



January 9, 2014

Mr. Mitsu Sato, President
Mitsu Sato Hair Academy
9062 Metcalf Avenue
Overland Park, KS 66212-1457

E-Mail:
Mr. Sato, President
msato@mitsusatohairacademy.com
Mrs. Terri Kline, Financial Aid Director
tkline@mitsusatohairacademy.com

RE: Final Audit Determination
Audit Control Number (ACN): 07-2012-30418
OPE ID Number: 04205300

Dear President Sato:

This letter advises Mitsu Sato Hair Academy (Mitsu) of the U.S. Department of Education's (Department's) final audit determination concerning the audit report of Mitsu's administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). This report, prepared by Clifton Larson Allen, LLP, Certified Public Accountant, in accordance with the Department's Audit Guide--Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers--January 2000, covers the period January 1, 2012 through December 31, 2012.

The Department has reviewed Mitsu's corrective action plan provided with the audit report. Enclosed is the Department's final audit determination. Also enclosed is Mitsu's response to this audit. Any supporting documentation submitted with the institution's written response is not included with this final audit determination, however, it will be retained and available for inspection by Mitsu **upon request**. Copies of the final audit determination, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this final audit determination is issued.

Although the enclosures to this letter may not address each of the auditor's findings, the institution must take the necessary actions to correct all of the deficiencies noted in the audit report. The auditor must comment on all the actions taken by Mitsu to correct each finding noted

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in this audit report, as well as any required actions in the enclosures to this letter, in the "Prior Audit" section of the next regularly scheduled non-Federal audit.

This FAD contains one or more findings regarding MSHA's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41, 668.46, and 668.49. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed."

Due to the serious nature of one or more of the enclosed findings, this final audit determination has been referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, and/or the limitation, suspension, or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates action, Mitsu will be notified under separate cover of that action. AAASG's notification will also include information regarding the institution's appeal rights and procedures on how to contest that action. Please note that the appeal instructions contained herein apply only to the appeal of the financial liabilities established in this final audit determination.

Program records relating to the period covered by this audit must be retained until the later of: resolution of any loans, claims, or expenditures questioned in the audit, 34 C.F.R. § 668.24(e) (3) (i), or the end of the retention period applicable to the record under 34 C.F.R. §§ 668.24(e)(1) and (e)(2).

Mitsu's continued cooperation throughout the audit resolution process is appreciated. If the institution has any questions about our review, please contact Jean Kelly at (404) 974-9295 or jean.kelly@ed.gov.

Sincerely,



Dvak Corwin
Compliance Manager

Enclosures: Final Audit Determination
Mitsu's Response to Audit

cc: Mrs. Terri Kline, Financial Aid Director
National Accrediting Commission of Cosmetology Arts and Sciences
Kansas State Board of Cosmetology

ACN: 07-2012-30418

INSTITUTION: Mitsu Sato Hair Academy

FINDING NUMBER: 12-01, Crime Awareness Requirements Not Met, page 15
(Condition – Campus Security Report)

AUDIT FINDING:

The auditor stated that MSHA failed to distribute a 2012 annual security report (ASR) to its current students and employees as required by the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act). In addition, the Academy failed to actively notify prospective students and employees about the availability of the ASR and about how to obtain a copy of the report. (Questioned Costs: None)

The auditor indicated that this violation was the result of administrative inaction and a failure to develop and implement proper policies and procedures. As a result of these violations, the auditor recommended that MSHA “establish formal policies and procedures to ensure all students have access to the most current campus security reports.” In its response and corrective action plan, Academy management concurred with the finding and stated that the “Academy will begin distributing campus security reports on an annual basis.”

FINAL AUDIT DETERMINATION:

The Clery Act and the Department’s regulations require that all institutions participating in Title IV, HEA, student financial aid programs must prepare, publish, and distribute a comprehensive ASR that contains, at a minimum, all of the statistical and policy elements described in 34 C.F.R. § 668.46(b). The ASR must be prepared and distributed as a single document. The only exception to the publication and distribution requirements is that the ASR may cross-reference information regarding the institution’s alcohol and other drug abuse prevention programs required by § 120 (a)-(d) of the Higher Education Act. 34 C.F.R. § 668.46(a)(10).

Participating institutions are required to actively distribute the ASR to all current students and employees through appropriate publications and mailing. Acceptable means of delivery include U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution’s website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report’s availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. § 668.41(e)(1).

In addition, the Department’s regulations require participating institutions to provide a notice to all prospective students and employees that includes a statement about the ASR’s availability, its contents, and its exact electronic address if posted to a website. This notice must also advise interested parties of their right to request a paper copy of the ASR and to have it furnished upon request. 34 C.F.R. § 668.41(e)(4).

As noted above, MSHA stated its concurrence with the finding and asserted that the Academy has taken remedial action by distributing the 2013 ASR to current students; however, the Department reminds the Academy that the ASR must also be actively distributed to current employees as well.

The finding documented by the auditor is a serious violation of the Clery Act. Any failure to publish an accurate and complete ASR and to actively distribute it to students and employees deprives interested persons of important campus security information to which they are entitled and effectively negates the intent of the Act. Access to this information permits campus community members and their families to make well-informed decisions about where to work and study and empowers them to play a more active role in their own safety and security.

Based on the Department's review of the audit report and MSHA's representation that it has adequately addressed this violation, the finding is now considered to be closed, subject to the submission of the following documents: 1) Copies of MSHA's 2013, 2012, and 2011 ASRs; 2) A copy of all relevant documents related to the Academy's 2013 ASR distribution and notification efforts. Specifically, these records must show the exact date that the 2013 ASR was distributed (if the report was indeed distributed.); 3) A copy of the specific notification that was provided to prospective students and employees to announce the availability of the 2013 ASR. If the 2013 report was not distributed in the required manner, MSHA must clearly state that fact in its response. Similarly, if MSHA failed to publish an ASR in 2013, 2012, and/or 2011, Academy officials must also clearly state that fact in the response as well. In this context, MSHA is specifically advised that institutional officials must not produce any new documents for the purpose of demonstrating compliance for past periods. All requested materials must be submitted to the Department's Clery Act Compliance Division (CACD)'s clery@ed.gov e-mail account within 15 days of MSHA's receipt of this FAD. The Academy's submission must reference the Audit Control Number (ACN) noted on the cover letter in the subject line of its e-mail message to the CACD. Please note that this referral to the CACD will not be closed unless and until MSHA submits the requested materials and the CACD completes its review. Failure to respond to this request for production may result in the imposition of additional adverse administrative actions. If the Department determines that additional information is needed to resolve the finding, the Academy will be notified accordingly.

Notwithstanding this conditional closure, the Department strongly recommends that MSHA re-examine its campus security, drug and alcohol prevention, and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with Federal requirements. The auditor must report on the effectiveness of the corrective actions taken by the Academy with a detailed comment in the "Prior audit" section of the next non-Federal audit report.

Moreover, MSHA is reminded that the exceptions identified in the auditor's finding constitute serious violations of the Clery Act that by their nature cannot be cured. There is no way to truly "correct" a Clery Act violation once it occurs. MSHA's auditor recommended certain corrective actions and the Academy has asserted that it has addressed the conditions that led to the violation. Nevertheless, MSHA officials must understand that any failure to prepare, publish,

and/or actively distribute an accurate and complete ASR deprives students and employees of important campus security information and that such failures undermine the intent of the Clery Act. For these reasons, the Academy is advised that its remedial efforts cannot and do not diminish the seriousness of the violation cited by the auditor nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require other corrective measures as a result.

MSHA officials may wish to review the Department's "Handbook for Campus Safety and Security Reporting" (2011) for guidance on complying with the Clery Act. The handbook is available online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The regulations governing the Clery Act can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

Finally, MSHA officials are reminded to review the accuracy and completeness of its Drug and Alcohol Abuse Prevention Program (DAAPP) as required by the Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations. FSA is now responsible for monitoring compliance with the DFSCA. Therefore, it is essential that the Academy makes sure that it has developed and implemented a comprehensive DAAPP and that it conducts substantive biennial reviews and completes its biennial review reports on the proper schedule. For assistance or more information on the Clery Act and/or the DFSCA, please contact your audit resolution specialist or another member of the Kansas City School Participation Division.

ACN: 07-2012-30418

INSTITUTION: Mitsu Sato Hair Academy

FINDING NUMBER: 12-02, Exit Counseling Deficiencies, pg. 16

AUDIT FINDING:

The auditor tested the files of seven students who received Federal Direct Loans during the time period of this audit and identified one student's file missing exit counseling documents.

FINAL AUDIT DETERMINATION:

34 C.F.R. § 685.304(b) of the William D. Ford Federal Direct Loan Program requires a school to ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program. If a student borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required.

Mitsu concurred with this finding and stated in its corrective action plan that all exit counseling will be performed by the Financial Aid Administrator, and exit counseling documentation will be placed in each student's financial aid file. This finding is considered closed.

ACN: 07-2012-30418

INSTITUTION: Mitsu Sato Hair Academy

FINDING NUMBER: 12-03, Student Status-Untimely Reported, pg. 17

AUDIT FINDING:

The auditor tested the files of five student's who received Federal Direct Student Loans during the time period of this audit, and identified two students whose changes in enrollment status were not reported timely to the National Student Loan Data System (NSLDS).

FINAL AUDIT DETERMINATION:

34 C.F.R. § 685.309, Federal Direct Loan program states that a school shall—

(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in this part and in 34 CFR part 668; and

(2) Submit all reports required by this part and 34 CFR part 668 to the Secretary.

(b) Student status confirmation reports.

(1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and

(2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—

(i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;

(ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or

(iii) Has changed his or her permanent address.

(3) The Secretary provides student status confirmation reports to a school at least semi-annually.

(4) The Secretary may provide the student status confirmation report in either paper or electronic format.

Mitsu concurred with this finding and stated in its corrective action plan that school officials will update all student status changes to NSLDS within 60 days. School officials must have its auditor's attest to the accuracy and completeness of this finding in its next scheduled audit. This finding is considered closed.

ACN: 07-2012-30418

INSTITUTION: Mitsu Sato Hair Academy

FINDING NUMBER: 12-4, Lack of Administrative Capability, pg. 18

AUDIT FINDING:

The auditor identified that Mitsu did not have any formal policies and procedures.

FINAL AUDIT DETERMINATION:

When an institution enters into a written program participation agreement (PPA) with the Department to receive Title IV, HEA program funds, that participation is conditioned upon the institution's compliance with the relevant regulatory requirements, as well as the conditions set forth in the PPA. 34 C.F.R. § 668.14(a)(1). Specifically, one of the PPA conditions is that the institution will comply with the standards of administrative capability. 34 C.F.R. § 668.14(b)(6).

The Secretary considers an institution to have that administrative capability if the institution—

1. Administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA;
2. Communicates to the individual designated to be responsible for administering Title IV, HEA programs, all the information received by any institutional office that bears on a student's eligibility for Title IV, HEA program assistance;
3. Has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance and the preparation and submission of reports to the Secretary;
4. Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls; and
5. Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any particular student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, or who do not together exercise substantial control over the institution;
6. Establishes and maintains records required under this part and the individual Title IV, HEA program regulations.

7. For purposes of determining student eligibility for assistance under a Title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program.
8. Develops and applies 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.
9. Provides adequate financial aid counseling to eligible students who apply for Title IV, HEA program assistance. In determining whether an institution provides adequate counseling, the Secretary considers whether its counseling includes information regarding—
 - The source and amount of each type of Title IV, HEA funds offered;
 - The method by which aid is determined and disbursed, delivered, or applied to a student's account; and
 - The rights and responsibilities of the student with respect to enrollment at the institution and receipt of financial aid. This information includes the institution's refund policy, the requirements for the treatment of Title IV, HEA program funds when a student withdraws under 34 C.F.R. §668.22, its standards of satisfactory progress, and other conditions that may alter the student's aid package;
10. Has provided all program and fiscal reports and financial statements required for compliance with the provisions of this part and the individual program regulations in a timely manner;
11. Shows no evidence of significant problems that affect, as determined by the Secretary, the institution's ability to administer a Title IV, HEA program and that are identified in –

Reviews of the institution conducted by the Secretary, the Department of Education's Office of Inspector General, nationally recognized accrediting agencies, guaranty agencies as defined in 34 C.F.R part 682, the State agency or official by whose authority the institution is legally authorized to provide postsecondary education, or any other law enforcement agency; or any findings made in any criminal, civil, or administrative proceeding. 34 C.F.R. § 668.16.

Mitsu concurred with this finding and stated in its corrective action plan that school officials will be developing and documenting its policies and procedures related to the Federal Student Financial Aid programs.

This issue has been resolved through the program review (PRCN: 201410728455) conducted by Department officials the week of November 18, 2013. The program reviewers verified that Mitsu has formal policies and procedures which meet Title IV aid regulation requirements. This finding is considered closed.

MITSU SATO

HAIR ACADEMY

July 2, 2013

Re: Corrective Action Plan for Audit Finding

12-01:

Condition – Campus Security Report

As part of the requirements of disbursing federal funds, the school is required to provide a campus security report to students of the school.

Criteria

Management is responsible for establishing and maintaining a current campus security report.

Questioned Costs

None

Possible Asserted Affect

Students are not receiving the proper notification of crimes on campus.

Auditors' Recommendation

We recommend the Academy establish formal policies and procedures to assure all students have access to the most current campus security reports.

Management's Response

The Academy will begin distributing the campus security report on an annual basis.

A cosmetology school that approaches hairdressing as an art form.

12-02:

Condition – Exit Counseling

During our testing we identified 1 of the 7 students tested that did not have documentation supporting that exit counseling was completed or that exit counseling was mailed to the student.

Criteria

The Department of Education requires that exit counseling be provided to students who have received loans when leaving the Academy.

Questioned Costs

None

Possible Asserted Affect

The Academy is not in compliance with the Department of Education requirements.

Auditors' Recommendation

We recommend the Academy review its exit counseling procedures to ensure that students who have received loans are provided proper exit counseling when leaving the Academy.

Management's Response

All exit counseling will be performed upon the student's exit interview by the Administrator and documentation of each counseling session will be placed in the student's financial aid file.

12-03:

Condition – National Student Loan Data System (NSLDS) Reporting

During our testing, we noted 2 of 5 students were not reported to NSLDS within 60 days of the student status change becoming known by the Academy.

Criteria

The Department of Education requires the Academy to report changes to NSLDS timely.

Questioned Costs

None

Possible Asserted Affect

The Academy is not in compliance with the Department of Education requirements.

Auditors' Recommendation

We recommend the Academy review its reporting procedures to ensure that student status changes are timely reported to NSLDS as required by the Department of Education.

Management's Response

Management agrees with the recommendation and will be reviewing our reporting procedures. We will update all student status changes within 60 days as required by the Department of Education.

12-04:

Condition – No Formal Policies and Procedures

The Academy does not have any formally documented policies and procedures.

Criteria

The Department of Education requires formal policies and procedures to be maintain with respect to the administration of federal student financial aid programs.

Questioned Costs

None

Possible Asserted Affect

The Academy is not in compliance with the Department of Education requirements.

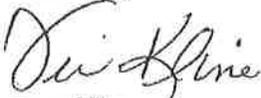
Auditors' Recommendation

We recommend the Academy develop and formally document all of its policies and procedures related to its federal student financial aid programs.

Management's Response

Management agrees with the recommendation and will be developing and documenting all policies and procedures related to the administration of federal student financial aid programs.

Sincerely,



Terri Kline
Administrator