



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

501 I Street, Room 9-200  
Sacramento, California 95814  
Central Office Number: (916) 930-2388  
FAX Number: (916) 930-2390

March 18, 2002

**MEMORANDUM**

**TO:** Greg Woods  
Chief Operating Officer  
Federal Student Aid

**FROM:** *Gloria Pilotti*  
Gloria Pilotti  
Regional Inspector General for Audit, Region IX

**SUBJECT:** FINAL AUDIT REPORT  
*Audit of Glendale Career College's Administration of the  
Higher Education Act, Title IV Programs*  
ED-OIG/A09-B0017

Attached is our subject report presenting our findings and recommendations resulting from our audit of Glendale Career College.

In accordance with the Department's Audit Resolution Directive, you have been designated as the action official responsible for the resolution of the findings and recommendations in this report.

If you have any questions, please contact me at (916) 930-2399.

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

Attachment



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

501 I Street, Room 9-200  
Sacramento, California 95814  
Central Office Number: (916) 930-2388  
FAX Number: (916) 930-2390

March 18, 2002

ED-OIG/A09-B0017

Mr. Tim O'Neil  
Campus Director  
Glendale Career College  
1015 Grandview Avenue  
Glendale, California 91201

Dear Mr. O'Neil:

This is the Office of Inspector General's **Final Audit Report**, entitled *Glendale Career College's Administration of the Higher Education Act, Title IV Programs*. The purpose of the audit was to determine whether Glendale Career College (GCC) met eligibility requirements and administered the Title IV programs in compliance with the Higher Education Act of 1965, as amended (HEA).

Our review covered the institution's fiscal year ended December 31, 2000. We found that GCC lacked adequate procedures for ensuring compliance with the HEA's ability-to-benefit provision. GCC has revised its procedures to address the identified weaknesses, but did not agree with our recommendations on the return of Title IV funds.

## AUDIT RESULTS

GCC lacked adequate procedures for ensuring compliance with the ability-to-benefit provision of the HEA. Also, as discussed in the OTHER MATTERS section of the report, GCC did not pay Title IV refunds timely during our audit period, but had subsequently implemented effective corrective action. We concluded that GCC had adequate management controls over other aspects of its administration of the Title IV programs. We also concluded that GCC met institutional eligibility and program eligibility requirements.

## **FINDING – GCC Lacked Adequate Procedures for Ensuring Compliance with the HEA’s Ability-to-Benefit Provision**

Section 484(d) of the HEA states—

In order for a student who does not have a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, to be eligible for any [Title IV program] assistance . . . [t]he student shall take an independently administered examination and shall achieve a score, specified by the Secretary, demonstrating that such student can benefit from the education or training being offered. Such examination shall be approved by the Secretary on the basis of compliance with such standards for development, administration, and scoring as the Secretary may prescribe in regulations.

GCC uses the Wonderlic Basic Skills Test (WBST) to meet this requirement. Prior to July 31, 2000, GCC required all applicants to pass the WBST. After that date, GCC required only applicants without high school diplomas/GEDs and applicants planning to enroll in the institution’s licensed vocational nurse program to pass the WBST.

To accomplish our objective, we compared WBST publisher’s records with data in the National Student Loan Data System (NSLDS) for the period July 1, 1997, through November 12, 2000. We also compared the institution’s WBST data to NSLDS for the period January 1 through July 18, 2001. To evaluate GCC’s procedures for ensuring compliance with the ability-to-benefit provision, we reviewed the institution’s records for three groups of students who received Title IV funds.

- A sample of 50 students of the 871 students who were identified from the WBST publisher’s records as taking the WBST once between July 1997 and November 2000 and failing the test. (Group A)
- The 31 students for whom the WBST publisher’s records showed that the students retook the same version of the test between July 1997 and November 2000. (Group B)
- The 16 students identified from the institution’s records who failed the WBST at least once during the period January 1 through July 18, 2001. (Group C)

Our review found that GCC did not have procedures in place to ensure that (1) students who previously took the ability-to-benefit test were given an alternative version of the test, and (2) conflicting information on a student’s high school diploma/GED status was resolved. The following table shows the results of our review for each group.

Summary of Exception Identified From Review of School Records						
	Total Reviewed	School Records Show Student Had High School Diploma/GED	School Records Show Student Did Not Have High School Diploma/GED		School Records Show Conflicting Information on Whether Student Had High School Diploma/GED	
			Retook Same WBST Version	Did Not Pass WBST	Retook Same WBST Version	Did Not Pass WBST
Group A	50	43	N/A	—	N/A	7
Group B	31	21	5	—	5	—
Group C	16	12	4	—	—	—
Total Exceptions			9	—	5	7
			9 Exceptions		12 Exceptions	

**Students Retook Same Version of Test.** The test publisher has two versions of the WBST test. Our review of school records identified 14 students who improperly retook the same version of the test.<sup>1</sup>

Federal regulations state—

An institution may use the results of an approved test to determine a student's eligibility to receive Title IV, HEA programs funds if the test was independently administered and properly administered.

34 C.F.R. § 668.151(a)(2)

The Secretary considers that a test is properly administered if the test administrator . . . [a]dministers the test in accordance with instructions provided by the test publisher, and in a manner that ensures the integrity and security of the test . . . .

34 C.F.R. § 668.151(d)(2)

An institution shall maintain a record for each student who took a test under this subpart of . . . [t]he test taken by the student . . . .

34 C.F.R. § 668.151(g)(1)

<sup>1</sup> As noted in the table, school records showed that 9 of the 14 students did not have a high school diploma/GED. For the other 5 students, school records contained conflicting information on whether the student had a high school diploma/GED.

An institution shall be liable for the Title IV, HEA program funds disbursed to a student whose eligibility is determined under this subpart only if the institution—

- (a) Used a test administrator who was not independent of the institution at the time the test was given;
- (b) Compromises the testing process in any way; or
- (c) Is unable to document that the student received a passing score on an approved test.

34 C.F.R. § 668.154

The WBST User Manual states the rules for retesting on the same form:

[Y]ou may retest the applicant again on either form in accordance with the following rules:

1. The applicant must have already taken both forms of the WBST once.
2. The applicant may be retested on the same test form *once, and only once*.
3. The applicant must NOT have been told in advance that there would be an opportunity to take the same test form again.
4. The applicant may be retested on the same form only if at least 60 days have passed since he or she was initially tested on that form.

The Manual also states that the administrator must maintain a record of the test versions administered to an applicant and the dates administered.

During our review period, GCC relied on the independent test administrator to determine whether the applicant had previously taken the WBST and the appropriate test version to be administered. After we advised GCC officials that students had been improperly given the same version of the WBST, GCC revised its own ability-to-benefit procedures. Effective September 25, 2001, GCC required staff to ascertain whether the applicant had previously taken the WBST test and to provide the independent test administrator with the prior test documentation.

**Conflicting Information on High School Diploma/GED.** Our review of the school records identified 12 students whose school application and Free Application for Federal Student Aid (FAFSA) contained conflicting information on whether the student had a high school diploma/GED. The 12 students either did not pass the WBST or improperly retook the same version of the test. Due to the conflicting information, we are uncertain as to whether the students needed to pass the WBST to be eligible for Title IV funds.

Federal regulations state that institutions must develop and apply—

. . . an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs.

34 C.F.R. § 668.16(f)

After we advised GCC officials of the discrepancies, the institution's Financial Services Director issued a memorandum instructing financial aid counselors to review the admissions application and financial aid documents for conflicting information during the intake process. The memorandum provided an example of conflicting information regarding a high school diploma and advised the financial aid counselors that such information must be resolved before the intake process can continue.

## **Recommendations**

We recommend that the Chief Operating Officer for Federal Student Aid require Glendale Career College to—

- 1.1 Instruct its independent public accountant (IPA) to assess, as part of the institution's next annual audit, the effectiveness of the institution's newly implemented procedures for ensuring that conflicting information is resolved and students retaking the WBST are given an alternative version of the test.
- 1.2 Return the \$44,049 of Title IV funds disbursed to the nine students without high school diplomas/GEDs who improperly retook the same version of the WBST.
- 1.3 Resolve conflicting information regarding the high school diploma/GED for the 12 students identified in our review who received Title IV funds but either failed the WBST or retook the same version of the test. If the institution finds that the students did not have a high school diploma/GED or the institution is unable to resolve the conflicting information, GCC must return the Title IV funds disbursed to the students. The 12 students received a total of \$65,200 in Title IV funds.

## **GCC's Comments**

In its response to the draft report, GCC stated that its IPA had tested the procedures implemented during our audit and found no instances of non-compliance. GCC stated that the IPA's conclusions would be included in the institution's financial aid audit for calendar year 2001.

In a footnote to its comments, GCC stated that the requirement on use of an alternative test form is not as absolute as presented in the draft report. GCC cited the WBST User Manual statement, "Ideally, retests should be conducted on an alternative test form." From this statement, GCC concluded "failure to use an alternative test form should not necessarily invalidate the test results."

GCC did not agree with our recommendations on the return of Title IV funds. GCC stated that it should not be held liable for errors in the administration of the WBST. GCC stated that the principal responsibility for preparing, administering, scoring, and reviewing the quality of an ability-to-benefit examination rests squarely with the publisher and the independent test

administrator. GCC cited the Secretary's statement in the preamble to the regulations published in the *Federal Register* (FR) on December 1, 1995:

[T]he Secretary will not hold institutions financially responsible if they award Title IV, HEA Program funds to an [sic] ability-to-benefit students who present evidence that they passed approved tests as long as the institutions did not interfere with the independence of the testing process and were not involved in the testing process.  
60 FR 61836

GCC also cited 34 C.F.R. § 668.154, which lists the instances where an institution would be held liable for Title IV funds disbursed to a student whose eligibility is determined using an ability-to-benefit test.

GCC questioned the appropriateness of assessing a liability for students who graduated, since these students have demonstrated their ability to benefit from the education and training being offered. GCC stated that it has been the consistent policy of the Department not to assess liability for ability-to-benefit issues when the student, in fact, graduated.

In addition, in a footnote to its comments, GCC stated that if the Department assessed any liability with respect to the issues raised in the report, the liability for Federal Family Education Loan funds cannot exceed the amount calculated based on the Department's Actual Loss Formula.

GCC provided information on two students who we cited as having conflicting information on their school applications and FAFSA. GCC's comments on the draft report are provided as an attachment to the report.

## **OIG Response**

The statement quoted by GCC from the "Retesting" section of the WBST User Manual does not negate the requirement to administer tests in accordance with the test publisher's instructions. The "Retesting" section contains the specific rules to be followed when retesting an applicant on the same form. Of the 14 students cited in the report, 13 students had not taken the alternative version of the WBST. The remaining student took both versions of the WBST, but took the same version four separate times until she eventually passed on that version. We revised the presentation of the Manual requirement in the report to provide more detail on the retesting rules.

We have not changed our position regarding the recommended liability. In accordance with 34 C.F.R. § 668.151(a)(2), an ATB test may only be used to determine a student's eligibility for Title IV, HEA funds if the test was independently administered and properly administered.

In addition, 34 C.F.R. § 668.151 (g) states—

An institution shall maintain a record for each student who took a test under this subpart of—

- (1) The test taken by the student;
- (2) The date of the test; and
- (3) The student's scores as reported by the test publisher, assessment center, or State.

GCC had, or should have had, adequate information in its student files to determine that the students' tests had not been properly administered. Therefore, GCC was required to determine that the students in question were ineligible to receive Title IV funds based on those tests. Under its program participation agreement, GCC, not the test publisher or the independent test administrator, is responsible for identifying eligible students.

Under 34 C.F.R. § 668.154, an institution is liable for funds disbursed to a student if the institution is "unable to document that the student received a passing score on an approved test." The WBST was approved for use in re-testing in accordance with the publisher's instructions. Unless the proper re-test form was used, or the required 60-day time period had passed, a student did not receive a passing score on a test approved by the Department. Since GCC is required by 34 C.F.R. § 668.151(g) to maintain records documenting each student test, both pass and fail, GCC's records should have shown that the students did not take the approved version of the test that was applicable to their circumstances. Hence, our position does not conflict with the Secretary's statement in the *Federal Register* cited by GCC, since the Secretary's statement concerning financial responsibility is limited to students who "present evidence that they passed approved tests."

We made no changes in the recommendations in regards to GCC's comments on students who have graduated and on the application of the Department's Actual Loss Formula. During the audit resolution process, the appropriate Department officials will determine any monetary liability owed by GCC with respect to this finding.

The information provided by GCC resolved the two students' conflicting information on high school diploma/GED status. We revised the report and the amount of returned funds in Recommendation 1.3, accordingly.

## OTHER MATTERS

The IPA reported in the institution's Title IV compliance audit report for fiscal year ending December 31, 2000, that GCC did not pay refunds timely for Title IV programs. As part of the resolution of the refund finding, GCC provided ED with a letter of credit in the amount of \$80,421. In June 2001, GCC implemented its corrective action plan, which had in-house staff calculate the refunds using ED-provided software rather than having this function performed by its school servicer. GCC also began using electronic fund transfers to make the payments. Our review of the 32 refunds paid by GCC from July 16, 2001, through September 15, 2001, found that the refunds were paid within the 30-day required timeframe.

## **BACKGROUND**

GCC is a proprietary institution under the ownership of Landmark Education Services, Inc. GCC has a main campus in Glendale, California, and an auxiliary/satellite campus located at Tri-City Medical Center, Oceanside, California. GCC also has a branch campus called Nevada Career Institute in Las Vegas, Nevada. GCC offers educational programs leading to a diploma certificate in Central Service Technology, Computerized Office Assisting, Licensed Vocational Nursing, Massage Therapy, Medical Assisting, Medical/Dental Office Management and Surgical Technology. GCC is accredited by the Accrediting Council for Continuing Education and Training. Global Financial Aid Services, a third-party servicer, processes Title IV transactions for the institution, except for refunds which GCC began performing in-house in June 2001.

During the fiscal year ended December 31, 2000, GCC received about \$2 million in Pell Grants and \$312,000 in Federal Supplemental Educational Opportunity Grants, and GCC students were approved for about \$5.5 million in Federal Family Education Loan funds. The most recent ED-published (1999) Cohort Default Rate for GCC was 14.7 percent.

## **PURPOSE, SCOPE AND METHODOLOGY**

The objective of the audit was to determine if GCC met eligibility requirements and administered the Title IV, HEA programs in compliance with the HEA. Our review covered the institution's fiscal year ended December 31, 2000. As described later in this section, our tests of compliance with ability-to-benefit and return of funds (refund) provisions include periods prior and subsequent to fiscal year 2000.

To accomplish our objective, we reviewed applicable Title IV regulations, the WBST user guide and GCC's written guidance. We interviewed GCC managers and staff responsible for admissions, registration, student financial aid, business transactions, and placement to gain an understanding of GCC's policies and procedures. We also interviewed the independent test administrator under contract with GCC who administered the ability-to-benefit test during our site visits. We reviewed GCC's audited financial statements and Title IV compliance audit reports for fiscal years ended December 31, 1999 and 2000.

We relied on computer-processed data extracted by GCC staff from the institution's CLASS database to review the institution's compliance with the 90/10 revenue percentage, student eligibility, Title IV disbursement, and return of funds requirements. We reviewed records selected from the following three groups of extracted files:

<b>Universes and Records Reviewed From GCC's Class Database</b>			
<b>Requirement Tested</b>	<b>Category<sup>a</sup></b>	<b>No. of Records</b>	<b>Records Reviewed</b>
90/10 Revenue Percentage <sup>b</sup>	Title IV funds received	7,149	15
	Cash payments received during period 1/1/00 through 3/31/00	574	10
	Cash payments received during period 4/1/00 through 12/21/00	2,026	20
	Job Training Partnership Act payments received	166	15
Student Eligibility and Title IV Disbursements	Students enrolled	729	15
Timely Return of Funds	Students with refunds paid during the period 1/1/00 through 7/15/01	484	50
	Students with refunds paid during the period 7/16/01 through 9/15/01	32	32
<sup>a</sup> The period covered was January 1, 2000, through December 31, 2000, unless otherwise specified. The reviewed records were randomly selected from the universe, except for where we reviewed all records in the universe. <sup>b</sup> Due to a system change in April 2000, GCC provided two separate files for cash payments received.			

To evaluate the reliability of GCC's computer-processed data used to review the 90/10 revenue percentage, we traced the summary amounts by transaction codes to the worksheet used by GCC in its monthly tracking of the 90/10 revenue percentage. For reviewed records, we confirmed information contained in selected data fields with other school records. During our limited testing, nothing we reviewed caused us to doubt the reliability of the data.

We also reviewed student records for three universes of students who took the WBST and received Title IV funds. Page two of this report contains information on each universe and the number reviewed.

We conducted fieldwork at GCC's main campus during the months of June through September 2001. We held our exit conference with GCC on November 2, 2001. 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 assessed the system of management controls, policies, procedures, and practices applicable to GCC's administration and compliance requirements of the Title IV programs. Our assessment was used to determine whether GCC's policies and procedures provided a reasonable level of assurance that the institution and its students met selected Title IV requirements.

For the purpose of this report, we categorized the significant controls related to the Title IV programs as follows:

- Oversight of program eligibility
- Monitoring of institutional eligibility and financial responsibility requirements
- Student eligibility determinations
- Ability-to-benefit testing procedures
- Award and disbursement of Title IV funds
- Refunds/return of Title IV funds

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed management control weaknesses in the procedures for determining eligibility of students who provided conflicting information on high school diploma/GED and the testing procedures used in administering the ED-approved ability-to-benefit test. These weaknesses are fully discussed in the AUDIT RESULTS section of this report.

## **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. Determination 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 ED official, who will consider them before taking final action on the audit:

Mr. Greg Woods  
Chief Operating Officer  
Federal Student Aid  
Union Center Plaza Building, Room 112G1  
830 1<sup>st</sup> Street, NE  
Washington, D.C. 20202-5402

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, receipt of your comments within 30 days would be greatly appreciated.

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 exemptions under the Act.

If you have questions, please contact me at (916) 930-2399.

Sincerely,



Gloria Pilotti  
Regional Inspector General for Audit  
Region IX

Attachment

cc: Mr. Dan Sykes, Landmark Education Services, Inc.

**ATTACHMENT**

**GCC's Comments on the Draft Report**



# GLENDALE CAREER COLLEGE

Established in 1946

*Educational Excellence / Customer Satisfaction / Continuing Improvement*

January 31, 2002

Ms. Gloria Pilotti  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
501 I Street, Suite 9-200  
Sacramento, CA 95814

**RE: Glendale Career College – Institutional Response to Draft Audit Report  
Control Number ED-OIG/A09-B0017**

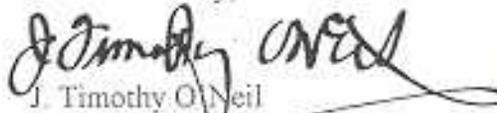
Dear Ms. Pilotti:

Enclosed please find Glendale Career College's response to the findings presented in the Draft Audit Report dated December 18, 2001 issued by the Office of Inspector General of the U.S. Department of Education.

We appreciate the time and effort expended on the review and the guidance that members of your team provided. We believe that this review process has helped and will continue to help us improve the College's administration of the Title IV programs.

Thank you in advance for your consideration of this response. Please do not hesitate to contact me if you have any questions or concerns with the response and/or the attachments.

Yours sincerely,

  
J. Timothy O'Neil  
Campus Director

Enclosures

cc: Dan Sykes, President, Landmark Education Services, Inc.  
Jim Barger, Corporate Director of Education, Landmark Education Services, Inc.  
Serjik Kesachekian, Director of Financial Services, Glendale Career College  
Joanne Leming, Campus Director, Nevada Career Institute

1015 Grandview Avenue • Glendale, CA 91201 • (800) 498-1818 • (818) 243-1131 • FAX (818) 243-6028 • <http://www.success.edu>



Oceanside Campus  
Tri-City Medical Center  
4002 Vista Way  
Oceanside, CA 92056

Nevada Career Institute  
3025 East Desert Inn Road  
Las Vegas, NV 89121

## AUDIT RESULTS

### **GCC Lacked Adequate Procedures for Ensuring Compliance with the HEA's Ability-to-Benefit Provisions**

The Draft Audit Report ("Report") asserts that Glendale Career College ("College") did not have procedures in place to ensure that (1) students who previously took and failed the Wonderlic Basic Skills Test ("WBST"), the College's ability-to-benefit ("ATB") examination, were given an alternate version the next time they took the test and (2) the College resolved conflicting information with respect to a student's status as a high school graduate or GED recipient. As such, the Report recommends that the Student Financial Assistance Programs ("SFAP"): (1) instruct the College to have its independent public accountant assess the College's newly implemented procedures for ensuring that conflicting information is resolved and that students taking the WBST are given an alternate version of the test when they fail the WBST on their first attempt; (2) require the College to return \$44,049 in federal student financial assistance funds administered pursuant to Title IV of the Higher Education Act of 1965, as amended ("Title IV") with respect to nine students without high school diplomas or GED's who were retested with the same version of the WBST; and (3) require the College to resolve conflicting information for 14 identified students who received Title IV funds but who either failed the WBST or retook the same version of the WBST and return the Title IV funds disbursed to any student who had no high school diploma or GED certificate or for whom the College could not resolve the conflict.

#### College's Response

Glendale Career College has historically offered programs of study that have different requirements for admission. With respect to the College's current programs, four programs (Licensed Vocational Nursing; Surgical Technology; Medical/Dental Office Management, and Central Service Instrument Technology) require that the student have earned a high school diploma or the recognized equivalent of a high school diploma in order to be eligible for admission. The College's remaining programs (Medical Assisting; Massage Therapy; and Computerized Office Assistant) do not require a high school diploma or the recognized equivalent of such diploma for admission. Thus, students in these programs who have not earned a high school diploma or its recognized equivalent must pass an ability-to-benefit examination in order to be considered eligible to receive Title IV funds consistent with Section 484(d) of the Higher Education Act of 1965, as amended ("HEA"). A qualified ability-to-benefit examination is an independently administered examination approved by the Secretary of Education demonstrating that the student can benefit from the training being offered. As noted in the Report, the College uses the Wonderlic Basic Skills Test to meet the requirements of Section 484(d) of the HEA.

The College would note that it does not believe that any significant issue exists with its implementation of the WBST. As an initial matter, a substantial majority of the students at Glendale Career College have earned a high school diploma or a recognized

equivalent.<sup>1</sup> Therefore, the College does not use the WBST for ATB purposes at any significant level.

Nonetheless, the Report asserts that in nine instances the College administered the same WBST version to a student without a high school diploma or GED after the student failed his or her first attempt at the examination and assesses a repayment liability with respect to those students. As will be further discussed below, the College believes that it is not appropriate to assess liability for an ATB issue with respect to a student who has graduated. Indeed, under the Department's regulations, the College believes that there is an argument that it should not bear any responsibility for any alleged failures because of its sharply limited role in the ATB testing process. The principal responsibility for preparing, administering, scoring, and reviewing the quality of an ATB examination rests squarely with the publisher, in this case Wonderlic, Inc., and the independent test administrator ("ITA"). The College complied with the standards of the Department's regulations which require that the institution remain completely independent of the testing process. Therefore, the institution should not be held liable for any errors by the ITA. Such a finding is consistent with the Secretary's statement that "[he] will not hold institutions financially responsible if they award Title IV, HEA Program funds to ability-to-benefit students who present evidence that they passed approved tests as long as the institutions did not interfere with the independence of the testing process and were not involved in the testing process." 60 Fed. Reg. at 61836 (Emphasis added).

In fact, Section 668.154 specifically states that an institution may be found liable in only three situations: (1) when the institution uses a test administrator who is not independent; (2) when the institution compromises the testing process; and (3) when the institution is not able to show that a student passed an approved test. 34 C.F.R. § 668.154. None of these three factors applies in this case. The College utilized a properly certified and independent ITA. Moreover, there is no suggestion that the College compromised the testing process in any way or failed to maintain records that students passed an approved test.<sup>2</sup> As a result, in the circumstances, the College respectfully requests that the Final Audit Report drop the assertion of liability related to the nine instances where students were retested using the same form.<sup>3</sup>

---

<sup>1</sup> A survey of all active students conducted in June, 2001 at the main campus indicates that 93% had earned a high school diploma or its recognized equivalent.

<sup>2</sup> The applicable regulations do require that the ITA administer the ATB examination in accordance with the test publisher's instructions. 34 C.F.R. § 668.151(d)(2). The Report asserts that the WBST User's Manual states that the ITA "must use an alternate version of the test when retesting an applicant" and consequently appears to conclude that the ITA's failure to do so was improper and should result in liability assessed to the College. In fact, however, the WBST User's Manual is not so absolute. Rather, the User's Manual states that "Ideally, retests should be conducted on an alternate test form." WBST User's Manual, p. 42. Although that is the ideal, a failure to use an alternate test form should not necessarily invalidate the test results.

<sup>3</sup> Even if the Final Audit Report does assess liability with respect to this issue, the assessed liability must be adjusted based on the discussion under the "OIG Recommendations" section of this response.

### Corrective Action

During the course of the site visit, the College reviewed its ATB practices and implemented new procedures to ensure that the ITA utilizes the alternate form for a retest. These procedures were reviewed and approved by the audit team. The new procedures address with more specificity the duties and responsibilities of the ITA and the College in the ATB process. See **Exhibit #1**. Concurrently, the College developed new data elements for the CLASS student management system which is utilized at both campuses. The new data elements track test dates, test version and test scores. **Exhibit #2**. The College reviews these records for all students scheduled to take the WBST prior to each administration of the test.

The corrective actions are working. An internal audit conducted by the College in December of 2001 revealed no violations with respect to its revised ability-to-benefit or conflicting information procedures. In addition, and as recommended in the Report under item 1.1, the College has "instruct[ed] its independent public accountant to assess, as part of the institution's next annual audit, the effectiveness of the institution's newly implemented procedures for ensuring that conflicting information is resolved and students retaking the WBST are given an alternative version of the test." The College's independent auditor has tested for errors in the areas covered by the new procedures and has not found any instances of non-compliance. The auditor's conclusions will be included in the College's financial aid audit for calendar year 2001.

### OIG Recommendations

1.1 The Report recommends that SFAP require the College to have its independent auditor assess the College's revised procedures for ensuring that conflicting information is being resolved and that students taking a retest are given an alternate version of the examination. As noted above, the College has implemented this recommendation.

1.2 The Report recommends that SFAP require the College to return the \$44,049 of Title IV funds disbursed to nine students without high school diplomas or GEDs who improperly retook the same version of the WBST.

As noted above, the College does not believe that any assessment of liability for this issue is appropriate. However, at the very least, the assessment of liability must be reduced. It has been the consistent policy of the U.S. Department of Education not to assess liability for ATR issues when the student, in fact, graduated. Four of the cited students, identified below, graduated from their programs of study, establishing that these students have demonstrated their ability to "benefit from the education or training being offered." See **Exhibit #3**.

Total Dollars	Student	SSN#	Campus-Program	Grad Date
\$6,670.00	██████████	██████████	NCI-MA	07/09/99

\$2,700.00	[REDACTED]	[REDACTED]	GCC-MA	11/20/98
\$5,311.42	[REDACTED]	[REDACTED]	GCC-MT	10/25/01
\$9,071.06	[REDACTED]	[REDACTED]	GCC-MA	08/30/01

The College requests that the four student graduates be removed from the list of nine students cited in the Report's attachment for Recommendation #2 and that liability not be assessed for these students.

1.3 The Report recommends that SFAP direct the College to resolve "conflicting information regarding the high school diploma/GED for the 14 students identified ... who received Title IV funds but either failed the WBST or retook the same version of the test. ... The 14 students received a total of \$79,177 in Title IV funds."

The following six students completed and graduated from their programs of study. See Exhibit #4. Thus, for the reasons previously discussed, these students have demonstrated their ability to "benefit from the education or training being offered" and should be removed from the list of students cited in the Report's attachment for Recommendation #3 and should not be included in any assessment of liability.

Total Dollars	Student	SSN#	Campus-Program	Grad Date
\$3,200.00	[REDACTED]	[REDACTED]	GCC-BMA	05/28/99
\$7,704.00	[REDACTED]	[REDACTED]	NCI-MA	09/04/98
\$4,536.50	[REDACTED]	[REDACTED]	GCC-MT	10/21/99
\$8,200.87	[REDACTED]	[REDACTED]	GCC-COA	12/18/98
\$8,637.94	[REDACTED]	[REDACTED]	GCC-COA	07/24/01
\$5,213.00	[REDACTED]	[REDACTED]	NCI-MT	12/10/99

In addition, upon further review and collation of documents for the 14 students cited for conflicting information issues, the College has resolved the conflict with respect to two of the students. Following is a list of the students and a reference to the documents attached as exhibits for your review:

Total Dollars	Student	SSN#	Supporting Documentation
\$9,113.85	[REDACTED]	[REDACTED]	Exhibit #5
\$4,863.13	[REDACTED]	[REDACTED]	Exhibit #6

Specifically, with respect to student [REDACTED], attached is a copy of her official high school transcript establishing that she graduated from high school in June 1996. Thus, the conflict is resolved. With respect to student [REDACTED] the College does not believe there is conflicting information. In all of this student's documents, the student indicated he had graduated from high school. The only possible conflict is that the student checked "ATB" at the same time he checked "High School Graduate" on the Financial Aid Application. However, the College believes the student mistakenly checked "ATB" because he was unsure of its meaning. The College believes that the student's intent to identify himself as a high school graduate was clear on the face of his documents and that he is not an example of a student whose file contained conflicting information.

Therefore, the College requests that these two students be removed from the list of 14 students cited in the Report's attachment for Recommendation #3 and from any assessment of liability. The College is continuing to review the records of the remaining students in order to identify and resolve any conflicting information.<sup>4</sup>

#### OTHER MATTERS

As noted in the Report, the College is in compliance with refund requirements and with respect to the provisions of the 90/10 Rule.

This concludes the College's response to the Draft Audit Report.

---

<sup>4</sup> If the Department were to assert any liability with respect to the issues raised in the Report, the liability for Federal Family Education Loan program funds cannot exceed the amount calculated based on the Department's Actual Loss Formula. The Actual Loss Formula is well established in Department practice, based on the simple proposition that the Department does not provide the loan principal of a guaranteed loan and, therefore, an institution cannot be obligated to repay funds to the Department that the Department did not provide. Rather, the institution must be provided with the opportunity to apply the Actual Loss Formula in the calculation of liability for the FFEL program loans.

# **EXHIBIT #1**

**GLENDALE CAREERCOLLEGE**  
**Glendale, CA 91021**

*Educational Excellence / Customer Satisfaction / Continuing Improvement*

**INSTITUTIONAL TESTING POLICY**

The following testing policies are in accordance with the rules and regulations for general admission SLE testing and ATB testing for Federal Student Financial Aid. All prospective students must be tested as follows:

**SLE Testing**

1. There are four versions of the SLE test.
2. The prospective student is given the SLE test administered by a staff member who is not involved in the admission of the prospective student.
3. If the student fails, he/she may be administered a different version of the test after seven (7) days.
4. If the required score is not achieved after the first retest, the student may be tested with an alternate test after seven (7) days.
5. If the prospective student still does not achieve the required score, he/she may be tested with the 4<sup>th</sup> version of the SLE test after seven (7) days.
6. If the required score is still not achieved, the student may not enroll in the particular program that they were applying for.

After 3 retests, the student may not retest for a period of six months. SLE scores are valid for one calendar year from the last test or retest date.

**ATB Testing for Title IV Federal Student Financial Aid**

1. There are two versions of the ATB test.
2. The prospective student is administered the ATB test by the ITA.
3. If the student fails, he/she may be administered the ATB test on the same day after one half hour from the time they completed the initial test provided the other version of the test is used.
4. If the student fails again, he/she must wait at least 60 days before they can take the second retest with the first version that they were administered the first time they took the test.

Caveat - If the student fails the test for the third time, but the verbal score ranges between 170 – 195 and the math score ranges between 180 - 205, a final retest with the second version of the test may be administered with the approval of the Director of Education or the Campus Director. If the student does not achieve a minimum passing score at this point, he/she may not be retested. Prospective students must achieve the minimum ATB passing scores for both the verbal and math sections in the same retest administration. ATB scores are valid for one calendar year from the test or re-test date.

**GLENDALE CAREER COLLEGE**  
*Glendale, CA 91020*

**ATB PROCEDURES**  
Effective September 25, 2001

**A. ATB testing is required for the following students-**

1. Any student who has not earned a high school diploma or its equivalent, i.e., GED or California Proficiency Exam, and is applying for Federal student financial aid for the following programs of study that do not require a high school diploma for admission:
  - a. Massage Therapy
  - b. Medical Assisting
  - c. Computerized Office Assistant
2. For assessment purposes, any student who is applying for admission to the Licensed Vocational Nursing program.

**B. ATB testing is not required for students enrolling in the following programs:**

1. Surgical Technology (ST)
2. Medical Dental Office Management (MDM)
3. Central Service Technician (IT)

Students applying for admission to ST, MDM and IT must self-certify that they have earned a high school diploma or its equivalent. Students applying for admission to the LVN program must present proof of their high school diploma or equivalent prior to their LVN interview.

**C. Appointments for ATB Testing**

1. Students who wish to take the ATB test must register at the Reception Desk and have their names posted in the ATB Appointment Book. Tests are administered on Tuesday evenings at 7:00 p.m. and Thursday mornings at 10:30 a.m.
2. Prior to the test administration, GCC Student Testing Services will check each student on the Roster who is taking the test for Federal student financial aid purposes, and present any prior test documentation to the Independent Test Administrator (ITA) before the test is administered.

This documentation may include but not necessarily be limited to information from the CLASS system and prior Rosters and/or Wonderlic test results.

**D. ATB Test Administration**

1. The ITA administers the test according to Wonderlic guidelines and USDE regulations, subject to additional information provided by the College.
2. The ITA scores the test and delivers the unofficial results and Roster to Student Testing Services.
3. The ITA copies the test answer sheets for Federal student financial aid applicants, forwards the originals to Wonderlic within two (2) business days and delivers all copies and test booklets and the LVN test answer sheets to Student Testing Services.

**E. GCC Student Testing Services Follow-up**

1. GCC Student Testing Services enters the unofficial test results on the Roster and in the CLASS system.
2. GCC Student Testing Services files the test booklets for Federal student financial aid applicants alphabetically in the ATB file cabinet and shreds test booklets and test answer sheets for LVN applicants.
3. GCC Student Testing Services submits the Wonderlic unofficial test results to the Registrar's office. LVN results are filed in the students' academic files. Results for applicants for Federal student aid are held in an alpha file pending receipt of official results from Wonderlic.
4. GCC Student Testing Services distributes copies of the completed Roster to the Campus Director, Director of Education, appropriate Admissions Representatives and Academic Departments.

**F. Upon Receipt of Wonderlic Official Test Results**

1. Registrar enters the official test results in the CLASS system.
2. Registrar files official test results in the students' academic files.
3. Registrar shreds the test booklets for the appropriate student applicants.

# Memo

**To:** Financial Planning Department

**From:** Serjik K. JX

**Date:** 08/01/01

**Re:** Briefing, Intake procedure

---

Effective immediately, during a briefing and/or an intake please review the information provided by the student on the Admission application and any and all Financial aid documents in a prospective student's file. Upon determining conflicting information, please request that the item in question be verified.

Example: Student indicates on the admission application that he/she is a H/S graduate and on the FA application, they indicate that they are not. This item must be resolved before the intake process can continue.

# **EXHIBIT #2**



Administration

CONSOLIDATED DATABASE

01/29/2002

Student Maintenance

```

Name..... Status.....Active
Address..... Agency Spons..FR-1   LDA..01/28/02
Campus.....GLEN   SAP..YES
Email addr... Program.....MA
Phone # (H)... Schedule.....Evening
Phone # (W)... Startdate....01/15/02
Soc Sec #..... Exp grad date:10/21/02

```

EEIF ENTRANCE TESTS

Test description	Min score	Max score	Test score	Date taken
Offical Quantitative Test 1	210	500	305	01/10/2002
Offical Verbal Test 1	200	500	210	01/10/2002
Unoffical Quantitative Test 1	210	500	305	01/10/2002
Unoffical Verbal Test 1	200	500	210	01/10/2002
SLE 13 - MA	13		13/T51	01/09/2002

No more test scores on file for this student.  
 Press any key to continue.....|

Start

Shortcut to glen

Class

XXXXXXXXXX

[OIG NOTE: We have not included Exhibits 3 through 6 that GCC provided with its response to the draft report. The exhibits contained information on GCC graduation status of sample students and documents used to resolve the conflicting information on high school diploma/GED status of the two students mentioned in the response. Copies of the exhibits will be made available upon request.]

**REPORT DISTRIBUTION LIST  
CONTROL NO. ED-OIG/A09-B0017**

**Auditee**

Mr. Tim O'Neil  
Campus Director  
Glendale Career College  
1015 Grandview Avenue  
Glendale, California 91201

**ED Action Official**

Mr. Greg Woods  
Chief Operating Officer  
Federal Student Aid

**Other ED Officials/Staff** (electronic copy)

Audit Liaison Officer  
Case Management Division  
Federal Student Aid

Press Secretary  
Office of Public Affairs

Correspondence Control  
Office of General Counsel

Assistant General Counsel  
Office of the General Counsel

Assistant Secretary  
Office of Legislation and  
Congressional Affairs

Deputy Secretary  
Office of the Deputy Secretary

Assistant Secretary  
Office of Intergovernmental  
and Interagency Affairs

Chief of Staff  
Office of the Secretary

Director  
Financial Improvement and  
Post Audit Operations  
Office of the Chief Financial Officer

Under Secretary  
Office of the Under Secretary

Post Audit Group Supervisor  
Financial Improvement and  
Post Audit Operations  
Office of the Chief Financial Officer

Director  
Office of Public Affairs

Indirect Cost Group Supervisor  
Financial Improvement and  
Post Audit Operations  
Office of the Chief Financial Officer