GRETNA CAREER COLLEGE'S ADMINISTRATION OF THE TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

FINAL AUDIT REPORT

ED-OIG/A06-C0018
December 2002

Our mission is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations.

U.S. Department of Education
Office of Inspector General
Dallas, Texas

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DEC 1 9 2002

Mr. Nick Randazzo, President
Gretna Career College
1415 Whitney Avenue
Gretna, LA 70053-2436

Dear Mr. Randazzo:

This is our final audit report, **GRETNA CAREER COLLEGE'S ADMINISTRATION OF THE TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS** (Control Number ED-OIG/A06-C0018). The report incorporates the comments you provided in response to a draft report that was provided to you. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education official, who will consider them before taking final Departmental action on the audit:

> Ms. Theresa S. Shaw, Chief Operating Officer
> Federal Student Aid
> Union Center Plaza, Room-112G1
> 830 First Street, NE
> Washington, DC 20202-5132

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, we request receipt of your comments within 30 days.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemption in the Act.

Please refer to the above audit control number in all correspondence relating to this report.

Sincerely,

Sherri L. Demmel

Sherri L. Demmel
Regional Inspector General
for Audit Services

Enclosure

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EXECUTIVE SUMMARY

Gretna Career College (GCC), located in Gretna, Louisiana, did not qualify as an eligible institution for participation in the Student Financial Assistance programs authorized by Title IV of the Higher Education Act of 1965, as amended (HEA). GCC was ineligible to participate in the Title IV programs from July 1, 2000, through June 30, 2001, because it received more than 90 percent of its revenue from Title IV sources during its fiscal year that ended June 30, 2000. GCC received $1,381,790 in Title IV funds during the year it was an ineligible institution.

GCC also understated the amount of Title IV aid it was required to return by $9,978 for 9 of 35 sample students who withdrew during the period from July 1, 2000, through December 31, 2001. GCC was required by its State licensing agency to take attendance. As a result, GCC had to use the last dates of attendance (LDA) in calculating the amount of Title IV funds to return for students who withdrew. The amount of Title IV funds returned was understated because GCC used incorrect LDA in its calculations.

We recommend that the Chief Operating Officer for Federal Student Aid require GCC to:

1. Return to the Department $1,383,470 in Title IV funds ($1,381,790 received from July 1, 2000, through June 30, 2001, for its failure to meet the 90 Percent Rule during the year ended June 30, 2000, and $1,680[1] for its failure to return to the Department the correct amount of Title IV funds for students who withdrew).

2. Identify all students not included in our audit for whom incorrect LDAs were used by comparing sign-in sheets with the students' individual attendance records; determine if additional Title IV funds need to be returned by using the correct LDAs; return any additional Title IV funds identified; and have GCC's Independent Public Accountant verify the school's determinations for accuracy.

3. Strengthen its controls relating to the 90 Percent Rule calculation and documenting attendance for use in calculating the amount of Title IV funds to return.

GCC provided narrative comments and attachments containing documentation in response to our draft report issued in August 2002. GCC agreed that it had made some errors in the 90 Percent Rule calculation, but it disagreed that those errors caused it to not meet the 90 Percent Rule. GCC's comments did not persuade us to change our overall conclusion and recommendations regarding the 90 Percent Rule. GCC agreed to strengthen its controls for documenting attendance and discussed the steps it had taken. GCC also agreed that it had used an incorrect LDA to calculate the Title IV return amount for three of our sample students who withdrew. However, GCC disagreed that it had used an incorrect LDA in its calculations for 12 of our

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[1] These are unduplicated questioned dollars. GCC failed to return $9,978 in Title IV funds for students who withdrew, of which $1,680 were disbursed after the ineligible year that ended June 30, 2001. The remaining $8,298 ($9,978 less $1,680) were disbursed during the ineligible year and are included in our finding on the 90 Percent Rule.

sample students. Based on our analysis of GCC's comments and documentation provided, we eliminated six sample students from our finding. GCC's comments and documentation did not persuade us to change our conclusion that GCC used incorrect LDA in its calculations for the remaining six students. We changed our finding to conclude that GCC understated the amount of Title IV funds that it was required to return by $9,978 for 9 of 35 sample students who withdrew.

GCC's narrative comments are included in their entirety in Appendix B. We summarized GCC's comments and provided our response following each finding. The attachments have been provided to the Department of Education Action Official.

AUDIT RESULTS

GCC did not comply with the 90 Percent Rule and understated the amount of Title IV funds it was required to return for students who withdrew. Except for the issues described in our findings, we concluded that GCC met other program, institutional, and student eligibility requirements reviewed, including requirements for eligibility of short-term training programs, Title IV disbursements, use of professional judgment, and financial responsibility.

FINDING NUMBER 1
GCC DID NOT COMPLY WITH THE 90 PERCENT RULE

GCC was ineligible to participate in the Title IV, Student Financial Assistance programs from July 1, 2000, through June 30, 2001, because it received over 90 percent of its revenue from Title IV sources during its fiscal year that ended June 30, 2000. GCC received $1,381,790 of Title IV funds during the ineligible year. GCC reported in the notes to its June 30, 2000, audited financial statements that it met the 90 Percent Rule with 84 percent of its revenue from Title IV sources. We determined that the school could not support all of the amounts included in its 90 Percent Rule calculation. The calculation also included non-Title IV cash revenue from ineligible sources. Based on our analysis, GCC received 91.07 percent of its cash revenue from Title IV sources for that year.

Proprietary Schools Are Required to Generate at Least 10 Percent of Their Revenue from Non-Title IV Sources

Section 102(b) of the HEA specifies that a proprietary institution of higher education is "a school that . . . has at least 10 percent of the school's revenues from sources that are not derived from funds provided under title IV, as determined in accordance with regulations prescribed by the Secretary." Conversely, no more than 90 percent of total revenue may be derived from Title IV programs. This institutional eligibility requirement became effective October 1, 1998, and is codified in 34 CFR § 600.5(a)(8). Pursuant to 34 CFR § 600.5(d)(2), "[a]n institution must use the cash basis of accounting when calculating the amount of title IV, HEA program funds in the numerator and the total amount of revenue generated by the institution in the denominator of the fraction contained in paragraph [34 C.F.R. § 600.5] (d)(1)…."

The formula at 34 CFR § 600.5(d)(1) is as follows:

Title IV, HEA program funds the institution used to satisfy its students' tuition, fees, and other institutional charges to students

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The sum of revenues including title IV, HEA program funds generated by the institution from tuition, fees, and other institutional charges for students enrolled in eligible programs as defined in 34 CFR 668.8; and activities conducted by the institution, to the extent not included in tuition, fees, and other institutional charges, that are necessary for the education or training of its students who are enrolled in those eligible programs.

GCC Could Not Support Its 90 Percent Rule Calculation

GCC's audited financial statements for its fiscal year ended June 30, 2000, showed that the school met the 90 Percent Rule with 84 percent of its revenue from Title IV sources. GCC provided us with the amounts it used in the calculation (see Table). We found that GCC did not have records to support all of the amounts used in the calculation or had included ineligible amounts. After excluding the revenues that GCC could not support and the ineligible amounts as explained in the APPENDIX to this report, we determined that 91.07 percent of GCC's revenue was from Title IV sources.

TABLE
90 Percent Rule Calculations for July 1, 1999, through June 30, 2000

	GCC Calculation	Excluded	OIG Calculation
Title IV Revenue			
PELL	$511,977		$511,977
FSEOG	35,142		35,142
DIRECT LOANS	620,344		620,344
Total Title IV	$1,167,463		$1,167,463
Non-Title IV Revenue			
Medical Center	$48,061	$9,141	$38,920
JTPA	12,076		12,076
Rental Income	2,059	2,059	-0-
Student Payments	46,628		46,628
Pvt. Registration Fee	16,179		16,179
Gain on Sale of Assets	29,394	29,394	-0-
Federal Work Study	11,463	11,463	-0-
FSEOG-ACA	3,292	3,292	-0-
Day Care Center	38,176	38,176	-0-
Welding Income	7,551	6,901	650
Total Non-Title IV	$214,879	$100,426	$114,453
Total Revenue	$1,382,342		$1,281,916
Title IV Percentage = Total Title IV/Total Rev.	**84.46%**		**91.07%**

See APPENDIX for an explanation of the above excluded amounts.

For its fiscal year ended June 30, 2001, we determined that GCC met the 90 Percent Rule with 89.23 percent of its revenue from Title IV sources.

Title IV Funds Received by GCC from July 1, 2000, through June 30, 2001

Institutions that fail to satisfy the 90 Percent Rule lose their eligibility to participate in the Title IV programs on the last day of the fiscal year covering the year that the institution failed to meet the requirement. As a result, GCC lost its eligibility to participate as of June 30, 2000. During its fiscal year July 1, 2000, through June 30, 2001, GCC received $1,381,790 in Title IV funds ($576,758 in Federal Pell Grants, $25,819 in Federal Supplemental Educational Opportunity Grants [FSEOG], $9,181 in Federal Work-Study [FWS], and $770,033 in William D. Ford Federal Direct Loans).

RECOMMENDATIONS

We recommend that the Chief Operating Officer for Federal Student Aid require GCC to:

1.1 Return $1,381,790 in Federal Pell, FSEOG, FWS and Direct Loan funds to the Department that it received from July 1, 2000, through June 30, 2001.

1.2 Strengthen its controls to ensure that future 90 Percent Rule calculations include only eligible cash revenues and that the revenue amounts are supported by source documentation.

GCC'S COMMENTS TO THE DRAFT REPORT AND OIG'S RESPONSE

GCC agreed that it had mistakenly included certain non-Title IV revenue in the 90 Percent Rule calculation, but it did not agree that all of the non-Title IV revenue from the medical center and day care center should be excluded from the calculation. GCC stated that it met the 90 Percent Rule when revenues from these two sources were included. GCC's comments and documentation did not persuade us to change our conclusions.

Medical Center

GCC Comments. GCC contends that it should be allowed to include the $4,141 of cash received from patients in its 90 Percent Rule calculation. GCC provided a copy of a fire incident report and said that receipts for the $4,141 were lost as a result of a May 2001 fire in an apartment above the medical center. GCC stated that: "There is no basis in law . . . that unless GCC can provide copies of cash receipt slips, the medical center cash receipts cannot be included . . . ." The school provided signed statements from the medical center student supervisor and the school owner attesting that patient cash payments were received, a copy of the ledger account in which $4,141 of receipts had been recorded, and examples of two deposit slips with hand-written notes identifying the medical center portion of the deposits (the slips identified $382 and $106 of deposits applicable to the medical center). GCC also said it could provide copies of its bank statements and "Tax Form" to support the receipts and that its independent auditor had reviewed the deposits and ledger and had included the revenue in the school's audited financial statements.

OIG Response. While we do not disagree that a fire occurred or that GCC received some cash payments from patients, we are unable to determine if the $4,141 amount is accurate because the documents provided by GCC do not support the source of the revenue. Further, the revenue amount is unusually high compared to patient cash payments recorded by GCC in the following year. The medical center opened in March 2000. Through June 2000, GCC recorded $4,141 of total cash payments by patients, including $3,513 in one month (June 2000). GCC recorded $3,411 of patient cash payments during all of the following year (July 2000 through June 2001).

Day Care Center

GCC Comments. GCC contends that the $38,176 of day care center revenue should be included in its 90 Percent Rule calculation. The school's response noted that receipts showing the source of the revenue were damaged in a June 2001 flood and had been discarded. GCC stated it had ". . . substantial 'other documentation' to support the source of the revenue . . . ." GCC provided signed affidavits from the former director of the day care center and the school owner attesting that revenue was collected from parents and deposited into the school's bank account, and a copy of the ledger in which day care revenue had been recorded. GCC also stated that the revenue was included in its audited financial statements.

GCC stated: "There is no basis for the OIG's claim that the daycare center income was not necessary to GCC student training." GCC stated that its inclusion of this income was reasonable and should not be disallowed under a frequency of use threshold. Further, GCC disagreed that the day care center was used for student training only one day every three weeks. GCC said it generally operated several sections of the same course and that ". . . at least once a week some GCC students were working at the day care center . . . ." According to GCC, it was required to operate the center every day in order for the students to have access to the day care participants. GCC said that no one paid for day care on a daily basis, that all tuition was charged on a weekly basis. GCC also stated that students being trained at the day care center were at all times supervised by GCC instructors.

OIG Response. The documentation provided by GCC did not support the source of the $38,176 of revenue. While we do not disagree that the day care center generated revenue, we could not determine if the $38,176 of claimed revenue was accurate without supporting receipts. GCC's comments regarding use of the day care center to train students also did not convince us that, had GCC been able to support the revenue, all of the revenue should be included in the 90 Percent Rule calculation.

We did not intend to imply that the training GCC provided to students during the limited time they were at the day care center was not necessary, and we did not question whether GCC instructors supervised the students. The report did, however, address the fact that most of the center's revenues would have been generated when no students were present. Activities in which no students are involved are not necessary for the education or training of students. The revenues from such activities should not be included in the 90 Percent Rule calculation. We have changed Appendix A to more accurately reflect this thought.

The school's owner and the day care center director told us during our audit at the school that the day care center was used by students one day every three weeks. GCC now states that the center was used one day every week. GCC did not provide documentation for either amount. In any event, most of the revenue (either $14/15^{th}$ or $4/5^{th}$) would have been generated when there were no students being trained at the center. We have changed our discussion regarding GCC's use of the day care center to reflect the school's current statement that students received training at the center one day every week.

FINDING NUMBER 2
GCC NEEDS TO RETURN ADDITIONAL TITLE IV FUNDS FOR STUDENTS WHO WITHDREW

GCC understated the amount of Title IV funds that it was required to return by $9,978 for 9 of 35 sample students who withdrew during the period July 1, 2000, through December 31, 2001. GCC complied with its State licensing agency requirement that it take attendance by requiring students to sign in each day they attended. These sign-in sheets did not support the LDA that GCC used to calculate the amount of Title IV aid to return for the nine students. We determined that the LDA documented on the sign-in sheets were from 7 to 109 days before the LDA that GCC had used. By using incorrect LDA, GCC was able to retain an additional $9,978 of Title IV funds.

State Licensing Agency Requires GCC to Take Attendance

The Louisiana Board of Regents, the State licensing agency, required GCC to maintain student attendance records. Pursuant to 34 CFR § 668.22, schools that are required to take attendance must use the LDA in calculating Title IV return amounts.

> (a) *General*. (1) When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance . . . that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section.
>
> (2) If the total amount of title IV grant or loan assistance, or both, that the student earned as calculated under paragraph (e)(1) of this section is less than the amount of title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew –
>
> (i) The difference between these amounts must be returned to the title IV programs . . . .
>
> (b) *Withdrawal date for a student who withdraws from an institution that is required to take attendance.* (1) For purposes of this section, for a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, as defined in paragraph (d) of this section, or a student who takes a leave of absence that does not meet the requirements of paragraph (d) of this section, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records. [emphasis added]
> (2) An institution must document a student's withdrawal date determined in accordance with paragraph (b)(1) of this section and maintain the

> documentation as of the date of the institution's determination that the student withdrew . . . .
> (3)(i) An institution is "required to take attendance" if the institution is required to take attendance for some or all of its students by an entity outside of the institution (such as the institution's accrediting agency or state agency).

GCC Used Incorrect LDA to Calculate Title IV Return Amounts

GCC's procedure for complying with the requirement that it take attendance was to have students sign in during the first class of each scheduled class day. On a weekly basis, a GCC official transferred the sign-in data to students' individual attendance records. For students who withdrew, GCC's procedure was to use the LDA recorded in the students' individual attendance records in calculating the Title IV funds that had to be returned.

Based on our comparison of the sign-in sheets and individual attendance records, we determined that the sign-in sheets did not support the LDA recorded in the individual attendance records for 9 of 35 sampled students who withdrew. The documented LDA on the sign-in sheets for the nine students ranged from 7 to 109 days before the dates shown on the individual attendance records. GCC returned $5,790 of Title IV funds for the nine students. We used the LDA supported by the sign-in sheets and determined that GCC needs to return an additional $9,978 of Title IV funds for the nine students.

GCC acknowledged that its attendance record keeping procedure could be improved. A GCC official stated that sometimes students would forget to sign in. She explained that if she saw the student at school, she would record attendance in the student's individual attendance record even though the sign-in sheet may not show that the student attended that day.

RECOMMENDATIONS

We recommend that the Chief Operating Officer for Federal Student Aid require GCC to:

2.1 Return to the Department $9,978 in Title IV funds for the nine students for whom inaccurate LDAs were used in calculating the amounts of Title IV funds to return.[2]

2.2 Identify all students not included in our audit who withdrew; determine if incorrect LDAs were used by comparing sign-in sheets with the students' individual attendance records; calculate the amount of Title IV funds that should have been returned using the correct LDA; and return any additional Title IV funds identified.

2.3 Have an Independent Public Accountant verify the school's determinations for accuracy.

[2]GCC disbursed $1,680 of the $9,978 after June 30, 2001 ($608 in Federal Pell Grants and $1,071 in Direct Loans). The remaining $8,298 is duplicative because we already recommended it be returned in Finding Number 1.

2.4 Strengthen its controls to ensure that students comply with GCC's attendance policy and that attendance data recorded by students on the sign-in sheets are accurately transferred to students' individual attendance records.

GCC'S COMMENTS TO THE DRAFT REPORT AND OIG'S RESPONSE

GCC described the actions it had taken to strengthen procedures for documenting attendance, which included moving the student sign-in sheets to a front desk where students enter the school and requiring instructors to also record attendance in their classrooms in either a roll book or a second set of student sign-in sheets. GCC also agreed with our finding that it owed $711 for three of our sample students who withdrew and said that it had returned the funds.

GCC did not agree that it needed to return Title IV funds disbursed for 12 of our sample students who withdrew. Based on our analysis of GCC's comments and documentation for the 12 students, we dropped our findings for six students. The comments and documentation did not persuade us to change our conclusion that GCC understated the required Title IV return amounts for the remaining six students. We have changed our report to state that GCC needs to return $9,978 of Title IV funds for nine students (the three students for whom GCC agreed with our finding and six students for whom GCC did not agree). GCC's specific comments relating to the six students for whom GCC did not agree and our responses follow.

GCC Comments. GCC said that the student sign-in sheets were not the only manner in which it confirmed attendance. The school mentioned that it had encouraged instructors to take daily attendance and "If a teacher's roll book showed a later date of attendance, GCC used that date." GCC also stated: ". . . because the GCC facilities are compact, it is not unusual for the Registrar to walk around the building and run into students that she knows have not been completing their sign-in sheets. Therefore, the Registrar will record the student's appearance herself, on the attendance cards."

For three of the six students, GCC provided copies of instructor roll books as support for the LDA that it had used. For the remaining three students, GCC provided other documentation. The documentation included copies of cancelled checks for two of the three students, which were made payable to them and dated after the LDA recorded on their sign-in sheets. GCC said it would not have released the checks if the students were not attending. For the third student, GCC provided a copy of the final grade sheet for one phase of a course. The grade sheet identified all of the students in the course, including our sample student. The only dates on the grade sheet were the beginning and ending dates of the course. The course ending date was after the student's LDA recorded on the sign-in sheet.

OIG Response. Information contained in the roll books did not persuade us to change our finding that GCC had understated the required return amounts for the three students. The roll books for two of the three students were incomplete or contained conflicting information. For example, one instructor's roll book had no students marked as absent during a one-week period. The sign-in sheets for this instructor showed our sample student and two other students to be absent during all or a portion of that week. We concluded that the instructor had not recorded attendance in her roll book for the week. The roll book provided for one of the three students supports the LDA we had used in our calculation.

The cancelled checks and grade sheets GCC provided for the three other students did not persuade us to change our return of Title IV funds calculations that were based on the LDA on the sign-in sheets. The State licensing agency required GCC to maintain student attendance records, but these documents do not show attendance or a LDA.

GCC Comments. GCC noted that as a result of our audit it had returned $5,915 of Title IV funds for our sample students who withdrew. GCC's response indicated that it had returned $711 for the three sample students for whom the school agreed with our findings and $5,204 for three sample students for whom GCC did not agree with our findings. For the three sample students for whom GCC did not agree, GCC explained that it had mistakenly returned the amounts for two of the students and had returned the amount for the third student because of other errors it had identified.

OIG Response. The $5,915 includes $5,389 of the $9,978 that we had determined should be returned for the nine students. GCC needs to return an additional $4,589 ($9,978 less $5,389) of Title IV funds.

BACKGROUND

GCC, formerly Nick Randazzo Vocational Training Institute, is a proprietary school located in Gretna, Louisiana. GCC became licensed to operate in Louisiana in December 1991, and was accredited by the Accrediting Commission of Career Schools and Colleges of Technology beginning in June 1993. The Department provided GCC initial approval to participate in the Title IV programs in September 1993. Due to a high Federal Family Education Loan Program cohort default rate, the Department provisionally certified the school from September 27, 1999, through September 30, 2002. The school offers certificates in Business Computer Technology, Medical Assistant, Nurse Technician, and Medical Administrative Assistant.

During the period July 1, 2000, through December 31, 2001, GCC received approximately $2.2 million in Title IV funds (Federal Pell Grants, FSEOG, FWS and Direct Loans).

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether GCC complied with the HEA and regulations relating to the 90 percent rule, eligibility of short-term training programs, use of professional judgment, student eligibility, Title IV disbursements, return of Title IV funds, and financial responsibility.

To accomplish our objective, we obtained and reviewed background information about the school and the school's Title IV policies and procedures. We also reviewed the school's accounting records and audited financial statements and compliance audit reports for the years ended June 30, 2000, and June 30, 2001. We interviewed current and former GCC personnel, State licensing agency officials, and the Independent Public Accountants who prepared the school's audited financial statements and compliance audit reports for the years ended June 30, 2000, and June 30, 2001. We also reviewed the Independent Public Accountant's working papers for both the financial statement audit and the compliance audit for the year ended June 30, 2001.

We applied statistical sampling techniques to the universe of 461 students who received Title IV aid from July 1, 2000, through December 31, 2001, by initially selecting for review a random sample of 25 students. The 25 sample students included 13 students who withdrew. To evaluate the return of Title IV funds, an additional 22 students who withdrew were randomly selected for review. A total of 142 of the 461 students had withdrawn. In total, we reviewed GCC's student files and disbursement records for 47 randomly selected students, including 35 students who withdrew.

We tested the reliability of computerized student records by comparing selected data with student files and GCC's bank statements. Based on our reviews of the data, we concluded the records were reliable for the purposes of this audit. We also obtained data from the Department's National Student Loan Data System and the Grants Administration and Payment System.

We performed our fieldwork from March 4 through 28, 2002, at the school's campus in Gretna, Louisiana. We conducted an exit conference with GCC on June 10, 2002. We performed additional work at GCC on October 22, 2002, after receiving the school's response to our draft report. The purpose of the follow-up visit was to review instructor roll books, which GCC had not provided during our initial fieldwork. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our review, we gained an understanding of the management control structure, as well as the policies, procedures, and practices applicable to the scope of our audit. We gained an understanding of GCC's policies and procedures related to: (1) institutional and program eligibility, (2) student eligibility, (3) Title IV disbursements, and (4) calculation of Title IV funds to be returned. Because of inherent limitations, gaining an understanding of management controls would not necessarily disclose material weaknesses. However, we identified weaknesses in the school's procedures relating to calculating the 90 Percent Rule and calculating Title IV funds to return. These weaknesses are discussed in the AUDIT RESULTS section of this report.

APPENDIX A

	Explanation for Amounts Excluded from the 90 Percent Rule Calculation
Medical Center	The $9,141 reduction includes $4,141 identified as cash payments from patients, which GCC was unable to support with cash receipts or other documents, and $5,000 identified as cash received for start-up costs to establish the Medical Center. GCC's owner told us that all the cash payment records were lost as a result of water damage from a fire in May 2001. GCC received the $5,000 from a physician before the Medical Center opened. It was not revenue from tuition, fees, other institutional charges, or activities necessary for the training of students. [34 CFR § 600.5(d)(1)]
Rental Income	The $2,059 represents rent paid by students for an apartment owned by GCC. GCC had not included the rent as an institutional cost. GCC also could not provide cash receipts to support the source of the rent. [34 CFR § 600.5(d)(1)]
Gain on Sale of Assets	GCC sold its apartment building and Day Care Center for a net gain of $29,394. This gain was not revenue from tuition, fees, other institutional charges, or activities necessary for the training of students. [34 CFR § 600.5(d)(1)]
Federal Work Study	FWS funds may not be included in either the numerator or the denominator of the calculation. [34 CFR § 600.5(e)(1)(i)]
FSEOG-ACA	FSEOG - Administrative Cost Allowance (ACA) is not income from tuition, fee, other intuitional charges, or activities necessary to the training of students and should not have been included in the calculation. [34 CFR § 600.5(d)(1)]
Day Care Center	GCC provided documentation supporting that $38,176 was deposited into its operating bank account, but it was unable to provide copies of cash receipts or any other documentation to support the source of the revenue. GCC's owner told us that all of the day care center records had been destroyed in a 2001 flood resulting from Hurricane Allison. Even if supporting records had been available, most of the revenue was not eligible to be included in the 90 Percent Rule calculation because it was not generated when students were being trained in the day care center. [34 CFR § 600.5(e)(4)]. According to GCC's owner, students used the day care center for training purposes one day every week. The center operated five days a week. Since students used the center only one day out of five, any revenue generated during the other four days was not eligible to be included. Accordingly, had GCC been able to support the $38,176, no more than 1/5th, or $7,635, of the total amount could have been included in the calculation. This amount would not provide enough revenue for GCC to meet the 90 Percent Rule.
Welding Income	The $6,901 was cash realized from the sale of welding equipment and was not revenue from tuition, fees, other institutional charges, or activities necessary for the training of students. [34 CFR § 600.5(d)(1)]

APPENDIX B

Gretna Career College's Response to OIG Draft Audit Report
(Issued August 2002)

Submitted to

Sherri L. Demmel
Regional Inspector General for Audit

September 20, 2002

Gretna Career College

1415 Whitney Avenue Gretna, LA 70053
Phone: [504] 366-5409 FAX: [504] 365-1004

September 20, 2002

Sherri Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

RE: Control Number - ED-OIG/A00-C0018

Dear Ms. Demmel:

Enclosed please find Gretna Career College's response to the OIG-Draft Audit Report issued August 19. We will continue to provide full cooperation as you consider the rationale and data presented with this response.

GCC would like to thank you once again for the courtesies shown during your visit to our school.

Sincerely,

Nick Randazzo

Nick Randazzo
President/CEO

APPENDIX B

Gretna Career College's Response to OIG Draft Audit Report

(Issued August 2002)

Submitted to

Sherri L. Demmel
Regional Inspector General for Audit

September 20, 2002

On August 19, 2002, the U.S. Department of Education ("Department") Office of Inspector General, Regional Inspector General for Audit ("OIG") issued a Draft Audit Report containing two proposed findings. The first finding alleges that Gretna Career College (GCC") was ineligible to participate in the Title IV programs during the 2000-01 award year because it received more than 90 percent of its revenues from Title IV funding during the prior fiscal year (ending June 30, 2000). The second finding alleges that GCC understated the amount of Title IV aid it was required to return by $14,987 for 15 of 35 sample students who withdrew during the period from July 1, 2000 through December 31, 2001.

GCC agrees in part and disagrees in part with both findings. GCC agrees that it mistakenly included certain items in the denominator of its 90/10 calculation that it should not have. However, these adjustments do not cause GCC to violate the 90/10 rule. Further, GCC acknowledges that it mistakenly understated 3 of the 15 refunds identified by the OIG based on the use of a documented but uncorroborated last date of attendance. However, the remaining refunds were calculated based on documented and corroborated last date of attendance. We specifically disagree that GCC was required to determine the last date of attendance through the use of sign-in sheets only.

RESPONSE TO FINDING NUMBER 1

The OIG claims in finding no. 1 that GCC did not comply with the 90/10 rule for the fiscal year ended June 30, 2000, because the institution included revenue in the denominator of its 90/10 calculation that either (1) was not related to tuition and fees and was not necessary to the education of GCC's students or (2) cannot be substantiated through cash receipts. The 90/10 rule provides that GCC shall be ineligible to participate in the Title IV programs in the award year following the year it receives more than 90% of its revenues from Title IV funding. 34 C.F.R. § 600.5(a)(8).

According to GCC's original 90/10 calculation, the institution received 84.5% of its funding from Title IV funds. We accept some of the OIG's corrections to GCC's 90/10 calculation, and, on this basis, believe that the amended 90/10 calculation should be 88% (88.14).[a] However, according to the OIG,

[a] Although GCC will not argue the point because it is not supported by ED regulations under 34 C.F.R. § 600.5(e), GCC believes that the capital gains on the sale of the assets should be included in the revenues for the 90/10 calculation, because, quite literally, the sale of that equipment provided funds that were necessary to provide student education. GCC has documented that the Direct Loan Program consistently underpaid GCC during the period in question. At one point, the DLP owed GCC as much as $150,000. GCC is a small institution and desperately needed that cash flow. When the DLP could not ensure timely payments, GCC took extreme measures to obtain revenues to meet operational expenses that were very much necessary to delivering the students' education. The DLP has

GCC must exclude additional income from the denominator of its 90/10 calculation, including certain cash receipts from the medical center and a majority of the receipts from the daycare center, which would result in GCC having received 91.07% of its revenue from Title IV sources. GCC disagrees that it must exclude this additional income from its 90/10 calculation.

Medical Center Revenues

The OIG seeks to exclude $4,141 in Medical Center revenues from the denominator of GCC's 90/10 calculation because those revenues consist of cash payments that are not supported by cash receipts.

GCC agrees that it does not have any cash receipts corresponding to the $4,141 in cash payments received by the medical center. These receipts (along with many other records and equipment) were lost as a result of a fire in an apartment above the medical center in May 2001. GCC has provided documentation of that fire, which documentation is attached as Attachment A.[b] Attachment B contains an affidavit from EDITED the current tenant who occupies one of the apartments at EDITED, which address is the prior location of the medical center. She states that she had to have an electrician disconnect feed for electricity from the second floor due to a fire on May 4, 2001. Although the documents and equipment were not touched by the fire, there was substantial smoke in the building, which triggered the sprinkler system in the medical center. GCC moved out of that facility, which the Fire Department has closed as uninhabitable, into a smaller facility, and so left paperwork and some equipment behind with the landlord's permission. Unfortunately, before GCC pulled its equipment and files from the building, the landlord had a cleaning crew remove all items and put them in the dump.

Even though GCC lost a significant number of records in this process, GCC can provide substantial additional evidence of the cash receipts it claims in its financial statements. Specifically, GCC can provide the following additional evidence of these cash receipts.

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since changed GCC's level of participation to ensure more timely payments to GCC after the school informed the DLP that it would be required to leave the DLP program if DLP could not make more timely payments.

[b] Attachment A contains the Fire Marshall report verifying that the fire took place on 05/04/2001 at 1414 Romain Street in the apartment directly above the medical center where the requested records were maintained.

- GCC can provide an affidavit from EDITED a GCC MA instructor and Office manager of the medical center, attesting to the fact that she received cash payments at the medical center and provided them to Nick Randazzo to deposit in GCC's operating account. Attachment C.
- GCC can provide a copy of its general ledger reflecting the cash receipts. Attachment D. At the time, this ledger was maintained by EDITED with oversight by EDITED , an independent bookkeeper. EDITED , made entries to the ledger on the basis of the deposit slips handed to her. GCC's external auditor will confirm that she found GCC's financial records to be properly maintained and reliable.
- GCC's President, Nick Randazzo, can testify to the fact that he deposited each cash payment into GCC's operating account. Attachment E.
- GCC can provide a copy of its bank account statements reflecting deposits corresponding in amount to the general ledger entries.
- GCC can provide copies of bank deposits which show that the deposit slips note the source of the funds being deposited. Attachment F.
- GCC can provide a copy of its Tax Form which reflects receipt of these cash payments.
- GCC's auditor will state that she reviewed the deposit slips corresponding to the General Ledger Entries, and specifically, the medical center income, as part of the audit of the 1999-2000 financial statements. The auditor felt that there was sufficient evidence to confirm the existence of these cash receipts and sufficient uniformity to GCC's financial records to be able to include these cash revenues in the audited financial statements.

There is no basis in law for the OIG to state that unless GCC can provide copies of cash receipt slips, the medical center cash receipts cannot be included as revenue in the denominator of the 90/10 calculation. There is an ample audit trail respecting these cash receipts which the OIG should not ignore.[c] If GCC included the $4141 in cash receipts from the medical center in the denominator of the 90/10 calculation as it should, but continued to exclude the day care center income from the 90/10 calculation, GCC would have received 90% (.9077) of its revenues from title IV funds.

[c] Attachment L contains a newspaper article demonstrating that fires and floods destroy even U.S. government records. Further, according to this article, the U.S. Government recognizes the service of its servicemen, even if their service records are destroyed as they were in Pennsylvania and St. Louis, MO. Given the substantial remaining evidence that GCC has of cash receipts for its medical center, there is no basis to insist that such cash payments never occurred.

Amelia Day Care Center Receipts

The OIG states that the Amelia Day Care Center funds earned by GCC should not be included as revenue in the denominator of the 90/10 calculation because 1) GCC does not have copies of cash receipts "or any other documentation" to support the source of the revenue and 2) the daycare center was not necessary for the students' education or training or performed under the supervision of a member of GCC's faculty.

GCC disagrees with the OIG's conclusions in this respect. The $38,176 income from the daycare center should be included in the 90/10 calculation.

<u>GCC Maintains Substantial Documentation Confirming Day Care Income</u>

After GCC closed the daycare facility on April 28, 2000, the daycare equipment and records were removed in haste to prepare the property for sale. All daycare materials, including income, attendance and other records, licenses for operation, and equipment and books were placed in storage at the GCC warehouse which is part of the school complex. In June 2001, one year after the daycare closed, the school complex was flooded due to the torrential rains that accompanied Tropical Storm Allison. Although the school implemented its emergency plan to prevent the loss of academic and financial aid records in GCC's main building, the plan inadvertently overlooked the otherwise unused warehouse. Later that year the damaged records and equipment were discarded as GCC prepared the facility for use in a proposed automotive program. Documentation from the National Hurricane Center was given to the audit team as well as Disaster Letters issued prior to 1999. Further, GCC's President is willing to sign an affidavit respecting the loss of property and paperwork due to flood damage. Attachment G.

Although the city of Gretna has made many drainage improvements, prevention of potential flood waters is an ongoing battle throughout the flood prone Metropolitan New Orleans region. No building is entirely immune from flood damage, not even government buildings in the area. The precautions GCC has taken to date have successfully protected GCC's academic and financial aid records during the last several years. Nevertheless, to further ensure the safety of GCC records and property, GCC's maintenance contractor recently installed a cement barricade to the rear of the main building in preparation for the 2002 Hurricane Season.

Even if GCC does not have the cash receipts requested by the OIG, these receipts are not required under any standard known to the institution. The institution has substantial "other documentation" to support the source of the revenue for the daycare center.

- GCC has obtained an affidavit from the staff member interviewed by the OIG affirming that she accepted payments from parents and gave these payments to GCC's president. Attachment H.
- GCC has a copy of the general ledger which contains contemporaneous entries of receipts for the daycare center. Attachment I.
- GCC's President has attested that he collected income from the daycare center and deposited the same in GCC's operating account. Attachment J.
- GCC can provide an audited financial statement that includes the income in question.
- GCC's auditor can attest to the fact that she reviewed deposit slips that corresponded to the general ledger entries reflecting income receipts from the daycare center.

There is no statutory provision or regulation that requires the extraordinary proof of income that the OIG requests here.

<u>The Day Care Center Experience Was Necessary to GCC Student Training</u>

There is no basis for the OIG's claim that the daycare center income was not necessary to GCC student training.

As previously described to the OIG, GCC always has provided some level of clinical experience to its students. We have worked to increase the depth of that experience throughout the years as our programs have developed.

Prior to the acquisition of the daycare in 1997, Gretna provided fairly basic medical courses to its students. Clinical instructors associated with those programs were required to conduct health fairs at grocery stores, shopping centers, and schools in order to allow nursing students the opportunity to practice vital signs and other skills. These basic courses did not require extensive pediatric training.

When the school entered into negotiation to purchase the daycare in February 1997, the curriculum for the ***Nursing Technology: Medical Assistant Option [MA]*** was in the development process. (The curriculum approvals for this program were obtained from the Louisiana Proprietary Schools Bureau on April 8, 1997 and the Accrediting Commission of Career Schools and Colleges of Technology on April 30, 1997. The MA program was implemented in June 1997 with the first class graduating in January 1998.) Management's thinking in purchasing the daycare was that the facility would provide an appropriate classroom for students enrolled in the new nursing program to practice necessary skills related to pediatric patient care. The pediatric patient care portion of these programs was described in the school's catalog and in its submissions to its state licensure and accrediting agencies. In addition to meeting GCC's curriculum requirements, the daycare allowed GCC to provide a daycare service for students and staff. Basically, GCC saw the daycare as a "win-win" proposition

Initially, the only group of students that trained at the daycare was the MA students. However, students enrolled in the GCC's two more basic "nursing" programs (INTRO and TECH) began rotations at the daycare in August 1998 when the core nursing instructors decided that this resource had real value for the students, particularly as it related to the revised INTRO and TECH program curricula, which were changed to include a pediatric unit within the **NSGT 220 Nursing Skills II** course.

After a feasibility study, GCC made plans to open a pediatric medical center in the building adjacent to the school to provide more in depth training of the pediatric patient as well as other skill sets required for the GCC nursing programs. The first floor of the adjacent property at (1401 Whitney Avenue) had been occupied by a medical center two years earlier and was available to serve in the same function without major capital investment. After receiving the necessary approvals, the Randazzo VTI Medical Center opened for service in March 1, 2000. In addition to providing training for all students enrolled in the MA program, the medical center provides an extern site for students enrolled in the night program. This has allowed GCC to increase the benefit of the experiential training offered, an aspect of the program that GCC has always valued.

During the 1999-2000 award year in question, GCC students worked at the daycare center periodically in order to practice their diagnostic skills on children. Under the supervision of an instructor, these students worked with the children in a manner that they would be able to only "on the job."[d] Students were required to practice vital sign and other pediatric skills (including vision screening, hearing screening, wellness screening, Colorado testing, speech and language development, looking for signs of at risk children, and generally interacting with children at the daycare facility.)

GCC disagrees with the OIG's assertion that GCC students worked at the daycare center only once every three weeks and we apologize that we did not focus on this issue earlier. After receiving the draft audit report GCC met with several current and former instructors in order to confirm the details of the visits to the daycare center. While it appears to be accurate that students from a particular class worked at the center only once every three weeks, GCC generally operated several sections of the same courses within each of the three programs that utilized the center. Therefore, at least once a week *some* GCC students were working at the daycare center because the students could not all work at the center on the same day. The fact that the students were not at the daycare center every day is not critical to the analysis of the necessity of the training to their program. In many academic

[d] GCC has obtained an affidavit from a faculty member who brought students to the daycare center and supervised their performance. Attachment C.

programs, a student may spend an entire semester learning something that he or she is able to perform or exhibit only once during the semester, but that does not make their performance any less necessary to their education.

Further, ED's regulations do not state that students must participate in an activity necessary to their education or training on a daily basis. It is enough that this activity was deemed by GCC to be "necessary" to its educational programs, and particularly the MA program. GCC demonstrated that it believed such training was necessary by the fact that it provided relevant, though less formal, experiences beforehand and still provides similar experiences today. The daycare center was not a lark, it was one of a series of actions taken to provide students with meaningful experience relevant to their educational programs. Although in the end GCC determined that a medical center would provide a better platform for student experience, GCC was not required to provide the "perfect" experience for its students under law in order for that experience to be considered "necessary" to the student's training.

The OIG's definition of "necessary" is not reflected in the Department's regulations. Although the OIG says that the GCC students worked at the daycare center too infrequently for the center to be considered "necessary' to their training, the OIG does not state how often GCC students would have to visit the center in order for that training to be "necessary," The OIG also does not provide a citation for its "frequency" requirement.

The Department's regulations provide, at section 600.5(e)(4), that ". . . revenue generated by the institution from activities it conducts, that is necessary for its students' education or training, includes only revenue from those activities that (i) Are conducted on campus or at a facility under the control of the institution; (ii) Are performed under the supervision of a member of the institution's faculty; and (iii) Are required to be performed by all students in a specific educational program at the institution." These parameters define which activities conducted by an institution are "necessary" for training students in a specific eligible program. GCC's use of the daycare center meets these criteria.

Criteria 1: The institution has provided documentation that the daycare was under the control of the school during FY 1999-00. All of the daycare employees (including a pediatric nurse) were employed by the college and eligible for benefits such as medical insurance, sick leave, and vacation. The College ~~leased~~ OWNED the property in which the facility was run.

Criteria 2: The students were accompanied and supervised by faculty members who developed lesson plans and activities that implemented the objectives of the programs. We provide examples of these lesson plans at Attachment K. Although these are not reproductions of the actual lesson plans for the period in question, these lesson plans were reconstructed by someone who developed the original curriculum for GCC and continues to develop that curriculum today. (We could not find any copies of the original 1999-2000 lesson plans.) Faculty members who worked at GCC during the relevant period are willing to testify that they supervised students at the daycare center.

Criteria 3: During 1997- April 6, 2000, all students in the MA program were required to practice vital sign and other pediatric skills (including vision screening, hearing screening, wellness screening, Colorado testing, speech and language development, looking for signs of at risk children, and generally interacting with children) at the daycare facility. From August 1998 to April 6, 2000, TECH and INTRO students also were required to practice set skills at the daycare facility. These activities were conducted as a specific unit of training in each program. (MA student performance at the daycare facility was considered in the student's grade for **MAST 225 Medical Assistant Lab II**; TECH and INTRO student performance at the daycare facility was considered in their grade for **NSGT 220 Nursing Skills II.)** Thus, at all times from 1997-2000, all students enrolled in at least one of GCC's programs were required to perform specified activities at the daycare. These students did not all work at the daycare on the same day.

The OIG Must Include a Larger Portion of Day Care Revenues in the 90/10 Calculation.

Even if we accept the OIG's argument that the daycare center was of limited necessity to the training of GCC's students, there is no basis for accepting only 1/15 of the income received from the daycare as non-Title IV revenue as suggested by the OIG. GCC was required to operate the daycare every day in order for the students to have access to the daycare participants. Parents would not hire a daycare that provided services once every three weeks.

Further, no one paid for daycare on a daily basis. All tuition was charged on a weekly basis and all of the tuition was earned in one day. Parents were required to pay for the entire week even if their child attended only one day. Therefore, if any prorating is appropriate, even assuming the OIG's position that students worked at the daycare center once every three weeks (which GCC's owner has now confirmed is inaccurate), GCC should be able to include 5/15 of the daycare revenue, not 1/15, in the 90/10 calculation for the 1999-2000 Award Year. 5/15 of the daycare income is $12,725.

Students were Supervised by Faculty While Working at the Daycare Center

GCC is not sure on what basis the OIG says that students were not supervised at the daycare site. GCC staff and instructors transported students to the daycare site and students were at all times supervised by GCC instructors. We have confirmed these facts with EDITED , one of the MA instructors who took students to the daycare for student activities related to training. She also assumed responsibility of supervising at the daycare site while performing these activities. EDITED has informed us that she will provide an affidavit to this effect if requested to do so.

GCC Sought Advice Respecting the 90/10 Calculation

The institution's management is aware of the importance of complying with all Title IV program regulations. The institution strives to comply with these regulations and provides financial support for management to attend Department of Education seminars each year in order to remain informed respecting the Department of Education's interpretation of applicable rules. Since the reauthorization in 1998, management has followed the discussions and interpretations of the law through the publications of professional associations and trade journals.

In April 2000, Mr. Randazzo traveled to the Annual Region IV Conference for Proprietary Schools sponsored by the U. S. Department Region IV Southwest Case Management Team held in Dallas, Texas. He attended the conference in part because he had several questions concerning ED's interpretation of the 90/10 Rule. The Saturday afternoon General Session, which focused on the Reauthorization of 1998, and whose panel contained private practitioners and ED personnel, considered the 90/10 Rule, among other issues. Mr. Randazzo questioned the panel regarding acceptable revenues generated by schools to be included in the denominator of the 90/10 calculation. Mr. Randazzo noted that ED had not provided many examples of the type of activities that might be considered a "necessary" part of a student's education and asked what the panel thought about GCC's daycare and medical facility arrangements. The Panel agreed that the law does not list specific activities but does reference the three regulatory criteria for determining eligible revenues generated by school activities. The panelists stated that Mr. Randazzo would have to use his own judgment to determine that the activities he described meet the criteria to include the associated revenues in the institution's 90/10 calculation. Given this dialogue and the absence of specific guidance from ED, GCC used its best judgment in including the daycare income in the denominator of its 90/10 calculation.[e] The institution firmly believes that the daycare center provided an appropriate setting to train nursing students, specifically those enrolled in the approved Medical Assistant program, to meet educational objectives and to gain hands on training in the area of pediatric medical assisting. At the very least, GCC's interpretation of the 90/10 rule was reasonable and this is all that is required under the law.

As the audit process continues, management asks the OIG to consider the time frame in which the Financial Audit for FY 1999-00 was prepared and the guidance that was available to institutions during that period. GCC has worked very hard to ensure its compliance with the 90/10 rule and does not believe that it should be deemed ineligible and assessed a $1,381,790 liability based on a previously unpublished "frequency" threshold. This threshold is not supported by law.

Even though GCC does not agree with the OIG's frequency threshold, based on this audit, the institution has ensured that its students visit the medical facility several times a week. GCC welcomes any guidance the OIG can provide respecting GCC's prospective 90/10 calculations.

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[e] GCC has tried in good faith to comply with the 90/10 Rule. Based on previously-issued ED guidance, the institution has not taken the path of other institutions and attempted to count institutional student scholarships and loans as non Title IV funds in its 90/10 calculation

APPENDIX B

CONCLUSION

We request the OIG to review carefully the arguments and exhibits provided herein. Although we are aware that the 2001-02 OIG work plan calls for increased audits of 90/10 compliance, we ask the OIG not to issue a final audit report in this case unless such a report is truly warranted. GCC has scarce resources to dispute such a determination and hopes to continue to spend any additional funding it has on its academic programs and facilities, and not on a dispute with the Department. It makes little sense to GCC that the OIG would work so hard to attempt to disqualify GCC from the programs based on a difference of opinion respecting the ability to include in the denominator a relatively small amount of non-Title funds.

The OIG's draft audit report establishes two requirements that appear no where in the law. First, the OIG has stated that regardless of the substantial audit trail showing income and the reflection of this income in audited financial statements, the OIG will require GCC to provide cash receipts to support such income. GCC knows of no precedent for this position. Second, the OIG has stated that because GCC students did not work at the daycare center often enough, the activity at this center was not necessary for the students' education or training. Again, no such standard exists under the law.

GCC asks the OIG to seek ED guidance on this issue before it closes a small school with good outcomes (77% completion rate and 79% placement rate, and 100% state licensure pass rate for the most recent (1999-2000) cohort), puts approximately 30 employees out of work and dislocates 125 urban and low-income students.

RESPONSE TO FINDING NUMBER 2
GCC NEEDS TO RETURN ADDITIONAL TITLE IV FUNDS FOR STUDENTS WHO WITHDREW

According to OIG Audit Team, ***"GCC understated the amount of Title IV funds that it was required to return by $14,987 for 15 of the 35 sample students who withdrew during the period July 1, 2000 through December 31, 2001. GCC complied with its State licensing agency requirement that it take attendance by requiring students to sign in each day they attended. These sign-in sheets did not support the LDA that GCC used to calculate the amount of Title IV aid to return for the 15 students. We determined that the LDA documented on the sign-in sheets were from 7 to 109 days before the LDA that GCC had used. By using the incorrect LDA, GCC was able to retain an additional $14,987 of Title IV funds."***

GCC used the most accurate date, according to its records, to determine the last date of attendance ("LDA") of students who dropped during the audit period.

Gretna Career College is licensed by the State of Louisiana Board of Regents. There are two references to student attendance in the applicable ***Rules and Regulations Bulletin 1443.*** The first is in the State refund policy, which must be included in the school's enrollment agreement and school catalog. ***(Chapter 7, Permits for Solicitors, Section F Enrollment Contracts or Agreements, Paragraph 1.a-c pages 19 to 21).*** The second reference is the requirement that "...policies relative to tardiness, absences, make-up work, conduct, termination, re-entry and other rules and regulations of the school" be published in the school's catalog. ***(Chapter 7 Permits for Solicitors, Section H School Catalog, Paragraph 3.h page 23).***

According to a telephone conversation between Andrea Randazzo, GCC Financial Aid Administrator, and EDITED of the Proprietary Schools Section, the Board of Regents interprets these rules to require each school to maintain attendance records in order to apply the State refund policy (the State policy serves as the institutional refund policy replacing Federal Pro Rata). Mrs. EDITED has since confirmed that there is no specific State rule or regulation mandating how attendance is to be recorded, and each school is responsible for establishing policies and procedures regarding this function. (See Attachment 2-A). Similarly, federal regulations do not state that attendance must be maintained through any particular procedure. Further, GCC's policies do not require the school to determine a student's attendance on the basis of sign-in sheets only.

GCC's attendance policies in effect during the 1999-2001 period provided that students were to maintain regular and prompt attendance.[a] The policies did not state that GCC would determine a

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[a] **ATTENDANCE AND TARDINESS POLICY**

The college requires that students have regular and prompt attendance. Attendance is important to achievement and acquisition of good work habits. Repeated tardiness and absences may lead to attendance probationor suspension. When a student's absences exceed 25% of the total training time in a five week training phase, the student will be placed on attendance probation for the subsequent phase. If excessive absences continue while on attendance probation, the school reserves the right to suspend or dismiss the student. It is the responsibility of the student to notify the college when he is going to be absent. TEN consecutive absences without notifying Student Services will result in the student being dropped from the college. The Director determines if an absence is excused or un-excused. Illness with a doctor's certificate, death in family, and subpoena for court appearances are considered excused absences. Other extenuating circumstances may be considered by the Director.

student's LDA based on sign-in sheets. GCC's withdrawal policy merely stated that the last date of attendance, in the case of an official withdrawal, would be the last date of "recorded attendance." Similarly, in the case of an unofficial withdrawal, the last date of attendance is the date that the school determines that the student ceased attending classes, i.e., the student actual last date of attendance.[b] For GCC, this was the last date of documented attendance, through sign-in sheets or otherwise.

The OIG correctly notes that GCC's primary method of confirming student attendance is to require students to sign a sign-in sheet each day. Attendance is transferred to an Attendance Card that becomes part of the student's permanent record. GCC recognizes that the sign-in sheets are not 100% reliable. Examples of common errors identified by the Registrar include (1) a student who signs in on Monday for four days and actually only attended two days (in this case the school does not follow the sign-in sheet); (2) a student who reports to school late and does not sign in because the daily sign-in sheet is with the instructor whose class was missed; (3) a student is present and forgets to sign in; (4) a very few instructors prefer to record attendance by another method and/or lose or do not turn in the sign-in sheets. In other words, the system is subject to human error. Therefore, as explained to the auditors during their visit, this is not the only manner GCC has for confirming attendance. During 1999-2000, GCC encouraged all instructors to take daily attendance, and most instructors did so. (Current, GCC policies require all instructors to take daily attendance.) If a teacher's roll book showed a later date of attendance, GCC used that date. In addition, because the GCC facilities are compact, it is not unusual for the Registrar to walk around the building and run into students that she knows have not been completing their sign-in sheets. Therefore, the Registrar will record the student's appearance herself, on the attendance cards. The Registrar is the only person who does this and is the only one with direct access to these attendance cards. Finally, then and now, the Registrar reviews the sign-in sheets at the end of each week (Friday) and contacts the relevant teacher if a student has failed to sign in for three consecutive days (and the Registrar doesn't otherwise know the student is attending classes). If the student was in class, the Registrar will note this on the attendance card. If the student was not in class, then, the Registrar will ask to see the contact sheet that the instructor completed after contacting the student and inquiring about the student's absence. (Instructors are required to contact a student each time that student misses class.) This is another opportunity for the instructor to inform the Registrar whether the student attended class or not.

When withdrawing a student, the Registrar seeks the most accurate date to be used as the LDA. Often the instructors have a more precise date in their roll book or can recollect the last time the student actually attended class than is reflected on the sign-in sheets or attendance card.

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[b] **WITHDRAWAL AND RE-ENTRY**

<u>Official Withdrawal</u>. To officially withdraw, a student must initiate the withdrawal process by obtaining the appropriate forms from the Registrar. Any student who officially withdraws will receive a WITHDRAWAL or "W" on the official transcript record. The last date of recorded attendance is used to calculate refunds. The date of written notification is used as the official date of termination. Failure to withdraw properly may result in the assignment of failing grades which become part of the student's permanent record. See MINIMUM CANCELLATION AND REFUND POLICY.

<u>Unofficial Withdrawal</u>. If a student is absent ten consecutive days without notifying the school, the student will be dropped. The official date of termination is the date that the school determines that the student has ceased attending classes.

After receiving the OIG's preliminary findings, GCC's financial aid administrator began the process of reviewing the records of the fifteen students cited in Finding #2 during July 2002. She also was in the process of closing out Year 7 - AY 2000-01 and her first response to the entire audit process was to return all funds without contesting the OIG's finding. Therefore, all loan proceeds for students 78 ($849.00 DLS/$163.00 DLU), 79 ($752.88/96.12 DLS/$646.00 DLU), and 135 ($843.82 DLS/ $897.00 DLU) were returned as Excess Cash and the disbursement records adjusted accordingly. Likewise, GCC returned all loan proceeds for student number 8 to the DLP as Excess Cash in February 2002 because the institution determined that the LOC had lost the original promissory note supporting this student's loan (the loan was never booked). Although no efforts will be made to reverse funds already returned because this would confuse the students, GCC has reviewed the remaining student records with respect to this finding and believes that most students received the correct refund based on the LDA originally cited by the institution.

After conducting a closer review of all student records, GCC has determined that it can support the original LDA for 12 of the 15 students in question. GCC should not have returned the $4524.00 funds that it returned prior to conducting this thorough review. GCC determined that it had erred in three cases and has returned $710.85 based on these errors (and $4524.00 based on its decision to over refund.) In addition, GCC identified and returned $1682.47 due to internal findings. A summary of the funds returned and remaining liability is provided in Attachment 2-B. Supporting documents and a corresponding spreadsheet are provided at Attachment 2-C.

Because GCC believes that the sign-in sheets are the most efficient manner to record attendance (and provide the students some sense of responsibility for their appearance at class), and want to improve its controls over attendance confirmation, GCC has moved the sign-in sheets to the front desk. Each teacher is now required to record attendance in his or her classroom in either a roll book or via a second set of sign-in sheets. Further, GCC will now note the source of information for the last date of attendance in each student file so that it is clear whether this information comes from the sign-in sheet, the Registrar's edit to the attendance card, the teacher roll book, or some other source.

GCC would like to thank you once again for the courtesies shown during your visit to our school.

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