident		X	
D. Satisfactory progress	X	X	See Footnotes
E. Default/refund status		X	
F. Social security number match requirement		X	
G. Other requirements	X		
VI. Coordination of programs			
A. Financial aid organization	X		
B. Other information available	X		
C. Need analysis	X		
D. Professional judgment documentation		X	
VII. Administrative capability			
A. Student file maintenance	X	X	See Footnotes
B. Record retention	X	X	See Footnotes
C. Verification		X	
VIII. Disbursements			
A. Financial aid transcripts/NSLDS information	X	X	See Footnotes
B. Independent/Dependent status determination	X	X	See Footnotes
C. Timing and amount of disbursements		X	
IX. Refunds or overpayments			
A. Policy	X	X	See Footnotes
B. Refund calculations		X	
C. Overpayment calculations	X	X	See Footnotes
D. Disbursements and accounting for refunds/overpayments	X		
X. Institutional disclosure			
A. Accuracy of institutional data	X		
B. Disclosure to students	X		
XI. Pell Grant			
A. Types of expenditures allowed		X	
B. Program performance			
1. Calculation and disbursement of award		X	
2. Timing of payment, cutoff dates for receipts of SARs		X	
C. Financial reports		X	

<i>Compliance Requirements (Platinum Service)</i>	<i>Responsibility of Institution</i>	<i>Responsibility of Global Financial Aid Services, Inc.</i>	<i>Explanation of Divided Responsibility</i>
XII. Campus-based programs (general)			
A. Types of expenditure allowed			
1. Program expenditures		X	
2. Administrative cost allowance		X	
B. Program performance			
1. Accuracy of FISAP data		X	
2. System of need analysis, etc.		X	
XIII. Campus-based programs (Perkins)			
A. Type of expenditures allowed	X		
B. Matching	X		
C. Program performance			
1. Student eligibility	X		
2. Approved promissory note	X		
3. Due diligence	X		
4. Repayment records	X		
D. Special compliance requirements			
1. Minimum cash balance; cash planning	X		
2. Treatment of interest earned on Perkins loan balance	X		
XIV. Campus-based programs (FSEOG)			
A. Eligible expenditures		X	
B. Matching		X	
C. Selection of students for FSEOG awards	X	X	See Footnotes
XV. Campus-based programs (FWS)			
A. Types of expenditures and employment allowed			
1. Types of employment allowed	X	X	See Footnotes
2. Types of expenditures allowed		X	
B. Matching		X	
C. Program performance			
1. Selection of students for employment	X		
2. Approval of time sheets and payment to students	X		
D. Special compliance requirements			
1. JLD and CSJLD programs	X		
2. CSL programs (5% minimum)	X		

<i>Compliance Requirements (Platinum Service)</i>	<i>Responsibility of Institution</i>	<i>Responsibility of Global Financial Aid Services, Inc.</i>	<i>Explanation of Divided Responsibility</i>
XVI. Federal Family Education Loans (FFEL)			
A. Program performance			
1. Determination of eligibility and completion of application	X	X	See Footnotes
2. Default reduction measures	X		
3. Entrance and exit counseling	X	X	See Footnotes
4. Loan disbursement	X		
5. EFT Roster reconciliation	X		
6. Eligibility for disbursement	X		
B. Status reporting			
1. SSCR completion	X	X	See Footnotes
2. Change in enrollment status	X		
C. Special compliance requirements			
1. Refund policy		X	
2. Refunds to lenders	X		
XVII. Federal Direct Loan Program (FDLP)			
A. Program performance			
1. Determination of eligibility		X	
2. Entrance and exit counseling	X	X	See Footnotes
3. Exporting & importing electronic files to/from the LOC		X	
4. Loan disbursement		X	
5. Monthly data matching including:			
a. Loan and cash detail records		X	
b. Summary records		X	
B. FDLP status reporting			
1. SSCRs	X	X	See Footnotes
2. Change in enrollment status	X		

Footnotes:

I. Computer operations:

- A. Terminal and software security** - The Institution is responsible for the terminal and software security for Global's remote software located at the Institution. Most clients house the software on a network with user groups designed to secure the software. Global is responsible for terminal and software security of the systems located on-site at Global. Global's terminals and software are housed on a Novell network with security to prevent unauthorized access.
- B. Data integrity** - The Institution is responsible for the data entered into Global's Need Analysis, Automated Budget, and Automated Award Letter. The software has certain edits to reduce data errors. The Institution is also responsible for the accuracy of the data entered in the tables for program, term, lender, and guarantor data. Global is responsible for the electronic transmission and retrieval of the data to the Central Processing Service (CPS). During the File Review process, Global's staff compared the data from the FAFSA and ISIR to ensure that the two documents agree. Further, the tables set up at the Institution must match the tables used by Global or the files will reject during File Review. These controls provide for additional data integrity.

- C. System and data backup - The Institution is responsible for the maintenance of the local computer system and for backing up the data. Global is responsible for the maintenance of its local computer system and for backing up the data at Global.
- D. Disaster recovery plan - The Institution is responsible for a disaster recovery plan for local systems and data. Global is responsible for a disaster recovery plan for its systems and data. Global retains all data transmitted and retrieved from CPS, in the event the Institution needs the data. Global optically images the files sent by the Institution and used for review.

V. Student eligibility:

- A. High school diploma or equivalent or ability to benefit - The Institution is responsible for determining that the applicant meets the Institution's admissions requirements. Global sets policy with each client concerning the documentation required for proof of high school completion, equivalent, and/or ability to benefit. The majority of Global's clients allow the disbursement of Title IV funds and/or the certification/origination of FFEL/FDSL loans, without a copy of the high school diploma or transcript as long as the student has a signed document indicating the student is a high school graduate. Global continues to report the diploma or transcript as missing in the reporting system until a copy is received at Global. The majority of Global's clients require that a copy of the GED certificate with test scores be received at Global prior to disbursement of Title IV funds or certification/origination of FFEL/FDSL loans.

Global requires that students admitted under ability to benefit regulations send in a copy of the test and results. Global reviews the test and results to ensure the test is valid and the student passed the test.

- D. Satisfactory progress - The Institution is responsible for reviewing each student's academic progress and ensuring the standards of satisfactory progress are met. Global accepts a (Yes) or (No) flag in the computer extract transmitted by the Institution for authorization to disburse Pell Campus Based Program funds and/or to certify/originate FFEL/FDSL loans.

VII. Administrative capability:

- A. Student file maintenance - The Institution retains the original or a copy of the original file documentation sent to Global for review. Global has an automated file tracking system to maintain the location of the file once received by Global. Global optically images files for storage, retrieval, and disaster recovery.
- B. Record retention - The Institution is responsible for maintaining the copy or original file documentation sent to Global. Global retains all records used to make Title IV disbursement or loan certifications. The files are stored and optically imaged for disaster recovery and retrieval.

VIII. Disbursements:

- A. Financial aid transcripts/NSLDS information - The Institution is responsible for packaging the student and determining if the student attended any other post-secondary institutions. Global reviews the ISIR during the file review process to ensure that the NSLDS page of the ISIR clears any FAT requirements, and that no other documentation in the file creates conflicting information.

VIII. Disbursements:

- B. Independent/Dependent status determination - The Institution is responsible for ensuring that the student completed the FAFSA accurately and the information entered in the need analysis was accurate. Global compares the FAFSA and ISIR to ensure that the two match and create no conflicting information.

IX. Refunds or overpayments:

- A. Policy - The Institution is responsible for reviewing and signing off on the tables Global uses to calculate refunds. Global is responsible for creating the tables and requesting sign off by the client.
- C. Overpayment calculations - The Institution is responsible for providing Global with the data to determine if an overpayment exists. If an overpayment is discovered, then Global adjusts the disbursements for Pell/CBP funds in the system and notifies the Institution to return any required loan proceeds.

XIV. Campus-based programs (FSEOG):

- C. Selection of students for FSEOG awards - The Institution develops, at the start of each award year, a selection criteria and distribution formula for FSEOG funds. Global's remote software provides a selection report by date range and EFC for the Institution. Global reviews the FSEOG spending plan, and reviews selected FSEOG awards during the file review process to ensure the students are eligible.

XV. Campus-based programs (FWS):

- A. Types of expenditures and employment allowed -
 - 1. Types of employment allowed - The Institution is responsible for developing FWS job descriptions that meet regulations. Global reviews the job descriptions provided by the Institution to ensure the job description meets regulations.

XVI. Federal Family Education Loans (FFEL):

- A. Program performance -
 - 1. Determination of eligibility and completion of the application - The Institution is responsible for ensuring the student completes the FFEL application accurately and truthfully. Global reviews the application to ensure it is complete and accurate. Global certifies the loan application and transmits it to the lender.
 - 3. Entrance and exit counseling - The Institution is responsible for conducting the entrance and exit counseling interview with students. Global reviews the entrance counseling documentation and ensures that it is complete prior to certification of an FFEL application. Global places the required exit interview documents for each withdrawal and graduate processed on the Virtual Change in Status (VCS) website. Global notifies students via e-mail or by letter to visit the website and print and/or download the exit interview information. The Institution is also notified via e-mail of the student processed and can download the exit documentation for each student from the website.

XVI. Federal Family Education Loans (FFEL):

B. Status reporting -

1. SSCR completion - Global receives the SSCR automated file and transmits the files via modem to the Institution with a deadline date for transmission back to Global. The Institution is responsible for the accuracy of the SSCR and for transmitting the file back to Global by the deadline date. Global is responsible for submitting the electronic file to the U.S. Department of Education (the Department) once received from the Institution.

XVII. Federal Direct Loan Program (FDLP):

A. Program performance -

2. Entrance and exit counseling - The Institution is responsible for conducting the entrance and exit counseling interview with students. Global reviews the entrance counseling documentation and ensures that it is complete prior to origination of an FDLP application. Global places the required exit interview documents for each withdrawal and graduate processed on the Virtual Change in Status (VCS) website. Global notifies students via e-mail or by letter to visit the website and print and/or download the exit interview information. The Institution is also notified via e-mail of the student processed and can download the exit documentation for each student from the website.

B. FDLP status reporting -

1. SSCRs - Global receives the SSCR automated file and transmits the files via modem to the Institution with a deadline date for transmission back to Global. The Institution is responsible for the accuracy of the SSCR and for transmitting the file back to Global by the deadline date. Global is responsible for submitting the electronic file to the Department once received from the Institution.

ALMICH & ASSOCIATES

AN ACCOUNTANCY CORPORATION

• Certified Public Accounting and Business Services •

REPORT ON COMPLIANCE WITH SPECIFIED REQUIREMENTS APPLICABLE TO THE SFA PROGRAMS

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Gibbs College:

We have examined management's assertions that Gibbs College complied with the specified compliance requirements, listed on the accompanying schedule, regarding Institutional Eligibility, Reporting, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting, Student Eligibility, Disbursements, Refunds/Return of Title IV Funds, GAPS and Cash Management, Perkins Loans, and Administrative Capability listed in Section II of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, relative to participation in the Federal Student Financial Assistance Programs during the year ended December 31, 2003. Management is responsible for Gibbs College's compliance with those requirements. Our responsibility is to express an opinion on Gibbs College's compliance based on our examination.

Our examination was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and the Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, issued by the U.S. Department of Education, Office of the Inspector General, 2000 Revision, and accordingly, included examining, on a test basis, evidence about Gibbs College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Gibbs College's compliance with specified requirements.

In our opinion, Gibbs College complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2003.

This report is intended solely for the information and use of the board of directors, management, and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California
May 8, 2004

-10-

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GIBBS COLLEGE
BOSTON, MASSACHUSETTS

SCHEDULE OF MANAGEMENT'S ASSERTIONS REGARDING
SPECIFIED COMPLIANCE REQUIREMENTS ^A

1. Gibbs College complied with the Institutional Eligibility and Participation compliance requirements listed in Section II of the ED SFA Guide.
2. Gibbs College complied with the Reporting requirements, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting listed in Section II of the ED SFA Guide.
3. Gibbs College complied with the Student Eligibility compliance requirements listed in Section II of the ED SFA Guide.
4. Gibbs College complied with the Disbursements compliance requirements listed in Section II of the ED SFA Guide.
5. Gibbs College complied with the Refund/Return of Title IV Funds compliance requirements listed in Section II of the ED SFA Guide.
6. Gibbs College complied with the Grant Administration and Payment System (GAPS) and Cash Management compliance requirements listed in Section II of the ED SFA Guide.
7. Gibbs College does not participate in the Perkins Loan Program. As such, Gibbs College complied with the Federal Perkins Loan Collections, Due Diligence and NSLDS compliance requirements listed in Section II of the ED SFA Guide.
8. Gibbs College complied with the Administrative Capability compliance requirements listed in Section II of the ED SFA Guide.

^A Reference to the ED SFA Guide refers to the *Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, prepared by the U.S. Department of Education, Office of Inspector General, 2000 Revision.

GIBBS COLLEGE
BOSTON, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

POPULATION SUMMARY

Total population:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 1,832,871	\$ 7,653,498	\$ -	\$ 170,341	\$ -	\$ 192,414
Students	597	1,183	-	497	-	111

Enrolled, graduated or students on an approved leave of absence:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 1,234,724	\$ 5,858,689	\$ -	\$ 110,441	\$ -	\$ 99,290
Students	299	832	-	309	-	61
Sample -						
Dollars	\$ 48,451	\$ 290,138	\$ -	\$ 4,299	\$ -	\$ 10,327
Students	29	47	-	15	-	5

Withdrew, dropped or terminated students:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 598,147	\$ 1,794,809	\$ -	\$ 59,900	\$ -	\$ 93,124
Students	298	351	-	188	-	50
Dollars Refunded	\$ 109,614	\$ 550,299	\$ -	\$ 2,265	\$ -	\$ -
Students with Refunds	126	249	-	15	-	-
Sample -						
Dollars	\$ 32,150	\$ 123,509	\$ -	\$ 2,450	\$ -	\$ -
Students	16	22	-	9	-	-
Dollars Refunded	\$ 8,472	\$ 45,409	\$ -	\$ 350	\$ -	\$ -
Students with Refunds	10	20	-	3	-	-

Benchmark withdrawal rate calculation and sample criteria:

Total students in universe	1,237
Enrolled, graduated or students on an approved leave of absence	854
Withdrew, dropped or terminated students	383
Benchmark withdrawal rate	30.96%
Sample criteria	Approach 1
Number of students selected from enrolled, graduated or students on approved leave of absence	50
Number of students selected from withdrew, dropped or terminated students	25
Total number of students with refunds paid in universe	280
Total number of students with refunds paid in sample	22

Summary of questioned costs from noncompliance (See accompanying findings):

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Dollars	-	-	-	-	-	-
Students	-	-	-	-	-	-

GIBBS COLLEGE
BOSTON, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

DEFINITION OF MATERIAL NON-COMPLIANCE

The following thresholds, in relation to management's assertions, have been established with respect to material non-compliance. If the instances of non-compliance exceed these thresholds of materiality, the exceptions are considered material requiring appropriate further action:

	<u>Percent instances of non-compliance</u>
1. Institutional Eligibility and Participation	0%
2. Reporting	10%
3. Student Eligibility	10%
4. Disbursements	10%
5. Refund Compliance (except timeliness as to which the percentage is 5% - see Refund Timeliness discussion below)	10%
6. Cash Management	5% of federal Title IV funds
7. Perkins Collections and Due diligence	10%
8. Administrative Capability	0%

With respect to refund timeliness, all instances of non-compliance are reported in the schedules of findings and questioned costs when the refund check clearance date exceeds the required timeframe prescribed in regulation. Expanded samples are performed based on the following criteria:

- (a) If more than 5% (and more than two student refunds) of refunds are *issued and cleared* the bank after the required timeframe.
- (b) If more than 5% (and more than two student refunds) of refunds are *issued prior* to their due date but *clear* the bank more than 15 days after the required timeframe.
- (c) A combination of (a) and (b) above which yields more than 5% (and more than two student refunds) late refunds based on this definition of material non-compliance.

GIBBS COLLEGE
BOSTON, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-1

Statement of Condition

Ineligible funds were not returned for certain students.

Criteria

Ineligible disbursements credited to student accounts are to be returned to the appropriate Title IV program within 30 days of the later of the determination date or the date the funds were delivered to the student's tuition account.

Effect

Of 75 files tested, ineligible funds for 1 student was not returned. The unpaid return of ineligible funds associated with this finding is as follows:

<u>Student No.</u>	<u>Amount of Refund</u>	<u>Program Due</u>	<u>LDA</u>	<u>Date of Determination</u>	<u>Check Due Date</u>
1	\$2,142	FFELP	1/3/03	2/10/03	3/12/03

Cause

In this isolated instance, procedures to ensure timely returns of ineligible funds were not followed.

Recommendation

The Institution's control procedures for processing returns of ineligible funds should be closely followed.

Additional Information

Upon learning of this finding, the Institution paid the funds for the student and we reviewed the documentation of the return of funds.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule B.

GIBBS COLLEGE
BOSTON, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-2

Statement of Condition

The Institution did not update the National Student Loan Data System (NSLDS) in a timely manner for 1 student.

Criteria

Institutions are required to notify the National Student Loan Data System within 60 days of a student's changes in enrollment status. The institution may utilize the Student Status Confirmation Report for notification if the report will be submitted within 60 days of the status change.

Effect

In 1 of 69 FFELP files tested, NSLDS was not notified of enrollment status changes in a timely manner.

Cause

The Institution's procedures with respect to timely notification to NSLDS of borrowers' enrollment status changes were not closely followed in this isolated instance.

Recommendation

The Institution needs to follow its procedures to ensure that NSLDS is promptly notified when borrowers cease to be enrolled on less than a half-time basis.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule C.

GIBBS COLLEGE
BOSTON, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-3

Statement of Condition

For one student, a Federal Work Study (FWS) timesheet was not consistent with the disbursement records for the corresponding time period.

Criteria

Under FWS guidelines, records must include a certification, signed by the student's supervisor (an official of the school or off-campus agency), that the student has worked and has earned the amount being paid. For students paid on an hourly basis, the certification must include or be supported by a time record showing the hours worked in clock-time sequence or the total hours worked per day. FWS records must also include documentation of the date and amount of each payment of Federal Work Study wages.

Effect

Of 5 FWS files tested, a record for 1 student had an FWS disbursement that did not correspond with the amount earned for hours worked. The student's time sheet showed 59 hours worked for the pay period. The record of payment showed 58.5 hours paid. The student was paid at the hourly rate of \$9. The amount the student was underpaid was \$4.50.

Cause

In this isolated case, the Institution failed to adhere to its procedures with respect to verification of hours worked versus hours paid and amount earned for one FWS student.

Recommendation

The Institution should adhere to its procedures and not disburse FWS funds without appropriate verified documentation of hours worked and amount earned.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no questioned costs associated with this finding.

GIBBS COLLEGE
BOSTON, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-4 (Repeat Finding)

Statement of Condition

Total Federal Pell Grant authorized disbursements for the award year ended June 30, 2003 were not properly reflected in the U.S. Department of Education Grant Administration and Payment System (EDGAPS).

Criteria

The disbursement of Federal Pell awards should match the total amount of authorized awards as identified in EDGAPS and in the Common Origination and Disbursement system (COD). The authorized amounts and disbursed amounts should be accurately reflected on the Institution's EDGAPS reports, COD reports and Fiscal Operations Report.

Effect

The total 2002-03 Federal Pell Grant authorization as shown on the EDGAPS Activity Report for the award year ended June 30, 2003 was \$1,623,507. Audited Pell disbursements are \$1,663,726. Final net draws per EDGAPS are \$1,623,507. The COD Report indicates Pell disbursements of \$1,621,811. Audited disbursements exceed the authorization in the amount of \$40,219.

Cause

The Institution did not perform a final reconciliation of EDGAPS information, its cash receipts and internal records until May 2004. Upon completion of the reconciliation, the Institution reimbursed its federal fund bank account in the amount of \$40,219. Upon acceptance of the adjustment by U.S.D.E. the 2002-03 Pell Grant awards will be reconciled.

Recommendation

The Institution should monitor its procedures to ensure its Pell Grant Awards are reconciled in a timely manner.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no fields available for data entry.

GIBBS COLLEGE
BOSTON, MASSACHUSETTS

AUDITORS' COMMENTS ON RESOLUTION MATTERS
RELATING TO PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

The Institution's compliance audit for the fiscal year ended December 31, 2002, dated March 9, 2003, was performed by Almich & Associates.

The Institution received a final determination letter from the U.S. Department of Education (ACN: 09-2002-31147) dated April 22, 2004. The letter required the Institution to take the necessary actions to correct all deficiencies noted in the audit report, as well as the required actions in the attachment to the letter.

The findings noted in the independent auditors' report for the year ended December 31, 2002, and the corrective actions taken are as follows.

Finding No. 02-1 (Repeat Finding)

Of 75 files tested, 1 student's file selected for verification contained an unsigned federal tax return. The student received Federal Pell Grant funds in the amount of \$867 and Federal Subsidized Stafford Loan funds in the amount of \$849 in the 2001-2002 award year. The Institution obtained the missing signature on the tax return. The auditors reviewed the revised documents during their fieldwork and found them to be accurate. The student remained eligible for all Title IV funds received. There are no remaining questioned costs associated with this finding.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Director of Financial Aid and the Institution have entered into an agreement with a Third Party Servicer, Global Financial Aid Services, to ensure the verification process is complete prior to the disbursement to Title IV Funds. The Institution will follow its internal policies and procedures to ensure the verification process is complete prior to the disbursement to Title IV funds. We found no exceptions with respect to verification completion during our file testing for the current audit period.

Finding No. 02-2 (Repeat Finding)

Of 25 files tested for refund compliance, the Return of Title IV funds payment for 1 student was not paid within the required timeframe.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. Global Financial Aid Services, Third Party Servicer is conducting all refund calculations including Return of Title IV Funds. The Director of Financial Aid and the Controller have implemented a new quality control process in which the Title IV refunds tracking report is reviewed weekly to ensure all refunds have cleared within the required time frame of 30 days. In addition, the Institution will follow its internal procedures to ensure the appropriate information is submitted to Global in the appropriate timeframe. We found no exceptions with respect to unpaid refunds during our file testing for the current audit period.

Finding No. 02-3 (Repeat Finding)

Of 25 files tested for refund compliance, Return of Title IV funds payments for 2 students were not paid.

Action Taken

Global Financial Aid Services, Third Party Servicer is conducting all refund calculations including Return of Title IV Funds. The Director of Financial Aid and the Controller have implemented a new quality control process in which the Title IV refunds tracking time frame of 30 days. In addition, the institution will follow its internal procedures to ensure the appropriate information is submitted to Global in the appropriate timeframe. We found no exceptions with respect to refund timeliness during our file testing for the current audit period.

Finding No. 02-4 (Repeat Finding)

In 2 of 75 Federal Stafford Loan Program files tested, documentation of loan exit counseling was missing or exit counseling was not performed in a timely manner. For 1 of the students, exit counseling was not documented. For the other student, exit counseling was not performed within the 30 day required timeframe. The Institution mailed exit counseling materials to the student with missing exit counseling documentation during our fieldwork. The auditors reviewed the documents and found them to be accurate.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. Global Financial Aid Services, Third Party Servicer is responsible for sending exit packets to Federal Stafford Loan Borrowers. The Director of Financial Aid has implemented a process by which Cohort Concepts, the schools Default Management partner, is conducting Exit Seminars for graduating students. In addition, the Financial Aid office is mailing exit interviews to all graduates who do not attend these seminars. We found no exceptions with respect to timely exit counseling documentation during our file testing for the current audit period.

Finding No. 02-5 (Repeat Finding)

Of 75 FFELP files tested, 1 dependent student received a Federal Unsubsidized Stafford Loan in the amount of \$1,294 without appropriate documentation. The student was properly awarded all other aid received as a dependent student. The Institution repaid the funds to the student's lender during our fieldwork. We reviewed the documentation and found it to be accurate. There are no remaining questioned costs associated with this finding.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. Global Financial Aid Services, Third Party Servicer, and the Director of Financial Aid has implement a file checklist that will prohibit a dependent student from receiving an Unsubsidized Stafford without first acquiring a Parent Plus denial or documentation of the parents' inability to repay the parent loan. We found no exceptions with respect to parent loan documentation during our file testing for the current audit period.

Finding No. 02-6

In 1 of 75 files tested for student eligibility, 1 student received Federal Pell Grant and FSEOG funds who was not eligible due to a previously earned baccalaureate degree. The student received Federal Pell Grant funds in the amount of \$2,500 and FSEOG funds in the amounts of \$300 in the 2001-2002 award year and Federal Pell Grant funds in the amount of \$834 in the 2002-2003 award year. The total aid received was \$3,634. The Institution refunded \$3,334 to their Federal Pell Grant funds account. We reviewed the documentation and found it to be accurate. The Institution initiated repayment of Federal SEOG in the amount of \$300. A cancelled check was not available for review.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Institution will follow its procedures to ensure students are properly awarded. In addition, with the partnering of Global Financial Aid Services, there is a quality assurance review to ensure all documentation has been collected and students have been awarded the appropriate amount of funding based on their need. We found no exceptions with respect to ineligible funds during our file testing for the current audit period.

Finding No. 02-7

The total 2001-2002 Federal Pell Grant authorization as shown on the EDGAPS Activity Report for the award year ended June 30, 2002 dated March 11, 2003 was \$1,398,435. Audited Pell disbursements are \$1,317,647. Final net draws per EDGAPS are \$1,317,647. The Fiscal Operations Report indicates Pell disbursements of \$1,424,375. The final authorization exceeds EDGAPS net draws and audited disbursements in the amount of \$80,788.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. Global Financial Aid Services, has been contracted to administer the disbursement and reconciliation of Federal Pell Grants. The Institution will ensure that all appropriate documents requested by the third party servicer are submitted when requested to ensure timely reconciliation. With respect to the 2001-02 Pell awards, we found that the Institution has reconciled the account and all adjustments have been accepted by U.S.D.E. As noted in Finding No. 03-4, the Institution needs to monitor its procedures to ensure its Pell Grant awards are reconciled in a timely manner.

Finding No. 02-8 (Repeat Finding)

Substantive testing disclosed that two Federal fund drawdowns were held in the Institution's Federal fund bank account beyond the required timeframe. As of the date of fieldwork, the two draws totaling \$50,105 were still in the Federal fund bank account.

Action Taken

In its corrective action plan, the Institution stated that it concurred with the finding. The Institution will further enhance its procedures to ensure that cash needs on hand do not exceed the 3 day required U.S. Department of Education Guidelines. During our fieldwork for the current audit report, we determined that the \$50,105 was properly transferred, in June 2003, to a new federal funds bank account. The new account was established in conjunction with the Institution's contract with Global Financial Aid Services, Inc. We found no exceptions with respect to excess cash testing during our file testing for the current audit period.



DRC

UNITED STATES DEPARTMENT OF EDUCATION
STUDENT FINANCIAL ASSISTANCE
BOSTON TEAM
J.W. McCORMACK POST OFFICE AND COURTHOUSE-ROOM 706
BOSTON, MASSACHUSETTS 02109-4557

Area Case Director
(617) 223-9328

Team Leaders
Boston (617) 223-9338
Washington (202) 401-3430

September 9, 2004

John Padgett, Ed.D.
Interim President
Gibbs College
126 Newbury Street
Boston, Massachusetts 02116-2904

Certified Mail – Return Receipt Requested
7002 2030 0001 4242 9433

Program Review Report
PRCN: 200430123805

OPE ID: 007481

Dear Dr. Padgett:

During the period May 24 through May 28, 2004 Mr. Joseph T. Smith, Jr., Institutional Review Specialist, conducted a program review of the Title IV Federal student financial assistance programs administered by your institution. The findings of that review are presented in the enclosed report.

The report identifies initial findings of noncompliance in the college's administration of Title IV HEA programs, including: failure to return unearned Title IV HEA program assistance, inactive participation in the Perkins Loan program, improper use of professional judgment, enrollment reporting lapses and impaired administrative capability.

Findings of non-compliance are referenced to the applicable regulations and specify the action required to bring your institution into compliance with the statute and the regulations. Please review the report and respond directly to Mr. Smith within 30 days. Your reply should describe corrective actions taken by the institution.

I would like to express the appreciation of the Boston Case Management Team for the courtesy and cooperation extended by you and your staff during the review. If you have any questions concerning this report, please feel free to contact Mr. Smith at (617) 223-9600.

Sincerely,

Richard C. Scannell

Richard C. Scannell
Senior Institutional Review Specialist

(enclosures)

cc: Ms. Lisa Sander, Director of Financial Aid, Gibbs College

INSTITUTIONAL REVIEW DATA SHEET

Gibbs College
 126 Newbury Street
 Boston, Massachusetts 02116-2904
<http://www.kgibbsboston.com>
 617-578-7100

Program Review Control Number: 200430123805
 On-Site Program Review Dates: May 24-28, 2004
 Award Years Reviewed: 2002/2003 & 2003/2004
 Student Files Selected for Review: 30
 OPE ID Number: 00748100
 Tax Identification Number: 043218659
 Institution's DUNS: (b)(2)
 Type and Control: Proprietary
 Highest Educational Offering: Associates Degree
 Primary Accreditation: Accrediting Council for Independent Colleges and Schools
 Method of Funding: Advance Pay
 PPA Approval: Full Certification
 PPA Expiration: September 30, 2004
 Servicer (GLOBAL) DUNS: 966300873

<u>Title IV Program Funding By Program and Award Year</u>	<u>2002/2003</u>	<u>2003/2004*</u>
FFEL Subsidized Stafford Loan	\$2,348,144	\$2,438,877
FFEL Unsubsidized Stafford Loan	2,392,415	2,382,834
FFEL Parent Loan for Undergraduate Students	<u>1,952,695</u>	<u>2,519,159</u>
Federal Family Education Loan Program (FFEL) Subtotal	\$6,693,255	\$7,340,870
Federal Pell Grant Program	1,576,931	1,738,478
Federal Supplemental Educational Opportunity Grant Program	173,890	184,089
Federal Work-Study Program	135,123	138,994
Perkins Loan Program	<u>0</u>	<u>0</u>
Total	<u>\$8,579,199</u>	<u>\$9,402,431</u>

* Totals for current
award year not final

Cohort Default Rates:	<u>FFEL Program</u>	<u>Federal Perkins Loan Program</u>
	FY2001: 13.1%	As of June 30, 2003: 0.0%
	FY2000: 10.1%	As of June 30, 2002: 0.0%
	FY1999: 12.6%	As of June 30, 2001: 0.0%

Reviewing ED Official: Joseph T. Smith, Jr., Institutional Review Specialist

Institutional Officials Contacted: John Padgett, Ed.D., Interim President
 Lisa Sander, Director of Financial Aid
 Christine Murphy, Vice President of Finance
 Harry Bermas, Director of Tuition Planning
 Christina Gaza, Director of Career Services
 Amy Watson, Director of Admissions
 Janice Delling, Human Resources Manager
 Laura Pugatch, Student Employment Coordinator

Institutional Background

Initially established as Boston Katherine Gibbs School in 1917, Gibbs College is a proprietary institution of higher education in continuous operation for more than 80 years. The college is a subsidiary of Career Education Corporation. The college is accredited by the Accrediting Council for Independent Colleges and Schools and is a candidate for accreditation before the New England Association of Schools and Colleges' Commission on Technical and Career Institutions.

Gibbs College currently offers Associates Degree level instruction to approximately 1550 students in the following fields: Visual Communications, Business Administration, Office Administration, and Computer Network Operations; and Health and Human Services. It currently offers certificate level instruction in Administrative Office Technology.

Gibbs College received initial approval to participate in the Title IV, HEA programs of Federal student financial assistance in 1967. It currently participates in the Federal Family Education Loan Program, the Federal Pell Grant Program, the Federal Supplemental Educational Opportunity Grant Program, Federal Work-Study Program and the Federal Perkins Loan Program.

Scope of Review

The review focused on the institution's compliance with the laws and regulations governing the programs authorized by Title IV of the Higher Education Act (HEA) of 1965, as amended. The review consisted of –but was not limited to– an examination of the institution's Title IV, HEA policies and activities and individual student records relevant to the 2002/2003 and 2003/2004 award years.

A statistically valid sample of 291 students from the 2002/2003 award year and 290 students from the 2003/2004 award year was randomly selected for review. Fifteen students from each award year sample were randomly selected for in-depth file review. In general, the reviewer examined the academic, enrollment, financial aid and fiscal records contained in the students' files; examined other institutional records, forms, and procedures; and interviewed appropriate personnel. Appendix A lists the names and social security numbers of the students identified in the program review report.

Although the review was thorough, it should not be presumed all-inclusive. The absence of statements in this report concerning Gibbs College's specific practices and procedures must not be construed as acceptance, approval or endorsement of those specific practices and procedures. Also, this report does not relieve the institution from compliance with all of the statutory and regulatory provisions governing the Title IV programs.

While this report reflects the initial findings of the Department, they are, however, not final. The Department will issue its final findings in a subsequent Final Program Review Determination Letter

Finding 1: Late Return of Unearned Title IV, HEA Program Funds

Gibbs College did not return unearned Title IV assistance to the Federal Pell Grant Program (Pell Grant) and Federal Supplemental Educational Opportunity Grant Program (FSEOG) within the required timeframe for 77 students in the 2002/2003 award year and 76 students in the 2003/2004 award year. Unearned Title IV funds were returned between 12 and 598 days late. College officials concurred with this finding and provided additional detail (Appendices B and C). Substantially all late payments – totaling \$105,143.77 – were identified before the program review commenced but after the Department announced its intention to conduct the on-site evaluation. Failure to timely return unearned Title IV funds increases the costs of administering the programs. Two errors caused this finding.

First, downward adjustments to Pell Grant payment data were not submitted by Global Financial Aid Services (GLOBAL) to reflect post-withdrawal reductions to a student's Pell Grant. This created an overstatement in the Pell Grant funding authorization reported in the Common Origination and Disbursement system (COD) and in the Education Central Automated Processing System/Grant Administration and Payment System (EDCAPS/GAPS). Timely reporting of downward adjustments would have created unsubstantiated cash in the COD system.

Second, unearned Title IV funds were not transferred from the college's operating account to its federal cash account after *Return to Title IV* (R2T4) adjustments were posted to student accounts. Officials mistakenly believed that debits to Pell Grant and FSEOG awards entered on a student's account stimulated an automated funds transfer between the operating account and federal cash account. Federal Family Education Loan Program (FFELP) funds were returned to lenders through a separate process. College officials indicated that a former employee failed to establish this automated funds transfer process and failed to communicate the incomplete status of this project before ceasing employment. A properly established automated funds transfer process would have created an accumulation of unearned Title IV funds in the federal cash account.

Failure to return a withdrawn student's unearned Title IV, HEA program assistance to the source programs within the required timeframe caused the Department of Education to incur additional costs in its administration of the Title IV, HEA programs. Imputed interest on late returns of Title IV funds is valued at \$1313. Detailed calculations of imputed interest are provided in Appendices B and C. Repayment instructions, if necessary, will be provided in the Final Program Review Determination letter. Late reporting of Pell Grant payment data may cause former students to experience unnecessary hardship upon enrollment in another eligible institution due to an understatement in remaining Pell Grant payment eligibility.

Reference:

34 CFR §668.22(j), Student Assistance General Provisions, November 1, 1999
34 CFR §668.173, Student Assistance General Provisions, November 1, 1999
34 CFR §690.83, Federal Pell Grant Program, December 1, 1995
67 *Federal Register* 53345-53349, August 15, 2002

Requirement:

Federal regulations make clear that unearned Title IV funds must be returned within 30 days of an institution's determination that a student has withdrawn. Pell Grant payment data must be submitted no later than 30 days after disbursing or becoming aware of the need to adjust a student's Federal Pell Grant. College officials indicated that a majority of these errors were detected before and during the on-site portion of the program review. In your response to this report, comment on the actions taken to finalize the reconciliation and repayment of unearned Title IV funds and to prevent a recurrence of this finding.

Finding 2: Return of Title IV Calculations Not Made / Inaccurate

Return to Title IV (R2T4) calculations were not made for each student who withdrew during a payment period (students number 14 and 19). Instead the college chose to reduce its tuition charges and reverse all Title IV HEA program assistance. By doing this, the college improperly returned \$1134 in Title IV funds earned by the students (\$869.50 in PLUS loan funds for student number 14 who attended 3 weeks; \$265.06 in unsubsidized FFEL loan funds for student number 19 who attended 5 days). The R2T4 calculation identifies not only the amount of unearned Title IV, HEA assistance that must be returned to program sources but also the amount of assistance which a withdrawn student has earned and is entitled to receive.

In addition, inaccuracies were noted in the R2T4 calculations made for two students in the sample (number 7 and 27). GLOBAL performed all R2T4 calculations. The R2T4 calculation for student number 7 misclassifies FSEOG funds and overstates the amount of funds required to be returned. In addition, a non-Title IV credit balance on the student's account was returned to the Pell Grant program. Finally, the student received an improper \$300 FSEOG disbursement after the R2T4 calculation was made. The R2T4 calculation for student number 27 did not include a \$1000 Pell Grant award. The Pell Grant award was improperly disbursed after the R2T4 calculation was made. Failure to make accurate R2T4 calculations may deny students access to Title IV, HEA program funds that they have earned.

Reference:

34 CFR §668.22, Student Assistance General Provisions, November 1, 1999

Requirement:

The college must ensure that R2T4 calculations are accurate. Please provide a copy of written procedures which require the preparation of a R2T4 calculation for each student who withdraws before the end of a payment period and includes the justification of any post-withdrawal disbursement of Title IV, HEA funds to a withdrawn student.

Finding 3: Dormant Federal Perkins Loan Program / Promissory Notes Missing

Gibbs College is an inactive participant in the Federal Perkins Loan Program (Perkins Loan). Promissory notes for seven of nine active borrowers could not be located during the on-site review. Cash retained in the Perkins Loan bank account (\$559.82 as of April 2004) exceeds the institution's need. Retention of excess liquid capital increases program administration costs and failure to find the missing promissory notes may make the loan obligations unenforceable. During the on-site portion of the review, the institution expressed strong interest in ending its Perkins Loan participation.

Reference:

34 CFR §674.8, Federal Perkins Loan Program, December 1, 1987
34 CFR §674.50(g), Federal Perkins Loan Program, November 30, 1987
Dear Partner Letter CB-03-12, August 2003
Dear Partner Letter CB-02-05, April 2002
Dear Partner Letter CB-00-05, May 2000

Requirement:

Provide copies of original promissory notes with your response to this report. Since the college intends to end its participation in the Perkins Loan program, it should follow the assignment and liquidation procedures provided in the Dear Partner Letters referenced above. The outcome of that effort should be described in your response to this program review report. The institution may be liable for outstanding principle of any defaulted loan not accepted by the Department for assignment. In addition, the institution should ensure that its independent auditor examines and comments on the actions taken to satisfy the liquidation requirements in the next regularly scheduled audit report.

Finding 4: Professional Judgment to Establish Student Eligibility for Increased Annual Loan Limits

Professional judgment was used to justify certification of additional unsubsidized Federal Family Education Loan (FFEL) Program loans for two dependent students in the sample (student numbers 4 and 5) for loans in excess of annual loan limits. The students were not eligible for an additional unsubsidized FFEL loan because their parents were approved to borrow under the Parent Loan for Undergraduate Students (PLUS) Program. The institution reasoned that the parents would be unable to repay the PLUS loans in view of documented financial hardships, and it exercised professional judgment on that basis.

The term "professional judgment" refers to a financial aid administrator's statutory authority to make adjustments to a Need Analysis under Title IV Part F of the Higher Education Act of 1965, as amended (HEA). The pertinent statutory language at Sec. 479A(a) is clear: "... Nothing in this part shall be construed as limiting the authority of the financial aid administrator, 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." This section does not authorize a financial aid administrator to modify program requirements established in other Parts under Title IV. Title IV, Part B, Sec. 428H delineates the circumstances under which a dependent student is eligible to borrow at increased annual unsubsidized loan limits. Title IV, Part G, Sec. 484 establishes a dependent student's eligibility for such a loan.

Reference:

Sec. 428H, Part B, Title IV, HEA, as amended [20 U.S.C. 1078-8(d)]
Sec. 484, Part G, Title IV, HEA as amended [20 U.S.C. 1091(b)]
Sec. 479A, Part F, Title IV, HEA as amended [20 U.S.C. 1087tt(a)]
34 CFR §682.201(a)(3), Federal Family Education Loan Program, December 18, 1992
34 CFR §682.204(d), Federal Family Education Loan Program, June 28, 1994

Requirement:

Since the students identified in this finding are in repayment on the additional unsubsidized loans and no interest subsidy was paid on their behalf, no liability is established at this time. Please provide a copy of institutional policies to prevent a recurrence of this finding with your response to the program review report.

Finding 5: Enrollment Reporting Lapses

Enrollment status changes were reported after the required date for four students in the sample (numbers 1, 2, 8, 16) and a status change was not reported for one student (number 6). In addition, mid-year transfer students were not reported to NSLDS to monitor changes in financial aid history. An institution must report a change in student status to the guarantee agency or lender within 30 days of discovering that a borrower ceased to be enrolled at least a half-time unless it expects to submit its next student status confirmation report to the Department within the next 60 days. The college's previous NSLDS enrollment reporting schedule did not include the months of February and March in the regular reporting cycles. During the on-site review, the college modified its reporting schedule to ensure that data is transmitted at least one time per month.

Reference:

34 CFR §668.19(b)(1), Student Assistance General Provisions, November 1, 2000
34 CFR §682.610(c)(2)(i), Federal Family Education Loan Program, December 18, 1992

Requirement:

Please provide policies for participating in the NSLDS transfer student monitoring process and for reporting enrollment status changes when a student withdraws, fails to enroll in a subsequent term, or enrolls at a level below a half-time level of enrollment.

Finding 6: Impaired Administrative Capability

Finding 1 of this report represents a significant lapse of fiduciary responsibility and is suggestive of impaired administrative capability. A participating institution is subject to the highest standard of care and diligence in its administration and accounting of the Title IV, HEA program funds it receives.

Reference:

34 CFR §668.16(a), Student Assistance General Provisions, April 29, 1994

34 CFR §668.82, Student Assistance General Provisions, April 29, 1994

Requirement:

An institution must administer the Title IV, HEA programs in accordance with all applicable provisions, regulations and agreements and it is subject to the highest standard of care and diligence in administering and accounting for funds received under the programs. Comment on the actions taken to ensure that internal evaluations of automated financial aid processes are regularly conducted.

Appendix A

**Student File Samples
Gibbs College Program Review**

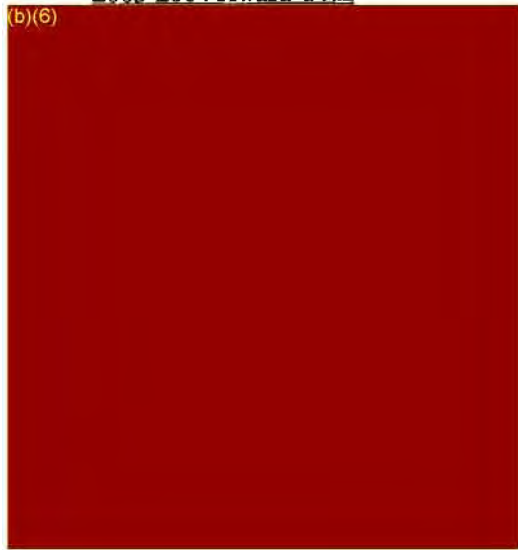
2002-2003 Award Year

- 1 (b)(6)
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15



2003-2004 Award Year

- 16 (b)(6)
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30



Appendix B

Late Returns of Unearned Title IV Funds and Imputed Interest
2002/2003 Award Year

Refund Amt.	Award Year	PELL	SEOG	Date Due	Date Paid	Date due	Days late	days in 2004	Interest in 2004	days in 2003	Interest in 2003	days in 2002	Interest in 2002	Imputed Interest
\$189.00	02-03	PELL		08/24/03	09/11/04	08/24/03	322	131	\$0.88	190	\$1.97	0	\$0.00	\$2.85
\$988.00	02-03	PELL		12/24/02	05/11/04	12/24/02	504	131	\$3.55	365	\$19.78	7	\$0.57	\$23.87
\$1,117.00	02-03	PELL		10/01/02	05/21/04	10/01/02	698	141	\$4.31	365	\$22.34	81	\$8.35	\$35.01
\$112.00	02-03	PELL		08/24/03	05/11/04	08/24/03	322	131	\$0.40	190	\$1.17	0	\$0.00	\$1.57
\$1,334.00	02-03	PELL		05/01/03	05/17/04	05/01/03	382	137	\$5.01	244	\$17.84	0	\$0.00	\$22.84
\$922.00	02-03	PELL		11/08/02	05/11/04	11/08/02	650	131	\$3.31	365	\$18.44	53	\$4.02	\$25.77
\$295.00	02-03	PELL		12/24/02	05/11/04	12/24/02	504	131	\$1.06	365	\$5.90	7	\$0.17	\$7.13
\$729.00	02-03	PELL		08/03/03	05/11/04	08/03/03	343	131	\$2.82	211	\$6.43	0	\$0.00	\$11.04
\$489.00	02-03	PELL		12/13/02	05/11/04	12/13/02	515	131	\$1.78	365	\$9.78	18	\$0.72	\$12.26
\$19.00	02-03	PELL		03/28/03	05/11/04	03/28/03	412	131	\$0.07	280	\$0.28	0	\$0.00	\$0.38
\$210.00	02-03	PELL		03/25/03	05/11/04	03/25/03	413	131	\$0.75	281	\$3.23	0	\$0.00	\$3.99
\$884.00	02-03	PELL		10/02/02	05/11/04	10/02/02	587	131	\$3.48	365	\$19.28	90	\$7.13	\$29.87
\$707.00	02-03	PELL		01/07/03	05/11/04	01/07/03	490	131	\$2.54	358	\$13.87	0	\$0.00	\$18.41
\$100.00	02-03	PELL	SEOG	12/27/02	05/17/04	12/27/02	507	137	\$0.38	365	\$2.00	4	\$0.03	\$2.41
\$221.00	02-03	PELL		02/20/03	05/17/04	02/20/03	452	137	\$0.83	314	\$3.80	0	\$0.00	\$4.63
\$29.00	02-03	PELL		02/07/04	05/11/04	02/07/04	84	131	\$0.10	0	\$0.00	0	\$0.00	\$0.10
\$329.00	02-03	PELL		05/13/03	05/17/04	05/13/03	370	137	\$1.23	232	\$4.18	0	\$0.00	\$5.42
\$1,050.00	02-03	PELL		11/18/02	05/17/04	11/18/02	548	137	\$3.94	365	\$21.00	43	\$3.71	\$28.65
\$112.00	02-03	PELL		06/24/03	05/11/04	06/24/03	322	131	\$0.40	190	\$1.17	0	\$0.00	\$1.57
\$356.00	02-03	PELL		03/17/03	05/11/04	03/17/03	421	131	\$1.28	288	\$5.64	0	\$0.00	\$6.82
\$782.00	02-03	PELL		03/03/03	05/11/04	03/03/03	435	131	\$2.81	303	\$12.98	0	\$0.00	\$15.79
\$1,333.00	02-03	PELL		04/29/03	05/17/04	04/29/03	384	137	\$5.00	248	\$17.87	0	\$0.00	\$22.87
\$100.00	02-03	PELL	SEOG	04/29/03	05/17/04	04/29/03	384	137	\$0.58	248	\$1.35	0	\$0.00	\$1.72
\$950.00	02-03	PELL		05/02/03	05/17/04	05/02/03	381	137	\$3.57	243	\$12.65	0	\$0.00	\$18.22
\$502.00	02-03	PELL		12/10/02	05/11/04	12/10/02	518	131	\$1.80	366	\$10.04	21	\$0.87	\$12.71
\$821.00	02-03	PELL		03/05/03	05/11/04	03/05/03	433	131	\$2.95	301	\$13.54	0	\$0.00	\$16.49
\$378.00	02-03	PELL		05/12/03	05/11/04	05/12/03	395	131	\$1.35	233	\$4.78	0	\$0.00	\$6.13
\$948.00	02-03	PELL		08/24/03	05/11/04	08/24/03	322	131	\$3.40	190	\$9.87	0	\$0.00	\$13.27
\$912.00	02-03	PELL		01/07/03	05/11/04	01/07/03	490	131	\$2.20	358	\$12.01	0	\$0.00	\$14.20
\$489.00	02-03	PELL		02/23/03	05/11/04	02/23/03	440	131	\$1.67	308	\$7.88	0	\$0.00	\$9.54
\$687.00	02-03	PELL		01/14/04	05/17/04	01/14/04	124	137	\$2.50	0	\$0.00	0	\$0.00	\$2.50
\$300.00	02-03	PELL	SEOG	01/14/04	05/17/04	01/14/04	124	137	\$1.13	0	\$0.00	0	\$0.00	\$1.13
\$527.00	02-03	PELL		05/28/03	05/11/04	05/28/03	349	131	\$1.89	217	\$6.27	0	\$0.00	\$8.16
\$134.00	02-03	PELL		07/10/03	05/11/04	07/10/03	306	131	\$0.48	174	\$1.28	0	\$0.00	\$1.76
\$530.00	02-03	PELL		11/25/02	05/11/04	11/25/02	533	131	\$1.90	365	\$10.80	36	\$1.57	\$14.07
\$1,334.00	02-03	PELL		12/28/02	05/11/04	12/28/02	502	131	\$4.79	365	\$26.68	6	\$0.55	\$32.02
\$641.00	02-03	PELL		01/03/03	05/17/04	01/03/03	500	137	\$2.41	382	\$12.71	0	\$0.00	\$15.12
\$883.00	02-03	PELL		03/13/03	05/11/04	03/13/03	425	131	\$3.17	293	\$14.18	0	\$0.00	\$17.35
\$759.00	02-03	PELL		11/05/02	05/11/04	11/05/02	553	131	\$2.72	366	\$15.18	56	\$3.49	\$21.40
\$225.00	02-03	PELL		08/18/03	05/17/04	08/18/03	334	137	\$0.84	196	\$2.42	0	\$0.00	\$3.26
\$912.00	02-03	PELL		10/02/02	05/11/04	10/02/02	587	131	\$3.27	365	\$18.24	90	\$6.75	\$28.26
\$741.00	02-03	PELL		12/11/02	05/11/04	12/11/02	517	131	\$2.86	365	\$14.82	20	\$1.22	\$18.70
\$863.00	02-03	PELL		04/04/03	05/11/04	04/04/03	403	131	\$3.10	271	\$12.81	0	\$0.00	\$15.91
\$838.00	02-03	PELL		03/28/03	05/17/04	03/28/03	418	137	\$2.39	290	\$9.79	0	\$0.00	\$12.18
\$1,250.00	02-03	PELL		12/28/02	05/11/04	12/28/02	502	131	\$4.49	365	\$25.00	5	\$0.51	\$30.00
\$1,072.00	02-03	PELL		02/19/03	05/11/04	02/19/03	447	131	\$3.85	315	\$18.50	0	\$0.00	\$22.35
\$1,333.00	02-03	PELL		11/08/02	05/11/04	11/08/02	550	131	\$4.78	365	\$26.68	53	\$5.81	\$37.25
\$225.00	02-03	PELL	SEOG	11/08/02	05/11/04	11/08/02	550	131	\$0.81	365	\$4.50	53	\$0.98	\$6.29
\$1,194.00	02-03	PELL		03/25/03	05/11/04	03/25/03	413	131	\$4.29	281	\$18.38	0	\$0.00	\$22.87
\$22.00	02-03	PELL		12/02/02	05/11/04	12/02/02	528	131	\$0.08	365	\$0.44	29	\$0.03	\$0.37
\$928.00	02-03	PELL		11/23/02	05/11/04	11/23/02	633	137	\$3.33	365	\$18.56	36	\$2.73	\$24.84
\$789.00	02-03	PELL		01/07/03	05/11/04	01/07/03	490	131	\$2.83	358	\$15.48	0	\$0.00	\$18.31
\$736.00	02-03	PELL		03/05/03	05/11/04	03/05/03	433	131	\$2.84	301	\$12.14	0	\$0.00	\$14.78
\$300.00	02-03	PELL		04/04/03	05/17/04	04/04/03	408	137	\$1.13	271	\$4.45	0	\$0.00	\$5.58
\$300.00	02-03	PELL	SEOG	03/02/04	05/17/04	03/02/04	78	137	\$1.13	0	\$0.00	0	\$0.00	\$1.13
\$1,059.00	02-03	PELL		08/17/03	05/11/04	08/17/03	329	131	\$3.79	197	\$11.40	0	\$0.00	\$15.19
\$1,000.00	02-03	PELL		05/15/03	05/17/04	05/15/03	368	137	\$3.75	230	\$12.80	0	\$0.00	\$16.38
\$300.00	02-03	PELL	SEOG	05/15/03	05/17/04	05/15/03	368	137	\$1.13	230	\$3.78	0	\$0.00	\$4.91
\$205.00	02-03	PELL		03/06/03	05/11/04	03/06/03	432	131	\$0.74	300	\$3.37	0	\$0.00	\$4.11
\$119.00	02-03	PELL		08/30/03	05/17/04	08/30/03	322	137	\$0.45	184	\$1.20	0	\$0.00	\$1.65
\$302.00	02-03	PELL		03/06/03	05/11/04	03/06/03	432	131	\$1.08	300	\$4.98	0	\$0.00	\$6.05
\$754.00	02-03	PELL		02/28/03	05/11/04	02/28/03	440	131	\$2.71	308	\$12.73	0	\$0.00	\$15.43
\$210.37	02-03	PELL	SEOG	02/19/03	05/17/04	02/19/03	453	137	\$0.79	315	\$3.63	0	\$0.00	\$4.42
\$667.00	02-03	PELL		10/10/03	05/17/04	10/10/03	220	137	\$2.50	82	\$3.00	0	\$0.00	\$5.60
\$882.00	02-03	PELL		12/28/02	05/11/04	12/28/02	502	131	\$2.45	365	\$13.64	5	\$0.28	\$18.37
\$225.00	02-03	PELL		08/18/03	05/17/04	08/18/03	334	137	\$0.84	196	\$2.42	0	\$0.00	\$3.26
\$250.00	02-03	PELL		11/25/02	05/11/04	11/25/02	533	131	\$0.80	365	\$5.00	36	\$0.74	\$6.64
\$120.00	02-03	PELL		05/17/03	05/11/04	05/17/03	329	131	\$0.43	197	\$1.30	0	\$0.00	\$1.73

Appendix B

Late Returns of Unearned Title IV Funds and Imputed Interest
2002/2003 Award Year

Refund Amt.	Award Year	PELL	SEOG	Days Due	Date Paid	Date Due	Days Late	days in 2004	Interest in 2004	days in 2003	Interest in 2003	days in 2002	Interest in 2002	Imputed Interest
1828.00	02-03	PELL		12/11/02	05/11/04	05/11/02	517	131	\$3.33	305	\$18.50	20	\$1.83	\$23.47
8935.00	02-03	PELL		01/09/03	05/11/04	01/09/03	488	131	\$3.36	356	\$18.24	0	\$0.00	\$21.59
8630.00	02-03	PELL		03/11/03	05/11/04	03/11/03	407	131	\$2.26	275	\$9.48	0	\$0.00	\$11.75
8486.00	02-03	PELL		02/11/03	05/11/04	02/11/03	451	131	\$2.50	313	\$11.42	0	\$0.00	\$13.92
\$1,000.00	02-03	PELL		10/02/02	05/11/04	10/02/02	587	131	\$3.60	305	\$20.06	90	\$7.42	\$31.08
\$1,333.00	02-03	PELL		06/03/03	05/11/04	06/03/03	342	131	\$4.78	211	\$15.41	0	\$0.00	\$20.20
\$358.00	02-03	PELL		05/02/03	05/11/04	05/02/03	381	131	\$1.34	243	\$4.77	0	\$0.00	\$6.11
\$778.00	02-03	PELL		10/12/02	05/11/04	10/12/02	577	131	\$1.00	565	\$5.56	80	\$1.83	\$8.39
\$1,184.00	02-03	PELL		03/08/03	05/11/04	03/08/03	432	131	\$4.29	300	\$19.83	0	\$0.00	\$23.91
\$30.00	02-03	PELL		01/08/04	05/11/04	01/08/04	126	131	\$0.11	0	\$0.00	0	\$0.00	\$0.11
\$254.00	02-03	PELL		12/04/02	05/11/04	12/04/02	502	131	\$0.81	365	\$5.09	5	\$0.10	\$6.10
\$137.00	02-03	PELL		06/18/03	05/11/04	06/18/03	354	131	\$0.81	180	\$1.41	0	\$0.00	\$1.99
\$108.00	02-03	PELL		01/26/03	05/11/04	01/26/03	412	131	\$0.38	280	\$1.61	0	\$0.00	\$1.99
\$581.00	02-03	PELL		12/02/02	05/11/04	12/02/02	526	131	\$2.01	355	\$11.22	28	\$1.34	\$14.57
\$175.00	02-03	PELL		03/05/03	05/11/04	03/05/03	433	131	\$0.83	301	\$2.99	0	\$0.00	\$3.51



Appendix C

Late Returns of Unearned Title IV Funds and Imputed Interest
2003/2004 Award Year

Refund Amt.	Award Year	PELL	SEOG	Date Due	Date Paid	Date due	Days Late	days in 2004	Interest in 2004	days in 2003	Interest in 2003	Imputed Interest
\$200.00	03-04	PELL		Jul-03	05/17/04	07/30/03	292	292	\$1.60	154	\$1.89	\$3.29
\$675.00	03-04	PELL		Aug-03	05/17/04	08/14/03	277	137	\$2.63	139	\$5.14	\$7.87
\$1,350.00	03-04	PELL		Aug-03	05/12/04	08/28/03	258	132	\$4.88	125	\$9.25	\$14.13
\$37.00	03-04		SEOG	Aug-03	05/12/04	08/28/03	258	132	\$0.13	125	\$0.39	\$0.52
\$37.00	03-04		SEOG	Aug-03	05/17/04	08/28/03	263	263	\$0.27	125	\$0.25	\$0.52
\$423.00	03-04	PELL		Sep-03	05/12/04	09/05/03	250	132	\$1.53	117	\$2.71	\$4.24
\$870.00	03-04	PELL		Sep-03	05/12/04	09/05/03	250	250	\$4.59	117	\$4.30	\$8.88
\$998.00	03-04	PELL		Sep-03	05/12/04	09/05/03	250	132	\$3.61	117	\$8.40	\$10.01
\$170.00	03-04	PELL		Sep-03	05/12/04	09/05/03	250	250	\$0.23	117	\$0.22	\$0.45
\$657.00	03-04	PELL		Sep-03	05/12/04	09/05/03	247	132	\$0.61	114	\$1.06	\$1.68
\$172.00	03-04	PELL		Sep-03	05/12/04	09/08/03	247	132	\$0.12	114	\$0.21	\$0.34
\$467.00	03-04	PELL		Sep-03	05/12/04	09/08/03	237	132	\$4.27	104	\$3.74	\$8.01
\$138.00	03-04	PELL		Sep-03	05/12/04	09/18/03	237	237	\$0.90	104	\$0.79	\$1.68
\$467.00	03-04	PELL		Oct-03	05/12/04	10/08/03	217	132	\$2.79	84	\$3.55	\$6.35
\$34.00	03-04	PELL		Oct-03	05/12/04	10/15/03	210	132	\$0.12	77	\$0.14	\$0.27
\$155.00	03-04	PELL		Oct-03	05/12/04	10/15/03	210	132	\$0.56	77	\$0.65	\$1.21
\$449.00	03-04	PELL		Oct-03	05/12/04	10/15/03	210	210	\$2.58	77	\$1.89	\$4.48
\$875.00	03-04	PELL		Oct-03	05/17/04	10/22/03	208	137	\$2.53	70	\$2.59	\$5.12
\$1,300.00	03-04	PELL		Nov-03	05/17/04	11/04/03	185	195	\$6.95	57	\$4.08	\$11.01
\$100.00	03-04		SEOG	Nov-03	05/17/04	11/04/03	195	195	\$0.53	57	\$0.31	\$0.85
\$1,108.00	03-04	PELL		Nov-03	05/12/04	11/07/03	187	187	\$5.74	56	\$3.40	\$9.14
\$689.00	03-04	PELL		Nov-03	05/12/04	11/07/03	187	187	\$3.43	54	\$1.98	\$5.41
\$1,350.00	03-04	PELL		Nov-03	05/12/04	11/07/03	187	187	\$6.92	54	\$3.99	\$10.91
\$128.40	03-04		SEOG	Nov-03	05/12/04	11/07/03	187	187	\$0.66	54	\$0.38	\$1.04
\$603.00	03-04	PELL		Nov-03	05/12/04	11/07/03	187	132	\$2.18	54	\$1.78	\$3.86
\$1,350.00	03-04	PELL		Nov-03	05/17/04	11/13/03	186	186	\$6.88	48	\$3.55	\$10.43
\$1,013.00	03-04	PELL		Nov-03	05/17/04	11/13/03	186	137	\$1.13	48	\$0.79	\$1.92
\$150.00	03-04	PELL		Nov-03	05/17/04	11/13/03	186	186	\$3.80	48	\$2.68	\$6.47
\$675.00	03-04	PELL		Nov-03	05/12/04	11/15/03	179	132	\$0.54	46	\$0.38	\$0.92
\$337.00	2003-04	PELL		Nov-03	05/12/04	11/17/03	177	132	\$2.44	44	\$1.63	\$4.07
\$273.00	03-04	PELL		Nov-03	05/17/04	11/17/03	182	182	\$1.68	44	\$0.81	\$2.49
\$532.00	03-04	PELL		Nov-03	05/12/04	11/26/03	175	132	\$0.99	42	\$0.63	\$1.82
\$900.00	03-04	PELL		Dec-03	05/12/04	12/03/03	161	132	\$1.92	35	\$1.02	\$2.94
\$98.00	03-04	PELL		Dec-03	05/12/04	12/03/03	161	132	\$3.25	28	\$4.64	\$4.64
\$566.00	03-04	PELL		Dec-03	05/12/04	12/03/03	161	132	\$0.42	28	\$0.15	\$0.57
\$205.00	03-04	PELL		Dec-03	05/12/04	12/03/03	161	132	\$2.05	28	\$0.87	\$2.92
\$330.00	03-04	PELL		Dec-03	05/12/04	12/03/03	161	161	\$0.90	28	\$0.31	\$1.22
\$238.00	03-04	PELL		Dec-03	05/12/04	12/09/03	155	132	\$0.80	22	\$0.51	\$1.96
\$600.00	03-04	PELL		Dec-03	05/12/04	12/10/03	154	154	\$1.00	21	\$0.27	\$1.27
\$675.00	03-04	PELL		Dec-03	05/17/04	12/18/03	153	137	\$2.25	15	\$0.49	\$2.75
\$300.00	03-04	PELL		Dec-03	05/17/04	12/30/03	139	137	\$2.53	14	\$0.46	\$2.63
\$1,350.00	03-04	PELL		Dec-03	05/17/04	12/30/03	139	139	\$1.14	1	\$0.04	\$2.57
\$300.00	03-04		SEOG	Dec-03	05/17/04	12/30/03	139	139	\$5.14	1	\$0.07	\$1.18
\$840.00	03-04	PELL		Jan-04	05/12/04	01/08/04	127	127	\$1.13	1	\$0.02	\$5.22
\$1,300.00	03-04	PELL		Jan-04	05/17/04	01/30/04	108	137	\$1.13	1	\$0.02	\$1.14
\$1,350.00	03-04	PELL		Feb-04	05/17/04	02/04/04	103	103	\$4.88	0	\$0.00	\$4.88
\$1,350.00	03-04	PELL		Feb-04	05/17/04	02/11/04	96	137	\$5.07	0	\$0.00	\$3.81
\$300.00	03-04	PELL		Feb-04	05/17/04	02/11/04	96	96	\$0.79	0	\$0.00	\$5.07
\$1,350.00	03-04	PELL		Feb-04	05/17/04	02/11/04	96	137	\$0.79	0	\$0.00	\$0.79
\$200.00	03-04	PELL		Feb-04	05/17/04	02/19/04	88	88	\$0.48	0	\$0.00	\$0.48
\$875.00	03-04	PELL		Feb-04	05/17/04	02/19/04	88	88	\$1.83	0	\$0.00	\$1.63

(b)(6)

Appendix C

Late Returns of Unearned Title IV Funds and Imputed Interest
2003/2004 Award Year

(b)(6)

Refund Amt.	Award Year	PELL	SEOG	Date Due	Date Paid	Date due	Days Late	days in 2004	Interest in 2004	days in 2003	Interest in 2003	Imputed Interest
\$217.00	03-04	PELL		Feb-04	05/17/04	02/20/04	87	87	\$0.52	0	\$0.00	\$0.52
\$667.00	03-04	PELL		Feb-04	05/12/04	02/26/04	76	76	\$1.37	0	\$0.00	\$1.37
\$1,136.00	03-04	PELL		Feb-04	05/12/04	02/28/04	74	132	\$4.12	0	\$0.00	\$4.12
\$678.00	03-04	PELL		Mar-04	05/12/04	03/04/04	69	132	\$2.48	0	\$0.00	\$2.48
\$624.00	03-04	PELL		Mar-04	05/12/04	03/05/04	68	132	\$2.26	0	\$0.00	\$2.26
\$675.00	03-04	PELL		Mar-04	05/17/04	03/11/04	67	87	\$1.24	0	\$0.00	\$1.24
\$767.00	03-04	PELL		Mar-04	05/17/04	03/11/04	67	87	\$1.41	0	\$0.00	\$1.41
\$279.00	03-04	PELL		Mar-04	05/12/04	03/24/04	49	49	\$0.37	0	\$0.00	\$0.37
\$714.00	03-04	PELL		Mar-04	05/12/04	03/26/04	47	132	\$2.58	0	\$0.00	\$2.58
\$216.00	03-04	PELL		Mar-04	05/12/04	03/26/04	47	132	\$0.78	0	\$0.00	\$0.78
\$170.00	03-04	PELL		Mar-04	05/12/04	03/28/04	47	132	\$0.22	0	\$0.00	\$0.22
\$1,093.00	03-04	PELL		Mar-04	05/12/04	03/28/04	47	132	\$3.95	0	\$0.00	\$3.95
\$34.00	03-04	PELL		Apr-04	05/12/04	04/07/04	35	132	\$0.12	0	\$0.00	\$0.12
\$978.00	03-04	PELL		Apr-04	05/12/04	04/07/04	35	35	\$0.94	0	\$0.00	\$0.94
\$337.00	03-04	PELL		Apr-04	05/17/04	04/07/04	40	40	\$0.37	0	\$0.00	\$0.37
\$1,350.00	03-04	PELL		Apr-04	05/17/04	04/14/04	33	33	\$1.22	0	\$0.00	\$1.22
\$925.00	03-04	PELL		Apr-04	05/12/04	04/23/04	19	19	\$0.48	0	\$0.00	\$0.48
\$1,012.00	03-04	PELL		Apr-04	05/17/04	04/23/04	24	137	\$3.80	0	\$0.00	\$3.80
\$1,200.00	03-04	PELL		Apr-04	05/17/04	04/26/04	21	137	\$4.50	0	\$0.00	\$4.50
\$1,350.00	03-04	PELL		Apr-04	05/17/04	04/27/04	20	137	\$5.07	0	\$0.00	\$5.07
\$338.00	03-04	PELL		Apr-04	05/17/04	04/28/04	19	137	\$1.27	0	\$0.00	\$1.27
\$1,350.00	03-04	PELL		May-04	05/17/04	05/03/04	14	137	\$5.07	0	\$0.00	\$5.07
\$734.00	03-04	PELL		May-04	05/17/04	05/04/04	13	137	\$2.76	0	\$0.00	\$2.76
\$1,350.00	03-04	PELL		May-04	05/17/04	05/04/04	13	13	\$0.48	0	\$0.00	\$0.48
\$675.00	03-04	PELL		May-04	05/17/04	05/04/04	13	137	\$2.53	0	\$0.00	\$2.53
\$1,350.00	03-04	PELL		May-04	05/17/04	05/04/04	13	137	\$5.07	0	\$0.00	\$5.07
\$1,350.00	03-04	PELL		May-04	05/17/04	05/04/04	13	13	\$0.48	0	\$0.00	\$0.48
\$300.00	03-04	PELL	SEOG	May-04	05/17/04	05/04/04	13	137	\$5.07	0	\$0.00	\$5.07
\$1,350.00	03-04	PELL		May-04	05/17/04	05/04/04	13	137	\$1.13	0	\$0.00	\$1.13
\$1,350.00	03-04	PELL		May-04	05/17/04	05/05/04	12	12	\$0.44	0	\$0.00	\$0.44
\$1,350.00	03-04	PELL		May-04	05/17/04	05/05/04	12	137	\$5.07	0	\$0.00	\$5.07



UNITED STATES DEPARTMENT OF EDUCATION

REGION II
75 PARK PLACE
NEW YORK, NEW YORK 10007

OFFICE OF STUDENT FINANCIAL ASSISTANCE PROGRAMS

DEC 05 2003

Norman W. Rankis
Chancellor
Gibbs College
33 Plymouth Street
Montclair, NJ 07042-2699

Certified Mail
Return Receipt Requested

REF: PRCN 200340222195

Dear Mr. Rankis:

On September 15 – 17, 2003, Institutional Review Specialists Nancy Rosario-Velez and Fanny Kong conducted a program review of the Title IV, Federal Student Financial Assistance (FSA) programs administered at Gibbs College. The findings of that review are presented in the enclosed report.

This report contains findings regarding your institution's administration of the Title IV FSA programs. Following are some of the reports findings of non-compliance: (1) Incomplete Verification, (2) Ineligible Title IV Disbursements, and (3) Unmade Title IV Refunds.

Findings of non-compliance are referenced to the applicable statutes and regulations and specify the action required to comply with these statutes and regulations. Regulations are cited throughout the report in the format "34 CFR..." Please review the report, and respond to each finding, indicating the corrective actions taken by the institution. Your response should be sent directly to this office, to the attention of Ms. Rosario-Velez within 30 days of your receipt of the report, unless otherwise noted.

I would like to express my appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please call Ms. Rosario-Velez at (212) 637-6415.

Sincerely,

Robert J. McKiernan, Area Case Director
Case Management Division - NE
New York Team

Enclosure

**OUR MISSION IS TO ENSURE EQUAL ACCESS TO EDUCATION
AND TO PROMOTE EDUCATIONAL EXCELLENCE THROUGHOUT THE NATION**

bcc: Reading file, Correspondence file, Nancy Rosario-Velez, DRCC

PROGRAM REVIEW REPORT

INSTITUTION: Gibbs College
33 Plymouth Street
Montclair, NJ 07042-2699
(973) 744-2298

PRCN: 200340222195
TIN: 223275485

OPEID: 00750700
DUNS: (b)(2)

DATES OF REVIEW:

September 15, 2003 – September 17, 2003

AWARD YEARS REVIEWED: 2001/02 2002/03
STUDENT SAMPLE SIZE: 15 15

TYPE AND CONTROL: Proprietary

ACCREDITATION:

Accrediting Council for Independent Colleges and Schools

SFA PROGRAM PARTICIPATION:

Title IV Program	2001/02	2002/03
Federal Pell Grant	\$3,809,500	\$4,808,632
Federal SEOG	98,173	405,932
FFEL	10,896,553	15,479,627

Source: Institutional Information Questionnaire

DEFAULT RATES:

2001- 15% 2000 – 11.4% 1999 – 16.9%

Source: PEPS

REVIEWING DEPARTMENT OFFICIALS:

Nancy Rosario-Velez, Institutional Review Specialist
Fanny Kong, Institutional Review Specialist

INSTITUTIONAL OFFICIALS CONTACTED:

Norman Rankis, Chancellor

Tony Cipolla, Vice-President of Finance

Jeanie Winstrom, Director of Student Financial Services

Mary Hannon, Director of Student Management/Admissions

Pat Meredith, Vice-President of Operations, Acting Director of Career Services

Terry Nigham, President, Montclair – Piscataway

Cheryl Johnson, Assistant to Chancellor

Louis Leva, Assistant Academic Dean

Richard Hamilton, Provost

David McGuffee, Global Financial Aid Services, Inc.

Candy Walker, Gibbs Division

Ian White, Registrar

Sheila Turner, Student Counselor

INTRODUCTION

Background

Gibbs College is a proprietary institution located in Montclair, New Jersey with an additional location in Piscataway, NJ. Gibbs College was originally founded in 1911 as the Katharine Gibbs School. Katharine Gibbs, the founder, opened the first Katharine Gibbs School in Providence, Rhode Island. Gibbs College is currently owned by Career Education Corporation. The college is accredited by the Accrediting Council for Independent Colleges and Schools and offers various certificate and Associate degree programs.

Gibbs College currently participates in the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (SEOG), and the Federal Family Education Loan (FFEL) programs. Gibbs College's current enrollment is 2200 students. Approximately 85% of the students receive Title IV assistance.

SCOPE OF REVIEW:

The New York Team of the Northeast Case Management Division conducted a program review at Gibbs College on September 15 – 17, 2003. The purpose of the review was to examine Gibbs College's compliance with the statutes and Federal regulations as they pertain to Gibbs College's administration of the Title IV programs, more specifically, the college's policies and procedures for verifying data reported on student's financial aid applications, and for confirming student eligibility. The review consisted of, but was not limited to, an examination of the school's policies and procedures regarding institutional and student eligibility, individual financial aid and academic files, attendance records, and student account ledgers.

A statistically valid sample was identified for review from a universe of Title IV recipients who were selected for verification from the 2001/2002 and 2002/2003 award years. From this sample, a sub-sample of 30 student files was selected for review. The sub-sample was selected randomly from a statistical sample valid to a 95% confidence level with a plus or minus five percent confidence interval. Each aid recipient is defined as an individual unit in the respective population and each recipient in the sample was counted only once. Although the student files were reviewed in detail, including academic, admissions, and financial aid records; reviewers focused primarily on student eligibility and verification policies and procedures. Appendix A (attached) lists the names and social security numbers of the students whose files were examined during the review, as well as the applicable award years. Students are referenced throughout the report by the numbers noted in Appendix A.

During the visit, the reviewers noted areas of non-compliance. Findings of non-compliance are referenced to the applicable laws, regulations, and policies. The findings specify the actions the institution must take to bring operations of the financial aid programs into compliance with the regulations and statutes that govern the Title IV programs.

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

FINDINGS

1. Incomplete Verification

Finding: Gibbs College failed to complete verification for Student no. 22 who was selected for verification.

Student no. 22's 2002/2003 Institutional Student Information Report (ISIR) was selected for verification. Gibbs College attempted to complete verification by having the student fill out a verification worksheet. However, on the verification worksheet the student failed to verify the amount of untaxed income received in 2001.

The student's file contained a copy of a letter from the Social Security Administration (SSA) dated November 27, 2000, that identified the amount of benefits the student was scheduled to receive on a monthly basis beginning January 2001. The amount of untaxed income reported on the ISIR matched the amount identified in the November 27, 2000 letter. However, when the student completed the verification worksheet on December 30, 2002, the student failed to report the amount and source of untaxed income received in 2001. This office cannot assume that the benefits amount reported on the SSA's November 27, 2000 letter, had remained the same throughout 2001. In addition, the student may also have received untaxed income from other sources.

Failure to complete verification may result in the improper use of Title IV, HEA funds and deprive eligible, needy students of Title IV assistance.

References: 34 CFR 668.54 and 668.55 General Provisions 12/2/91
amended 4/28/94, 11/29/94, and 7/29/98
34 CFR 668.56 through 668.59 General Provisions 12/2/91
amended 8/27/92, 4/28/94, 11/29/94, and 7/29/98
The Verification Guide 2002/2003

Requirement: An institution is responsible for verifying the information that is used to calculate an applicant's expected family contribution (EFC) as part of the determination of need for student financial assistance. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. The regulations also require an institution to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV programs.

In response to this finding, Gibbs College must attempt to complete verification for Student no. 22. Specifically, Gibbs College must obtain a certification from Student no. 22 attesting to the amount and source of untaxed income received in 2001. Gibbs College may use the same verification worksheet used previously, however, any new information reported on the verification worksheet must be initialed and dated by the student.

If Gibbs College cannot complete the verification process for this student, the institution is liable for all Title IV funds disbursed to Student no. 22.

Copies of all relevant documentation collected to complete the verification process for Student no. 22 must be forwarded to this office.

2. Ineligible Title IV Disbursements

A. Ineligible Pell Disbursement

Finding: Gibbs College made an ineligible Federal Pell Grant disbursement to Student no. 30.

Student no. 30 withdrew from the institution on 8/30/02. Prior to the student's withdrawal, Gibbs College credited the student's account with an initial Federal Pell Grant disbursement of \$650.00 on 8/23/02. That disbursement was for the first payment period, which covered the student's first academic term for the period 7/15/02 – 9/27/02. The student only attended that one term and did not return for the subsequent term that began on 10/7/02. Although the student was not in attendance the second term, Gibbs College made a second Federal Pell Grant disbursement totaling \$650.00 on 10/8/02. According to the student's ledger, Gibbs College refunded the \$650.00 back to the Federal Pell Grant program however, the funds were not returned until 11/9/02.

B. Ineligible FFEL Disbursements

Finding: Gibbs College made improper FFEL disbursements to Students nos. 26, 29, and 30.

Student no. 30 withdrew from the institution on 8/30/02. On 1/31/03, five months after the student withdrew, Gibbs College credited the student's account with \$848.75 in Federal Subsidized Stafford loan funds and \$1,293.98 in Federal Unsubsidized Stafford loan funds. The student was not entitled to a late disbursement since on the date the disbursement was made, the student had already been ineligible for Title IV funds for a period greater than 90 days. Federal regulations allow an institution to make a late disbursement provided that it is made no later than 90 days after the date that the student became ineligible.

Student no. 26 requested and received a leave of absence (LOA) for the Summer 2002 term covering the period 7/15/02 – 9/27/02. On 7/30/02, even though the student was on an LOA, Gibbs College credited the student's account with \$1,131.99 in Federal Subsidized Stafford loan funds. Gibbs College should not have disbursed those funds while the student was on an LOA.

According to the student's ledger, those ineligible loan funds were returned to the student's lender on 10/20/02. Gibbs College has provided this office with documentation to support the return of those funds.

A similar discrepancy was noted for Student no. 29. Student no. 29 was on an LOA during her fourth term, which covered the period 7/14/03 – 9/27/03. On 8/8/03, Gibbs College made several ineligible FFEL disbursements. Gibbs College made two ineligible Federal Subsidized Stafford loan disbursements. One disbursement totaled \$812.86 and the other \$813.83. Gibbs College also made two ineligible Federal Unsubsidized disbursements of \$1239.66 each.

The disbursement of Title IV funds to ineligible students causes a loss to the government in interest expense and could affect the funds available for eligible, needy students at other institutions.

References: 34 CFR 668.22 General Provisions 11/1/99 amended 11/1/02
34 CFR 668.32 General Provisions 12/1/95 amended 7/29/98
34 CFR 668.164 General Provisions 11/29/96 amended 11/1/99
34 CFR 690.75 Federal Pell Grant 12/1/87 amended 11/1/94,
11/29/96, and 11/1/00
34 CFR 682.604 FFEL 12/18/92 amended 11/30/94

Requirement: In response to this finding, Gibbs College must provide this office with documentation to support the payment of the \$650 Federal Pell Grant refund identified on Student no. 30's ledger.

Gibbs College must also return the ineligible FFEL loan funds disbursed to Students nos. 29 and 30. The ineligible loan funds must be returned to the students' lenders. Gibbs College must provide this office with documentation to support the return of those funds.

Gibbs College must also review the files of all Title IV recipients from the 2002/2003 award year to determine if there were any additional students for whom Gibbs College made ineligible Title IV disbursements.

The results of the file review must be submitted to this office in a spreadsheet format, in alphabetical order, with the following column headings:

Student's Name
Social Security Number
Date of ineligible Title IV Disbursement
Type and Amount of Disbursement
Date of Refund (if not made, report "none")
Number of Days between Disbursement and Refund

FFEL amounts reported must reflect the certified amount, not the disbursed amount. In the case of multiple disbursements, where only one disbursement was made, report half of the amount certified.

Note, the report is due within 60 days of receipt of this report. The report must include a statement of attestation by a Certified Public Accountant to its accuracy and completeness. The accountant's statement must accompany submission of this report. This office will provide detailed instructions regarding the payment of any determined liabilities at a later date.

Please retain the documentation used to complete this study for further review by this office, if necessary.

In addition to the report specified above, Gibbs College must provide this office with a list of all Title IV recipients in the 2001/2002 and 2002/2003 award years. Please provide this information in an unduplicated and reconciled format, listing each student by name and social security number, status (active, LOA, withdrawal, graduate), and specifying the dollar amount of Title IV student financial aid, by program, received by each recipient. Sequentially number the students. The information should be provided on a 3 ½ computer disk, in EXCEL (IBM compatible) format, in hopes of facilitating your information gathering process. If you are unable to provide this information on disk, please provide a hard-copy report.

3. Unmade Title IV refunds

Finding: Gibbs College failed to make timely refunds to the Federal Pell Grant program for several students in the sample.

During the review, an examination of the students' ledgers identified refunds made to the Federal Pell Grant program for the following students:

Student no.	Date of Refund	Amount of Refund
1	8/02/02	\$809
4	6/12/02	\$850
11	3/18/02	\$703

Institutional officials confirmed that, Federal Pell Grant refunds are made by adjusting subsequent Federal Pell Grant requests for funds, by the amount of any refunds due back to that program. While on-site, reviewers requested to see documentation to support the refund adjustments made for Students nos. 1, 4, and 11. Gibbs College was unable to provide documentation to support the return of the Federal Pell Grant refunds. At the exit conference, reviewers reminded institutional officials that they were still in need of the adjustment documentation for those students, and requested that the documentation be forwarded to this office.

Upon the reviewers' return to this office, a detailed review of students' ledgers identified refunds made for two additional students, Students nos. 8 and 26. By October 1, 2003, this office still had not received the refund documentation requested during the on-site program review. This office proceeded to send a letter addressed to Ms. Jeanie Winstrom, Director of Student Financial Services.

The letter requested Federal Pell Grant refund adjustment documentation for Students nos. 1, 4, 8, and 11; and a copy of the canceled check (front and back) used to pay a refund to Student no. 26's lender.

The October 1, 2003 letter also requested the completed Institutional Information Questionnaire (IIQ). Reviewers provide that document to school officials during the entrance interview and requested that it be filled out and returned at the end of the on-site review. The IIQ requests general institutional information about Gibbs College. Reviewers normally use the IIQ as a source document for the background information contained in the introductory section of this report. The letter also requested documentation concerning the basis for admission for student no. 9. Student no. 9's file did not have any documentation indicating whether the student is a High School graduate or the recipient of a General Equivalency Diploma, a Gibbs College admissions requirement.

The letter specifically requested that the documents be forwarded no later than Friday, October 10, 2003. When Gibbs College failed to respond by the due date, this office called Ms. Winstrom on Friday, October 17, 2003. There was no response and a message was left on Ms. Winstrom's voice-mail requesting that she contact this office if there was a problem providing the information requested.

On Monday, October 20, 2003, this office received a letter from Ms. Winstrom addressing the October 1, 2003 letter. Ms. Winstrom responded by forwarding the completed IIQ. Ms. Winstrom however, failed to submit the more pertinent documentation requested in the letter. In her letter Ms. Winstrom did say that her last day with Gibbs College would be October 22, 2003, and that any further inquiries should be directed to Mr. Anthony Cipolla, Vice President of Finance.

On October 21, 2003, this office contacted Mr. Cipolla and expressed concern that the institution had failed to address this office's repeated requests for refund documentation. Mr. Cipolla was unaware of the October 1, 2003 letter, but he assured this office that he would look into the matter immediately. Mr. Cipolla then requested a conference call to include Ms. Candy Walker, from Gibbs College's central office, to discuss specifically the documentation still needed. A conference call was arranged for October 22, 2003.

On October 22, 2003, this office received a copy of a canceled check to support the loan refund payment made to Student no. 26's lender. Ms. Rosario-Velez then contacted Gibbs College for the agreed upon conference call. During the conference call Ms. Rosario-Velez explained the specific documentation Gibbs College would need to provide to support the Federal Pell Grant refund adjustments made for Students nos. 1, 4, 8, and 11. Institutional officials assured Ms. Rosario-Velez that they would make every effort to provide the documentation requested. Ms. Rosario-Velez requested that Gibbs College provide the requested documentation no later than October 31, 2003.

In a letter dated October 31, 2003, Gibbs College provided an attestation from Student no. 8 certifying that he is a high school graduate. Gibbs College also provided documentation to support payment of the Federal Pell Grant refund identified for Student no. 8.

Gibbs College however, was unable to provide documentation to confirm that the Federal Pell Grant refunds identified for Students nos. 1, 4, and 11 had been made. Gibbs College provided this office with a copy of a check totaling \$2362, the total amount of the Federal Pell Grant refunds due for all three students. The check however, was not negotiated, and it was made payable to Global Financial Services, Inc., Gibbs College's third party servicer. The check should have been made payable to the U.S. Department of Education, and returned appropriately to the Department.

The improper retention of Title IV proceeds results in the institution withholding funds to which it is not entitled and causes an increased expense to the U.S. Department of Education and to the student.

Reference: 34 CFR 668.22 General Provisions 12/11/87, 4/29/94, and 11/1/99

Requirement: In response to this finding, Gibbs College must conduct a file review. Gibbs College must review the files of all Title IV recipients from the 2001/2002 award year to determine if there were any additional unmade refunds.

The results of the file review must be submitted to this office in spreadsheet format, listing students in alphabetical order, with the following column headings:

Student's Name
Social Security Number
Student's Last Date of Attendance (LDA)
School's Date of Determination (DOD)
Date Refund Due
Date Refund Made (if not made, report "none")
Amount of Refund Due
Additional Refund Due
Number of Days Late

FFEL amounts reported must reflect the certified amount, not the disbursed amount. In the case of multiple disbursements, where only one disbursement was made, report half of the amount certified.

Note, the report is due within 60 days of receipt of this report. The report must include a statement of attestation by a Certified Public Accountant to its accuracy and completeness. The accountant's statement must accompany submission of this report. This office will provide detailed instructions regarding the payment of any determined liabilities at a later date.

Please retain the documentation used to complete this study for further review by this office, if necessary.

Appendix A

Gibbs College
Student Sample Listing
2001/02 Award Year

No.	Last Name	First Name	S.S. No.
1	(b)(6)		
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			

2002/03 Award Year

No.	Last Name	First Name	S.S. No.
16	(b)(6)		
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL

VIENNA, VIRGINIA

EIN NUMBER: 364328545

OPE ID NUMBER: 00942000

DUNS NUMBER: (b)(2)

COMPLIANCE ATTESTATION EXAMINATION
OF THE TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

at VIENNA, VIRGINIA

FEDERAL PELL GRANT PROGRAM (84.063)
FEDERAL FAMILY EDUCATION LOAN PROGRAM (84.032)
FEDERAL WORK STUDY PROGRAM (84.033)

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2002

ALMICH & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

**GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA**

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AUDITOR INFORMATION SHEET

GIBBS SCHOOL
 DBA WASHINGTON BUSINESS SCHOOL
 1980 GALLOWS ROAD
 VIENNA, VIRGINIA 22182
 EIN NUMBER: 364328545
 OPE ID NUMBER: 00942000
 DUNS NUMBER: (b)(2)

TEL. NO.: 703-556-8888

FAX NO.: 703-556-0953

PRESIDENT: M. Lauck Walton

CONTACT PERSON & TITLE: Gregory Plourde
 Director of Financial Aid

LEAD AUDITOR : John F. Woll
 LICENSE NUMBER : Home State: 51024 Out of State(s): 0305024474
 ENGAGEMENT PARTNER : Linda H. Cooley
 FIRM'S NAME : Almich & Associates
 ADDRESS : 19000 MacArthur Blvd., Suite 610
 Irvine, CA 92612

 TEL. NO. : (949) 475-5410
 FAX NO. : (949) 475-5412

Programs Examined:

FSEOG	84.007	
FFELP	84.032	X
FWS	84.033	X
FPL	84.038	
Pell	84.063	X
FDLP	84.268	

For the Award Year that ended during the institution's fiscal year, the percentage of:

Correspondence or telecommunication courses to total courses	<u>N/A</u>
Regular students enrolled in correspondence courses	<u>N/A</u>
Regular students that are incarcerated	<u>N/A</u>
Regular students enrolled based on ability to benefit	<u>N/A</u>

For short term programs:

Completion	<u>N/A</u>
Placement	<u>N/A</u>

The campuses/locations considered as part of this entity and covered or excluded by this examination are:

All Locations	>50% of Program Offered @ Site	Location On Eligibility Letter	Notice to ED Prior to Offering Instruction	Date		Of CPA's Last Visit	Exclusion Reason
				Opened	Closed		
Vienna, VA Main Campus	Yes	Yes	Yes	1/13/74	N/A	2/4/03 - 2/7/03	N/A

Expanded Sample Testing: June 16, 2003

Institution's Primary Accrediting Organization: Accrediting Council for Independent Colleges and Schools

Other Accrediting Organizations: N/A

Records for the accounting and administration of the SFA programs are located at:

Main Campus:

**Gibbs School dba Washington Business School
1980 Gallows Road
Vienna, Virginia 22182**

SERVICER INFORMATION SHEET

GLOBAL FINANCIAL AID SERVICES, INC.
10467 CORPORATE DRIVE
GULFPORT, MS 39503

TEL. NO.	<u>(228) 523-1000</u>
FAX NO.	<u>(228) 523-1050</u>
PRESIDENT:	<u>Mr. Edward J. Addison, Jr.</u>
CONTACT PERSON & TITLE:	<u>Ms. Chyrl Ayers-Meeker, Vice President</u>
LEAD AUDITOR:	<u>Joseph M. Weworski</u>
E MAIL ADDRESS:	<u>Jweworski@weworski.com</u>
LICENSE NUMBER:	<u>Home State: CA 50604E, Out of State: MS R-2472</u>
FIRM'S NAME:	<u>Weworski & Associates</u>
ADDRESS:	<u>4660 La Jolla Village Drive, Suite 260</u> <u>San Diego, CA 92122</u>
TEL. NO.	<u>(858) 546-1505</u>
FAX NO.	<u>(858) 546-1405</u>

DIVISION OF RESPONSIBILITY FOR COMPLIANCE REQUIREMENTS

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of Global Financial Aid Services, Inc.</i>	<i>Explanation of Divided Responsibility</i>
I. Computer operations			
A. Terminal and software security	X	X	See Footnotes
B. Data integrity	X	X	See Footnotes
C. System and data backup	X	X	See Footnotes
D. Disaster recovery plan	X	X	See Footnotes
II. Cash management			
A. Drawdowns		X	
B. Authorization vs. Expenditures		X	
C. Reconcile G/L to bank		X	
D. Bank account notes federal funds		X	
III. Financial reports			
A. FISAP		X	
B. EDPMTS/EDCAPS		X	
C. Pell IPS		X	
IV. Institutional eligibility			
A. Participation agreement/ECAR	X		
B. Accreditation status	X		
C. Admissions policy	X		
D. Eligible programs	X		
E. Calculation of institution eligibility ratios	X		
F. Licenses	X		
G. Administrative capability items	X		

<i>Compliance Requirements</i>	<i>Responsibility of</i>		<i>Explanation of Divided Responsibility</i>
	<i>Responsibility of Institution</i>	<i>Global Financial Aid Services, Inc.</i>	
V. Student eligibility			
A. High School diploma or equivalent or ability to benefit	X	X	See Footnotes
B. Regularly enrolled in eligible program	X		
C. Citizen or permanent resident		X	
D. Satisfactory progress	X	X	See Footnotes
E. Default/refund status		X	
F. Social security number match requirement		X	
G. Other requirements	X		
VI. Coordination of programs			
A. Financial aid organization	X		
B. Other information available	X		
C. Need analysis	X		
D. Professional judgment documentation		X	
VII. Administrative capability			
A. Student file maintenance	X	X	See Footnotes
B. Record retention	X	X	See Footnotes
C. Verification		X	
VIII. Disbursements			
A. Financial aid transcripts/NSLDS information	X	X	See Footnotes
B. Independent/Dependent status determination	X	X	See Footnotes
C. Timing and amount of disbursements		X	
IX. Refunds or overpayments			
A. Policy	X	X	See Footnotes
B. Refund calculations		X	
C. Overpayment calculations	X	X	See Footnotes
D. Disbursements and accounting for refunds/overpayments	X		
X. Institutional disclosure			
A. Accuracy of institutional data	X		
B. Disclosure to students	X		
XI. Pell Grant			
A. Types of expenditures allowed		X	
B. Program performance			
1. Calculation and disbursement of award		X	
2. Timing of payment, cutoff dates for receipts of SARs		X	
C. Financial reports		X	

<i>Compliance Requirements</i>	<i>Responsibility of</i>		<i>Explanation of Divided Responsibility</i>
	<i>Responsibility of Institution</i>	<i>Global Financial Aid Services, Inc.</i>	
XII. Campus-based programs (general)			
A. Types of expenditure allowed			
1. Program expenditures		X	
2. Administrative cost allowance		X	
B. Program performance			
1. Accuracy of FISAP data		X	
2. System of need analysis, etc.		X	
XIII. Campus-based programs (Perkins)			
A. Type of expenditures allowed	X		
B. Matching	X		
C. Program performance			
1. Student eligibility	X		
2. Approved promissory note	X		
3. Due diligence	X		
4. Repayment records	X		
D. Special compliance requirements			
1. Minimum cash balance; cash planning	X		
2. Treatment of interest earned on Perkins loan balance	X		
XIV. Campus-based programs (FSEOG)			
A. Eligible expenditures		X	
B. Matching		X	
C. Selection of students for FSEOG awards	X	X	See Footnotes
XV. Campus-based programs (FWS)			
A. Types of expenditures and employment allowed			
1. Types of employment allowed	X	X	See Footnotes
2. Types of expenditures allowed		X	
B. Matching			
		X	
C. Program performance			
1. Selection of students for employment	X		
2. Approval of time sheets and payment to students	X		
D. Special compliance requirements			
1. JLD and CSJLD programs	X		
2. CSL programs (5% minimum)	X		

<i>Compliance Requirements</i>	<i>Responsibility of Institution</i>	<i>Responsibility of Global Financial Aid Services, Inc.</i>	<i>Explanation of Divided Responsibility</i>
XVI. Federal Family Education Loans (FFEL)			
A. Program performance			
1. Determination of eligibility and completion of application	X	X	See Footnotes
2. Default reduction measures	X		
3. Entrance and exit counseling	X	X	See Footnotes
4. Loan disbursement	X		
5. EFT Roster reconciliation	X		
6. Eligibility for disbursement	X		
B. Status reporting			
1. SSCR completion	X	X	See Footnotes
2. Change in enrollment status	X		
C. Special compliance requirements			
1. Refund policy		X	
2. Refunds to lenders	X		
XVII. Federal Direct Loan Program (FDLP)			
A. Program performance			
1. Determination of eligibility		X	
2. Entrance and exit counseling	X	X	See Footnotes
3. Exporting & importing electronic files to/from the LOC		X	
4. Loan disbursement		X	
5. Monthly data matching including:			
a. Loan and cash detail records		X	
b. Summary records		X	
B. FDLP status reporting			
1. SSCRs	X	X	See Footnotes
2. Change in enrollment status	X		

Footnotes

I. Computer operations:

- A. Terminal and software security - The Institution is responsible for the terminal and software security for Global's remote software located at the Institution. Most clients house the software on a network with user groups designed to secure the software. Global is responsible for terminal and software security of the systems located on-site at Global. Global's terminals and software are housed on a Novell network with security to prevent unauthorized access.
- B. Data integrity - The Institution is responsible for the data entered into Global's Need Analysis, Automated Budget, and Automated Award Letter. The software has certain edits to reduce data errors. The Institution is also responsible for the accuracy of the data entered in the tables for program, term, lender, and guarantor data. Global is responsible for the electronic transmission and retrieval of the data to the Central Processing Service (CPS). During the File Review process, Global's staff compare the data from the FAFSA and ISIR to ensure that the two documents agree. Further, the tables set up at the Institution must match the tables used by Global or the files will reject during File Review. These controls provide for additional data integrity.

- C. System and data backup - The Institution is responsible for the maintenance of the local computer system and for backing up the data. Global is responsible for the maintenance of its local computer system and for backing up the data at Global.
- D. Disaster recovery plan - The Institution is responsible for a disaster recovery plan for local systems and data. Global is responsible for a disaster recovery plan for its systems and data. Global retains all data transmitted and retrieved from CPS, in the event the Institution needs the data. Global optically images the files sent by the Institution and used for review.

V. Student eligibility:

- A. High school diploma or equivalent or ability to benefit - The Institution is responsible for determining that the applicant meets the Institution's admissions requirements. Global sets policy with each client concerning the documentation required for proof of High School completion, equivalent, and/or ability to benefit. The majority of Global's clients allow the disbursement of Title IV funds and/or the certification/origination of FFEL/FDSL loans, without a copy of the high school diploma or transcript as long as the student has a signed document indicating that the student is a high school graduate. Global continues to report the diploma or transcript as missing in the reporting system until a copy is received at Global. The majority of Global's clients require that a copy of the GED certificate with test scores be received at Global prior to disbursement of Title IV funds or certification/origination of FFEL/FDSL loans. Global requires that students admitted under ability to benefit regulations send in a copy of the test and results. Global reviews the test and results to ensure the test is valid and the student passed the test.
- D. Satisfactory progress - The Institution is responsible for reviewing each student's academic progress and ensuring the standards of satisfactory progress are met. Global accepts a (Yes) or (No) flag in the computer extract transmitted by the Institution for authorization to disburse Pell Campus Based Program funds and/or to certify/originate FFEL/FDSL loans.

VII. Administrative capability:

- A. Student file maintenance - The Institution retains the original or a copy of the original file documentation sent to Global for review. Global has an automated file tracking system to maintain the location of the file once received by Global. Global optically images files for storage, retrieval, and disaster recovery.
- B. Record retention - The Institution is responsible for maintaining the copy or original file documentation sent to Global. Global retains all records used to make Title IV disbursement or loan certifications. The files are stored and optically imaged for disaster recovery and retrieval.

VIII. Disbursements:

- A. Financial aid transcripts/NSLDS information - The Institution is responsible for packaging the student and determining if the student attended any other post-secondary institutions. Global reviews the ISIR during the file review process to ensure that the NSLDS page of the ISIR clears any FAT requirements, and that no other documentation in the file creates conflicting information.
- B. Independent/Dependent status determination - The Institution is responsible for ensuring that the student completed the FAFSA accurately and the information entered in the need analysis was accurate. Global compares the FAFSA and ISIR to ensure that the two match and create no conflicting information.

IX. Refunds or overpayments:

- A. Policy - The Institution is responsible for reviewing and signing off on the tables Global uses to calculate refunds. Global is responsible for creating the tables and requesting sign off by the client.**
- C. Overpayment calculations - The Institution is responsible for providing Global with the data to determine if an overpayment exists. If an overpayment is discovered, then Global adjusts the disbursements for Pell/CBP funds in the system and notifies the Institution to return any required loan proceeds.**

XIV. Campus-based programs (FSEOG):

- C. Selection of students for FSEOG awards - The Institution develops, at the start of each award year, a selection criteria and distribution formula for FSEOG funds. Global's remote software provides a selection report by date range and EFC for the Institution. Global reviews the FSEOG spending plan, and reviews selected FSEOG awards during the file review process to ensure the students are eligible.**

XV. Campus-based Programs (FWS):

- A. Types of expenditures and employment allowed -**
 - 1. Types of employment allowed - The Institution is responsible for developing FWS job descriptions that meet regulations. Global reviews the job descriptions provided by the Institution to ensure the job description meets regulations.**

XVI. Federal Family Education Loans (FFEL):

- A. Program performance -**
 - 1. Determination of eligibility and completion of the application - The Institution is responsible for ensuring the student completes the FFEL application accurately and truthfully. Global reviews the application to ensure it is complete and accurate. Global certifies the loan application and transmits it to the lender.**
 - 3. Entrance and exit counseling - The Institution is responsible for conducting the entrance and exit counseling interview with students. Global reviews the entrance counseling documentation and ensures that it is complete prior to certification of an FFEL application. Global mails the required exit counseling information to each withdrawal and graduate processed in Global's Student Exit process. The Institution is also mailed a copy of the exit sent to the student for their records.**
- B. Status reporting -**
 - 1. SSCR completion - Global receives the SSCR automated file and transmits the files via modem to the Institution with a deadline date for transmission back to Global. The Institution is responsible for the accuracy of the SSCR and for transmitting the file back to Global by the deadline date. Global is responsible for submitting the electronic file to the U.S. Department of Education (the Department) once received from the Institution.**

XVII. Federal Direct Loan Program (FDLP):

A. Program performance -

- 2. Entrance and exit counseling - The Institution is responsible for conducting the entrance and exit counseling interview with students. Global reviews the entrance counseling documentation and ensures that it is complete prior to origination of an FDLP application. Global mails the required exit counseling information to each withdrawal and graduate processed in Global's Student Exit process. The Institution is also mailed a copy of the exit sent to the student for their records.**

B. FDLP status reporting -

- 1. SSCRs - Global receives the SSCR automated file and transmits the files via modem to the Institution with a deadline date for transmission back to Global. The Institution is responsible for the accuracy of the SSCR and for transmitting the file back to Global by the deadline date. Global is responsible for submitting the electronic file to the Department once received from the Institution.**

ALMICH & ASSOCIATES

AN ACCOUNTANCY CORPORATION

• Certified Public Accounting and Business Services •

REPORT ON COMPLIANCE WITH SPECIFIED REQUIREMENTS APPLICABLE TO THE SFA PROGRAMS

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Gibbs School
dba Washington Business School:

We have examined management's assertions that Gibbs School dba Washington Business School complied with the specified compliance requirements, listed on the accompanying schedule, regarding Institutional Eligibility, Reporting, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting, Student Eligibility, Disbursements, Refunds/Return of Title IV Funds, GAPS and Cash Management, Perkins Loans, and Administrative Capability listed in Section II of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, relative to participation in the Federal Student Financial Assistance Programs during the year ended December 31, 2002. Management is responsible for Gibbs School dba Washington Business School's compliance with those requirements. Our responsibility is to express an opinion on Gibbs School dba Washington Business School's compliance based on our examination.

Our examination was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and the Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, issued by the U.S. Department of Education, Office of the Inspector General, 2000 Revision, and accordingly, included examining, on a test basis, evidence about Gibbs School dba Washington Business School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Gibbs School dba Washington Business School's compliance with specified requirements.

Our examination disclosed the following material non-compliance with Disbursements Compliance requirements applicable to Gibbs School dba Washington Business School during the year ended December 31, 2002. As more fully discussed in Finding No. 02-3, Gibbs School was not in compliance with Disbursement Compliance requirements with respect to certification of Federal Work Study Program timesheets.

In our opinion, except for the material non-compliance described in the third paragraph, Gibbs School dba Washington Business School complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2002.

This report is intended solely for the information and use of the board of directors, management, and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Almich & Associates

Irvine, California
June 16, 2003

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF MANAGEMENT'S ASSERTIONS REGARDING
SPECIFIED COMPLIANCE REQUIREMENTS ^A

1. Gibbs School dba Washington Business School complied with the Institutional Eligibility and Participation compliance requirements listed in Section II of the ED SFA Guide.
2. Gibbs School dba Washington Business School complied with the Reporting requirements, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting listed in Section II of the ED SFA Guide.
3. Gibbs School dba Washington Business School complied with the Student Eligibility compliance requirements listed in Section II of the ED SFA Guide.
4. Gibbs School dba Washington Business School complied with the Disbursements compliance requirements listed in Section II of the ED SFA Guide, except for non-compliance with requirements for certification of Federal Work Study Program timesheets.
5. Gibbs School dba Washington Business School complied with the Refund/Return of Title IV Funds compliance requirements listed in Section II of the ED SFA Guide.
6. Gibbs School dba Washington Business School complied with the Grant Administration and Payment System (GAPS) and Cash Management compliance requirements listed in Section II of the ED SFA Guide.
7. Gibbs School dba Washington Business School does not participate in the Federal Perkins Loan program. As such, Gibbs School dba Washington Business School complied with the Federal Perkins Loan Collections, Due Diligence and NSLDS compliance requirements listed in Section II of the ED SFA Guide.
8. Gibbs School dba Washington Business School complied with the Administrative Capability compliance requirements listed in Section II of the ED SFA Guide.

^A Reference to the ED SFA Guide refers to the *Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, prepared by the U.S. Department of Education, Office of Inspector General, 2000 Revision.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

POPULATION SUMMARY*

Total population:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 577,440	\$ 2,332,929	\$ -	\$ 514,366	\$ -	\$ 41,948
Students	352	551	-	24	-	11

Enrolled, graduated or students on an approved leave of absence:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 423,762	\$ 1,871,966	\$ -	\$ 501,833	\$ -	\$ 39,385
Students	229	388	-	7	-	10
Sample -						
Dollars	\$ 62,020	\$ 220,052	\$ -	\$ 4,333	\$ -	\$ 19,740
Students	36	48	-	5	-	5

Withdrew, dropped or terminated students:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 153,678	\$ 460,963	\$ -	\$ 12,533	\$ -	\$ 2,563
Students	123	163	-	17	-	1
Dollars Refunded	\$ 49,618	\$ 204,432	\$ -	\$ 2,133	\$ -	\$ -
Students with Refunds	43	93	-	4	-	-
Sample -						
Dollars	\$ 13,859	\$ 65,839	\$ -	\$ 1,833	\$ -	\$ -
Students	12	18	-	3	-	-
Dollars Refunded	\$ 1,716	\$ 17,143	\$ -	\$ -	\$ -	\$ -
Students with Refunds	4	11	-	-	-	-

Benchmark withdrawal rate calculation and sample criteria:

Total students in universe	590
Enrolled, graduated or students on an approved leave of absence	410
Withdrew, dropped or terminated students	180
Benchmark withdrawal rate	30.51%
Sample criteria	Approach I
Number of students selected from enrolled, graduated or students on approved leave of absence	50
Number of students selected from withdrew, dropped or terminated students	20
Total number of students with refunds paid in universe	110
Total number of students with refunds paid in sample	11

Summary of questioned costs from noncompliance (See accompanying findings):

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Dollars	\$ 1,333	\$ 7,679	\$ -	\$ -	\$ -	\$ 1,071
Students	1	3	-	-	-	9

*Amounts disbursed are net of Title IV refunds paid.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

DEFINITION OF MATERIAL NON-COMPLIANCE

The following thresholds, in relation to management's assertions, have been established with respect to material non-compliance. If the instances of non-compliance exceed these thresholds of materiality, the exceptions are considered material requiring appropriate further action:

	Percent instances of <u>non-compliance</u>
1. Institutional eligibility and participation	0%
2. Reporting	10%
3. Student eligibility	10%
4. Disbursements	10%
5. Refund Compliance (except timeliness as to which the percentage is 5% - see Refund Timeliness discussion below)	10%
6. Cash Management	5% of federal Title IV funds
7. Perkins Collections and Due Diligence	10%
8. Administrative Capability	0%

Refund Timeliness

With respect to refund timeliness, all instances of non-compliance are reported in the schedules of findings and questioned costs when the refund check clearance date exceeds the required timeframe prescribed in regulation. Expanded samples are performed based on the following criteria:

- (a) If more than 5% (and more than one student refund) of refunds are *issued and cleared* the bank after the required timeframe.
- (b) If more than 5% (and more than one student refund) of refunds are *issued prior* to their due date but *clear* the bank more than 21 days after the required timeframe.
- (c) A combination of (a) and (b) above which yields more than 5% (and more than one student refund) late refunds based on this definition of material non-compliance.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-1 (Repeat Finding)

Statement of Condition

Federal Family Education Loan Program (FFELP) exit counseling was not always performed in a timely manner.

Criteria

All institutions must provide exit counseling for FFELP borrowers in a timely manner and maintain documentation in each student borrower's file.

Effect

In 2 of 66 FFELP files tested, the documentation indicated that exit counseling was not performed in a timely manner.

Cause

The Institution's procedures for counseling borrowers in a timely manner were not uniformly applied.

Recommendation

The Institution should adhere to its procedures with respect to providing borrowers with loan exit counseling in a timely manner and maintain documentation in the student files.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule B.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-2 (Repeat Finding)

Statement of Condition

Return of Title IV funds payments were delayed when students withdrew from the instructional program.

Criteria

The institution must return the amount of Title IV funds for which it is responsible no later than 30 days after the date of the institution's determination that the student withdrew.

Effect

Of 20 files tested for refund compliance, the Return of Title IV funds payments for 2 students were not paid within the required timeframe. The late payments associated with this finding are as follows:

<u>Student No.</u>	<u>Amount of Refund Payment</u>	<u>Program Paid</u>	<u>LDA</u>	<u>Date of Determination</u>	<u>Check Issue Date</u>	<u>Due Date</u>	<u>Check Cancellation Date</u>	<u>Days Late</u>
1	\$ 640	FPELL	5/6/02	5/22/02	5/29/02	6/21/02	9/30/02	101
2	656	FFELP	1/30/02	2/4/02	2/20/02	3/6/02	3/22/02	16

Cause

Procedures to ensure timely disbursement of refunds were not always followed.

Recommendation

Due diligence and care must be exercised in making refunds in compliance with SFA Program requirements.

Additional Information

Based on our definition of material non-compliance on page 13 of the audit report, an expanded sample was not required.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule C.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-3

Statement of Condition

Federal Work Study (FWS) timesheets were not always consistent with the disbursement records for the corresponding time period. Additionally, documentation of FWS payments was not provided for one student.

Criteria

Under FWS guidelines, records must include a certification, signed by the student's supervisor (an official of the school or off-campus agency), that the student has worked and has earned the amount being paid. For students paid on an hourly basis, the certification must include or be supported by a time record showing the hours worked in clock-time sequence or the total hours worked per day. FWS records must also include documentation of the date and amount of each payment of Federal Work Study wages.

Effect

Of 5 FWS files tested, 5 students had FWS disbursements that did not correspond with the amount earned for hours worked. The students received the following FWS funds for the period in question:

Student No.	Total Hrs. Actual	Total Hrs. Paid	Rate	Amount Paid	Amount Overpaid	Amount Underpaid	Federal Share
1	33.25	34	\$ 10	\$ 340.0	\$ 7.50		\$ 5.63
2	60.5	72	10	720.0	115.00		86.25
	50	49	10	490.0		10.00	N/A
3	50	55	10	550.0	50.00		37.50
	40	41	10	410.0	10.00		7.50
4	58.5	63.75	10	637.5	52.50		39.38
	40	35	10	350.0		50.00	N/A
5	50.5	56.5	10	565.0	60.00		45.00
	38.5	40.5	10	405.0	20.00		15.00
	47.5	48.5	10	485.0	10.00		7.50
							<u>\$243.76</u>

Total questioned costs are \$243.76 for the Federal share of amounts overpaid.

Cause

The Institution failed to adhere to its procedures with respect to verification of hours worked versus hours paid and amount earned for FWS students.

Recommendation

The Institution should adhere to its procedures and not disburse FWS funds without appropriate verified documentation of hours worked and amount earned.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-3 (Continued)

Additional Information

Based on our definition of material non-compliance on page 13 of this report, we expanded our sample by an additional 6 students to test 100% of the population for FWS disbursements. The expanded sample testing resulted in 5 additional students for whom disbursements did not correspond with the amount earned for hours worked, for a total of \$827 (federal share). Additionally, 1 student had a missing timesheet and 1 student was missing payroll documentation. Total questioned costs for this finding are \$1,071.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-4

Statement of Condition

Title IV funds were disbursed to one student during a leave of absence period.

Criteria

A leave of absence may be granted, when requested by the student in writing, but may not exceed a period of 60 calendar days, nor can more than one leave of absence be granted in a 12-month period. After October 7, 2000, a leave of absence may be granted, when requested by the student in writing, but may not exceed a period of 180 calendar days, nor can more than one leave of absence be granted in a 12-month period. Title IV funds should not be disbursed while the student is on a leave of absence.

Effect

Of 70 files tested, Title IV funds for 1 student were disbursed to the student's account while the student was on a leave of absence. The student received a Federal Subsidized Stafford loan in the amount of \$849 and a Federal Subsidized Stafford loan in the amount of \$1,294.

Cause

In this isolated case, the Institution did not follow its procedures for disbursing Title IV funds while a student is on a leave of absence.

Additional Information

The student returned from the leave of absence, and funds disbursed were subsequently earned.

Recommendation

The Institution should follow appropriate procedures when granting an approved leave of absence to ensure that the SFA programs are administered in accordance with U.S.D.E. requirements.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule B.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-5

Statement of Condition

Verification was not always completed prior to disbursement of funds.

Criteria

Federal regulations require that institutions verify certain need analysis data for students selected for verification by the U.S. Department of Education and for any student whose file contains conflicting data. Under certain conditions for the Federal Pell and campus-based programs, the institution may make initial payment to the student for the first payment period while verification is being completed. If the student graduates or withdraws prior to completing verification, the institution is liable for the amount(s) disbursed.

Effect

Of the 70 files tested, the files of 2 students selected for verification contained incomplete information. For Student Nos. 1 and 2, the students' tax forms were not signed. The students received net Title IV aid as follows:

<u>Student No.</u>	<u>Award Year</u>	<u>Amount</u>	<u>Title IV Program</u>
1	2001-02	\$ 2,546	Federal Subsidized Stafford Loan
2	2001-02	2,546	Federal Subsidized Stafford Loan
Total Net Aid Disbursed		<u>\$ 5,092</u>	

Cause

The Institution did not always apply its procedures for obtaining and reviewing complete documentation with respect to verification.

Recommendation

The Institution should follow its procedures for obtaining and reviewing documentation for verified student files.

Additional Information

The Institution obtained the signed tax forms for both students in the finding. We reviewed the documentation and found it to be accurate. The students remained eligible for all funds received.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-6 (Repeat Finding)

Statement of Condition

Documentation of Federal Family Education Loan Program (FFELP) exit counseling was lacking from students' files.

Criteria

All institutions must provide entrance and exit counseling for FFELP borrowers and maintain documentation in each student borrower's file.

Effect

In 4 of 66 FFELP files tested, the documentation of loan exit counseling was missing.

Cause

The Institution's procedures for providing exit counseling to borrowers were not uniformly applied.

Recommendation

The Institution should adhere to its procedures with respect to providing borrowers with loan entrance and exit counseling and maintain documentation in the student files.

Additional Information

Upon learning of this finding, the Institution mailed the required exit counseling documents to the students in the finding. We reviewed the documentation.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule B.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-7 (Repeat Finding)

Statement of Condition

Documentation of refunds posted to one student's ledger was not available for our review.

Criteria

The U.S. Department of Education requires that payments made under the Return of Title IV funds provisions be returned within 30 days of a student's official withdrawal date.

Effect

Of 20 files tested for refund compliance, documentation of refunds posted to 1 student's ledger was not available. The refund due and posted on the ledger is as follows:

<u>Amount of Refund</u>	<u>Program Paid</u>	<u>LDA</u>	<u>Withdrawal Date</u>
\$623	FPELL	4/26/02	5/15/02

Cause

The Institution did not follow its procedures with respect to documentation of refunds.

Recommendation

Due diligence and care must be exercised in making refunds in compliance with SFA Program requirements.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule C.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-8

Statement of Condition

A dependent student was awarded a Federal Unsubsidized Stafford Loan without documentation of a parent loan denial.

Criteria

Federal Unsubsidized Stafford Loans are only available to dependent students when a loan to the student's parents (PLUS) is denied or the file contains documentation of parents' inability to repay the parent loan.

Effect

Of 66 FFELP files tested, 1 dependent student received a Federal Unsubsidized Stafford Loan in the amount of \$2,587 without appropriate documentation. The student was appropriately awarded all other aid received as a dependent student.

Cause

The Institution did not follow its procedures in properly making awards to students based on federal dependency status criteria in this isolated instance.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-9

Statement of Condition

Documentation of return of ineligible funds posted to one student's ledger was not available for our review.

Criteria

Ineligible disbursements credited to student accounts are to be returned to the appropriate Title IV program.

Effect

In 1 of 70 student files tested, documentation of return of ineligible funds posted to the student's ledger was not available. A return of \$1,333 is due to the Federal Pell Grant Program.

Cause

Procedures to ensure timely returns of ineligible funds were not followed in this isolated case.

Recommendation

The Institution's control procedures for processing Return of Title IV funds payments should be closely followed.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-10 (Repeat Finding)

Statement of Condition

One Student Status Confirmation Report (SSCR) was not filed in a timely manner.

Criteria

Institutions receiving SFA funds are required to ensure that reports contain reliable data, and are presented in accordance with the terms of applicable agreements. Copies should be available for auditor attestation testing procedures.

Effect

Of the 4 SSCRs required to be filed by the Institution during the audit period, the Institution did not file 1 SSCR in a timely manner. The report, due March 31, 2002, was filed on May 14, 2002, 44 days late.

Cause

The Institution did not always follow its procedures with respect to timely filing of SSCR reports.

Recommendation

The Institution should follow its procedures to ensure that SSCRs are filed in a timely manner, and documentation of the filing is maintained.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C as there are no fields available for data entry.

GIBBS SCHOOL
DBA WASHINGTON BUSINESS SCHOOL
VIENNA, VIRGINIA

AUDITORS' COMMENTS ON RESOLUTION MATTERS
RELATING TO PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2002

The Institution's compliance audit for the fiscal year ended December 31, 2001, dated April 25, 2002, was performed by Almich & Associates.

The Institution received a final audit determination letter from the U.S. Department of Education dated October 11, 2002 (ACN: 03-2001-26846). The determination letter required the Institution to take the necessary actions to correct any deficiencies noted. The auditor is required as part of the next audit report to comment on actions taken by the Institution to correct any findings noted in the audit report.

The findings noted in the independent auditors' report, and corrective actions taken, are as follows:

Finding No. 01-1

The auditors found that of 15 files tested for refund compliance, a refund for 1 student was not paid in a timely manner.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Controller and the Director of Financial Aid will implement procedures to effectively track those students who withdraw, to ensure funds are returned within the requisite timeframe. As noted in finding No. 02-2 of this audit report, due diligence and care must be exercised in making refunds in compliance with SFA Program requirements.

Finding No. 01-2

The auditors found that of the 65 files tested, the credit balance for 1 student was paid after the 14-day prescribed time frame.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Controller and the Director of Financial Aid will implement procedures to effectively track those students who have Title IV credit balances to ensure that funds are paid within the requisite timeframe. We found no exceptions with respect to late payments of credit balances during our file testing for the current audit period.

Finding No. 01-3

The auditors found that in 4 of 58 Federal Stafford Loan Program files tested, documentation of loan exit counseling was missing from 3 student files and was not performed in a timely manner for 1 student. The Institution mailed the exit counseling documents to the students. The auditors reviewed the documents and found them to be accurate.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will implement procedures to more effectively track those students who withdraw to ensure the timely preparation and delivery of exit counseling materials. The Institution will also monitor potential graduating students to ensure that exit counseling is provided prior to leaving school. As noted in Findings Nos. 02-1 and 02-6 of this audit report, the Institution should adhere to its procedures with respect to providing borrowers with loan exit counseling in a timely manner and maintain documentation in the student files.

Finding No. 01-4

The auditors found that of 65 files tested for student eligibility, 1 student's Institutional Student Information Record (ISIR) contained a comment that the student was in default of a Federal Student Loan and the conflict was not satisfactorily resolved.

Action Taken

In its corrective action plan the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will provide training and will implement an internal quality control process to ensure that default statuses are resolved prior to the authorization and disbursement of Title IV funds. In the final determination letter, the U.S.D.E. stated that the documentation was requested and received and no further action was required. We found no exceptions with respect to unresolved conflicting information during our file testing for the current audit period.

Finding No. 01-5

The auditors found that of 15 files tested for refund compliance, a refund for 1 student was not paid. The Institution refunded the Federal Pell Grant Program in the amount of \$462. The auditors reviewed the documentation.

Action Taken

In its corrective action plan the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Controller and the Director of Financial Aid will provide training and will implement internal quality control procedures to ensure that return of Title IV funds calculations are correctly completed and that the appropriate funds are returned. As noted in finding No. 02-7 of this audit report, due diligence and care must be exercised in making refunds in compliance with SFA Program requirements.

Finding No. 01-6

The auditors found that in 1 of the 65 files tested, the student received the second disbursement of FFELP prior to completion of the payment period.

Action Taken

In its corrective action plan the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will provided training and implement an internal quality control process to ensure that Federal Stafford loans are properly scheduled and not disbursed until the appropriate time. In the final determination letter, the U.S.D.E. stated that the Institution submitted a corrective action plan and no further action was required. We found no exceptions with respect to early disbursements of Title IV funds during our file testing for the current audit period.

Finding No. 01-7

The auditors found that in 1 of 65 files tested for student eligibility, 1 student received Federal Pell Grant funds but did not have Pell eligibility. The student had a bachelor's degree. The Institution initiated payment of the \$1,000 to the Federal Pell Program. A cancelled check was not available.

Action Taken

In its corrective action plan the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will provide training and internal quality control procedures to ensure that students with bachelor's degree are not awarded Federal Pell Grant funds. The Institution repaid \$1,000 to the Federal Pell Grant Program. We reviewed the documentation. We found no exceptions with respect to Pell funds being disbursed to ineligible students during our file testing for the current audit period.

Finding No. 02-8

The auditors found that of 5 SSCRs required to be filed by the Institution during the audit period, the Institution did not file the SSCRs received in the months of July and October 2001.

Action Taken

In its corrective action plan the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will implement improved monitoring procedures to ensure that SSCR files are drawn, updated and sent within the required timeframes. As noted in finding No. 02-10 of this audit report, the Institution should follow its procedures to ensure that SSCRs are filed in a timely manner, and documentation of the filing is maintained.



Your Future Begins Here

Corrective Action Plan

Gibbs College

EIN Number: 364328545

OPE ID: 00942000

DUNS Number: (b)(2)

Corrective Action Plan for the Fiscal Year Ending December 31, 2002.

FINDING 02-1: Federal Family Education Loan Program (FFELP) exit counseling was not always performed in a timely manner.

The institution concurs with the finding.

The exit counseling materials have been mailed to the student. No further action is required.

The institution has commenced a servicing agreement with Global Financial Aid Services (Global) for the administration of its Title IV funds. The servicing agreement includes providing exit-counseling information to students that withdraw from the instructional program or dropped below half time. The institution will follow its procedures to ensure exit counseling is provided to borrowers within the 30-day required timeframe.

Finding 02-2: Return of Title IV funds payments were delayed when students withdrew from the instructional program.

The institution concurs with the finding.

The institution has returned the required funds. No further action is required.

The institution will ensure that tighter controls are in place and funds are returned within the 30 day required time from the students Date of Determination. To ensure that funds are processed and returned in a timely manner the institution has enhanced its procedures to include the following:

1. Daily meetings between Academics, Financial Aid, and Student Accounts to review and sign off on status change forms for processing.
2. Notifications of refunds due from Global (3rd party processor via their website) are checked DAILY for processing.
3. Refunds are issued either by check or via ELM Auto-Debit.

4. One person whose sole responsibility is to ensure that the drops are processed and refund calculations are done in a timely matter.
5. The process will be monitored by the Director of Compliance to ensure adherence with the policy, timely submissions and processing.

Finding 02-3: Federal Work Study (FWS) timesheets were not always consistent with the disbursement records for the corresponding time period. Additionally, documentation of FWS payments was not provided for one student.

The institution concurs with the finding.

The institution will resolve the FWS disbursements that did not correspond with the amount earned or hours worked.

The institution will comply with the FWS guidelines, which requires that all records must include certification of total hours worked, amount paid and, signature of the supervisor or school official. To ensure compliance we will have a quality assurance review to validate the information on the time card, and the appropriate signatures. The human resource processor, prior to entering the information into the payroll system and issuing a check, will perform the quality assurance review.

Finding 02-4: The Title IV funds were disbursed to one student during a leave of absence period.

The institution concurs with the finding.

The student returned from the Leave of Absence and the funds were earned. No further action is required.

The institution has commenced a servicing agreement with Global Financial Aid Services (Global) for the administration of its Student Financial Aid Program. The institution will ensure that appropriate procedures are followed when granting an approved Leave of Absence to ensure that the SFA programs are administered in accordance with DOE requirements. In addition, Global will perform a quality assurance check prior to disbursement of funds to ensure disbursements are earned for the period prior to the date the student was granted an approved leave of absence.

Finding 02-5: Verification was not always completed prior to disbursement of funds.

The institution concurs with the finding.

The institution provided the appropriate verification documentation. No further action is required.

The institution has enhanced its verification procedures, which include utilizing a 3rd party agency (Global) for quality assurance and loan certification. In addition, the campus has applied the following procedures:

1. A verification checklist is used to ensure that all verification requirements are completed prior to disbursement of funds.
2. The Financial Aid Advisor processes the student file. The file is then reviewed a second time for quality assurance by the 3rd party agency prior to certification of loans and disbursement of funds.

Finding 02-6: Documentation of Federal Family Education Loan Program (FFELP) exit counseling was lacking from the student's file.

The institution concurs with the finding.

The exit counseling documentation was provided to the appropriate students. No further action is required.

The institution will follow its procedures to ensure exit counseling materials are provided to students within the 30 days required from the date the institution learns that the student has left school or dropped below half time. These procedures include automated triggers in the system to generate the appropriate documentation. This documentation will be discussed with the students. If the student is unavailable or unreachable, the institution will ensure that the appropriate documentation is sent to the student. This documentation is presented to students who withdraw, graduate, or drop below a half-time status.

Finding 02-7: Documentation of refunds to one student's ledger was not available for our review.

The institution concurs with the finding.

The institution has initiated a refund for the required funds. No further action is required.

The institution will ensure that tighter controls are in place and funds are returned within the 30 day required time from the students Date of Determination. To ensure that funds are processed and returned in a timely manner the institution has enhanced its procedures to include the following:

1. Daily meetings between Academics, Financial Aid, and Student Accounts to review and sign off on status change forms for processing.
2. Notifications of refunds due from Global (3rd party processor via their website) are checked DAILY for processing.
3. Refunds are issued either by check or via ELM Auto-Debit.
4. One person whose sole responsibility is to ensure that the drops are processed and refund calculations are done in a timely matter.
5. The process will be monitored by the Director of Compliance to ensure adherence with the policy, timely submissions and processing.

Finding 02-08: A dependent student was awarded a Federal Unsubsidized Stafford Loan without documentation of a parent loan denial.

Gibbs College concurs with the finding.

The institution has initiated a refund for the required funds. No further action is required.

Procedures have been implemented to ensure that documentation of parent loan denials is consistently maintained in the student file. In addition, the institution is engaged in a servicing agreement with Global Financial Aid Services (Global) for the administration of its Title IV funds. Global's procedures in the processing and disbursing of funds are designed to prevent non-compliance incident with the Student Financial Aid Program. Global will not process or disburse any Title IV funds unless supported by appropriate documentation.

Finding 02-09: Documentation of return of ineligible funds posted to one student's ledger was not available for our review.

The institution concurs with the finding.

The institution has initiated a refund for the required funds. No further action is required.

The institution has commenced a servicing agreement for Title IV administration with Global. The servicing agreement includes the processing and disbursement of Title IV Funds. The Global system is designed to ensure that students do not receive duplicative or ineligible funds. The institution is confident that this will enable it to prevent the occurrence of ineligible Title IV disbursements in the future.

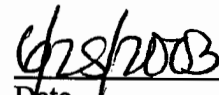
Finding 02-10: Student Status Confirmation Reports (SSCRs) were not filed in a timely manner.

The institution concurs with the finding.

The SSCR report was filed. No further action is required.

The institution will follow its procedures to ensure that SSCR's are filed in a timely manner. The institution will work closely with its financial aid servicer (Global) to establish procedures to monitor the transmissions, and ensure they are timely.


Lauck Walton
President


Date



**F E D E R A L
S T U D E N T A I D**

We Help Put America Through School

**Philadelphia Case Management Team
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3322**

April 6, 2005

Mr. M. Lauck Walton
President
Gibbs College
1980 Gallows Road
Vienna, VA 22182 - 3913

**Reference:
ACN: 03-2003-43724**

**Certified Mail
7004 2510 0004 7726 2612
Return Receipt Requested**

OPE ID#: 00942000

Dear Mr. Walton:

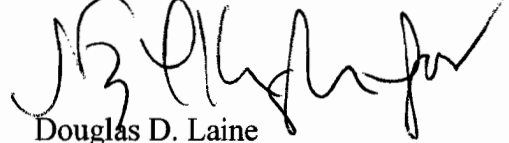
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For the Philadelphia School Participation Team to complete its review of Gibbs College's audit, it will be necessary for the institution to conduct a file review for late, unmade, and improperly calculated Returns of Title IV Funds. Outlined in the enclosure to this letter are the findings from the audit report, and an explanation of additional information that must be forwarded to the following address by April 29, 2005:

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The Wanamaker Building
Attention: John McDade
Suite 511
100 Penn Square East
Philadelphia, PA 19107-3322

If you have questions regarding this letter, please call John McDade at (215) 656-6488.

Sincerely,

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Douglas D. Laine
Team Leader
School Participation Team

Enclosure

cc:

Mr. Michael Gaus, Director of Financial Aid
United States Department of Education, Document Receipt and Control Center
Mr. Douglas Laine, United States Department of Education

Finding Number: 03-4/03-7, Failure to Return Unearned Title IV Funds, pages 17 and 20
Finding Number: 03-8, Improperly Calculated Returns of Ineligible Title IV Funds, page 21
Finding Number: 03-9 Late Returns of Title IV Funds, page 22

Audit Findings:

In finding #03-4, the auditor disclosed that the institution did not timely return ineligible Federal Student Aid for two students who withdrew from the institution. In finding #03-7, the auditor disclosed that the institution did not return unearned Federal Student Aid for a student who withdrew from the institution. In addition, the auditor reported an Improperly Calculated Return of Ineligible Title IV Funds finding (#03-8) for a student, and a Late Return of Title IV Funds finding (#03-9) for three students.

Therefore, Return of Title IV Fund issues were noted for seven out of 25 withdrawn student files tested for Refund/Return of Title IV Fund calculation procedures. This resulted in an error rate of 28%.

Preliminary Audit Determination:

Reference:

34 CFR Section 668.14 (b), Student Assistance General Provisions
34 CFR Section 668.16 (a), Student Assistance General Provisions
34 CFR Section 668.22, Student Assistance General Provisions
34 CFR Section 682.605, Federal Family Education Loan Program
34 CFR Section 682.607, Federal Family Education Loan Program

Federal regulations require all returns of Title IV funds must be sent to the Department, appropriate lender, or student no later than 30 days after the date of the institution's determination of the student's withdrawal.

Federal regulations require that an institution must determine the amount of Title IV assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV programs.

The amount of Title IV grant or loan assistance that is earned by the student is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student; and applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed to the student for the payment period as of the student's withdrawal date.

The institution must review the files of all students who withdrew from the institution during 2003. The institution must submit a spreadsheet detailing the results of the file review. The spreadsheet must be submitted in hardcopy and electronic format and must include the following:

1. Student Name;
2. Social Security Number;
3. Last Day of Attendance (LDA);
4. Date of Determination of Student Withdrawal (DOD);
5. Return of Title IV Funds Due – Yes/No;
6. Return of Title IV Funds Type (i.e., Pell, Unsubsidized FFEL Loan, Unsubsidized Federal Direct Loan (FDL), Subsidized FFEL Loan, Subsidized FDL, FSEOG, etc.);
7. Amount of Return of Title IV Funds already returned by the institution;
8. Amount of Return of Title IV Funds already returned by the student (if applicable, see step 7 and 8 of the ED R2T4 calculation worksheet);
9. Date Return of Title IV Funds was due;
10. Date refund/return was made with supporting documentation (copies of cancelled checks, both front and back, and supporting bank statements);
11. Additional amount of R2T4/refund due by institution (if any); and
12. Award Year from which funds were disbursed.

In addition, the institution must submit the following hardcopy documentation:

13. Enrollment Contract;
14. Detail Attendance Record (organized chronologically by academic term);
15. Academic transcript;
16. Ledger Card (student account card);
17. All Student Change of Status Notifications;
18. Official Withdrawal Form;
19. Copies of cancelled checks, both front and back and supporting bank statements);
20. A copy of the R2T4 calculation performed for each student for each student withdrawal; and
21. If the file review indicates that the original R2T4 calculation performed is inaccurate, the institution must submit a copy of the revised R2T4 calculation.

The institution must engage an independent Certified Public Accountant (CPA) to attest to the completeness and accuracy of the spreadsheet and hardcopy documentation provided by the institution.

Please be sure that the completed file review is sent to our office address listed on the first page of this letter by **April 29, 2005**.



F E D E R A L
S T U D E N T A I D

We Help Put America Through School

MAR 2 2005

Audit Control Number (ACN): 03-2003-43727
OPE ID Number: 01021700

Mr. William Rooney
President
International Academy of Design and Technology
555 Grant Street
Pittsburgh, PA 15219

Certified with Receipt
7003 3110 0002 7997 3305

Dear Mr. Rooney:

An audit report of the Title IV student financial aid programs has been received and reviewed by this office. This report covers the period January 1, 2003 to December 31, 2003 and was prepared by Almich and Associates, Certified Public Accountants. We have considered the corrective action plan provided with the audit report.

The attachment to this letter contains our comments on audit findings that required comment or clarification. Before we can make a final audit determination on the audit reports, we must receive your response to Findings 03-4 and 03-8. Your comments must be forwarded to this office within 45 days of receipt of this letter. If you have any questions about our review, please call me on (202) 377-4227.

Your cooperation will be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Rosanne Andre".

Rosanne Andre
Audit Resolution Specialist
School Participation Team, NE-Philadelphia

cc: Nancy Klingler, Area Case Director, School Participation Team, NE-Philadelphia

File

ACN 03-2003-43727 Institution International Academy of Design and Technology, PA**Finding No: 03-4 (Incomplete Verification) Page 14****Finding:**

The auditor noted two instances where the files of students selected for verification contained incomplete information. For Student No. 1, the amount of adjusted gross income and taxes paid were incorrect. For Student No. 2, the amount on Worksheet A was incorrect. A similar finding was noted in the prior year audit report.

Audit Determination:

Section 668.56 of the Student Assistance General Provision regulations provides that an institution must require an applicant selected for verification to submit acceptable documentation as described in Section 668.57 that will verify or update the information used to determine the applicant's EFC. The documentation to be verified includes: (a) AGI and U.S. income tax paid; (b) Number of family members in household; (c) Number of family household members enrolled in postsecondary institutions; and (d) Untaxed income and benefits. The verification documentation must be secured and retained in the student's file.

A review of the institution's corrective action plan indicates that that the institution would attempt to complete the verification process for the two students and, if unable or if verification results in lower eligibility, it would return the appropriate funds. The results of the institution's attempt to complete the verification process and the possible repayment of ineligible funds must be reviewed and verified by your auditor. The auditor's verification must be provided to this office at the following address within 45 days of your receipt of this letter:

U.S. Department of Education
FSA/School Participation Team
830 First Street, N.E.
Room 071B1
Washington, D.C. 20202-5430
Attn: Rosanne Andre

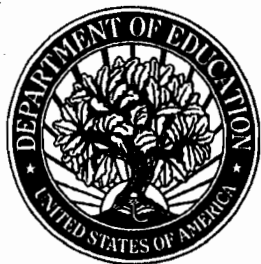
ACN 03-2003-43727 Institution International Academy of Design and Technology, PA**Finding No: 03-8 (Federal Pell Grant Reconciliation) Page 18****Finding:**

The auditor noted that total Federal Pell Grant authorized disbursements for the award year ended June 30, 2003 were not properly reflected in the U.S. Department of Education Grant Administration and Payment System (EDGAPS). The total Federal Pell Grant authorization as reported in EDGAPS when compared to final net draws per EDGAPS results in net draws of \$22,930 more than the authorized amount.

Audit Determination:

In accordance with Section 690.83 of the Federal Pell Grant Program regulations, if an institution demonstrates to the satisfaction of the Secretary that the institution has provided Federal Pell Grants in accordance with this part but has not received credit or payment for those grants, the institution may receive payment, or a reduction in accountability for those grants in accordance with paragraphs (d)(4) and either (d)(2) or (d)(3) of this section.

A review of the institution's corrective action plan indicates that it will complete the Pell Grant reconciliation process and determine if administrative relief is necessary to complete the process. The results of the institution's attempt to complete the process and make the determination that administrative relief may be necessary must be provided to the address listed on the previous page of this letter within 45 days of your receipt of this letter.



**F E D E R A L
S T U D E N T A I D**

We Help Put America Through School

**Philadelphia Case Management Team
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3322**

April 6, 2005

Mr. M. Lauck Walton
President
Gibbs College
1980 Gallows Road
Vienna, VA 22182 - 3913

**Reference:
ACN: 03-2003-43724**

**Certified Mail
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OPE ID#: 00942000

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Douglas D. Laine
Team Leader
School Participation Team

Enclosure

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Mr. Michael Gaus, Director of Financial Aid
United States Department of Education, Document Receipt and Control Center
Mr. Douglas Laine, United States Department of Education

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File



FEDERAL STUDENT AID

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MAR 2 2005

Audit Control Number (ACN): 03-2003-43727
OPE ID Number: 01021700

Certified with Receipt
7003 3110 0002 7997 3305

Mr. William Rooney
President
International Academy of Design and Technology
555 Grant Street
Pittsburgh, PA 15219

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School Participation Team, NE-Philadelphia

cc: Nancy Klingler, Area Case Director, School Participation Team, NE-Philadelphia

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Washington, D.C. 20202-5430
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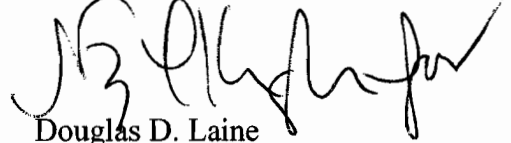
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Douglas D. Laine
Team Leader
School Participation Team

Enclosure

cc:

Mr. Michael Gaus, Director of Financial Aid
United States Department of Education, Document Receipt and Control Center
Mr. Douglas Laine, United States Department of Education

Finding Number: 03-4/03-7, Failure to Return Unearned Title IV Funds, pages 17 and 20
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17. All Student Change of Status Notifications;
18. Official Withdrawal Form;
19. Copies of cancelled checks, both front and back and supporting bank statements);
20. A copy of the R2T4 calculation performed for each student for each student withdrawal; and
21. If the file review indicates that the original R2T4 calculation performed is inaccurate, the institution must submit a copy of the revised R2T4 calculation.

The institution must engage an independent Certified Public Accountant (CPA) to attest to the completeness and accuracy of the spreadsheet and hardcopy documentation provided by the institution.

Please be sure that the completed file review is sent to our office address listed on the first page of this letter by **April 29, 2005**.



F E D E R A L
S T U D E N T A I D

We Help Put America Through School

MAR 2 2005

Audit Control Number (ACN): 03-2003-43727
OPE ID Number: 01021700

Mr. William Rooney
President
International Academy of Design and Technology
555 Grant Street
Pittsburgh, PA 15219

Certified with Receipt
7003 3110 0002 7997 3305

Dear Mr. Rooney:

An audit report of the Title IV student financial aid programs has been received and reviewed by this office. This report covers the period January 1, 2003 to December 31, 2003 and was prepared by Almich and Associates, Certified Public Accountants. We have considered the corrective action plan provided with the audit report.

The attachment to this letter contains our comments on audit findings that required comment or clarification. Before we can make a final audit determination on the audit reports, we must receive your response to Findings 03-4 and 03-8. Your comments must be forwarded to this office within 45 days of receipt of this letter. If you have any questions about our review, please call me on (202) 377-4227.

Your cooperation will be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Rosanne Andre".

Rosanne Andre
Audit Resolution Specialist
School Participation Team, NE-Philadelphia

cc: Nancy Klingler, Area Case Director, School Participation Team, NE-Philadelphia

File

ACN 03-2003-43727 Institution International Academy of Design and Technology, PA**Finding No: 03-4 (Incomplete Verification) Page 14****Finding:**

The auditor noted two instances where the files of students selected for verification contained incomplete information. For Student No. 1, the amount of adjusted gross income and taxes paid were incorrect. For Student No. 2, the amount on Worksheet A was incorrect. A similar finding was noted in the prior year audit report.

Audit Determination:

Section 668.56 of the Student Assistance General Provision regulations provides that an institution must require an applicant selected for verification to submit acceptable documentation as described in Section 668.57 that will verify or update the information used to determine the applicant's EFC. The documentation to be verified includes: (a) AGI and U.S. income tax paid; (b) Number of family members in household; (c) Number of family household members enrolled in postsecondary institutions; and (d) Untaxed income and benefits. The verification documentation must be secured and retained in the student's file.

A review of the institution's corrective action plan indicates that that the institution would attempt to complete the verification process for the two students and, if unable or if verification results in lower eligibility, it would return the appropriate funds. The results of the institution's attempt to complete the verification process and the possible repayment of ineligible funds must be reviewed and verified by your auditor. The auditor's verification must be provided to this office at the following address within 45 days of your receipt of this letter:

U.S. Department of Education
FSA/School Participation Team
830 First Street, N.E.
Room 071B1
Washington, D.C. 20202-5430
Attn: Rosanne Andre

ACN 03-2003-43727 Institution International Academy of Design and Technology, PA**Finding No: 03-8 (Federal Pell Grant Reconciliation) Page 18****Finding:**

The auditor noted that total Federal Pell Grant authorized disbursements for the award year ended June 30, 2003 were not properly reflected in the U.S. Department of Education Grant Administration and Payment System (EDGAPS). The total Federal Pell Grant authorization as reported in EDGAPS when compared to final net draws per EDGAPS results in net draws of \$22,930 more than the authorized amount.

Audit Determination:

In accordance with Section 690.83 of the Federal Pell Grant Program regulations, if an institution demonstrates to the satisfaction of the Secretary that the institution has provided Federal Pell Grants in accordance with this part but has not received credit or payment for those grants, the institution may receive payment, or a reduction in accountability for those grants in accordance with paragraphs (d)(4) and either (d)(2) or (d)(3) of this section.

A review of the institution's corrective action plan indicates that it will complete the Pell Grant reconciliation process and determine if administrative relief is necessary to complete the process. The results of the institution's attempt to complete the process and make the determination that administrative relief may be necessary must be provided to the address listed on the previous page of this letter within 45 days of your receipt of this letter.



**F E D E R A L
S T U D E N T A I D**

We Help Put America Through School

**Philadelphia Case Management Team
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3322**

April 6, 2005

Mr. M. Lauck Walton
President
Gibbs College
1980 Gallows Road
Vienna, VA 22182 - 3913

**Reference:
ACN: 03-2003-43724**

**Certified Mail
7004 2510 0004 7726 2612
Return Receipt Requested**

OPE ID#: 00942000

Dear Mr. Walton:

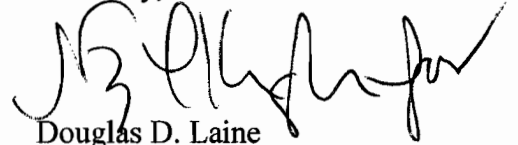
This letter advises Gibbs College of the actions necessary to resolve findings from the 2003 audit report of the institution's administration of the Title IV, Federal Student Aid Programs. This report prepared by Almich and Associates, Certified Public Accountants, covers the period January 1, 2003 through December 31, 2003.

For the Philadelphia School Participation Team to complete its review of Gibbs College's audit, it will be necessary for the institution to conduct a file review for late, unmade, and improperly calculated Returns of Title IV Funds. Outlined in the enclosure to this letter are the findings from the audit report, and an explanation of additional information that must be forwarded to the following address by April 29, 2005:

United States Department of Education
Office of Federal Student Aid
The Wanamaker Building
Attention: John McDade
Suite 511
100 Penn Square East
Philadelphia, PA 19107-3322

If you have questions regarding this letter, please call John McDade at (215) 656-6488.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Laine', written over a horizontal line.

Douglas D. Laine
Team Leader
School Participation Team

Enclosure

cc:

Mr. Michael Gaus, Director of Financial Aid
United States Department of Education, Document Receipt and Control Center
Mr. Douglas Laine, United States Department of Education

Finding Number: 03-4/03-7, Failure to Return Unearned Title IV Funds, pages 17 and 20
Finding Number: 03-8, Improperly Calculated Returns of Ineligible Title IV Funds, page 21
Finding Number: 03-9 Late Returns of Title IV Funds, page 22

Audit Findings:

In finding #03-4, the auditor disclosed that the institution did not timely return ineligible Federal Student Aid for two students who withdrew from the institution. In finding #03-7, the auditor disclosed that the institution did not return unearned Federal Student Aid for a student who withdrew from the institution. In addition, the auditor reported an Improperly Calculated Return of Ineligible Title IV Funds finding (#03-8) for a student, and a Late Return of Title IV Funds finding (#03-9) for three students.

Therefore, Return of Title IV Fund issues were noted for seven out of 25 withdrawn student files tested for Refund/Return of Title IV Fund calculation procedures. This resulted in an error rate of 28%.

Preliminary Audit Determination:

Reference:

34 CFR Section 668.14 (b), Student Assistance General Provisions
34 CFR Section 668.16 (a), Student Assistance General Provisions
34 CFR Section 668.22, Student Assistance General Provisions
34 CFR Section 682.605, Federal Family Education Loan Program
34 CFR Section 682.607, Federal Family Education Loan Program

Federal regulations require all returns of Title IV funds must be sent to the Department, appropriate lender, or student no later than 30 days after the date of the institution's determination of the student's withdrawal.

Federal regulations require that an institution must determine the amount of Title IV assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV programs.

The amount of Title IV grant or loan assistance that is earned by the student is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student; and applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed to the student for the payment period as of the student's withdrawal date.

The institution must review the files of all students who withdrew from the institution during 2003. The institution must submit a spreadsheet detailing the results of the file review. The spreadsheet must be submitted in hardcopy and electronic format and must include the following:

1. Student Name;
2. Social Security Number;
3. Last Day of Attendance (LDA);
4. Date of Determination of Student Withdrawal (DOD);
5. Return of Title IV Funds Due – Yes/No;
6. Return of Title IV Funds Type (i.e., Pell, Unsubsidized FFEL Loan, Unsubsidized Federal Direct Loan (FDL), Subsidized FFEL Loan, Subsidized FDL, FSEOG, etc.);
7. Amount of Return of Title IV Funds already returned by the institution;
8. Amount of Return of Title IV Funds already returned by the student (if applicable, see step 7 and 8 of the ED R2T4 calculation worksheet);
9. Date Return of Title IV Funds was due;
10. Date refund/return was made with supporting documentation (copies of cancelled checks, both front and back, and supporting bank statements);
11. Additional amount of R2T4/refund due by institution (if any); and
12. Award Year from which funds were disbursed.

In addition, the institution must submit the following hardcopy documentation:

13. Enrollment Contract;
14. Detail Attendance Record (organized chronologically by academic term);
15. Academic transcript;
16. Ledger Card (student account card);
17. All Student Change of Status Notifications;
18. Official Withdrawal Form;
19. Copies of cancelled checks, both front and back and supporting bank statements);
20. A copy of the R2T4 calculation performed for each student for each student withdrawal; and
21. If the file review indicates that the original R2T4 calculation performed is inaccurate, the institution must submit a copy of the revised R2T4 calculation.

The institution must engage an independent Certified Public Accountant (CPA) to attest to the completeness and accuracy of the spreadsheet and hardcopy documentation provided by the institution.

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F E D E R A L
S T U D E N T A I D

We Help Put America Through School

MAR 2 2005

Audit Control Number (ACN): 03-2003-43727
OPE ID Number: 01021700

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International Academy of Design and Technology
555 Grant Street
Pittsburgh, PA 15219

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Your cooperation will be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Rosanne Andre".

Rosanne Andre
Audit Resolution Specialist
School Participation Team, NE-Philadelphia

cc: Nancy Klingler, Area Case Director, School Participation Team, NE-Philadelphia

File

ACN 03-2003-43727 Institution International Academy of Design and Technology, PA**Finding No: 03-4 (Incomplete Verification) Page 14****Finding:**

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FSA/School Participation Team
830 First Street, N.E.
Room 071B1
Washington, D.C. 20202-5430
Attn: Rosanne Andre

ACN 03-2003-43727 Institution International Academy of Design and Technology, PA**Finding No: 03-8 (Federal Pell Grant Reconciliation) Page 18****Finding:**

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Audit Determination:

In accordance with Section 690.83 of the Federal Pell Grant Program regulations, if an institution demonstrates to the satisfaction of the Secretary that the institution has provided Federal Pell Grants in accordance with this part but has not received credit or payment for those grants, the institution may receive payment, or a reduction in accountability for those grants in accordance with paragraphs (d)(4) and either (d)(2) or (d)(3) of this section.

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601921
Drce

UNITED STATES DEPARTMENT OF EDUCATION
STUDENT FINANCIAL ASSISTANCE
BOSTON TEAM
J.W. McCORMACK POST OFFICE AND COURTHOUSE-ROOM 706
BOSTON, MASSACHUSETTS 02109-4557

Area Case Director
(617) 223-9328

Team Leaders
Boston (617) 223-9338
Washington (202) 401-3430

May 28, 2003

David Waldron
President
Gibbs College
126 Newbury Street
Boston, Massachusetts 02116

Certified Mail
Return Receipt Requested
7002 2030 0002 2328 7051
OPEID: 00748100
Ref: PRCN 200140118714

Dear President Waldron:

A recent review of our files to survey pending program review activity identified a review, conducted at your institution in July, 2001, that was not closed. It is identified in the heading of this letter.

Examination of this record has established that the usual follow-on process which would have culminated in a report and a final determination of that review did not occur. It happened that the responsible reviewer unexpectedly resigned her position for personal reasons and, in the press of the moment, standard procedures were not followed.

I have determined that no good purpose would be served by an attempt to acquire some current validity to this aborted process. Accordingly, you may consider the referenced program review and all matters attendant to it to be closed. I apologize for the delay in recognizing this anomaly and for any inconvenience it may have caused.

Sincerely,

Ralph S. Seastrom
Area Case Director

DRCC



UNITED STATES DEPARTMENT OF EDUCATION

STUDENT FINANCIAL ASSISTANCE

BOSTON TEAM

J.W. McCORMACK POST OFFICE AND COURTHOUSE-ROOM 706
BOSTON, MASSACHUSETTS 02109-4557

Area Case Director
(617) 223-9328

Team Leaders
Boston (617) 223-9338
Washington (202) 401-3430

May 7, 2004

John Padgett
Interim President
Gibbs College
126 Newbury Street
Boston, Massachusetts 02116-2904

Notice of Program Review
OPEID: 007481

Dear Dr. Padgett:

The purpose of this letter is to confirm arrangements made with Director of Financial Aid Lisa Sander for a review of your institution's administration of its federally funded student assistance programs. The review has been scheduled to begin on Monday, May 24, 2004 and is expected to continue for approximately five days.

The program review will focus on your institution's compliance with the laws and regulations governing the programs authorized by Title IV of the Higher Education Act. It will include, but not be limited to, an examination of institutional policies, related practices and individual student records for the 2002/2003 and 2003/2004 award years. Discussion with the individuals who are involved in the administration of the programs will be required and those individuals may be requested to assist in locating records and/or to explain program decision rationale. Our intention is to minimize the impact of our activities on your usual operation.

I would appreciate if you would provide me with a place to work where I will have ready access to pertinent records and a copier. Please provide the material described on the attached by Friday, May 14, 2004.

You will be sent a report of the results of the review after it is completed. Your cooperation and assistance are very much appreciated.

Sincerely,

A handwritten signature in black ink that reads "Joseph T. Smith, Jr." in a cursive style.

Joseph T. Smith, Jr.
Institutional Review Specialist

GIBBS COLLEGE
PROGRAM REVIEW
WEEK OF MAY 24, 2004

I. Please provide the following information for the 2002-2003 and 2003-2004 award years to Mr. Smith by May 14, 2004:

- School catalogues for each of the award years under review, together with the refund policies and satisfactory academic progress policies for these award years (also, include a school catalogue and consumer information pertaining to the 2004-2005 award year);
- A list of Title IV recipients for the 2002-2003 and 2003-2004 award years. Please provide this information in an unduplicated and reconciled format, organized by: name, social security number, academic program, award year and dollar amount of Title IV student financial aid by Title IV program received by each recipient, enrollment status and returns of Title IV funds paid and/or required to be paid; and,
- Common Origination and Disbursement (COD) Year-To-Date, Reconciliation, and Electronic Statement of Account records for the 2002-2003 and 2003-2004 award years.

II. Please have the following information for the 2002-2003 and 2003-2004 award years available on the first day of the review:

- List of Title IV credit balances and copies of relevant policies and procedures. Title IV credit balances should be organized by name, Social Security number, date of credit balance and amount of credit balance (this listing should include the two award years identified above but should also be current up to the date of the review);
- Program Participation Agreement and ECAR;
- Copy of accreditation documentation;
- Copies of all current course approval notices issued by the state education department;
- A list of all current owners and their respective percentages of ownership;
- Number of students currently enrolled;
- Percentage of current students enrolled receiving financial assistance;
- Location of additional teaching facilities;
- Loan counseling procedures for the Federal Family Education Loan Program (FFEL);
- Current withdrawal rate;
- Examples of completed student refund worksheets (at least two calculations for the award years under review);
- Written verification policies and procedures;
- Pell, Campus-based and FFEL student budgets;
- Fiscal Records pertaining to Fiscal Operations Reports submitted for the 2002-2003, 2001-2002, 2000-2001, and 1999-2000 award years; and,
- Required consumer information, including Student Right-to-Know data and Annual Security Reports.

III. The following records or documents should be available for examination during the course of the review:

- Financial records descriptive of the institution's Title IV participation (ledgers, student accounts, etc.);
- Original canceled checks, bank statements, deposit slips, checkbook or check roster and all other records pertaining to Title IV cash requests, draw downs, returns of funds, and maintenance of Title IV bank accounts;
- Policies and procedures manual pertaining to administration of Title IV programs;
- Financial aid recipients' academic and financial aid records.