



UNITED STATES DEPARTMENT OF EDUCATION

Federal Student Aid
Chicago School Participation Team
111 North Canal Street, Suite 830
Chicago, Illinois 60606-7204
Phone (312) 886 - 8767

June 28, 2005

Mr. H.D. Allen
President
Du Quoin Beauty College
202 South Washington Street
Du Quoin, Illinois

Certified Mail
Return Receipt Requested
Receipt: 7002 2030 0007 8277 2210
PRCN: 200530524174
OPE ID: 012608

Dear Mr. Allen:

On May 2-5, 2005 Byron Scott from the U.S. Department of Education conducted a program review of the Federal Title IV Federal Student Aid (hereinafter referred to as Title IV) programs administered at Du Quoin Beauty College (Du Quoin). The findings of the program review are presented in the enclosed report.

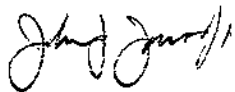
This report contains findings regarding Du Quoin's administration of the Title IV Federal Student Aid programs. Some of the findings of noncompliance were Incorrect Federal Pell Grant Payments Across Award Years; Refund Calculation Incorrect and Unmade; Excess Cash Balances Retained; Inadequate Internal Controls; and Failure to Reconcile Title IV Accounts.

Findings of noncompliance are referenced to the applicable regulations and specify the actions necessary to comply with the regulations and statutes. Please review and respond to the report, indicating the corrective actions taken by Du Quoin. Some corrective actions are also for the purpose of determining financial liability and will not preclude additional action from being taken on matters in this report.

The purpose of the program review is to identify areas of noncompliance with statutory and regulatory requirements. When noncompliance is identified, the institution's responsibilities are twofold: to immediately bring its administration of the programs into compliance and to reimburse the Department or the student for any Title IV funds improperly disbursed. Please review the report and respond to each finding by indicating the corrective actions that have been taken by the institution. Your response should be sent directly to me within 45 days of Du Quoin's receipt of the report.

I would like to express my appreciation for the courtesy and cooperation extended during the review. If you have any questions, please call Byron Scott on (312) 866-8734.

Sincerely,



John J. Jaros, Jr.
Team Leader
Chicago School Participation Team

Enclosure

cc: Carol Porterfield, Director of Financial Aid
Du Quoin Beauty College

Illinois Department of Professional Regulation

National Accrediting Commission of Cosmetology Arts and Sciences

Robert H. James, Liaison for Career Institutions of Higher Education

Du Quoin Beauty College
Du Quoin, Illinois

INSTITUTIONAL REVIEW DATA SHEET

DATES OF REVIEW: May 2-5, 2005 PRCN: 200530524174

AWARD YEARS REVIEWED: 2003-04 2004-05

SAMPLE SIZE: 52

TIN #: 370955842 OPE ID #: 01260800 DUNS #: 075903047

TYPE AND CONTROL: Proprietary, Certificate

ACCREDITATION: National Accrediting Commission of Cosmetology Arts and Sciences

FSA PROGRAM PARTICIPATION:

	<u>2003-04</u>
Federal Pell Grant	\$206,074
Federal SEOG	\$62,048

METHOD OF FUNDING: Advance, transferred to reimbursement May 12, 2005

REVIEWING ED OFFICIAL: Byron Scott, Senior Financial Analyst

INSTITUTIONAL OFFICIALS CONTACTED:

H.D. Allen, President
Carol Porterfield, Director of Financial Aid
Bonita Allen, Chief Financial Officer
Patrick Allen

DU QUOIN BEAUTY COLLEGE
DU QUOIN, ILLINOIS

PROGRAM REVIEW REPORT

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**Program Review Report
Du Quoin Beauty College**

A. INTRODUCTION

Du Quoin Beauty College is a proprietary institution in Du Quoin, Illinois, with an additional location in Marion, Illinois. The location in Marion is also known as Trend Beauty College. The institution currently offers certificate programs in Cosmetology and Cosmetology Teaching.

Du Quoin currently participates in the Federal Pell Grant and Federal Supplemental Education Opportunity Grant (FSEOG) programs. School records indicate current enrollment is approximately 40 students and that the majority of students are receiving Title IV assistance.

B. SCOPE OF REVIEW

A program review was conducted on May 2-5, 2005 to examine the institution's administration of the Title IV programs. The program review was conducted because of a disclaimed opinion on the institution's audited financial statements for the year ended December 31, 2003, findings of non-compliance in the 2003 audit and financial statements, and growth in the institution's use of Federal Pell Grant funds. These factors reflect a heightened need to monitor the institution's compliance with the administrative capability and financial responsibility provisions of the statutes and regulations governing the Title IV FSA programs. A fire occurred at the Marion location on 4/27/05 and academic and attendance records for students from this location were unavailable to the reviewer due to the fire.

The program review examined the institution's compliance with administrative and financial responsibility regulations. The program review originally covered the 2003-04 and 2004-05 award years, however due to the extensive nature of the non-compliance noted in Finding #1, the review was expanded to include the 2002-03 award year. Utilizing information provided by the institution, the Department obtained a listing of all Title IV recipients in the 2003-04 and 2004-05 award years. For the 2003-04 award year, a statistically valid sample of students was selected from the universe of withdrawn students, and from that statistically valid sample, 15 students were randomly selected for review. For the 2004-05 award year, a statistically valid sample of students was selected from the universe of all Title IV recipients, and from that statistically valid sample, 15 students were randomly selected for review. One student was selected for review in both award years, so a total of 29 students were reviewed from the statistical sample. An additional judgmental sample of 22 student files were selected for review to test the institution's compliance with Return to Title IV Funds requirements and proper disbursement for crossover payment periods. The student sample is incorporated by reference, in its entirety, and is attached hereto as part of this report (Attachment A). Please refer to Attachment A for the identities of the students cited in the program findings. Students are referenced throughout this report by the numbers noted in the Attachment.

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable laws, regulations, and policies and specify the actions to be taken by Du Quoin to bring operation of the financial aid programs into compliance with regulations and statutes. The findings identify any harm caused to the Title IV programs due to noncompliance with applicable laws, regulations and policies.

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On May 5, 2005, the reviewer conducted an exit conference with you and your administrators. At that time the reviewer provided a discussion of the findings of noncompliance, and the nature of those findings that the program review disclosed, as well as actions that would be required as a result of the program review.

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

C. FINDINGS AND REQUIREMENTS

I. Incorrect Federal Pell Grant Payments Across Award Years

Finding: The institution improperly disbursed Federal Pell Grant funds to numerous students for whom the payment period did not occur in the award year from which the funds were drawn. A student may only receive Title IV funds from an award year if at least a portion of the payment period for which the student is receiving funds occurs in that award year. In the case of the students described below, Du Quoin made a disbursement of Federal Pell Grant funds as if the payment period was a crossover payment period, when in fact the entire payment period occurred in a previous award year in which the students had already utilized their full Federal Pell Grant eligibility.

The Basic Cosmetology program at Du Quoin is 1500 clock hours in length and the institution has established its academic year as 900 clock hours over 30 weeks. This results in payment periods from 1-450 hours, 451-900 hours, 901-1200 hours and 1201-1500 hours. Du Quoin improperly treated the final two 300 clock-hour payment periods as one payment period when determining if a payment period was a crossover payment period. Although student account cards showed two disbursements and Du Quoin calculated the disbursement amounts based on two payment periods, it treated the two discrete payment periods as one payment period so it could consider both payment periods as one crossover payment period, when in fact only one of the 300-hour payment periods was actually a crossover payment period.

Du Quoin disbursed \$1,800.00 in 2003-04 Federal Pell Grant funds to Student #42 on 7/1/03. This represented two \$900.00 disbursements for the last two payment periods. The student completed the program on 7/17/03 and in fact only the 1201-1500 hour payment period occurred in the 2003-04 award year. The institution improperly disbursed \$900.00 in 2003-04 Federal Pell Grant funds to the student for a payment period that was completely within the 2002-03 award year.

Du Quoin disbursed \$2,700.00 in 2004-05 Federal Pell Grant funds to Student #44 on 7/19/04. This represented two \$1,350.00 disbursements for the last two payment periods. The student completed the program on 8/21/04 and in fact only the 1201-1500 hour payment period occurred

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in the 2004-05 award year. The institution improperly disbursed \$1,350.00 in 2004-05 Federal Pell Grant funds to the student for a payment period that was completely within the 2003-04 award year.

Du Quoin disbursed \$2,700.00 in 2003-04 Federal Pell Grant funds to Student #45 on 7/3/03. This represented two \$1,350.00 disbursements for the last two payment periods. The student completed the program on 7/12/03 and in fact only the 1201-1500 hour payment period occurred in the 2003-04 award year. The institution improperly disbursed \$1,350.00 in 2003-04 Federal Pell Grant funds to the student for a payment period that was completely within the 2002-03 award year.

Du Quoin disbursed \$2,700.00 in 2003-04 Federal Pell Grant funds to Student #46 on 7/3/03. This represented two \$1,350.00 disbursements for the last two payment periods. The student completed the program on 7/17/03 and in fact only the 1201-1500 hour payment period occurred in the 2003-04 award year. The institution improperly disbursed \$1,350.00 in 2003-04 Federal Pell Grant funds to the student for a payment period that was completely within the 2002-03 award year.

Du Quoin disbursed \$860.00 in 2004-05 Federal Pell Grant funds to Student #47 on 7/19/04. This represented two \$430.00 disbursements for the last two payment periods. The student completed the program on 8/11/04 and in fact only the 1201-1500 hour payment period occurred in the 2004-05 award year. The institution improperly disbursed \$430.00 in 2004-05 Federal Pell Grant funds to the student for a payment period that was completely within the 2003-04 award year.

Du Quoin disbursed \$2,700.00 in 2003-04 Federal Pell Grant funds to Student #49 on 7/21/03. This represented two \$1,350.00 disbursements for the last two payment periods. The student completed the program on 8/7/03 and in fact only the 1201-1500 hour payment period occurred in the 2003-04 award year. The student attended only 185 hours during the 2003-04 award year. The institution improperly disbursed \$1,350.00 in 2003-04 Federal Pell Grant funds to the student for a payment period that was completely within the 2002-03 award year.

Du Quoin disbursed \$2,700.00 in 2003-04 Federal Pell Grant funds to Student #50 on 7/3/03. This represented two \$1,350.00 disbursements for the last two payment periods. The student completed the program on 7/22/03 and in fact only the 1201-1500 hour payment period occurred in the 2003-04 award year. The student attended only 112 hours during the 2003-04 award year. The institution improperly disbursed \$1,350.00 in 2003-04 Federal Pell Grant funds to the student for a payment period that was completely within the 2002-03 award year.

Du Quoin disbursed \$2,266.00 in 2003-04 Federal Pell Grant funds to Student #51 on 7/1/03. This represented two \$1,133.00 disbursements for the last two payment periods. The student completed the program on 7/12/03 and in fact only the 1201-1500 hour payment period occurred in the 2003-04 award year. The student attended only 64 hours during the 2003-04 award year. The institution improperly disbursed \$1,133.00 in 2003-04 Federal Pell Grant funds to the student for a payment period that was completely within the 2002-03 award year.

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Du Quoin disbursed \$2,400.00 in 2003-04 Federal Pell Grant funds to Student #52 on 7/30/03. This represented two \$1,200.00 disbursements for the last two payment periods. The student completed the program on 8/1/03 and in fact only the 1201-1500 hour payment period occurred in the 2003-04 award year. The student attended only 181 hours during the 2003-04 award year. The institution improperly disbursed \$1,200.00 in 2003-04 Federal Pell Grant funds to the student for a payment period that was completely within the 2002-03 award year.

For a payment period to be considered a crossover payment period, students must complete the scheduled hours in the first payment period and begin the next payment period prior to June 30 of the first award year. Funds may be drawn from either award year for a crossover payment period if the institution has properly confirmed the student's eligibility in that award year and the student has remaining Federal Pell Grant eligibility in that award year. If more than six months of the payment period are in a given award year, the Federal Pell Grant payment must be made from that award year. All the students described above completed the 901-1200 payment period prior to the start of the subsequent award year, so that payment period was not a crossover payment period but was actually completely within the first award year, an award year in which the students had already received their entire annual Federal Pell Grant awards. The crossover payment period for these students was only the 1201-1500 payment period and could have been paid from either award year, not the 901-1200 payment period which was entirely within the first award year, an award year for which the students had no remaining eligibility for a Federal Pell Grant disbursement.

At a clock hour institution such as Du Quoin, a student does not begin a second payment period until he/she actually completes the scheduled clock hours in the first payment period. A crossover payment period would only occur if the clock hours in the payment period occur in both award years. In no case cited above was the 901-1200 payment period a crossover payment period as all the hours in the payment period occurred in the previous award year. Nonetheless, Du Quoin disbursed Federal Pell Grant funds to the cited students as if the 901-1200 payment period was a crossover payment period. These are improper disbursements to ineligible students and represent an institutional liability.

Institutions may only disburse Federal Pell Grant funds to students for payment periods occurring in award years in which student eligibility has been properly determined and for which the student has remaining eligibility. If a payment period is not a crossover payment period the institution must obtain a valid output document for the award year in which the payment period occurs and make the disbursement from that award year. Du Quoin improperly disbursed Federal Pell Grant funds to students as if their 901-1200 payment periods were crossover payment periods when in fact the payment periods occurred in an award year for which the students had already received their full Federal Pell Grants. These improper disbursements to ineligible students represent a serious lack of administrative capability on the part of the institution. Students received funds to which they were not entitled. The improper retention of Federal Pell Grant funds causes increased expense to the Department by allowing the institution to retain funds to which it is not entitled and represents an institutional liability that must be repaid.

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Reference: 34 CFR 668.164(b) General Provisions
34 CFR 690.64, Federal Pell Grant

Requirement: Due to the extensive nature of this finding, the institution must review the files of all Federal Pell Grant recipients in the 2002-03, 2003-04 and 2004-05 award years. The review must determine which students received disbursements that the institution considered to be for crossover payment periods when in fact the payment period was not actually a crossover payment period. The institution must determine which students received disbursements for the 901-1200 payment period and the 1201-1500 payment period from an award year in which only the 1201-1500 payment period was actually a crossover payment period. The results of the file review should be presented in spreadsheet format and contain the following information:

1. Student Name
2. Student Social Security Number
3. Start Date
4. Drop/Graduation Date (indicate if student graduated)
5. Total Federal Pell Grant funds received, by award year
6. Date student completed 900 hours
7. Date, amount and award year of disbursement for 901-1200 payment period
8. Date student completed 1200 hours
9. Date, amount and award year of disbursement for 1201-1500 payment period.
10. Correct disbursements for each payment period, based on proper proration of the Federal Pell Grant award (see Finding #2)
11. Ineligible Federal Pell Grant fund disbursed, by student

Du Quoin must establish and implement written policies and procedures to ensure that student eligibility is properly determined for all payment periods and award years in which a student receives Title IV funds. A copy of those policies and procedures must be submitted in response to this report. Du Quoin will be liable for funds disbursed to students for which they were not eligible. Liabilities resulting from the improper disbursement of Title IV funds will be assessed in the Final Program Review Determination Letter.

2. Incorrect Federal Pell Grant Calculation

Finding: Du Quoin improperly prorated the Federal Pell Grant awards for students who were in their final two payment periods (901-1200 and 1201-1500 hours). Student #19 received a Federal Pell Grant disbursement of \$2,025.00 on 2/16/05. The Federal Pell Grant calculation worksheet in the student's file indicates the institution considered this disbursement to be for the 901-1200 payment period. The institution failed to prorate the Federal Pell Grant for this student who was enrolled in fewer clock hours in the academic year than the 900 hours defined as the academic year. The correct Federal Pell Grant award for this student for the 901-1200 payment period was only \$1,350.00, so the institution disbursed \$675.00 to this student in excess of her eligibility for those funds. This student will not be eligible for the \$675.00 of her remaining 2004-05 award year eligibility until she completes 1200 clock hours.

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Du Quoin disbursed \$1,012.00 in Federal Pell Grant funds to Student #22 on 8/16/04. It is unclear what payment period this was for, as the student's Estimated Family Contribution (EFC) for 2004-05 was 3104 and the student would not have been eligible for this amount in any payment period as her annual scheduled award was only \$900.00. The institution did not return these improperly disbursed Federal Pell Grant funds until 11/8/04. Despite the fact that it had already improperly drawn \$1,012.00 for this student, Du Quoin disbursed \$450.00 to the student on 8/16/04, and then an additional \$450.00 on 11/19/04. The Federal Pell Grant calculation form in the student's file indicates these two payments were for the 901-1200 and 1201-1500 payment periods and equal the amount of the student's annual award of \$900.00. These two disbursements should have been prorated based on the fact that the student was enrolled for fewer hours than an academic year in the award year. Based on an EFC of 3104, the student was eligible for only \$300.00 in each payment period. Du Quoin improperly disbursed \$300.00 in Federal Pell Grant funds to the student based on its failure to properly prorate the student's Federal Pell Grant. Based on the student's correct EFC (after correcting the conflicting data discussed below under Finding #7) the student was eligible for only a total of \$400.00 in Federal Pell Grant funds for the 2004-05 award year. Du Quoin improperly drew and retained \$500.00 in Federal Pell Grant funds for this student.

The institution disbursed \$975.00 in Federal Pell Grant funds to Student #24 on 9/9/03 for the 901-1200 payment period and \$975.00 for the 1201-1500 payment period on 11/15/03. These amounts are one-quarter of the student's annual award of \$3,900.00. The institution failed to properly prorate these awards. The 901-1200 disbursement should have been \$1,300.00 and the 1201-1500 disbursement should have been \$650.00, the student's remaining eligibility for the award year. As this student graduated and earned all the Federal Pell Grant funds she received, no further action is required for this student at this time.

Du Quoin disbursed \$1,000.00 in Federal Pell Grant funds to Student #43 on 4/22/03 and \$1,000.00 on 5/22/03. The Federal Pell Grant calculation form in the student's file shows that the institution considered these two disbursements together as a \$2,000.00 disbursement for the 900-1350 payment period. As discussed above, the correct payment periods for Du Quoin are 1-450 hours, 451-900 hours, 901-1200 hours and 1201-1500 hours. In the case of this student, the institution apparently extended the 901-1200 payment period to a length of 450 hours so that it would not be required to prorate the Federal Pell Grant. The correct Federal Pell Grant for the 901-1200 payment period should have been \$1,333.34, drawn from the 2002-03 award year. Du Quoin overpaid this Federal Pell Grant disbursement by \$666.66. The institution made a \$675.00 disbursement of Federal Pell Grant funds from the 2003-04 award year to this student on 7/17/03 for the 1350-1500 hour payment period. The correct payment period was 1201-1500 hours and the correct Federal Pell Grant disbursement for this payment period should have been \$1,350.00. Du Quoin underpaid this student \$675.00 for this disbursement. Du Quoin is liable for the \$666.66 overpayment of Federal Pell Grant funds to this student from the 2002-03 award year.

Du Quoin disbursed \$1,000.00 in Federal Pell Grant funds to Student #48 on 2/25/03 and \$1,000.00 on 5/7/03. The Federal Pell Grant calculation form in the student's file shows that the institution considered these two disbursements together as a \$2,000.00 disbursement for the 900-

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1350 payment period. In the case of this student, the institution apparently extended the 901-1200 payment period to a length of 450 hours so that it would not be required to prorate the Federal Pell Grant. The correct Federal Pell Grant for the 901-1200 payment period should have been \$1,333.34. Du Quoin overpaid this Federal Pell Grant disbursement in the 2002-03 award year by \$666.66. The institution made a \$675.00 disbursement of Federal Pell Grant funds from the 2003-04 award year to this student on 7/3/03 for the 1350-1500 hour payment period. The correct payment period was 1201-1500 hours and the correct Federal Pell Grant disbursement for this payment period should have been \$1,350.00. Du Quoin underpaid this student \$675.00 for this disbursement. Du Quoin is liable for the Federal Pell Grant overpayment of \$666.66 from the 2002-03 award year.

Schools must disburse all Title IV funds on a payment period basis. In a clock hour program that is greater than an academic year in length, the first payment period is the period of time in which the student completes the first half of the academic year as measured in clock hours. The second payment period is the period of time in which the student completes the second half of the academic year. The Basic Cosmetology program at Du Quoin is 1500 clock hours in length and the institution has defined its academic year as 900 clock hours and 30 weeks. If the remaining portion of the program is more than one half of an academic year but less than a full academic year (as is the case with the Basic Cosmetology program at Du Quoin) the first payment period is the period of time in which the student completes the first half of the remaining portion of the program, as measured in clock hours. The second payment period would be the period of time in which the student completes the second half of the remaining portion of the program as measured in clock hours. This means the payment periods for the Basic Cosmetology program at Du Quoin are from 1-450 hours, 451-900 hours, 901-1200 and 1201-1500 hours.

The failure of the institution to properly prorate Federal Pell Grant awards resulted in student awards being overstated so students received funds to which they were not entitled. In some cases, students did not receive all the funds to which they were entitled, depriving them of this assistance with their educational expenses. Funds disbursed to students in excess of their eligibility for those funds cause increased expense to the Department and permits students the use of funds to which they are not entitled. It allows the institution the use of unearned federal funds. The improper proration of Title IV awards represents a lack of administrative capability by the institution.

Reference: 34 CFR 668.4, General Provisions
34 CFR 668.164(b) General Provisions
34 CFR 690.63, Federal Pell Grant

Requirement: Due to the extensive nature of this finding, Du Quoin must review the files of all Federal Pell Grant recipients to determine all awards that were improperly prorated. The file review may be done in conjunction with the file review for Finding #1 and the results presented on the spreadsheet required for that finding. In conducting the file review, Du Quoin must correctly prorate the Federal Pell Grants for the 901-1200 and 1201-1500 payment periods.

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For students who are currently enrolled, excess funds should immediately be returned to the Federal Pell Grant program account. Du Quoin may also adjust the second disbursement for students who have only received the first disbursement of the improperly prorated award. Proof of repayment or adjustment must be provided in response to this report.

If the institution has not already done so, it must disburse amounts of underpaid Federal Pell Grant funds to students who were eligible for those funds. If the Institution needs to reopen a prior year's Federal Pell Grant authorization or request administrative relief in order to make required disbursements, you should send an email to pellsystems@ed.gov or contact the Pell Grant Hotline at 1-800-4PGRANT (1-800-474-7268).

Du Quoin must immediately establish and implement written procedures to ensure that Title IV awards for students enrolled in programs less than an academic year are properly prorated. A copy of those procedures must be submitted in response to this report. Du Quoin will be liable for funds disbursed to student in excess of their eligibility. Liabilities resulting from the improper disbursement of Title IV funds will be assessed in the Final Program Review Determination Letter.

3. Refund Calculation Incorrect and Unmade

Finding: Du Quoin improperly calculated nine refunds during the period under review. A major reason for this was the institution's improper usage of the payment period or period of enrollment in calculating Title IV refunds. Regulations require that an institution calculate the amount of Title IV aid earned by a student who ceases enrollment prior to the 60% point of a payment period or period of enrollment. Clock hour institutions such as Du Quoin may choose whether to make its calculations based on the payment period or period of enrollment, however the institution **must** use the same basis (payment period or period of enrollment) in its calculations for all students within a program who cease attendance. Du Quoin sometimes used the payment period, and sometimes it used the academic year of 900 hours, choosing the method based on its determination of the calculation that would allow it to retain the greatest amount of Title IV funds. At no point did the Department permit clock hour institutions to use the academic year as the basis for the refund calculation. A school must either choose the payment period (which at Du Quoin are either 450 hours or 300 hours) or the period of enrollment (1500 hours at Du Quoin).

There were other systemic errors in the institution's calculation of Title IV refunds. Prior to the Fall of 2004, Du Quoin disbursed Federal Pell Grant funds twice within each 450 clock hour payment period. A student who was scheduled to receive \$4,050.00 for a 900 hour academic year, \$2,025.00 per 450 hour payment period, actually received two disbursements of \$1,012.00 and two disbursements of \$1,013.00. If a student withdrew after receiving only one of the two eligible disbursements within a payment period (for example, a student received only \$1,013.00 and there was a remaining \$1,012.00 disbursement in the first 450 hour payment period) Du Quoin failed to consider the second half of the first disbursement as aid that could have been disbursed when calculating the Title IV funds earned by the student.

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When calculating refunds based on the payment period, Du Quoin failed to pro-rate its institutional charges. In no calculation did the institution determine the scheduled hours to see if that figure could have been used in the calculation. The institution also failed to offer post-withdrawal disbursements to students who were eligible for them.

The table below lists the incorrect refund calculations. The method columns indicate if the school used the payment period, academic year, or some other figure. As the institution sometimes used the payment period, all refunds have been recalculated based on the payment period. Additionally, aid that could have been disbursed in the payment period is included in the corrected calculation. Negative numbers in the "Difference" column reflect unmade refunds due to the Department.

Student	Original Method	Correct Method	Refund Paid	Correct Refund Due	Difference
1	591/900	141/450	\$0.00	\$1,078.17	-\$1,078.17
3	79/450	79/450	\$833.89	\$479.60	\$354.29
4	96/450	77/450	\$1,574.00	\$1,658.00	-\$84.00
5	526/900	76/450	\$1,679.00	\$1,500.77	\$178.23
12	86/450	80/450	\$1,627.00	\$1,473.55	\$153.45
17	657/900	207/450	\$0.00	\$617.47	-\$617.47
32	1015/1200	66.5/450	\$0.00	\$1,530.46	-\$1,530.46
38	639/900	189/450	\$0.00	\$1,754.50	-\$1,754.50
40	558/900	108/450	\$0.00	\$286.00	-\$286.00

Although in some cases, Du Quoin refunded more than was required, the net total of incorrect refund calculations results in total unmade refunds of \$4,664.63 due to the Department.

Student #4 is also discussed below under Finding #12. The refund for Student #12 was calculated based on completion of 86 hours, however her transcript indicates she completed only 80 hours. Du Quoin failed to perform a refund calculation for Student #27 whose last date of attendance at the institution was 10/6/04. Based on the correct amount of Federal Pell Grant funds disbursed to the student for the payment period (after correcting the conflicting data under Finding #7 below) a refund of \$1,654.90 is due to the Federal Pell Grant program.

The student account records and institutional Federal Pell Grant ledger indicate Du Quoin made refunds for Students #23, #27 and #37 in the 2004-05 award year. The refunds (downward adjustments) are not reflected in the Department's Common Origination and Disbursement (COD) System. Institutions are required to report all changes to students' Federal Pell Grant amounts within 30 days of the date those changes are made.

Current federal regulation requires that if a Title IV recipient withdraws from an institution prior to completing 60% of the payment period or period of enrollment for which the recipient began attendance, the institution must determine the amount of Title IV assistance the student earned as

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of the student's withdrawal date. At a clock hour institution, if the clock hours completed by the student as of his or her date of withdrawal are equal to at least 70% of the hours that were scheduled to be completed by the student, the school uses the scheduled hours in calculating the percentage of Title IV assistance earned. If the percentage of scheduled hours completed is less than 70%, the actual completed hours (as opposed to the scheduled hours) must be used in calculating the percentage of Title IV assistance earned. The institution must also return the amount of the refund allocated to the Title IV programs to the appropriate program accounts within 30 days of the date that the student officially withdrew, was expelled or the institution determined that the student had unofficially withdrawn, or failed to return from a leave of absence.

Clock hour institutions are permitted to calculate the Title IV funds earned by a withdrawn student based on the payment period or period of enrollment. The institution must use the same basis in its calculations for all students within a program who cease attendance. Making multiple disbursements within a payment period (as Du Quoin has done in the past) does not create a new or additional payment period. The period of enrollment is the academic period established by the institution for which charges are generally assessed. If an institution uses the payment period, the aid used is the aid that was disbursed or could have been disbursed for the payment period. Institutions must prorate the charges for the period of enrollment to correspond to a payment period if the institution has elected to use the payment period rather than the period of enrollment for the refund calculations. If an institution calculates refunds on a payment period basis, but charges for a longer period than a payment period (e.g. the period of enrollment), total institutional charges will be the greater of the prorated institutional charges for the period, or the amount of Title IV assistance retained for institutional charges as of the student's date of withdrawal.

The institution's failure to properly calculate and make refunds in a timely manner permitted the institution to retain funds to which it was not entitled. The improper retention of federal funds caused increased expense to the Department in financing the federal programs. Those excessive financing costs represent financial loss to the federal program for which the institution is liable. The failure to calculate and make refunds in a timely manner reflects impaired administrative capability at the institution, particularly as this is a repeat finding from the institution's fiscal year 2001 non-federal audit.

Reference: Higher Education Act of 1965, as amended. Section 484B
34 CFR 668.22, General Provisions

Requirement: Du Quoin must immediately return the \$1,698.45 in Federal Pell Grant funds due for Student #27 and provide proof of repayment in response to this report. The institution must report the downward adjustments to the 2004-05 Federal Pell Grants for Students #23, #27, #36 and #37 and provide proof from the COD system that the adjustment has been properly reported.

Due to the extensive nature of the improper refund calculations, Du Quoin must perform a file review of all students who ceased attendance without completing 60% of the clock hours in the

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payment period for which they were paid. This file review should include all students in the 2002-03, 2003-04 and 2004-05 award years who did not complete the payment period for which they were paid. Du Quoin must present the results of its file review in spreadsheet format, including the following information:

1. Student name
2. Student Social Security Number
3. Withdrawal date
4. Original refund calculation method (payment period, academic year, other)
5. Original refund made, by Title IV program
6. Date refund due
7. Date refund made
8. Correct amount of refund due, by program

In determining the correct refund due, Du Quoin should make all calculations for all students based either on the payment period or the period of enrollment (1500 hours). Du Quoin should include any funds that could have been disbursed in the payment period, prorate institutional charges if required, and calculate scheduled hours. A copy of the refund calculation for each student must also be provided in response to this report.

Du Quoin must establish and implement written procedures to ensure that all refunds are made accurately and within the timeframes established by federal regulations. A copy of those policies and procedures must be submitted in response to this report. Liabilities resulting from the improper retention of Title IV funds will be assessed in the final program review determination letter.

4. Ineligible Student – Citizenship

Finding: Du Quoin disbursed Title IV funds to four students prior to confirming their status as U.S. citizens. The 2004-05 Student Aid Reports (SAR's) for Students #20 and #35, the 2003-04 Institutional Student Information Record (ISIR) and the 2002-03 ISIR for Student #50 each contained comments that the Social Security Administration could not confirm the students' claim of U.S. citizenship because of questions about the students' social security number, name or date of birth. Du Quoin disbursed Title IV funds to these students without resolving this comment for these students. For the 2004-05 award year, the current Financial Aid Director told the reviewer she was unaware of the meaning of this (or other "C" codes) comment.

A student is eligible to receive Title IV funds if he/she is a U.S. citizen or eligible non-citizen. In the cases cited above, the students asserted they were citizens on their applications. All applications are automatically matched with Social Security Administration records to verify name, date of birth, U.S. citizenship status, the social security number, and possible date of death. If the match is not successful, the citizenship status cannot be confirmed and a comment to this effect will be printed on the output document. The student should make the necessary corrections to the social security number, name, or date of birth and submit the corrections to the Central Processing System. The comment regarding a failure to confirm citizenship status results

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in what is commonly called a "C" code. Other "C" codes include the failure to confirm a student's status as a veteran, failure to be registered for Selective Service, or a student who is in default on a Title IV loan. In all cases, a "C" code **must** be resolved before Title IV funds are disbursed to a student.

If a school resolves the name or social security number problems with the student and the citizenship status can still not be confirmed, the student can provide other documentation to confirm citizenship, such as a birth certificate or U.S. passport. In the cases of the students cited above, there was no indication that the institution submitted corrections or obtained other documentation to confirm the students' citizenship status.

Du Quoin's disbursement of Title IV funds to students whose citizenship status could not be confirmed were improper disbursements to ineligible students and represent an institutional liability. It allowed the institution the use of unearned funds and caused increased expense to the Department. It also represents a failure to properly administer the Title IV programs.

Reference: 34 CFR 668.33, General Provisions

Requirement: Du Quoin must attempt to confirm the citizenship status for the cited students. Proof of citizenship status must be provided in response to this finding. Without the required documentation, all funds disbursed to the students will be an institutional liability. A copy of the resolution, either acceptable documentation or a new output document which confirms the students' citizenship status must be submitted for the students in response to this finding.

Due to the extensive nature of this finding, and the financial aid director's lack of awareness of the importance of resolving "C" codes prior to disbursing Title IV funds, the institution must conduct a file review of all students whose output documents (ISIR's or SAR's) contained a "C" code. If not previously resolved, the institution must attempt to resolve the "C" codes in response to this finding and documentation substantiating that resolution must also be provided. Du Quoin must also provide summary information of this file review, in spreadsheet format, as specified here:

1. Student name
2. Student social security number
3. Award Year
4. "C" code (default, citizenship, veteran's status, etc.)
5. Resolved (yes or no)
6. For students not resolved, total amount disbursed, by program.

Du Quoin must also develop and implement written policies and procedures to ensure that "C" codes are always resolved prior to the disbursement of Title IV funds. A copy of those procedures must be submitted in response to this report. Liabilities resulting from the improper disbursement of Title IV funds to ineligible students will be assessed in the final program review determination letter.

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5. Incomplete Verification

Finding: The institution failed to properly verify Students #1, #9, #17 and #29 who were selected for verification during the review period. The ISIR for Student #1 reflected a family size of three and no federal tax paid, however the correct information reflected a family size of two and \$166 in federal tax paid. The institution recalculated the student's eligibility while the reviewer was on site and there was no change in the student's eligibility, therefore, no further action is required for this student at this time.

The ISIR for Student #9 showed income from work was \$4,361.00, the amount from Worksheet B was \$4,746.00 and federal tax paid was \$671.00. The verification documentation indicated the correct information was income from work of \$9,107.00, the amount from Worksheet B was \$0 and tax paid was also \$0.

Student #17 was selected for verification in the 2003-04 award year. The tax return used to verify the student's application was a joint tax return reflecting adjusted gross income of \$53,144.00, income earned from work (spouse and student) of \$52,968.00 and income tax paid of \$1,680. The student's ISIR shows adjusted gross income of \$3,510.00 and the same amount earned from work, and no federal tax paid. The student reported on her 2003-04 FAFSA that she was separated as of September 2003, however there was no documentation in the file to indicate the institution had used professional judgment to change the income figures to reflect the student's marital status. The institution did not complete verification for the student.

The Earned Income Credit amount of \$4,223.00 shown on the 2003 tax return for Student #29 was not on the student's ISIR. The institution recalculated the student's eligibility while the reviewer was on site and there was no change in the student's eligibility, therefore, no further action is required for this student at this time.

An institution is responsible for verifying the information that is used to calculate an applicant's Estimated Family Contribution 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.

Institutions are also required to have written policies and procedures for the following verification issues:

- Deadlines for students to submit documentation and the consequences of failing to meet those deadlines;
- Method of notifying students of award changes resulting from verification;
- Required correction procedures for students; and
- Standard procedures for referring overpayment cases to the Department.

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The school must also give each applicant a written account of the documentation needed to satisfy verification requirements, the responsibilities of the student in the verification process, including the deadlines for action and the consequences of failure to meet those deadlines. Students must also be informed of the process by which they will be notified of any changes as a result of verification.

The institution's failure to complete verification could result in the improper use of Title IV funds and increased expense to the Department. It also reflects a failure to properly administer the Title IV programs. An institution that fails to properly complete verification fails to properly determine student eligibility for Title IV assistance. Funds disbursed to students whose eligibility is not properly determined are funds that are disbursed to ineligible students and represent an institutional liability.

Reference: 34 CFR 668.51 through 668.61, General Provisions

Requirement: Du Quoin must resolve the verification deficiencies cited above for Students #9 and #17 and recalculate the student's eligibility based on the verified information. If the institution is unable to verify the student's application information, the student will be ineligible for all Title IV funds received during the award year. If there is any change in the student's eligibility for Title IV funds due to a change in the EFC, the amount disbursed and the amount for which the student was actually eligible must be included, as well as the correct amount for which the student was eligible.

Du Quoin must implement written policies and procedures to ensure that verification is properly completed for students selected for verification in compliance with program regulations. A copy of those procedures must be submitted in response to this report. Liabilities resulting from the improper disbursement of Title IV funds will be assessed in the final program review determination letter.

6. Student Eligibility Not Properly Determined

Finding: Du Quoin failed to properly determine eligibility for one student for whom the institution exercised professional judgment. The president of the institution exercised professional judgment for the application of Student #5 in the 2003-04 award year. The student signed her FAFSA on 11/19/03 and reported adjusted gross income of \$18,848.00. The institution's president completed a professional judgment form, which he signed on 11/15/03, reducing the student's adjusted gross income to \$4,800.00, apparently based on the student's loss of employment, as the "Loss of Employment" box was checked on the form. It is unclear how the president could have completed this form prior to the student's application. The student did not sign the form until 11/19/03. There is no written information from the student about her unemployment, or any source of the \$4,800.00 figure. The effective date of the student's unemployment is not specified on the form. Other than the student's signature, all the information on the form was completed by the president.

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The law permits an aid administrator to use professional judgment, on a case-by-case basis only, to alter the data elements used to calculate the EFC. The reason for the adjustment must be documented in the student's file, and it must relate to that student's special circumstances that differentiate the individual student from other students. An aid administrator may also adjust a student's cost of attendance. The law does not permit an institution to modify either the formula or the tables in the EFC calculation, only the cost of attendance or the values of specific data elements used in the calculation.

Although Du Quoin completed a professional judgment form for Student #5, the information does not appear to have been provided by the student, nor is there any supporting source documentation for the changes made by the institution. There is no evidence the student requested the institution to exercise professional judgment, nor that she provided the figures used by the institution in altering the student's application data. The alteration of the student's application data allowed Du Quoin to retain unearned funds and caused increased expense to the Department. It also reflects a failure to properly administer the Title IV programs.

Reference: Section 479(a) Higher Education Act of 1965, as amended

Requirement: Du Quoin must recalculate the EFC for Student #5 based on the information provided by the student on her application and shown on her tax return, or it must obtain source documentation from the student supporting the figures used in the professional judgment. A copy of the recalculation or source documentation must be provided in response to this report. If the student's eligibility is reduced and an overpayment results, Du Quoin will be liable for the overpayment. Instructions for the repayment of liabilities will be provided in the Final Program Review Determination Letter.

Du Quoin must also develop and implement written procedures for use of professional judgment in changing the data elements used to calculate a student's EFC. A copy of those procedures must be provided in response to this report.

7. Inconsistent Information in Student Files

Finding: The institution disbursed Title IV funds prior to resolving conflicting information in several student files as detailed below:

- Student #11 - \$2,661.00 shown on Worksheet A on the student's application was not reflected on the student's ISIR
- Student #16 - In the 2004-05 award year, the student's ISIR showed tax paid of \$873.00 and an earned income credit of \$600.00, although the student's tax return reflected actual tax paid of \$304.00 and Earned Income Credit of \$526.00.
- Student #22 - In the 2003-04 award year, the ISIR showed income from work of \$27,245.00 while the actual income from work on the tax return was \$18,651.00. The tax return also showed an Earned Income Credit of \$460.00. In the 2004-05 award year, the ISIR showed income from work of \$36,313.00 while the actual income from work on the tax return was \$27,009.00. The ISIR showed \$600.00 from Worksheet A which was not supported by the tax return.

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- Student #24 – In the 2004-05 award year, the student's ISIR showed income from work of \$7,585.00 while the student's tax return showed the corrected amount was \$4,483.00.
- Student #27 - In the 2004-05 award year, the student's ISIR showed the total amount from Worksheet A of \$3,255.00 while the student's file indicated the correct amount was actually \$3,819.00.
- Student #28 – The student's ISIR showed adjusted gross income of \$4,809.00 while the student's tax return showed \$8,501.00. The student reported \$2,547.00 on Worksheet A of her FAFSA but this amount was not reflected on the student's ISIR.
- Student #30 – The student's ISIR did not show the \$801.00 in additional child tax credit or \$4,008.00 earned income credit that was shown on the student's tax return. \$356.00 was erroneously reported on Worksheet B.

These discrepancies were not resolved prior to the disbursement of Title IV funds. The institution generally obtained tax returns from all students, and usually submitted the student's application data via Electronic Data Exchange (EDE) from the student's paper FAFSA. As described above, there were several instances where discrepant data was not resolved prior to the disbursement of Title IV assistance. Unlike the official verification process, there is no tolerance for dollar items for conflicting data.

The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. Federal regulations require institutions to develop adequate systems to ensure the consistency of information related to a student's application for federal student aid, regardless of the source of that information. The institution is responsible for reconciling all information received.

The institution's failure to resolve conflicting information resulted in the institution receiving funding to which it is not entitled and could deprive students of funding to which they are entitled. An institution that fails to resolve conflicting information fails to properly determine student eligibility for Title IV assistance. Funds disbursed to students for whom eligibility is not properly determined are funds disbursed to ineligible students and represent an institutional liability. Failure to properly determine student eligibility indicates a lack of administrative capability on the part of the institution.

Reference: 34 CFR 668.16(f), General Provisions

Requirement: Du Quoin has recalculated the eligibility for the students listed above and determined that there is no change in eligibility for Students #11, #24, #28 and #30. No further action is required for these students. The recalculation for Student #16 changed the student's EFC from 1443 to 1560, resulting in a Federal Pell Grant overpayment of \$100.00. The recalculation for Student #22 changed the student's EFC from 1467 to 1662 in the 2003-04 award year, resulting in a Federal Pell Grant overpayment of \$200.00, and in the 2004-05 award year the student's EFC changed from 3104 to 3447, resulting in a Federal Pell Grant overpayment of \$300.00. The recalculation for Student #27 changed the student's EFC from 134 to 252, resulting in a Federal Pell Grant overpayment of \$100.00.

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Du Quoin must immediately return the Federal Pell Grant overpayments for the 2004-05 award year for Students #16, #22 and #27 and provide proof of repayment in response to this report. The institution must also report the refunds to the Department's COD system and provide proof that it has properly reported the downward adjustments to the students' Federal Pell Grant disbursements. The institution must also develop and implement written procedures and control mechanisms which will ensure that all inconsistent information will be identified and resolved prior to the disbursement of Title IV funds. A copy of those procedures must be submitted in response to this report.

Liabilities resulting from the improper disbursement of Title IV funds will be assessed in the final program review determination letter.

8. Satisfactory Academic Progress Policy Not Adequately Monitored

Finding: There were six students reviewed for whom the institution did not enforce its published Satisfactory Academic Progress (SAP) policy. As of 3/24/04, the student's first official evaluation point for Student #31, Du Quoin determined the student was not making progress as she had completed only 465.5 hours instead of the scheduled 900 hours. The form shows she needed to complete 191.5 hours as of 4/24/04 to meet SAP standards. As the school is only open 40 hours a week, there was no way the student could complete 191.5 hours as of 4/24/04 and reestablish progress. The student received this notification on 4/14/04, which meant she had only 10 days to complete 191.5 hours, a physical impossibility. According to the published SAP policy, the student should have been terminated as of 4/24/04. As of 4/24/04, the student had not regained progress and a form was prepared informing her of this and that she needed to complete 157 hours as of 5/24/04. This was signed by a school official on 5/17/04, however it contains no student signature. During the month the student was to complete 191.5 hours, she completed only 111.5 hours, yet the institution took no action to dismiss the student.

As early as 11/12/03 the student was notified that she was not completing at a rate that would permit her to graduate within the twelve-month contracted length of the program. This letter was regularly sent to all students who failed to complete at least an average of 125 hours per month, the minimum necessary to complete within the scheduled contract length of 12 months. Du Quoin sent the same warning letter to the student on 12/12/03. On 12/23/03, the institution granted the student a 60-day leave of absence, a leave from which the student returned prior to its scheduled end.

In a letter dated 1/14/04, Student #31 was notified that she was not completing the minimum number of hours a month to graduate within the maximum time to complete the program. The 1/14/04 letter to the student informed her that she was completing only an average of 89 hours a month, when the minimum required to make progress is 107 per month. This letter was regularly sent to all students who were not completing an average of 107 hours per month. Despite the written notification to the student, Du Quoin took no action based on its knowledge that the student was not making progress. She received the same notification on 2/11/04 (average completion 79.14 hours), 3/12/04 (average completion 78.78 hours), 4/20/04 (average completion 86.09 hours) and 5/13/04 (average completion 89.85 hours). Letters to the student

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from the president dated 2/20/04 and 5/12/04 stated, "As you already know, your attendance is not as it should be. I expect that you will be back in full-time attendance as soon as possible. If there is a special problem that needs to be addressed, you must contact my office at 542-9777." There is a letter to the student from the president to the student dated 7/2/04 which contains the same language, however it notes the student's last date of attendance was 6/19/04.

A letter to the student dated 8/6/04 notified the student that if she was not back in full-time attendance as of 8/10/04, she would be dropped from the program. There is an undated letter in the student's file in which the institution's president informs the student that:

We are not able to send you a transcript at this time. Due to poor attendance and unsatisfactory hours the government did not release this money. The only way to receive your transcript is to pay off the balance you owe which currently is \$2,025.00. Upon payment in full we will be glad to release your transcript.

According to the student's account card (Master Sheet) the student's outstanding balance is \$7,975.00. It is unclear why the school would notify the student her outstanding balance was exactly the amount of the 2003-04 Federal Pell Grant funds that the institution had not yet drawn for this student when her outstanding balance was apparently \$7,975.00. The student had completed 465.5 hours as of 4/24/04 and no refund calculation is required for this student. She is also discussed above under Finding #4.

Student #32 began attendance on 9/2/03. On 9/23/03 the president wrote her to inform her that if she was not in full-time attendance by 9/30/03 she would be dropped from the program. As no attendance records were available for this Marion student prior to 1/1/04, it is impossible to verify if the student indeed returned to full-time attendance. On 11/12/03, at the student's first scheduled progress monitoring point, Du Quoin considered the student to be making progress, although the evaluation form was not in the student's file. On 12/12/03 she was warned that she was not attending at a sufficient pace to graduate within the scheduled 12-month period. On 1/8/04 the student was warned that if she was not "back in full-time attendance by Tuesday, 1/13/04," she would be dropped from the program. The student attended only 12 of the scheduled 40 hours the week of 1/15-21/04, yet the institution did not dismiss the student from the program even though she did not return to full-time attendance.

On 1/14/04 the student was notified that she was not attending at an average pace of 107 hours a month, the minimum required to graduate within the maximum time to complete the program. The letter informed the student she was completing at an average pace of 94.13 hours. She received an identical notice on 2/11/04 (average completion 85.4 hours), 3/12/04 (average completion 80.83 hours), 4/20/04 (average completion 86.0 hours), and 5/13/04 (average completion 86.25 hours). On 6/29/04 she received a notice that informed her she was not attending at a pace sufficient to permit her to graduate within the normal 12-month scheduled period.

As of 1/8/04 the student had completed 383.5 hours. Six days later Du Quoin notified the student she was out of compliance with institutional SAP standards, and repeated that notice for

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the next four months. Despite the fact the institution was aware that the student was not making progress, it continued to treat her as if she was making progress, apparently to prolong her attendance so that more Title IV funds could be obtained for the student.

As of 2/11/04, when Student #32 was scheduled for her second (900 hours) official progress monitoring, the SAP report informed the student that she had completed only 439 of the scheduled 900 hours and that she needed to complete 268 hours as of 3/11/04 to meet the progress standards. She was notified that if she did not meet the standard as of 3/11/04 she would lose her financial aid eligibility. The student signed this notification on 3/12/04, after the probationary period was already past. It would be impossible for a student to complete 268 hours within a month, as this would require attending 67 hours a week, and only 40 hours of instruction are offered. The student's file did not contain any documentation that she had been evaluated as of 3/11/04, as required by the published policy and the notice the student received. Despite its previous notices to the student that her attendance was not in compliance with minimum standards of progress, Du Quoin allowed the student to continue to attend until she reached a point where it became impossible for her to come into compliance with the progress standards. As of 2/11/04, when the student was notified that to regain progress she would be required to complete more hours than were available for the student to complete within a month, the student could no longer possibly complete the program within the maximum time frame to complete for Title IV eligibility and her eligibility for Title IV assistance should have ended. The institution should not permit students to continue to attend just to reduce the amount of a Title IV refund that might be due.

Despite the fact the student was not making progress and clearly could not make progress, the institution disbursed \$986.00 in Federal Pell Grant funds to the student on 3/29/04. As of 5/4/04, the student's third scheduled progress monitoring point, she had completed only 709.5 of 1350 hours. She was notified that she needed to complete 217.5 hours by 6/4/04 in order to restore progress. The student signed the report, however her signature is not dated. It was signed by an institutional official on 5/18/04. The student had clearly not complied with the terms of her first probationary period, yet the institution took no action to dismiss the student from the program as required by its published policy. Having made an ineligible disbursement to the student on 3/29/04, the institution apparently allowed the student to continue so that she would be in attendance past the point where a Title IV refund would be required.

On 7/2/04 Du Quoin's president wrote to the student to inform her that her attendance was not satisfactory. The letter noted she had "been warned numerous times on this issue. This is the last warning or you will be expelled from our program. You have 862.5 hours and we do not want to see you loose (sic) them. You should be present the next school day and average 40 hours a week or we will take action on this matter." The student completed no hours from 7/8 to 7/21/04, yet the institution took no action to dismiss the student from the program.

On 9/7/04 the student was notified that if she was not back in full-time attendance by 9/14/04 she would be "dropped from the program." On 9/14/04 the institution's president granted the student a 60 day leave of absence from 9/15/04 to 11/15/04. The reason given by the student for the leave request was the need to find a job to pay the tuition bill. On 9/23/04 Du Quoin's president

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wrote the student requesting that she come to the school to sign a new leave of absence form "as the one we have on file now is not valid."

On 10/15/04 the president wrote the student to inform her that "due to her excessive absenteeism we must drop you from the program." There is no evidence that the student completed any work after 8/25/04, however the institution did not drop the student until 10/15/04, despite the student's ongoing failure to comply with SAP standards and its frequent warnings to the student. As of 3/11/04, the expiration date of the student's first probationary period, the student completed only 516.5 hours. As the student did not receive this notice until 3/12/04, the probationary period could have been for the month following this date. As of 4/11/04 the student had completed only 628.5 hours. The probationary notice the student received on 3/12/04 required her to complete 268 hours as of 3/11/04, or 707 hours. Clearly the student did not comply with the probation requirements and she should have been terminated no later than 4/11/04 and a refund should have been calculated. Du Quoin instead continued to allow this student to attend, apparently in order to prolong the student's attendance so that a refund calculation would not be required. The institution determined the student completed 1015 out of 1200 hours when it finally dismissed her, and therefore no refund was due. This student is also discussed under Findings #3 and #18.

On 11/12/03 the president notified Student #34 that she was completing only 97.5 hours per month, not the average of 107 per month necessary to graduate within the maximum time to complete the program. The president's letter to the student on 12/12/03 indicated the student's average completion rate had dropped to only 81.0 hours per month. Despite the fact the institution was aware that she was not completing at a pace that would enable the student to graduate within the maximum time to complete the program, it disbursed \$1,000.00 in FSEOG funds to the student on 12/29/03.

Student #34 was scheduled for her first official progress check on 12/31/03. As of that time, she had completed only 201 of 450 hours and was not making progress. The progress report form informed the student she needed to complete 206 hours by 1/31/04 to meet the progress standards. This would require the student to complete 51.5 hours per week, more hours than the school was open. There was no possible way the student could regain progress within the probationary period. The student signed this form on 2/6/04, after the deadline had passed. As of 3/6/04 (30 days from the date the student was officially notified of her failure to make progress) she completed only 95 hours, for a total of 296 hours.

On 1/8/04 the student received a letter which stated that if she was not back in full-time attendance as of 1/13/04 she would be dropped from the program. In the week beginning 1/13/04 the student attended only 16.5 hours out of a possible 32 hours, yet the institution took no action to dismiss the student as it had threatened in its letter of 1/8/04. On 1/14/04 the student received another warning letter which stated she was only completing 67.0 hours a month, instead of the required 107 hours.

Despite the fact that the institution knew the student was not making progress and that there was no way she could come into compliance with the progress standards in the time available to

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her. It disbursed \$1,013.00 in Federal Pell Grant funds on 1/23/04. As described above, once a student has fallen so far behind that she cannot obtain her educational objective within the remaining maximum time to complete the program, she ceases to be eligible for any further Title IV disbursements. This student should have been terminated and a refund calculated based on the 201 hours the student had completed as of 12/31/03.

The institution continued to warn the student about her failure to make progress. A letter dated 2/11/04 informed the student she was completing only 58.25 hours per month. On 3/9/04 the student was again told if she did not return to full-time attendance by 3/16/04 she would be dropped from the program. On 3/12/04 the student was warned that she was completing only 60 hours per month, instead of the required 107 hours.

Student #34 was finally terminated from the program on 3/22/04, after completing 302 hours. By continuing the student's enrollment until that time, the institution was able to postpone the student's withdrawal from the institution until the student had completed enough of the payment period so that a refund calculation was not required. As discussed above, this student should have been dismissed from the program no later than 12/31/03, when she had completed only 201 hours and a refund calculation would have been required. The institution took no action to enforce its SAP standards until the student had passed the point where a refund was required.

Student #37 was on a leave of absence from 6/9/04 (the student signed the request on 6/28/04) until 8/10/04. Despite the approved leave of absence, the student's first scheduled progress monitoring was on 7/23/04. The student was informed she was not making progress and that she would need to complete 288.5 hours by 8/23/04 in order to meet satisfactory progress standards. The student signed this form on 7/23/04. It is unclear why the student was directed to attend while she was on a leave of absence, or why the student was available to sign the progress report form if she was not in attendance.

On 9/7/04 the president sent her a letter informing her that her attendance was not sufficient for her to graduate within the normally scheduled time. Attendance records indicate the student's last date of attendance was 9/4/04 and that the student dropped 9/11/04. The student had been suspended from 8/28 to 9/3/04. This student is also discussed above under Finding #3.

Student #39 commenced attendance on 10/7/03. On 11/12/03 the president sent her a warning letter informing her that she had completed only 95.0 hours in her first month of attendance and was below the standard necessary to graduate within the maximum time to complete the program. On 12/12/03 she received a similar warning letter informing her that her average completion rate was now only 73.25 hours per month. Despite the fact the institution was aware the student was not making progress, it disbursed \$1,000.00 in FSEOG funds to the student on 12/29/03.

The student's first scheduled SAP evaluation was 12/31/03. As of that date, she had completed only 154 of the scheduled 450 hours. She was informed that she would need to complete 236.5 hours as of 1/31/04. The student signed this notice on 1/22/04, leaving only eight calendar days of instruction for the student to complete 236.5 hours, or 29.6 hours of instruction per 24-hour

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day. The student would need to attend 59.125 hours a week in order to complete 236.5 hours in one month, which was clearly impossible as the school is only open 40 hours a week. At this point, the student was unable to ever comply with the satisfactory progress standards in order to graduate within the maximum time to complete. Because there was no way for the student to regain progress, no further Title IV aid should have been disbursed to the student and a refund should have been calculated. Instead, the institution disbursed \$1,013.00 in Federal Pell Grant funds to the student on 1/30/04, a date at which the student was clearly not making progress.

On 1/8/04 the president signed a letter to the student informing her that if she was not back in full-time attendance as of 1/13/04 she would be dropped from the program. Between 2/5/04 and 2/11/04 the student attended no classes, yet the institution did not terminate the student from the program. On 1/14/04 the student received a warning letter stating that she had completed an average of only 51.5 hours per month, less than the 107 necessary to graduate within the maximum time to complete the program. The warning letter dated 2/11/04 noted the student's average completion rate was now 83.3 hours per month.

On 3/2/04 the school granted the student a 30 day leave of absence, despite the fact she was clearly not making progress toward her degree objective. Although the student was on leave, the school sent a letter dated 3/12/04 warning her that her average completion rate had fallen to 52.8 hours. On 3/15/04 the student was told that if she was not back in full-time attendance as of 3/20/04 she would be dropped from the program. This is the same language that was in the letter to the student dated 1/8/04. This letter was sent to the student despite the fact she was on a leave of absence and not scheduled to return from the leave until 4/2/04. Despite the fact that the student had clearly not complied with the standards of satisfactory progress, the institution continued to treat her as enrolled for Title IV purposes.

During the month of February 2004, the student completed only 18 hours, yet the institution took no action to terminate the student, and in fact granted the student a leave of absence beginning 3/2/04. The institution apparently continued the student's enrollment in an attempt to enable the student to reach 60% of the term so that a refund calculation would not be required. Du Quoin took no action on its frequent warning letters to the student. The institution eventually calculated a refund based on the student's completion of 264 hours, not the 154 hours completed by the student as of 12/31/03, when it was first officially determined the student was not making progress, nor would she be able to regain compliance within the probationary period.

The first scheduled progress monitoring point for Student #41 was on 1/28/04, when it was determined the student was not making progress as she had completed only 215 of the scheduled 450 hours. The form notified the student needed to complete 192 hours, or 48 hours per week, to regain progress. She was to complete these hours by 2/28/04, despite the fact that the institution was only open 40 hours per week. An institutional official signed the progress report form on 2/20/04, however it was not signed by the student until 3/9/04, after the probationary period had expired. As of 2/28/04, when the probationary period had ended, the next official monitoring point, the student had only completed an additional 16 hours in the intervening month. The form shows the student had completed only 231 out of 450 hours, however in the intervening month, the number of scheduled hours had actually increased to 610 hours. The student was informed

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she had to complete 317 hours by 4/14/04 to comply with progress standards. This form was also signed by the student on 3/9/04. This would require the student to complete 63.4 hours per week, a physical impossibility as the institution only offers 40 hours of instruction per week. The student was again evaluated as of 5/24/04, and she had completed only 5.5 hours in the intervening month. This evaluation form shows the student had completed 266.5 of the scheduled 450 hours, when in fact 770 hours had been scheduled. There is a post-it note on the form which indicates the student "didn't return to school." The form was signed by a faculty member on 4/14/04. The student should have been terminated from Title IV eligibility on 1/28/04, when she had completed 215 hours due to the fact she had fallen so far behind the progress standards that she could not possibly graduate within the maximum time to complete the program. The refund calculation was instead based on the 266 completed hours the student eventually managed to accumulate.

Federal regulations require institutions to establish, publish and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. These standards must conform with the standards of satisfactory progress of the institution's nationally recognized accrediting agency, and must be the same as or stricter than the institution's standards for a student enrolled in the same educational program, who is not receiving assistance under a Title IV program. These standards must include:

- (A) Qualitative Measure: Grades, work projects completed, or comparable factors, which are measured against a norm;
- (B) Quantitative Measure: A maximum timeframe in which the student must complete his or her educational program. The timeframe must be: (1) based on the student's enrollment status; (2) for an undergraduate program, no longer than 150 percent of the published length of the educational program for a full-time student; and (3) divided into increments of equal size, not to exceed the lesser of one academic year or one-half the published length of the educational program;
- (C) A schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum time frame;
- (D) A determination at the end of each increment by the institution whether the student has successfully completed the appropriate percentage or established schedule;
- (E) Consistent application of standards to all students within categories of students, e.g., full-time, part-time, undergraduate and graduate students, and educational programs established by the institution;
- (F) Specific policies defining the effect of course incompletes, withdrawals, repetitions, and non-credit remedial courses on satisfactory progress;

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- (G) Specific procedures under which a student may appeal a determination that he or she is not making satisfactory progress; and
- (H) Specific procedures for reinstatement of aid.

Du Quoin's SAP has not applied its SAP policies in compliance with program regulations. As described above, Du Quoin knew students were not progressing at a rate sufficient to permit them to graduate within the maximum time frame for financial aid eligibility however it continued to allow them to attend and in some cases disbursed Title IV funds to the students. The monthly review of student attendance resulted in Du Quoin sending repeated warning letters to students while they continued to fall farther and farther behind. By the time students reached their scheduled SAP evaluation points and were placed on probation, they had fallen so far behind that it was impossible for them to complete the number of hours required within the probation period. Additionally, Du Quoin sometimes notified the students of their probationary month after a portion of the month, or in fact the entire month, had elapsed. Nonetheless, the probationary notice to the students gave them to the end of the 30 day period from the scheduled date of the evaluation to complete the hours necessary to restore progress, even if there were no longer 30 days remaining for the student to complete the hours. Du Quoin notified students that to restore progress they would need to complete more hours in 30 days than the school offered instruction during that period, a physical impossibility.

The quantitative component of an SAP policy requires institutions to monitor student progress to ensure that students complete at a rate sufficient to allow them to complete the program within the maximum time to complete. Du Quoin failed to do this by permitting students to attend at a rate that made it impossible for students to comply with SAP standards within the probationary period. Du Quoin did not usually dismiss students who failed to bring themselves into compliance with the SAP standards during the probationary period, however this was required by the published SAP policy. Once it becomes clear that a student cannot meet the quantitative standard by graduation, the student becomes ineligible for aid. Requiring a student to complete more hours in a month than the institution offers instruction indicates that the student cannot expect to meet the quantitative standard prior to graduation and the student therefore becomes ineligible for Title IV assistance. By its monthly monitoring, Du Quoin was aware that the students described above were falling so far behind that there was no possible way for them to restore progress, yet Du Quoin took no action based on that information and actually continued to disburse Title IV assistance to these students. None of the students described above completed the program, indicating the institution continued their enrollment in order to artificially extend their enrollment, in order to make improper disbursements of Title IV funds or to reduce or eliminate the need for a Title IV refund calculation.

The failure to apply reasonable standards of satisfactory academic progress represents a lack of administrative capability by the institution. The Program Participation Agreement (PPA) signed by the institution requires it to comply with all program regulations. The institution's failure to apply SAP policies that satisfy regulatory requirements represents a failure to comply with the requirements of the PPA. Additionally, the failure to implement procedures to properly monitor

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student progress toward the maximum time to complete the program could result in students receiving funds to which they are not entitled, which causes increased expense to the Department. It may also allow the institution to improperly delay a student's withdrawal from the school, which may permit the institution to retain unearned funds.

Reference: 34 CFR 668.16(e) General Provisions
34 CFR 668.14(b) General Provisions

Requirement: Du Quoin must provide assurance that it will enforce reasonable standards quantitative progress in the future. In addition, due to the scope and significant nature of this finding, the institution must conduct a file review all students who received Title IV assistance during the 2002-03, 2003-04 and 2004-05 award years to determine if they were in compliance with acceptable SAP standards. The institution must determine which students received a letter informing them they were completing less than the required average of 107 hours per month. Du Quoin must then determine the number of hours necessary for the student to complete within the next month for the student to make quantitative progress. At the date the student would be required to complete more than 160 clock hours in a month, the student should have become ineligible for Title IV assistance. The number of hours completed as of that date should have been used to determine any possible Title IV refund calculation.

The results of the file review should be provided in spreadsheet format and contain the following information:

1. Student name
2. Social Security Number
3. Date at which student received first notice that she/he was completing less than the required 107 hours per month.
4. Hours completed and scheduled as of the date of the notice in #3 above
5. Hours necessary to complete within 30 days to restore progress
6. Dates of subsequent notices to the student she/he was completing less than 107 hours per month
7. Date at which the student would have been required to complete more than 160 hours in the next 30 days to restore progress, and hours completed as of that date
8. Title IV funds disbursed after #7 above
9. Student withdrawal or graduation date (indicate if the student graduated or withdrew)
10. Total hours completed as of the student's last date of attendance.

Liabilities resulting from the improper disbursement of Title IV funds will be assessed in the Final Program Review Determination Letter.

9. Excess Cash Balances Retained

Finding: During the period under review Du Quoin frequently drew and maintained Title IV funds in excess of its immediate funding needs. The following table summarizes the

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institution's monthly disbursements to students and cash receipts from the Department in the Federal Pell Grant program for the 2003-04 award year:

<u>Month</u>	<u>Disbursements</u>	<u>Cash Receipts</u>	<u>Balance</u>
July 03	\$33,535.00	\$34,357.00	\$822.00
August 03	\$8,241.00	\$8,029.00	\$610.00
September 03	\$29,065.00	\$29,065.00	\$610.00
October 03	\$16,560.00	\$24,584.00	\$8,634.00
November 03	\$18,707.00	\$10,683.00	\$610.00
December 03	\$15,420.00	\$15,703.00	\$893.00
January 04	\$10,581.00	\$11,278.00	\$1,590.00
February 04	\$8,924.00	\$8,924.00	\$1,590.00
March 04	\$20,438.00	\$20,439.00	\$1,591.00
April 04	\$11,062.00	\$13,089.00	\$3,618.00
May 04	\$14,590.00	\$13,577.00	\$2,605.00
June 04	\$17,451.00	\$16,512.00	\$1,666.00

This table shows the monthly total of Federal Pell Grant disbursements to students and cash receipts from the Department for the 2004-05 award year:

<u>Month</u>	<u>Disbursements</u>	<u>Cash Receipts</u>	<u>Balance</u>
July 04	\$16,020.00	\$16,020.00	\$0.00
August 04	\$19,524.00	\$20,197.00	\$673.00
September 04	\$38,632.43	\$29,202.00	-\$8,757.43
October 04	-\$2,103.00	\$13,726.00	\$7,071.57
November 04	\$23,862.00	\$17,464.00	\$673.57
December 04	\$17,465.90	\$19,012.00	\$2,219.67
January 05	\$15,775.00	\$15,775.00	\$2,219.67
February 05	\$13,395.68	\$13,396.00	\$2,219.99
March 05	\$15,175.00	\$8,100.00	-\$4,855.01
April 05	\$5,876.65	\$6,075.00	-\$4,656.66

The institution did not normally return Federal Pell Grant funds to the Treasury when student refunds were made, and apparently did not offset those refunds against its next draw of federal funds. The retention of excess cash is also reflective of the institution's failure to reconcile its Title IV accounts, as described below under Finding #11.

A positive balance reflects excess cash retained by the institution. Du Quoin generally drew the exact amount of FSEOG funds each month that it disbursed to students, however in the 2004-05 award year it failed to account for a total of \$4,000.00 in refunds to the FSEOG program that it made in August, September and December 2004. As of the date of the on-site review, Du Quoin

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had drawn a total of \$55,000.00 in FSEOG funds, however its net disbursements to students were only \$51,000.00. The institution's ledgers did not reflect any usage of FSEOG funds for the Administrative Cost Allowance as of the date of the on-site review.

The practice of requesting funds that exceed the immediate need for those funds and maintaining excess federal cash on hand is caused by the institution having inadequate internal fiscal controls and an inadequate system to determine at what times and for what amounts federal funds should be obtained from the U.S. Treasury. The institution failed to consider its actual cash position and its immediate disbursement needs when it requested funds.

Each recipient of federal funds must monitor its cash management practices to ensure that federal cash is not maintained in excess of immediate disbursement needs. For an institution using the ACH/EFT system of financing its federal account, federal cash on hand in excess of the institution's three-day need is excessive. An institution determines its three-day cash need by determining the disbursements it has made or will make to eligible students and parents within three days. After determining that amount, the institution should subtract any cash on hand which is determined based on the refunds to federal programs that the institution has made. Institutions are required to have developed accounting systems and procedures that monitor all balances in all federal accounts on a current basis.

Institutions must generally use federal funds within three business days of the date those funds are received from the Treasury. For any period other than a period of peak enrollment, the school can maintain the excess cash balance if the composite excess cash balance is less than one percent of the school's prior year drawdowns. In this case, the school is required to eliminate the excess cash balance within the next seven days by disbursing Title IV funds to students for at least the amount of that balance. There is also an exception to the three-day rule if the balance occurs during a period of peak enrollment, which is defined as a period in which at least 25% of the school's students start classes during a given 30-day period. During a period of peak enrollment the amount of excess cash retained by the institution cannot exceed three percent of its total prior-year drawdowns. Du Quoin does not have any 30-day period in which at least 25% of its students commence enrollment.

Funds received by the institution under the Title IV programs are held in trust for the intended student beneficiaries and the Secretary. The institution, as a trustee of federal funds, may not use or hypothecate (i.e. use as collateral) Title IV funds for any other purpose. As a fiduciary of federal funds, the institution is required to exercise the highest standard of care and diligence in maintaining and accounting for Title IV funds. The maintenance of excess cash is a failure of the institution's duty as a fiduciary and represents diminished administrative capability in administering the Title IV programs. An institution that does not limit its requests for federal funds to only those amounts that meet immediate disbursing needs causes unnecessary financing cost to the U.S. Treasury and fails to protect the Department of Education's interest in those funds. The institution is liable for the financial loss resulting from the maintenance of excess federal cash. The retention of excess cash represents a serious lack of administrative capability on the part of the institution, particularly as this is a repeat finding of the 2003 and 2002 non-federal audits.

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Reference: 34 CFR 668.161, General Provisions
34 CFR 668.162, General Provisions
34 CFR 668.163, General Provisions
34 CFR 668.166, General Provisions
34 CFR 668.167, General Provisions

Requirement: The institution must conduct a review of its federal cash balance from July 1, 2003 to the present to determine each instance of retention of excess federal cash, the amount of excess federal cash on hand, and the period of time that the institution maintained excess federal cash. If the results of this review disclose that the institution still maintains excess cash in excess of the amount previously returned, that excess cash must be returned to the Department immediately and proof of repayment must be provided in the institution's response to this report.

In response to this finding, the institution must report the results of the federal cash balance review in a ledger format in chronological order indicating the date and amount of each draw of federal cash and the date and amount of each Title IV program disbursement. The report should specify the source of each deposit into the account (institutional return of funds or deposit from GAPS) and for each withdrawal from the account, the institution should indicate if funds were transferred to the operating account or returned to the Department.

Additionally, the institution must develop and implement written cash management policies and procedures to ensure that federal cash is used in compliance with program regulations. A copy of those procedures must be submitted in response to this report.

Liabilities for the improper retention of excess federal cash will be assessed in the final program review determination letter.

10. Advances Used For Non-Program Purposes

Finding: Du Quoin drew Federal Pell Grant funds from the Treasury and did not disburse them to Student #25. According to the institution's Federal Pell Grant ledger and the Department's COD system, Student #25 received a \$1,012.00 Federal Pell Grant disbursement on 6/22/04. This amount does not appear on the student's account record. It does not appear that the student received the benefit of these Federal Pell Grant funds that Du Quoin drew from the Treasury on the student's behalf. The student was eligible for this disbursement on this date.

On 12/9/04 the institution disbursed \$3,763.00 in institutional scholarship funds to the student. This amount, when combined with the Title IV assistance applied to the student's account, resulted in a balance due from the student to the institution of \$0.00, which is the amount due shown on the student's account card. The student graduated from the institution on 2/23/05. Du Quoin apparently drew the \$1,012.00 for the student but did not apply it to her account, instead retaining the funds for its own use.

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An institution makes a disbursement of Title IV program funds on the date the institution credits a student's account at the institution or pays a student directly with funds received from the Secretary, a lender under the FFEL program, or with institutional funds used in advance of receiving Title IV program funds. Institutions participating under the advance funding method, as Du Quoin was during the period under review are required to disburse requested funds as soon as administratively feasible but no later than three business days following the date the institution received the Title IV funds from the Treasury.

Funds received by the institution under the Title IV programs are held in trust for the intended student beneficiaries and the Secretary. The institution, as a trustee of federal funds, may not use or hypothecate (i.e. use as collateral) Title IV funds for any other purpose. As a fiduciary of federal funds, the institution is required to exercise the highest standard of care and diligence in maintaining and accounting for Title IV funds. Du Quoin's retention of Title IV funds intended for a student is a failure of its duty as a fiduciary and a direct violation of Title IV regulations. It allowed the institution the use of unearned funds and deprived the student the benefit of those funds. The improper usage of Title IV funds caused increased expense to the Department and represents a failure to properly administer the Title IV programs.

Reference: 34 CFR 668.162(a), General Provisions
34 CFR 668.164, General Provisions

Requirement: The institution must immediately establish and implement written procedures to ensure that all Title IV funds are promptly and completely disbursed to all recipients. A copy of those procedures must be submitted in response to this report.

Student #25 was eligible for the \$1,012.00 disbursement of Federal Pell Grant at the time the funds were drawn from the Treasury. As the student has graduated from the institution, she is ineligible to receive further disbursements of Title IV funds and Du Quoin is liable for the Federal Pell Grant funds it improperly retained. Liabilities resulting from the improper disbursement of Title IV funds will be assessed in the Final Program Review Determination Letter.

11. Title IV Accounting Records Not Reconciled

Finding: The Financial Aid and Business Offices did not have policies and procedures in place to regularly reconcile Title IV accounts. Records from the Financial Aid Office (maintained in ED Express) were not compared to institutional accounting records. The institution failed to report refunds to COD as described above under Finding #1.

For the 2003-04 award year, total expenditures in the Federal Pell Grant program were reflected as follows:

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• ED Grants and Payments System	\$206,074.00 (\$209,699.00 authorization)
• FISAP Section D	\$202,810.00
• Institutional Ledger	\$204,574.00
• ED Express Disbursement List	\$206,074.00

In the FSEOG program, the institution's ledgers reflected \$61,685.00 in federal funds disbursed to students, although the institution drew \$62,048.00 in FSEOG funds from the Department. Institutional staff were apparently unaware of these discrepancies, nor were they able to explain them.

Program regulations require institutions to maintain, on a current basis, financial records which reflect all program transactions. Financial records must be kept to identify all program transactions and separate those transactions from all other institutional financial activity. These records must be reconciled monthly. Records must be maintained that record all program transactions on an on-going basis. An institution must be able to accurately account for the Title IV funds it uses. Fiscal accountability is a primary concern in the proper management of the Title IV programs.

Failure to reconcile Title IV awards and disbursements could result in the institution receiving and retaining funds to which it is not entitled, which causes increased expense to the Department and allows the institution the use of unearned funds for non-program purposes. Du Quoin's failure to properly reconcile its Title IV accounts allowed the institution to retain funds intended for a student as discussed above under Finding #10. The failure to properly reconcile Title IV accounts is also a failure of the institution's duty as a fiduciary of federal funds. As a fiduciary of federal funds, the institution is subject to the highest standards of care in using and reporting on its usage of federal funds. The institution's failure in its fiduciary duty and evident lack of internal controls represents a serious lack of administrative capability in administering the Title IV programs, particularly as this is a repeat finding from the 2000, 1999 and 1998 non-federal audits.

Reference: 34 CFR 668.14(b) General Provisions
34 CFR 668.16(b and c) General Provisions
34 CFR 668.24(b) General Provisions
34 CFR 668.163(d) General Provisions

Requirement: The institution must reconcile its Federal Pell Grant and FSEOG expenditures for the 2003-04 award year. It must also provide a reconciliation up through the most recently completed month for the 2004-05 award year. The reconciliations should include the total amounts disbursed to students and the total amounts drawn from the Treasury for each year. A copy of the reconciliations should be provided in response to this report. The institution must report to the appropriate Department program office its correct expenditures for the program. The institution is liable for any Title IV funds received for which it cannot account, or for any funds received in excess of those properly disbursed to eligible students. The institution should immediately return any excess funds disclosed through the reconciliation to the appropriate program account, and provide proof of repayment in response to this report.

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The institution must also develop and implement written procedures to ensure that the Federal Pell Grant and FSEOG accounts will be reconciled at least monthly. These procedures must discuss how information about disbursements will be communicated between the Business and Financial Aid Offices, and the sources of the information used by the various offices to reconcile program accounts. The procedures must include methods by which information from the Business Office, Financial Aid Office and GAPS will be reconciled. A copy of these procedures should be provided in response to this report.

Liabilities for the retention of any Federal Pell Grant and/or FSEOG funds for which the institution cannot properly account will be assessed in the Final Program Review Determination Letter.

12. Inaccurate Recordkeeping

Finding: There were many students for whom there were various recordkeeping discrepancies. The refund calculation for Student #4 was based on the completion of 96 hours. The student attended from 6/24/03 to 7/19/03, according to the student's transcript, which also indicates she completed 96 hours. The student's file contained a letter from the president dated 8/11/03 informing she was not making satisfactory progress because she had completed only an average of 76.8 hours during her attendance. A similar letter dated 7/15/03 informed the student she had completed 24 hours in June 2003, instead of the 107 required. As the student began on 6/24/03, there was no way she could complete 107 hours in the remaining six days in June, so it is unclear why she received this letter. As there were no attendance records available for this student, it is unclear how the institution determined she had completed 96 hours. 96 divided by two equals an average over two months of 48 hours, and an average of 76.8 hours over two months would mean the student actually completed 153.6 hours.

The transcript for Student #10 indicates she completed 449.5 hours, however the attendance records indicate she completed 447.5 hours. In three of the sixteen weeks she attended, the weekly totals for attendance did not properly reflect the actual hours the student completed each day. The refund for Student #12 was calculated based on completion of 86 hours, however her transcript indicates she completed only 80 hours. The refund calculation for Student #17 was based on the completion of 657 clock hours, however the attendance records indicated the student actually completed 692 hours.

The individual weekly attendance record for Student #20 shows she was present for 8 hours on 11/6/04, however the campus-wide summary attendance records indicates she was only in attendance for 4.5 hours. The individual weekly attendance record for this student indicates she attended 7.5 hours on 12/8/04, however 8 hours is recorded on the campus-wide summary attendance record. The summary record maintained by the Financial Aid Director is the same as the individual weekly attendance record. The individual weekly attendance record shows Student #27 as absent on 9/28/04. The campus-wide attendance record for that date shows the student as attending for eight hours. This discrepancy was not explained.

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Beginning in January 2004, the Financial Aid Director maintained an on-going summary of student attendance on a weekly basis. The record for each student contained the number of hours completed to date in each subject area of study compared to the hours required in the subject area, as well as the total hours completed by the student up to that point. There were numerous discrepancies in the record of Student #32 between the number of hours recorded as completed per week in each subject area compared to the total hours completed each week. In the following table, the "Subject Hours" column indicates the total hours completed during the week from the subject hour listing, and the "Total Hours" column indicates the number of hours shown as completed during the week in the total hours section of the student record. All records are from 2004.

Week	Subject Hours	Total Hours
July 8-14	0	35.5
July 15-21	24	0
July 29-Aug. 4*	57.5	79
August 5-11	24.5	27
August 19-25	30.5	28
Total	136.5	169.5

There were no attendance records for this student for the week of July 22-29, as discussed below under Finding #15. As the source documentation used by the Financial Aid Director to compile this summary report recorded the hours completed by students in each subject area as well as the total for the week, it is unclear why there would be such a large difference between the hours recorded as completed by subject area when compared to the total hours completed. The student started on 9/2/03 and from January 2004 (there were no attendance records for the period prior to January 2004) through 7/7/04, there were no discrepancies between the amount recorded as completed by subject area and the total amount completed. If the hours recorded as completed by subject area are correct, then in this case of this student, the total hours completed by the student were overstated by 33 hours. As this student withdrew from the institution, the error in the hours completed could have resulted in an incorrect refund calculation. This student is also discussed above under Finding #8.

The refund calculation for Student #37 was based on her completion of 174 clock hours. Available attendance records indicate the student completed only 166 hours. This student is also discussed above under Finding #1.

Students at Du Quoin are required to use a time clock to record their arrival and departure from the school, as well as the time they take for a lunch break. This information is then recorded on a weekly attendance sheet for each student by the instructors. This sheet records the total hours completed by the student per day, as well as the hours completed per day in each subject area. This form is the source document for the Financial Aid Director's on-going attendance tracking, as discussed above under Student #32. The instructors also maintain an on-going weekly attendance record for all currently-enrolled students at each campus. This record is discussed above under Student #10. Due to the fire, the only attendance records available for students from the Marion location were the Financial Aid Director's summary tracking information. The

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Financial Aid Director informed the reviewer that she did not retain the copies of attendance records that were sent to her from the Marion location. With the exception of Student #32, the discrepancies in the various attendance records were generally minor. During a discussion about attendance record discrepancies on 5/5/05, Du Quoin's president informed the reviewer that the various types of attendance records would not match "exactly."

In addition to attendance record discrepancies, there were also errors in the reporting of disbursement dates to the Department. The disbursement date reported by the financial aid office to the Department was not the actual date of disbursement to student accounts. The institution's servicer reported actual Federal Pell Grant disbursements as the date that the disbursement information was electronically submitted to the Department (and this is the disbursement date reflected in the Department's COD system) however the disbursement was actually recorded on the student's account card on the date that funds were transferred from the institution's Federal Pell Grant depository account into the institution's operating account. The following table lists the date reported by the institution's servicer and the date the disbursement actually occurred (the date recorded on the student's account card):

Student	COD Disbursement Date	Actual Disbursement Date
1	3/13/03	3/19/03
4	6/24/03	6/25/03
5	12/2/03	12/5/03
5	1/26/04	1/30/04
5	3/15/04	3/19/04
10	9/2/03	9/9/03
11	1/7/04	1/8/04
13	9/25/03	9/29/03
16	5/5/04	5/7/04
16	8/18/04	8/30/04
16	8/30/04	11/2/04
17	10/15/03	10/17/03
17	12/3/03	12/5/03
18	10/1/04	9/30/04
18	10/4/04	9/30/04
22	8/18/04	8/30/04
22	8/30/04	11/19/04
25	10/22/04	11/2/04
25	12/3/04	12/9/04
27	6/9/04	6/11/04
27	10/5/04	10/8/04

At a clock-hour institution such as Du Quoin, student attendance must be accurately recorded so that student eligibility for Title IV disbursements can be properly determined. A student must complete the clock hours in the first payment period to be eligible for a second disbursement of Title IV funds, and a student must complete the clock hours in the academic year before

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becoming eligible for Title IV funds in a subsequent academic year. Accurate tracking of student attendance is also necessary for the institution to accurately monitor student academic progress.

An institution makes a disbursement of Title IV program funds on the date the institution credits a student's account at the institution or pays a student directly with funds received from the Secretary, a lender under the FFEL program, or with institutional funds used in advance of receiving Title IV program funds. The disbursement date reported by the financial aid office to the Department must be the date of the actual disbursement to the student's account.

An institution must establish and maintain, on a current basis, program records that document its disbursement and delivery of Title IV program funds and financial records that reflect each Title IV program transaction. Institutions must also establish and maintain general ledger control accounts and related subsidiary accounts that identify each Title IV program transaction and separate those transactions from all other institutional financial activity. Institutions must maintain records that support data appearing on required reports, such as FSA program reconciliation reports. The records that an institution must maintain include but are not limited to documentation relating to each student's or parent's receipt of Title IV program funds. This documentation includes but is not limited to:

- The date and amount of each disbursement or delivery of grant or loan funds;
- The amount, date and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student, or the treatment of Title IV funds when a student withdraws;
- The payment of any overpayment or the return of any Title IV program funds to the Title IV program fund, a lender or the Secretary, as appropriate, and;
- Records of student accounts, including each student's institutional charges, cash payments, FSA payments, cash disbursements, refunds, returns and overpayments required for each enrollment period.
- Documentation of a student's satisfactory academic progress

Institutions must also retain documentation of each student's program of study and courses in which he/she is enrolled, as well as data used to establish a student's enrollment status and period of enrollment. Records must generally be maintained for three years from the end of the award year in which they were created.

Funds received by an institution under the Title IV programs are held in trust for the intended student beneficiaries and the Secretary. The institution, as a trustee of federal funds may not use or hypothecate (i.e. use as collateral) Title IV program funds for any other purpose.

The institution's failure to maintain current, complete and accurate student records reflects diminished capability in administering the Title IV programs and may have resulted in the institution using funds to which it was not entitled. Inaccurate tracking of student attendance may result in the improper calculation of refunds and/or allow the institution to disburse Title IV funds to students prior to the students becoming eligible for those funds. Improperly reporting Federal Pell Grant disbursements causes increased borrowing costs to the Department. The

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failure to retain all required program records is a failure of the institution's duty as a fiduciary of federal funds and represents diminished capability in administering the Title IV programs.

Reference: 34 CFR 668.24, General Provisions
34 CFR 668.164, General Provisions

Requirement: Du Quoin must immediately establish and implement policies and procedures to ensure that attendance records are complete and accurate. The institution must also immediately establish written procedures to ensure that the disbursement date reported to the Department by the financial aid office is the actual date of disbursement as reflected on the student's account card. Du Quoin must establish and implement written policies and procedures to ensure that all required program, academic and student records are properly maintained for the required periods. These procedures must ensure that student account records are complete and accurate reflect all program activity and institutional charges. A copy of all of these procedures must be submitted in response to this report.

13. Unequal FSEOG Disbursements

Finding: Of the 29 original students in the program review sample, 22 had been awarded FSEOG funds as of the time of the review. Student #13 was the only one of these students who received a disbursement of FSEOG funds during the first (1-450 hours) payment period. Student #12 received a disbursement of FSEOG funds during her first payment period, however the student's award letter, signed by the student on 2/3/04, did not reflect an FSEOG award. Du Quoin disbursed \$1,000.00 in FSEOG funds to the student on 3/26/04, more than three weeks after the student's last date of attendance. This was the same day the school sent the student a letter informing her that if she was not back in full-time attendance by 3/30/04 she would be dropped from the program. On 3/12/04 the student was notified via letter that she was completing an average of only 72 hours per month, and was therefore not making progress. A Student Retention Form in the student's file indicates the student's last date of attendance was 3/2/04. As the student had never been awarded the FSEOG funds and the institution was aware the student was not making progress nor in attendance, it appears that it disbursed the funds to the student in order to retain more Title IV funds.

All other FSEOG recipients received their first disbursements of FSEOG funds during the second (451-900 hours) payment period. For example, Student #8 began the program on 10/1/02 and completed 1033 hours as of 6/3/03. She received \$1,000.00 disbursements of Federal Pell Grant funds on 10/3/02, 12/12/02, 1/10/03 and 2/25/03. She received two \$1,000.00 disbursements of FSEOG funds (total \$2,000.00) on 2/25/03 and two additional \$500.00 (total \$1,000.00) FSEOG disbursements on 5/22/03.

Du Quoin's president informed the reviewer that all students received FSEOG funds and that they were paid during the 1-450 hours payment period and 451-900 hours payment period. That assertion is not supported by the fact that only two of 23 recipients of FSEOG funds from the original sample received a disbursement of FSEOG funds during the first (1-450 hours) payment

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period. The aid director informed the reviewer that students did not receive FSEOG funds until the 901-1200 hour payment period.

Institutions must pay a portion of the total FSEOG award for the full award year in each payment period. The amount to be paid in each payment period is determined by dividing the total FSEOG award for the academic year by the number of payment periods the institution expects the student to attend in the award year. The only exceptions to this requirement are if a student incurs uneven costs or has uneven resources and needs additional funds in a particular payment period the institution may pay FSEOG funds to the student for those uneven costs. Students at Du Quoin do not incur uneven costs. An institution may also make one disbursement of an entire FSEOG award if the total award for the year is less than \$501.00. The standard FSEOG award at Du Quoin is \$2,000.00.

Du Quoin's improper disbursement of FSEOG funds deprived needy students of the access to those funds and represents a failure to properly administer the Title IV programs. By limiting FSEOG disbursements to students who had advanced to at least the second payment period, the institution contravened the FSEOG regulations requiring that funds be advanced to the neediest students.

Reference: 34 CFR 676.16, FSEOG

Requirement: Du Quoin must immediately establish and implement procedures to ensure that a portion of the annual FSEOG award will be disbursed in each payment period the student is expected to attend in the award year. A copy of those policies and procedures must be submitted in response to this report.

14. FSEOG Exceptional Need Not Met

Finding: The institution did not follow regulatory requirements for awarding Federal Supplemental Educational Opportunity Grants (FSEOG) first to Federal Pell Grant recipients with exceptional need. Exceptional need for the FSEOG program is defined as eligible Federal Pell Grant recipients with the lowest Estimated Family Contribution (EFC). The institution had no written policies or procedures governing the awarding of FSEOG funds.

In the 2003-04 award year, Students #16 and #19 had EFC's of 0, yet they received no FSEOG funds. In the 2004-05 award year, Student #23 had an EFC of 0 but received no FSEOG funds. Students #26 and #30 began the program on 3/7/05 and had EFC's of 0, yet as of the date of the on-site review had not been awarded FSEOG funds. As described above under Finding #13, this may be because the students were still in their first payment period as of the date of the on-site review.

Despite the fact that these students with an EFC of 0 received no FSEOG funds, the institution awarded and disbursed FSEOG funds to students with EFC's greater than 0. In the 2002-03 award year, Student #42 had an EFC of 927 yet received \$2,000.00 in FSEOG funds. In the 2003-04 award year Student #24 had an EFC of 119 yet received \$1,000.00 in FSEOG funds. In

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the 2004-05 award year, Student #22 had an EFC of 3104 and received \$2,000 in FSEOG funds and Student #25, who had an EFC of 725, received \$3,000.00 in FSEOG funds, \$1,000.00 of which was later refunded. Also in the 2004-05 award year, Student #27, with an EFC of 134, was awarded \$2,000.00 in FSEOG funds.

Du Quoin's president informed the reviewer that FSEOG funds were awarded to all who qualify. The Department has defined exceptional need in the FSEOG program as Federal Pell Grant recipients with the lowest EFC. This means that all Federal Pell Grant recipients with an EFC of 0 should receive FSEOG funds before any Federal Pell Grant recipients with an EFC greater than 0 receive FSEOG funds. As discussed above, FSEOG funds were not disbursed to students until at least the second payment period. Considering the examples of the students in this finding, it is apparent that a student's progress through the program was a major consideration in the disbursement of FSEOG funds, rather than the regulatory requirement that FSEOG funds be awarded to students with exceptional need.

The Financial Aid Director informed the reviewer that although she determined the Federal Pell Grant award for students, the institution's president determined which students would receive FSEOG awards. She also informed the reviewer that no FSEOG awards had been made in the 2004-05 award year subsequent to March 2005, as the institution had exhausted its FSEOG award. At the time of the on-site review, the institution had \$7,048.00 in FSEOG funds it had not drawn for the 2004-05 award year, although in fact the institution had drawn \$4,000.00 more in FSEOG funds than it had provided to students, as discussed above under Finding #9.

In selecting FSEOG recipients, an institution must first select students with exceptional financial need, which is defined as those students with the lowest EFC's who will also receive Federal Pell Grants in that award year. If the institution has FSEOG funds remaining after funds are awarded to students who are eligible for Federal Pell Grants, the institution must next award FSEOG funds to those students with the lowest EFC's who will not receive Federal Pell Grants in that award year.

Although an institution is allowed to establish categories of students as a means of administering its packaging policies, an institution would not be in compliance with the Higher Education Act of 1965, as amended, if it were to award FSEOG funds on a first-come, first-serve basis, or arbitrarily set a maximum EFC benchmark (or cut-off) from below which it selected FSEOG recipients. Such a practice might exclude otherwise eligible students from the selection process. Furthermore, the institution may not use professional judgment to circumvent its FSEOG policy. The institution must ensure that FSEOG funds are reasonably available throughout the award year.

An institution's written selection procedures for FSEOG recipients must ensure that recipients are selected on the basis of the lowest EFC and Federal Pell Grant priority requirements over the entire award year. Du Quoin enrolls students throughout the award year, and should therefore reserve FSEOG funds for use throughout the award year (based on previous experience) so that selection practices can be applied in a manner that would assure a reasonable consistency over the entire award year.

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The institution's failure to properly award FSEOG funds to students with exceptional need deprives needy students of FSEOG funds and is a failure of the institution to properly administer the FSEOG program.

Reference: 34 CFR 676.10, FSEOG
34 CFR 668.15(b)(1), General Provisions

Requirement: In response to this finding, the institution must develop and implement a written policy for awarding FSEOG funds that complies with all program requirements. A copy of these procedures must be submitted in response to this report.

15. Records Not Retained Three Years

Finding: Du Quoin failed to retain program records for at least three years as required by federal regulation. The institution was unable to locate the financial aid or academic files for Students #7 and #14. Student #7's "Master Sheet" from the computer indicates she was in attendance from 10/7/03 to 10/23/03. She received a \$1,012.00 disbursement of Federal Pell Grant funds on 10/10/03, \$907.00 of which was refunded on 12/12/03 according to the student's account record. The institution's Federal Pell Grant ledger indicates this refund was made on 12/27/03. The institution's Federal Pell Grant journal indicates that an additional \$105.00 was refunded on 1/23/04. A refund of that amount is reflected in the ledger on that date, however no name is attached to the record in the ledger. The Department's Common Origination and Disbursement (COD) system indicates the student's net Federal Pell Grant disbursement was \$0.00.

Student #14's "Master Sheet" from the computer indicates she was in attendance from 11/4/03 to 11/7/03. She received a \$1,012.00 disbursement of Federal Pell Grant funds on 11/6/03, \$944.00 of which was refunded on 12/12/03 according to the student's account record. The institution's Federal Pell Grant ledger indicates this refund was made on 12/27/03. The institution's Federal Pell Grant journal indicates the entire \$1,012.00 disbursement was refunded in December 2003. The ledger reflects an additional refund of \$68.00 on 1/7/04. The Department's Common Origination and Disbursement (COD) system indicates the student's net Federal Pell Grant disbursement was \$0.00. Because no records were available for these students, the institution was unable to document that they were ever eligible for the Federal Pell Grant funds disbursed to them.

The summary attendance records for Student #16 for the week of 7/22/04 to 7/28/04 were missing. There were no summary attendance records for that week for any student at the Marion campus. Summary attendance records were only available for the Marion campus beginning in January 2004.

Institutions must keep comprehensive, accurate program and fiscal records related to its use of Title IV funds. Program and fiscal records must demonstrate that the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. Records must demonstrate proper administration of Title IV program funds and must show a

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clear audit trail. Records for each Title IV recipient must clearly show that the student was eligible for the funds received and that the funds were disbursed in accordance with program regulations.

A school must establish and maintain on a current basis any application the school submitted for FSA program funds. A school must also maintain on a current basis program records that document:

- the school's eligibility to participate in the FSA programs.
- the FSA eligibility of the school's programs of education.
- the school's administration of the FSA programs.
- the school's financial responsibility.
- information included in any application for FSA program funds, and
- the school's disbursement and delivery of FSA program funds.

A school must keep fiscal records to demonstrate its proper use of FSA funds. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements. Schools are required to account for the receipt and expenditure of all FSA program funds in accordance with generally accepted accounting principles. A school must establish and maintain on a current basis financial records that reflect each FSA program transaction, and general ledger control accounts and related subsidiary accounts that identify each FSA program transaction and separate those transactions from all other institutional financial activity.

The fiscal records that a school must maintain include, but are not limited to:

- Records of all FSA program transactions
- Bank statements for all accounts containing FSA funds
- Records of student accounts, including each student's institutional charges, cash payments, FSA payments, cash disbursements, refunds, returns, and overpayments required for each enrollment period
- General ledger (control accounts) and related subsidiary ledgers that identify each FSA program transaction (FSA transactions must be separate from school's other financial transactions)

Schools must retain all required records for a minimum of three years from the end of the award year for which the aid was awarded. Schools must keep the Fiscal Operations Report (FISAP) and any records necessary to support their data (e.g., the source data for the income grid) for three years from the end of the award year in which the FISAP is submitted.

Du Quoin's failure to properly maintain required records reflects an inability to properly administer the Title IV programs. Due to this failure the institution is unable to document the eligibility of Title IV disbursements to all students. This may have allowed the institution the use of unearned funds, which causes increased expense to the Department.

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Reference: 34 CFR 668.24, General Provisions

Requirement: Du Quoin must attempt to locate the academic and financial aid records for Students #7 and #14 to document their eligibility for the Title IV funds they received. A copy of those records must be submitted in response to this report. Du Quoin must also document that it returned the \$105.00 in Federal Pell Grant funds for Student #7 and \$68.00 for Student #14.

Du Quoin must also immediately establish and implement written procedures for record retention in compliance with all Title IV requirements. A copy of those procedures must be submitted in response to this report. Liabilities for any disbursements which are not supported by student records will be established in the Final Program Review Determination Letter.

16. Inadequate Internal Controls

Finding: The institution did not appropriately divide the functions of authorizing and disbursing Title IV funds. The Director of Financial Aid counseled students, assisted them with their applications, submitted the application data to the Central Processor via Electronic Data Exchange, and prepared student Federal Pell Grant award letters. The award letters were stamped with the president's signature, however the amounts of students' Federal Pell Grant awards were determined by the Financial Aid Director, who was also responsible for completing verification.

In addition to her responsibilities for awarding Title IV aid, the Financial Aid Director also tracked student attendance and determined when students were eligible for disbursements. She reported those disbursements to the Department, and then accessed the Grants Administration and Payment System (GAPS) to draw those funds from the U.S. Treasury to the institution's federal cash control account. The funds were then moved into the Federal Pell Grant account, then the Du Quoin Beauty College account, and finally into the Career Management Services account. Career Management Services is a related party and this account functions as the institution's operating account. It is the account from which the institution's payroll and other expenses are paid. Funds are moved between these accounts via checks prepared by the Financial Aid Director and signed by the institution's president.

An institution participating in the Title IV programs must ensure that its administrative procedures include an adequate system of checks and balances. At minimum, this system must separate the functions of authorizing and disbursing funds so that no one person or office exercises both functions for any student receiving Title IV funds. If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affects both authorization and disbursement.

The institution failed to establish a system of checks and balances to administer the Title IV programs. The institution's failure to properly divide the process of authorizing and disbursing Title IV funds reflects an inability to properly administer the Title IV programs could result in the institution retaining funds to which it is not entitled.

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Reference: 34 CFR 668.16(e) General Provisions

Requirement: Du Quoin must immediately develop written job descriptions for all staff involved in the administration of Title IV. The responsibilities of awarding and disbursing aid must be separate. A copy of these position descriptions must be provided in response to this report.

17. Ineligible Federal Pell Grant Disbursements

Finding: Du Quoin made disbursements of Federal Pell Grant funds to three students who had not completed the clock hours necessary for the students to be eligible for the disbursements. Specifically, Student #10 received a \$1,012.00 disbursement of Federal Pell Grant funds on 12/29/03, although she had completed only 447.5 hours. The student was required to complete 450 hours to become eligible for the disbursement. The student was also on a leave of absence at the time of the disbursement. Students may not receive disbursements of Title IV funds while on an approved leave of absence. The student did not return from the leave, and the institution returned the ineligible disbursement on 3/24/04 after calculating a refund. This student is also discussed above under Finding #3. Student #15 received a \$1,012.00 disbursement of Federal Pell Grant funds on 12/29/03, although she had completed only 440 clock hours. The student was required to complete 450 hours to become eligible for the disbursement. The student was terminated from the program due to non-attendance on 2/3/04 and the improper disbursement of Federal Pell Grant funds was returned on 1/23/04.

Student #16 received Federal Pell Grant disbursements of \$650.00 on 11/2/04 and 11/12/04. According to the Federal Pell Grant calculation worksheet in the student's file, the institution considered this to be the payment for the 901-1200 payment period, and it represented half the student's annual award. The institution improperly calculated the payment for this payment period. Based on the student's Estimated Family Contribution, the payment for this payment period should have been \$867.00 and for the 1201-1500 payment period the student could have received her remaining eligibility for the award year of \$433.00. The student did not become eligible for the final payment of Federal Pell Grant funds until she completed 1200 hours on 12/14/04. This student is also discussed above under Finding #7.

The institution disbursed \$1,012.00 in Federal Pell Grant funds to Student #17 on 7/19/04 and \$3,038.00 on 8/16/04 from the 2004-05 award year. There was no documentation in the file to indicate the student had begun attendance in the 2004-05 award year, as discussed below under Finding #18, and the student was not in attendance at the time the disbursement was made. The student's transcript indicates her last date of attendance was 1/13/04, which indicates the student never commenced attendance in the 2004-05 award year. If the institution had been able to document the student's eligibility, she would have been eligible for only \$1,013.00, based on the Federal Pell Grant funds she had already received for the 451-900 clock hour payment period in the previous award year. Although the student provided written notice to the institution that she was not returning to the institution on 7/13/04, Du Quoin did not return the improperly disbursed Federal Pell Grant funds until 10/20/04, and then apparently only because the student wanted to use her 2004-05 Federal Pell Grant eligibility to attend another institution. There is a letter to the

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other institution from the school's president dated 10/20/04 in which he states the student owes Du Quoin \$3,837.00 and that she was not making satisfactory progress. The student's file indicates she was making progress, and that her outstanding balance was \$6,963.00. There was no explanation for this discrepancy.

Du Quoin disbursed \$650.00 in Federal Pell Grant funds to Student #22 on 5/17/04 for the 451-900 payment period. The student did not actually complete 450 hours and become eligible for the disbursement until 5/21/04. Student #25 received a \$1,012.00 Federal Pell Grant disbursement for the 451-900 hour payment period on 6/9/04 although the student did not actually complete 450 hours and become eligible for the disbursement until 6/20/04. This student is also discussed above under Finding #12.

Schools must disburse all Title IV funds on a payment period basis. In a clock hour program that is greater than an academic year in length, the first payment period is the period of time in which the student completes the first half of the academic year as measured in clock hours. The second payment period is the period of time in which the student completes the second half of the academic year. If the remaining portion of the program is more than one half of an academic year but less than a full academic year (as is the case with the Basic Cosmetology program at Du Quoin) the first payment period is the period of time in which the student completes the first half of the remaining portion of the program, as measured in clock hours. The second payment period would be the period of time in which the student completes the second half of the remaining portion of the program as measured in clock hours. This means the payment periods for the Basic Cosmetology program at Du Quoin are from 1-450 hours, 451-900 hours, 901-1200 and 1201-1500 hours.

Du Quoin made Federal Pell Grant funds to students prior to the point that the students became eligible for those disbursements. This permitted the institution the use of unearned funds and caused increased expense to the Department for the borrowing costs associated with the Federal Pell Grant program. It also represents a lack of administrative capability in administering the Title IV program.

Reference: 34 CFR 668.4, General Provisions
34 CFR 668.164(b) General Provisions

Requirement: The institution must immediately implement written policies and procedures that ensure that students do not receive subsequent disbursements prior to completing the clock hours in the previous payment period as specified in program regulations. A copy of those procedures must be submitted in response to this report.

18. Improper Leaves of Absence

Finding: Du Quoin improperly granted leaves of absence (LOA) to three students reviewed. Student #17's file contained a letter from the president dated 7/2/04 which stated:

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You enrolled for the second time at Trend Cosmetology school and requested a leave of absence after the first day, which I foolishly agreed to. I am backing out on my agreement and you should return to school on July 6th. If you do not wish to continue please notify us and we will retire your folder.

There was no written request from the student for the leave, nor any documentation in the file to indicate the length of the leave. Although the institution was unable to document the student commenced attendance in the 2004-05 award year, it drew the student's entire \$4,050.00 Federal Pell Grant after the student had ceased attendance. The funds were drawn on 7/19/04 and 8/16/04. The institution was unable to document the student was eligible for any disbursement of 2004-05 funds. The student sent the institution a letter postmarked 7/13/04 in which she informed Du Quoin she would not be returning. The institution did not return the funds until 10/20/04, apparently only because the student attempted to use the 2004-05 Federal Pell Grant funds to attend another institution. This student is also discussed above under Findings #1 and #17.

As discussed above under Finding #8, Du Quoin granted leaves of absence to students who were not making progress. Du Quoin granted a 60-day leave to Student #32 on 9/12/04, although the student had never regained compliance with the SAP standards after she was officially placed on probation on 3/12/04. The institution granted Student #39 a 30-day leave on 3/2/04, although the student was notified on 12/31/03 that she was failing to make progress and it would not be possible for her to regain progress. Based on their on-going attendance problems, there was no reasonable expectation that these students would return to the institution after the leave. These leaves artificially extended the students' enrollment to delay the time when a Title IV refund calculation would be required.

Institutions are not required to treat a student's leave of absence from the institution as a withdrawal if it is an approved leave of absence. An LOA is an approved LOA if:

- the institution has a formal policy regarding LOA's;
- the student followed the institution's policy in requesting the LOA;
- the institution determines that there is a reasonable expectation that the student will return to the school;
- the institution approved the student's request in accordance with the institution's policy;
- the LOA does not involve additional charges by the institution;
- the number of days in the approved leave of absence, when added to the number of days in all other approved leaves of absence does not exceed 180 days in any 12-month period*; and
- If the student is a Title IV loan recipient, the institution explains to the student, prior to granting the LOA, the effects that the student's failure to return from an LOA may have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period.

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* Prior to the publication of final regulations on November 1, 2002, an institution could only grant one LOA to a student in a 12 month period, with limited regulatory exceptions for a second LOA in the same 12 month period.

The Department considers an institution's LOA policy a "formal policy" if it is in writing and publicized to students. The policy must also require students to provide a written, signed and dated request for an LOA prior to the LOA, unless unforeseen circumstances prevent a student from providing a prior written request, in which case the institution may grant the student's request for the leave, if the institution documents its decision and collects the written request at a later date.

The institution's currently published LOA policies are not in compliance with federal regulations. Staff provided the reviewer a copy of a written LOA policy, however they informed the reviewer that it was not distributed to students, nor was it in the catalog. As discussed above under Finding #8, the institution also granted leaves to students for whom it was doubtful they would return from the leaves.

The failure to properly administer leaves of absence reflects an inability to properly administer the Title IV programs and may allow the institution the use of unearned funds.

Reference: 34 CFR 668.22(d) General Provisions
34 CFR 668.167(b) General Provisions
34 CFR 682.604(b) FFEL

Requirement: The institution must immediately establish written policies and procedures for the administration of leaves of absence for Title IV recipients for each of its programs that are in compliance with federal regulations. A copy of those policies and procedures must be provided in response to this report.

19. Crime Awareness Requirements Not Met

Finding: The institution failed to distribute the required campus security crime statistics and policies to its current students and staff in the manner specified by federal regulation. The report was only provided to students upon enrollment and was not provided again to currently enrolled students, although many students were enrolled for more than one year. The report was also not distributed to current staff. The report did not describe the institution's policies concerning possession, use and sale of alcoholic beverages and illegal drugs. Separate reports are prepared for the Du Quoin and Marion locations, however the institution did not provide the reviewer with a copy of the report for the Marion campus.

All participating institutions are required to provide annual campus security information directly to all current students and employees. This information may be provided through publications and mailings, including direct mailing to each individual through the U.S. Postal Service, campus mail or electronic mail. If an institution chooses to fulfill this requirement by posting the crime

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report on an internet or intranet web site, an individual notice must be distributed to each student and current employee that includes:

- a statement of the report's availability,
- a list and brief description of the information contained in the report,
- the exact electronic address at which the report is posted, and
- a statement saying the school will provide a paper copy on request.

The information is to be made reasonably available to prospective students. Upon request, a school must provide its annual campus security report to a prospective student or employee. Institution's must provide them with notice of the report's availability, and this notice must include a brief description of the report.

The campus security report must contain information regarding campus security policies and campus crime statistics. The report must discuss the role and function of campus security personnel (if any), the school's procedures for reporting (and responding to reports of) emergencies and crimes and school security policies regarding on-and-off campus facilities.

The report should also outline the school's policy regarding alcohol-and-drug related violations, including use, sale, possession and underage drinking. Lastly, the report must describe the informational programs available to students and employees about crime prevention, campus security and alcohol or drug abuse (as required by law).

The statistical portion of the campus security report must include data on the occurrence of murder, sex offenses, robbery, aggravated assault, burglary and motor vehicle theft on campus, as reported to campus security personnel or local law enforcement authorities, during the last three years.

Statistics must also be provided that show the number of on-campus arrests for liquor law violations, drug abuse violations and weapons possessions. These statistics should reflect only the nature and specific conditions of the crimes and arrests; no names should be collected or reported for the purpose of these statistics.

Failure to collect and distribute the required campus security crime statistics and policies to students constitutes an inability by the institution to properly administer the Title IV, HEA programs. It also deprives students of information necessary for them to make informed decisions about issues of personal safety.

Reference: Higher Education Act of 1965, as amended, Section 486
34 CFR 668.14(c)(2), General Provisions
34 CFR 668.47, General Provisions, 4/29/94

Requirement: Du Quoin must immediately provide a current and complete copy of the campus security report to all current students and staff. It must also provide a copy of the most recent report for the Marion campus to this office. With its response, the institution must provide

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assurance that in the future, a procedure will be developed to disseminate the required information within the designated time frame.