



UNITED STATES DEPARTMENT OF EDUCATION  
WASHINGTON, D.C. 20202

---

In the Matter of

**MJ'S BEAUTY ACADEMY,**

Respondent.

---

**Docket No. 09-09-SP**

Federal Student Aid  
Proceeding

PRCN: 2006-4-06-25435

Appearances: Margaret M. Jackson, of Dallas, Texas, for MJ's Beauty Academy.

Russell B. Wolff, Esq., Office of the General Counsel, United States Department of Education, Washington, D.C., for Office of Federal Student Aid.

Before: Richard F. O'Hair, Administrative Judge

**DECISION**

MJ's Beauty Academy (Respondent), a proprietary educational institution, is a participant in the federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended (Title IV). 20 U.S.C. § 1070 *et seq.* The Office of Federal Student Aid (FSA), U.S. Department of Education (ED), administers these programs. On October 23, 2008, FSA issued a Final Program Review Determination (FPRD) containing a finding that respondent now appeals. The FPRD addresses Respondent's failure to properly document and complete verification of applicant information used to determine the expected family contribution (EFC) for 14 students and Respondent appeals a portion of that finding. FSA computed Respondent's liability for these violations to be \$15,745, plus interest.

In its appeal of the FPRD, Respondent challenged the assessment of liabilities for five students equal to \$7,717 and conceded liabilities for the remaining nine students equal to \$8,028. Following its receipt of Respondent's submission on appeal, FSA informed the tribunal it was willing to accept Respondent's concession of liability for nine of the students and was willing to accept Respondent's submission concerning two of the five contested students and a portion of

the submission for a third student. Taking those facts into consideration, FSA reduced its demand to \$10,783, plus interest.

An institution must establish and use written policies and procedures for verifying information contained in a student aid application. This application includes financial data that is used by an institution to calculate the student's EFC, an essential tool in the determination of a student's eligibility and need for federal student aid. See 34 C.F.R. § 668.53. Under 34 C.F.R. § 668.54(a)(2)(i), the Secretary has the authority to monitor an institution's financial aid determination by requiring an institution to perform verification of these applications, although there is a limit on this authority in that an institution may not be required to verify any more than 30% of its Title IV applicants. Despite this verification cap, an institution still must develop and implement an adequate system to resolve discrepant information it receives from any applicants. See 34 C.F.R. § 668.16(f). The burden of persuasion is upon the institution to prove that the expenditures questioned or disallowed were proper. See 34 C.F.R. § 668.116(d).

This tribunal has found that if an institution fails to perform verification, whether at the direction of the Secretary, or to resolve any discrepant information, it is liable for all Title IV funds it received on the student's behalf. See, *In the Matter of Shaw University*, Dkt. No. 05-48-SP, U.S. Dep't of Educ. (May 2, 2006); *In the Matter of Davenport Barber Styling College*, Dkt. No. 04-26-SP, U.S. Dep't of Educ. (Oct. 28, 2005); *In the Matter of Avanti Hair Tech*, Dkt. No. 02-22-SP, U.S. Dep't of Educ. (Oct. 9, 2002).

The parties' pleadings reflect a reduction in the number of students at issue. Respondent elected not to appeal the liability determination for nine students, #s: 11, 31, 34, 35, 36, 38, 39, 40, and 41. FSA has accepted Respondent's explanation for its awards for student #s: 28 and 37, and has withdrawn the respective liabilities; and for student #21, FSA agrees with the reduced liability following respondent's recalculation of the student's EFC. This leaves the EFCs of only two students in dispute.

For student # 32, the FPRD asserts that the Institutional Student Information Record (ISIR) reported five persons in the applicant's household, including the applicant's parents, but the initial verification worksheet showed that the parents were divorced. Respondent claims that, although it failed to remove the name of the divorced mother of the applicant, it did not include any of her income in its calculations. FSA points out that a subsequent verification worksheet changed the number of household residents and listed additional persons not listed on the previous verification worksheet. FSA also questioned the validity of the signatures on the worksheet. Consequently, FSA finds this worksheet is not credible and did not remedy the discrepancy, thus obligating Respondent to further verify the student's information.

I agree with FSA's assessment. Respondent's second verification worksheet introduces new, inconsistent information which should have been recognized and addressed by Respondent before Title IV funds were awarded. Respondent, consequently, remains liable for the full amount of the award, \$2025.

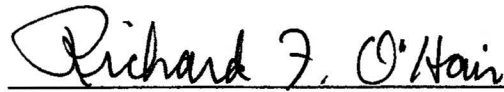
For student #33, FSA states that the verification worksheet listed five in the household and listed the relationship of the other four persons as friends of the applicant; further, the applicant failed to submit documentation that she provided support to the other household members. Respondent maintains that when it discussed this matter with the applicant, she informed it that she provided total support for the household which consisted of her boyfriend, his sister, a brother and a niece. Respondent argues that it was not required to verify this information because, pursuant to 34 C.F.R. § 668.56(b)(1), an institution need not verify the number of family members in the household of a student selected for verification because it received the student's ISIR within 90 days of the student signing the application.

FSA argues that if an institution has reason to believe that any information on a student's application used to calculate the EFC is inaccurate, the regulations at 34 C.F.R. § 668.54(a)(3) require that it verify that information. FSA points out that in this instance the applicant's file was devoid of any evidence that the student provided more than half the support of the household of five, and it also seriously questions how this household could survive on an adjusted gross income of only \$10,388. Therefore, FSA argues that the issue here is not the size of the household, but rather the accuracy of the source and amount of adjusted gross income used to support that household.

The record reflects that Respondent disbursed Title IV aid to this student premised on the allegation that she provided more than one-half of the support for four of her friends during the year in question. However, I find that the aforementioned set of facts raises serious doubt as to the accuracy of the student's information. Respondent should have recognized this inaccuracy and sought verification, and is not entitled to any relief based upon the section of the regulations it cited.\* Respondent's failure to verify this information subjects it to a liability of \$607.

### **ORDER**

On the basis of the foregoing, the FPRD is upheld, and it is hereby **ORDERED** that MJ's Beauty Academy must pay to the United States Department of Education \$10,783 in Pell Grant liabilities, plus interest.

  
\_\_\_\_\_  
Judge Richard F. O'Hair

Dated: August 13, 2009

---

\* See, *In the Matter of Avanti Hair Tech*, Dkt. No 02-22-SP, U.S. Dep't of Educ. (Oct. 9, 2002) and *In the Matter of New Concept Massage & Beauty School, Inc.*, Dkt. No 06-20-SP, U.S. Dep't of Educ. (Nov.15, 2006).

**SERVICE**

A copy of the attached initial decision was sent by certified mail, return receipt requested, to the following:

Margaret M. Jackson  
President, MJ's Beauty Academy  
3939 S. Polk St., Suite 505  
Dallas, TX 75224

Russell B. Wolff, Esq.  
Office of the General Counsel  
U.S. Department of Education  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202-2110