



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

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March 26, 2007

Control Number
ED-OIG/A09G0029

Arthur E. Benjamin, President
ATI Technical Training Center
6627 Maple Avenue
Dallas, Texas 75235

Dear Mr. Benjamin:

This **Final Audit Report**, entitled *ATI Technical Training Center's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid*, presents the results of our audit. The purpose of the audit was to determine if ATI Technical Training Center completed verification of applicant data and accurately reported verification results to the U.S. Department of Education (Department) for the period July 1, 2005, through June 30, 2006 (award year 2005-2006).

BACKGROUND

Students apply for Federal student aid by completing a Free Application for Federal Student Aid (FAFSA), which is processed by the Central Processing System (CPS). The CPS uses the application information and the statutory needs analysis formula to calculate each applicant's expected family contribution (EFC). If the EFC is less than the student's cost of attendance, a student has financial need and may be eligible to receive financial aid under the Higher Education Act of 1965, as amended (HEA), Title IV programs.

The CPS selects applications for verification, which is the process used to ensure that students and parents report accurate financial and demographic data on the FAFSA. Verification is required under Subpart E of 34 C.F.R. Part 668. For enrolled students who were selected by the CPS for verification, the schools verify the accuracy of five items of data: adjusted gross income, U.S. income tax paid, household size, number of students in the household who are enrolled in college, and certain untaxed income benefits. Students must provide schools with income tax returns and other documents to support the reported data. The school has completed verification when it has either determined that the application data are correct or when the corrected data have been submitted to the CPS. The school must document verification and maintain a CPS document in its files showing the student's final EFC.

When a school disburses a Federal Pell Grant for a student, the school is required to report the verification status of the student's application to the Department's Common Origination and Disbursement (COD) system.¹ As described in the *Federal Student Aid Handbook 2005-2006*, "Application and Verification Guide," the verification status codes are—

- **V** – School completed verification of the student's application. This code is used for both applications selected by the CPS for verification and those the school chose to verify based on its own criteria.
- **S** – The CPS selected the student's application for verification, but the school did not verify the application information because 1) the school participates in the HEA, Title IV, Quality Assurance (QA) Program² and the student's application did not meet the school's verification criteria or 2) the school elected not to verify the student's application because the school had reached the 30 percent threshold for required verifications.³
- **W** – The CPS selected the student's application for verification and the school has elected to make an interim Pell Grant disbursement prior to completing the verification of the application data. The school updates the code to a **V** when verification is completed.
- **Blank** – Neither the CPS nor the school selected the student for verification.

Schools receive a monthly Pell Verification Status Report from the COD system that shows students who have been selected by the CPS for verification and have a blank or **W** status. In addition, schools can request a Pell Grant Reconciliation Report that shows the verification status of all students who were selected by the CPS for verification.

ATI Technical Training Center (ATI), a subsidiary of ATI Holding Company, is a proprietary school accredited by the Accrediting Commission of Career Schools and Colleges of Technology. ATI is located in Dallas, Texas, has an enrollment of about 600 students, and offers programs in Heating, Ventilation and Air Conditioning; Automotive Repair; Welding; and Electronics. Educational programs are provided on a standard-term calendar that is measured in quarter credit hours.

ATI participated in the following HEA, Title IV programs: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, and Federal Family Education Loan. During the period from July 1, 2004, through June 30, 2005, ATI disbursed about \$5 million in Title IV funds, which included about \$1.4 million from the Federal Pell Grant Program.

¹ The Department's COD system performs a variety of functions related to awarding and disbursing Pell Grants, William D. Ford Federal Direct Loans, and funds from campus-based programs.

² Schools participating in the QA Program use their own criteria for selecting applications for verification that is tailored to their student population. QA schools are exempt from the requirement to verify 30 percent of student applications. ATI is not a participant in the QA Program.

³ In an Electronic Announcement dated March 9, 2006, the Department explained that schools may report either an **S** or leave the verification status blank for students in the excluded category (i.e., incarceration, recent immigrant, spouse unavailable, parents unavailable, death of the student, applicant verified by another school, Pacific Island resident, or not an aid recipient). Schools are not required to complete verification for students in the excluded category.

AUDIT RESULTS

ATI had policies and procedures that ensured FAFSA information was verified in accordance with the applicable HEA provisions, Federal regulations, and Department guidance. Our analysis of information in the Department's databases identified 207 ATI students who had an application selected by the CPS for verification and received a Pell Grant disbursement for award year 2005-2006. Our review of ATI's student financial aid files for a sample of 50 of the 207 students found that ATI properly performed verification by following its written policies and procedures, obtaining appropriate student-provided documentation, and accurately reporting changes in application information to CPS. However, ATI did not accurately report the verification status to the Department's COD system for 14 sampled students. In its comments on the draft report, ATI concurred with the finding and recommendations. ATI's comments are summarized at the end of the finding and the full text of the comments is included as an attachment to the report.

FINDING – ATI Did Not Report Accurate Student Verification Status to the COD System

Of the 207 students identified in our analysis, 105 students had a verification status of **S** in the COD system (i.e., selected for verification by CPS, but not verified by the school). Our review of ATI's student financial aid files for a random sample of 25 of the 105 students found that the school had completed the verification of the student applications.

ATI used CampusVue, a system information system developed by Campus Management Corporation (CMC) to administer student financial aid and report to the COD system. The CampusVue software automatically recorded "selected, not verified" in the verification field in the school's database when the school received information from CPS that the student had been selected for verification. The improper **S** verification status was reported to the COD system because ATI staff did not consistently change the student's status to "verification completed" in the school's database after completing the verification process. As a result, the field remained "selected, not verified" and the CampusVue software reported a verification status of **S** to the COD system for the students. At the time of our fieldwork, 14 students of the 25 students still had a verification status of **S** in the COD system because the school staff had not updated the student's status in the school's database. The verification status should have been **V** (i.e., verification completed) for the 14 students since ATI had completed the verification process for the students.⁴

The ATI Holding Company's National Director of Financial Aid and CMC's Chief Technology Officer confirmed that neither ATI nor the software developer had intended to report the verification status of **S** to the COD system. The CMC Chief Technology Officer advised us that a software patch is being developed to correct the problem.

⁴ For 11 of the 25 sampled students, we found that, subsequent to our selection of the sample, ATI had appropriately updated the student's verification status in the COD system from an **S** to a **V**.

In response to our finding, ATI appropriately updated the verification status for the 14 students from an **S** to a **V** in the COD system. Our review of information in the COD system found that ATI had also changed verification statuses for other students.

Recommendations

We recommend that the Chief Operating Officer for Federal Student Aid require ATI to—

- 1.1 Confirm that the verification statuses for all its students are accurately recorded in the COD system for award year 2005-2006.
- 1.2 Ensure that ATI's staff appropriately updates student verification status, periodically obtain and review COD's Pell Grant Reconciliation Reports, which show the reported verification status for all ATI students who were selected by the CPS for verification.
- 1.3 Have its independent public accountant, as part of the next scheduled audit, confirm that ATI has implemented the patch to the CampusVue software and is regularly reviewing COD reports to confirm that students' verification status has been accurately reported to the COD system.

ATI's Comments

ATI concurred with the finding. ATI stated that students' verification status in the COD system have been confirmed for award year 2005-2006 and described the procedure implemented to ensure that staff appropriately update verification statuses. ATI stated that the software patch had been implemented and requested guidance on obtaining COD's Pell Grant Reconciliation Reports.

OIG Response

Schools may contact COD Online at 1-800-474-7268 to obtain instructions for obtaining the Pell Grant Reconciliation Report. The report may be requested through the Pell data request section of the COD system or by calling COD Online at the above number.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objective was to determine if ATI completed verification of applicant data and accurately reported verification results to the Department. The audit covered award year 2005-2006. To accomplish our objective, we—

- Gained an understanding of applicable laws, regulations, and the Department's *Federal Student Aid Handbook 2005-2006*, "Application and Verification Guide."
- Reviewed ATI's audited financial statements prepared by its independent public accountant for the fiscal years ended December 31, 2004 and 2005. ATI's compliance audit reports covering the period January 1, 2004, through December 31, 2005, and correspondence from ATI's accrediting agency.
- Gained an understanding of ATI's internal control for the verification process by 1) reviewing written policies and procedures, 2) obtaining information on the manual and electronic processes applicable to verification and reporting of the verification status to COD, and 3) interviewing financial aid staff involved in the verification process.
- Evaluated documentation in student financial aid files related to the verification of applicant data.
- Interviewed CMC software development personnel.

To evaluate ATI's procedures and compliance with verification requirements, we reviewed documentation in student financial aid files for 50 of the 207 ATI students who had an application selected for verification by the CPS and received a Pell Grant disbursement for award year 2005-2006. To select the sample, we stratified the 207 students into two groups: a) the 105 students that had a verification status code of **S** and b) the 102 students with a verification status of **V** or blank. We randomly selected 25 students from each group.

We relied on data extracted from the CPS and the Department's National Student Loan Data System to identify the ATI students who had an application selected for verification by the CPS and received a Pell Grant disbursement for award year 2005-2006 (sampling universe). To assess the completeness of the extracted data, we compared the total records on the extract to totals reported on Department management information reports. During our review of student financial aid files for the 50 students, we confirmed that the documentation showed that CPS had selected the students for verification. We concluded that the extracted data was sufficiently reliable for use in selecting the sample of students reviewed in the audit.

We reviewed information in the COD system to confirm that ATI, in response to our finding, had properly updated the student verification statuses to the COD system for the 25 sampled students that had a verification status of **S** at the time we selected the sample.

We performed our fieldwork at the ATI campus in Dallas, Texas. We held an exit briefing with ATI officials on September 8, 2006. 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:

Theresa S. Shaw
Chief Operating Officer, Federal Student Aid
U.S. Department of Education
Union Center Plaza, Room 112G1
830 First Street, NE
Washington, D.C. 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/
Gloria Pilotti
Regional Inspector General for Audit

Attachment

Attachment

**ATI Technical Training Center's
Comments to Draft Audit Report**



ATI Enterprises, Inc. • ATI Enterprises of Florida, Inc.
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(817) 557-3337 • (817) 557-3338 Fax

February 23, 2007

Gloria Pilotti
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
501 I Street, Suite 9-200
Sacramento, CA 95814-2559

Re: ATI Technical Training Center, Dallas, TX - OPEID 01248200
Control Number: ED-OIG/A09G0029

Dear Ms. Pilotti:

This letter is in response to the January 30, 2007, **Draft Audit Report**, entitled *ATI Technical Training Center's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid*. We appreciate the opportunity to provide input before the final audit report is issued.

FINDING – ATI Did Not Report Accurate Student Verification Status to the COD System

ATI concurs with the finding as written.

The following comments pertain to the Recommendations.

Recommendation 1.1 – ATI has confirmed that the verification statuses for all its students are accurately recorded in the COD system for the award year 2005-2006.

Recommendation 1.2 – ATI has implemented a procedure whereby a monthly Campus Vue report is generated showing all S status students. ATI employs the report to ensure that student verification status is updated appropriately. However, ATI was advised by COD that neither COD Reconciliation Reports nor Pell Reconciliation Reports exist. (The recommendation references COD Reconciliation Reports while page 2 of 6 refers to Pell Reconciliation Reports.) ATI requests clarification on the recommendation to review COD Reconciliation Reports or Pell Reconciliation Reports.

ATI Career Training Center — North Richland Hills, Dallas, Miami, Oakland Park, Fort Lauderdale
ATI Technical Training Center — Dallas
ATI College of Health — Miami
Arizona Automotive Institute — Phoenix

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Recommendation 1.3 – ATI has implemented the patch (8.0d) to the Campus Vue software provided by Campus Management Corporation. The patch enables the Campus Vue software to only send statuses of **V** or **W** and if there is a status of **S** a blank code will be sent. ATI requests guidance on obtaining the COD reports to confirm that students' verification status has been accurately reported to the COD system.

Sincerely,

Ernest J. Hurguy
Vice President

cc: Arthur Benjamin
Kelly Prater
Peggy Rogers