Lawrence D. Earle  
President  
Career Point Institute  
485 Spencer Lane  
San Antonio, TX 78201

Dear Mr. Earle:

This Final Audit Report, entitled Career Point Institute’s Administration of Title IV Student Financial Assistance Programs, presents the results of our audit. The purpose of the audit was to determine whether Career Point Institute administered the Title IV programs in accordance with selected requirements of the Higher Education Act of 1965, as amended (HEA). Specifically, we evaluated the school’s compliance with requirements for (1) institutional eligibility, including the 90/10 Rule; (2) student eligibility; (3) return of Title IV funds; and (4) Title IV disbursements. Our review covered the period July 1, 2005, through June 30, 2006.

BACKGROUND

Dickinson of San Antonio, Inc., d.b.a. Career Point Institute (Career Point) is a subsidiary of Edudyne Systems, Inc. Career Point is a proprietary school located in San Antonio, Texas, with a location in Tulsa, Oklahoma. The San Antonio campus has been in operation since 1984, and the Tulsa campus has been in operation since 1986. Career Point is accredited by the Accrediting Council for Independent Colleges and Schools (ACICS).

Career Point offers career and technical training programs leading to diplomas and associate degrees. The training programs are offered in a non-standard term academic calendar and are measured in quarter credit hours. Students enroll in programs that start each week, on Monday. The nine programs that Career Point offers are from 26 to 39 quarter credit hours in length. Career Point participates in the following HEA, Title IV programs: Federal Pell Grant Program (Pell), Federal Supplemental Educational Opportunity Grant Program, Federal Work Study Program, and Federal Family Education Loan Program (FFELP). During the 2005-2006 award year (July 1, 2005, through June 30, 2006), Career Point awarded over $12.5 million in Title IV funds to about 2,100 students.
AUDIT RESULTS

Career Point generally complied with the requirements governing the return of Title IV funds and Title IV disbursements. Based on the evidence we reviewed, Career Point had internal controls to ensure accurate award calculations, timing of Title IV disbursements, calculation of unearned Title IV funds for withdrawn students, and the return of Title IV funds. However, Career Point did not comply with all requirements for institutional eligibility and student eligibility. Career Point’s 90/10 Rule calculation failed to include Title IV funds received from PLUS loans, and Career Point disbursed aid to two ineligible students.

In its comments to the draft report, Career Point concurred with Finding No. 1, part of Finding No. 2, and all of our recommendations. The comments are summarized at the end of each finding, and the text of the comments is included as Attachment 1 to this report. Because the attachments to Career Point’s comments include student information, we have not included them in the attachment to our report (copies of Career Point’s comments, with student information deleted, are available upon request).

Finding No. 1 – 90/10 Rule Calculations Did Not Include PLUS Loans

Career Point’s calculations of its eligibility under the 90/10 Rule for its fiscal years 2004-2005 and 2005-2006 were inaccurate because they did not include amounts received from PLUS loans. However, the corrected calculations did not exceed the statutory threshold and would not have affected Career Point’s institutional eligibility.

According to Section 102(b)(1)(F) of the HEA, a proprietary institution must have “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.” Pursuant to 34 C.F.R. § 600.5(a)(8), to be eligible to participate in the Title IV, HEA programs, a proprietary institution must have “no more than 90 percent of its revenue derived from Title IV, HEA program funds.” In this report, we refer to this criterion as the “90/10 Rule.”

Career Point did not include PLUS loans in its 90/10 Rule calculations, but PLUS loans are Title IV, HEA program funds, and must be included. In fiscal year 2005-2006, Career Point originally reported 87.32 percent of its revenue from Title IV; however, after PLUS loans were included, the 90/10 calculation increased to 89.40 percent. Career Point recalculated its eligibility under the 90/10 Rule for fiscal year 2004-2005, including PLUS loans, and its originally reported 85.86 percent increased to 86.84 percent.

We reviewed Career Point’s 90/10 calculations and supporting details. We selected judgmental samples of 141 of the largest transaction amounts, from the six revenue categories in the 90/10 calculation. We selected 10 percent or 25 transactions (whichever was lower) for each revenue category and traced the transaction to student account records, original bank statements, and deposit slips. We verified that, except for their omission of PLUS loans, the 90/10 calculations were correct and the computations were on a cash basis.
Career Point’s officials told us they did not consider PLUS loans to be Title IV funds, because PLUS loans are made to parents. However, based on our review of student records, the PLUS loans were not disbursed to the parents. They were credited directly to the student account by electronic funds transfer and must be treated like other Title IV funds. By not including PLUS loans, Career Point underestimated its 90/10 calculation. If the inclusion of PLUS loans had caused Career Point to be out of compliance with the 90/10 Rule, Career Point would have become ineligible to receive Title IV funds.

**Recommendation**

1.1 We recommend that the Acting Chief Operating Officer for Federal Student Aid instruct Career Point to revise its policies and procedures to ensure that its 90/10 calculations include all Title IV funding, including PLUS loans.

**Career Point’s Comments**

Career Point concurred with the finding and recommendation. Career Point agreed to include the Plus Loans in all of its future 90/10 calculations.

**Finding No. 2 – Title IV Aid Was Disbursed to Ineligible Students**

Career Point disbursed Title IV aid to two ineligible students. We reviewed 25 randomly selected students who received a total of $141,028 in Title IV funding during the 2005-2006 award year, and we determined that 2 of the 25 students were ineligible for the Pell Grants they received. The two students were ineligible for the following reasons:

- The first student was ineligible because she did not complete the Verification process: she did not sign her Verification Worksheet. The Verification Worksheet included only the printed names of the student and her husband. Because the student did not complete Verification, she was not eligible for the $2,153 in Pell funds that she received. (The student’s eligibility for the $3,313 in FFELP unsubsidized loans she received was not affected by her failure to complete verification.)

According to 34 C.F.R. § 668.54(a)(2)(i), “An institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary, to verify all of the applicable items . . . .”, and according to 34 C.F.R. § 668.60(c)(2)—

If the applicant does not provide to the institution the requested documentation . . . the applicant—

(i) Forfeits the Federal Pell Grant for the award year; and
(ii) Shall return any Federal Pell Grant payments previously received for that award year to the Secretary.

The Department’s *Application and Verification Guide 2005-2006*, which provides guidance for schools that requires worksheets for verification, states, “When you receive
the student’s submission, you should make sure that all required worksheet sections are completed and appropriately signed . . . .” It also states, “Any required signatures, such as signatures on worksheets or on copies of tax returns, must be collected at the time of verification, during the applicable award year. Signatures can’t be collected after the verification deadline for that award year.”

- The second student was ineligible because she did not graduate from high school. Career Point requires students to provide copies of their high school diplomas for admission. The student did not provide adequate documentation to support the completion of high school, and Career Point did not verify or follow-up with conflicting information received from the high school. The high school stated that there was no record of the student’s attending or graduating from their school. Schools are required to resolve conflicting information before disbursing funds. As a result, Career Point needs to return $2,025 in Pell funds disbursed to this ineligible student.

According to 34 C.F.R. § 668.32(e)(1), “A student is eligible to receive title IV, HEA program assistance if the student . . . has a high school diploma or its recognized equivalent.” Students may self-certify that they have received a high school diploma; however, according to 34 C.F.R. § 668.16(f), schools are required to “identify and resolve discrepancies that the institution receives from different sources with respect to a student’s application for financial aid under Title IV, HEA programs.” Volume 1, Chapter 1, of the 2005-2006 Student Financial Aid Handbook summarizes the requirement: “If a student indicates on the FAFSA that he has a diploma or GED, your school isn’t required to ask for a copy, but if your school requires one for admission, then you must rely on that copy of the diploma or GED and not on the student’s certification alone.”

As a result of these two errors, $4,178 in financial aid was disbursed to ineligible students. We have no reason to believe that Career Point’s non-compliance for these two students is a systemic student eligibility problem.

Recommendation

2.1 We recommend that the Acting Chief Operating Officer for Federal Student Aid require Career Point to return $4,178 to the Department for the Title IV funds improperly awarded.

Career Point’s Comments

Career Point concurs with part of this finding. Career Point disagrees that the first student was ineligible for Title IV funding. Career Point agrees the student printed her name in the space designed for a signature. Career Point stated that the student’s signature was obtained while the auditors were at the Career Point and while the student was still in attendance at Career Point.
OIG’s Response

We have not changed our position. As we state in our finding, under 34 C.F.R. § 668.60(c)(2), an applicant forfeits the Pell Grant for the award year if he or she does not provide the requested documentation. The Department’s Application and Verification Guide 2005-2006 states, “Any required signatures, such as signatures on worksheets or on copies of tax returns, must be collected at the time of verification, during the applicable award year. Signatures can’t be collected after the verification deadline for that award year.” In addition to the required signature, the worksheet also did not include other required information.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether Career Point administered the Title IV programs in accordance with selected requirements of the HEA. Specifically, we evaluated the school’s compliance with requirements for (1) institutional eligibility, including the 90/10 Rule; (2) student eligibility; (3) return of Title IV funds; and (4) Title IV disbursements. Our review covered the period July 1, 2005, through June 30, 2006.

To accomplish our objectives, we—

- Reviewed requirements in the HEA, regulations, and Departmental guidance applicable to our objectives;
- Reviewed Career Point’s audited financial statements and Compliance Attestation Examination of the Title IV Student Financial Assistance Programs for the fiscal year ending June 30, 2006;
- Interviewed Career Point’s President, Vice President, Financial Aid Director, and other school officials;
- Obtained an understanding of Career Point’s policies and procedures regarding its 90/10 Rule calculation, Return of Title IV, and enrollment;
- Reviewed Career Point’s bank statements from our audit period;
- Interviewed the Independent Public Accountant regarding certification of Career Point’s compliance with the 90/10 Rule; and
- Analyzed and derived the composition of the numerator and denominator for Career Point’s 90/10 Rule calculation.

We randomly selected 25 student files from a universe of 2,144 Title IV recipients and reviewed them to determine if eligibility and disbursement requirements were met. We performed a Return of Title IV calculation for 32 randomly selected students from a universe of 1,017 Title IV recipients who dropped or withdrew from school.

In addition, we selected judgmental samples of 141 of the largest transaction amounts, from the six revenue categories in the 90/10 Rule calculation. We selected 10 percent or 25 transactions
(whichever was lower) for each revenue category and traced the transaction back to original banking documents.

We relied upon the computerized student roster lists provided by Career Point officials for selecting our Return of Title IV sample. In addition, we relied on computerized information from the National Student Loan Data System (NSLDS) for selecting our student eligibility and disbursement sample. We tested the student lists for accuracy and completeness by comparing selected source records to the student lists. We tested the accounting records for accuracy and completeness by judgmentally selecting transactions and tracking them back to the deposit slips, original documentation, and student records. In addition, we verified the Title IV amounts in Career Point's accounting records to the NSLDS data obtained. We relied upon the accounting records from the school’s accounting system, which were used to calculate the 90/10 Rule percentage. Based on these tests, we concluded that the student lists, NSLDS information, and the accounting records were sufficiently reliable for the purpose of our audit.

We conducted an assessment of internal control, policies, procedures, and practices applicable to Career Point’s administration of Title IV funds. Our testing did not identify significant weaknesses; however we did identify weaknesses that needed to be addressed. These weaknesses are discussed in the AUDIT RESULTS section of this report.

We conducted our fieldwork at Career Point’s campus in San Antonio, Texas from March 19 - 30, 2007. We held an exit conference with Career Point officials on August 30, 2007. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

**ADMINISTRATIVE MATTERS**

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

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 Education Department official, who will consider them before taking final Departmental action on this audit:

Lawrence A. Warder  
Acting Chief Operating Officer  
Federal Student Aid  
U.S. Department of Education  
Union Center Plaza, Room 112G1  
830 First Street, NE  
Washington, DC 20202
It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

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

Sincerely,

/s/
Sherri L. Demmel
Regional Inspector General
for Audit

Attachment
Ms. Sherri Demmel  
Regional Inspector General for Audit  
United States Department of Education  
Office of Inspector General  
Dallas, Texas

Re: Institution's Response to Draft Audit Report:  
Control Number ED OIG/A06H0009

Dear Ms. Demmel:


I have been a school owner since 1978 and have experienced other OIG Audits. I found Myra Hamilton and Bobby Nathan to be extremely professional, knowledgeable and thorough. I believe that the inspection of my school was done fairly and without prejudice.

My complements to your TEAM.

Regards,

/s/  
Lawrence D. Earle  
President

485 SPENCER LANE SAN ANTONIO, TEXAS 78201  
PHONE: 210-732-300 FAX: 210-734-9225
Finding No. 1-90/10 Rule Calculations Did Not Include Plus Loans

The Institution agrees with the "Audit Results" on this finding and will include the Plus Loans in all future calculations of the Institution's 90/10 compliance.

Finding No. 2- Title IV Aid was Disbursed to Ineligible Students

• The First Student

The Institution disagrees that the "first student" was ineligible for Title IV funding. While the Institution agrees that the student printed her name in the space designated for her signature, the student subsequently signed the Verification Form. The student's signature was obtained while the auditors were at the Institution and while she was still in attendance at Career Point Institute. A copy of the Verification Form was presented to the auditors; thus, the Institution does not understand why this is still an issue and does not understand what defect still exists. Please see Attachment A.

• The Second Student

The Institution agrees that the second was ineligible for Title IV funding. The Institution has returned all the funds received by the student. Please see Attachment B.