



April 15, 2015

Rufus Hereford
President
Fayetteville College of Cosmetology Arts & Sciences
201 West College Street
Fayetteville, TN 37334-2909

UPS: 1ZA879640298793328

RE: **Final Program Review Determination**
OPE ID: 02595000
PRCN: 201510728870

Dear Mr. Hereford:

The U.S. Department of Education's (Department's) School Participation Team – Kansas City issued a program review report on January 21, 2015, covering Fayetteville College of Cosmetology Arts & Sciences (FCCAS) administration of 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), for the 2013-2014 and 2014-2015 (to date) award years. The institution's final response was received on February 19, 2015.

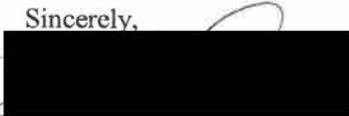
The School Participation Team – Kansas City has reviewed FCCAS's response to the Program Review Report. A copy of the program review report (and related attachments) FCCAS's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by FCCAS upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, 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 FPRD is issued.

FCCAS's response has resolved all findings. In addition, FCCAS has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, FCCAS may consider the program review closed with no further action required.

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

If you have any questions please call Bridget Johnston at (816) 268-0417.

Sincerely,


Ralph LoBosco
Division Director

Enclosure: Program Review Report (with attachments)
FCCAS Response to the Program Review Report

cc: Darla Bates, Financial Aid Administrator
Tennessee State Board of Cosmetology
National Accrediting Commission of Career Arts and Sciences

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
School Participation Division – Kansas City
1010 Walnut Street, Suite 336, Kansas City, MO 64106
StudentAid.gov

Prepared for

Fayetteville College of Cosmetology Arts & Sciences

OPE ID: 02595000

PRCN: 201510728870

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division – Kansas City

Final Program Review Determination
April 15, 2015

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A. Institutional Information

Fayetteville College of Cosmetology Arts & Sciences
201 West College Street
Fayetteville, TN 37334-2909
Type: For-Profit

Highest Level of Offering: Certificate

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 49 (2014-2015)

% of Students Receiving Title IV: 97.9%

Title IV Participation (Postsecondary Education Participants System)

	<u>2012-2013</u>
Federal Pell Grant	\$239,454
Federal Direct Loan (DL)	\$236,446

Default Rate DL:	2011	19.1%
	2010	37.8%
	2009	11.1%

B. Scope of Review

The U.S. Department of Education (the Department) conducted an off-site program review at Fayetteville College of Cosmetology Arts & Sciences (FCCAS) the week of December 1, 2014. The review was conducted by Bridget Johnston.

The focus of the review was the institution's compliance with federal regulations, specifically in regards to FCCAS's short term programs during the 2013-2014 and 2014-2015 (to date) award years. The review consisted of an examination of FCCAS's disbursement records for the time period indicated, individual student financial aid and academic files, attendance records, and student account cards. A program review report was issued on January 21, 2015.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning FCCAS's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve FCCAS of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Finding

FCCAS has taken the corrective actions necessary to resolve finding 2 of the program review report. Therefore, this finding may be considered closed.

Resolved Finding with Comments

The following program review finding has been resolved by the institution, and may be considered closed. This finding is included solely for the purpose of discussing resolution of the finding.

Finding 1. Ineligible Program

Citation: An eligible program provided by a proprietary institution of higher education or postsecondary vocational institution—

- *For purposes of the Direct Loan programs only, must—*
 - *Require a minimum of 10 weeks of instruction, beginning on the first day of classes and ending on the last day of classes or examinations;*
 - *Be at least 300 clock hours but less than 600 clock hours;*

- *Provide undergraduate training that prepares a student for gainful employment in a recognized occupation as provided under § 668.6;*
 - *Admit as regular students some persons who have not completed the equivalent of an associate degree; and*
 - *Satisfy the requirements of 34 C.F.R. § 668.8(e).*
- 34 C.F.R. § 668.8(d)(3)*
- *An educational program that satisfies the requirements of paragraphs of this section qualifies as an eligible program only if—*
 - *The program has a substantiated completion rate of at least 70 percent;*
 - *The program has a substantiated placement rate of at least 70 percent;*
 - *The number of clock hours provided in the program does not exceed by more than 50 percent the minimum number of clock hours required for training in the recognized occupation for which the program prepares students, as established by the State in which the program is offered, if the State has established such a requirement, or as established by any Federal agency; and*
 - *The program has been in existence for at least one year. The Secretary considers an educational program to have been in existence for at least one year only if an institution has been legally authorized to provide, and has continuously provided, the program during the 12 months (except for normal vacation periods and, at the discretion of the Secretary, periods when the institution closes due to a natural disaster that directly affects the institution or the institution's students) preceding the date on which the institution applied for eligibility for that program.*
 - *An institution shall substantiate the calculation of its completion and placement rates by having the certified public accountant who prepares its audit report required under § 668.23 report on the institution's calculation based on performing an attestation engagement in accordance with the Statements on Standards for Attestation Engagements of the American Institute of Certified Public Accountants (AICPA).*

See 34 C.F.R. § 668.8(e)

Noncompliance Summary: *FCCAS failed to notify the Department that its 2012 and 2013 annual compliance audits reported placement rates that did not meet the minimum standards established in federal regulations for the institution's short-term Teacher Training program, and continued to award Title IV, HEA program funds to students enrolled in the program. The 2012 audit reported a placement rate of 0% for the short-term program, while the 2013 audit reported a placement rate of 50%.*

The Department informed FCCAS of its noncompliance on 10/29/2014. The notification also instructed FCCAS to immediately cease from awarding and disbursing any Title IV, HEA program funds to students enrolled in the program.

Required Action Summary: *FCCAS was required to provide written assurances that it will not award any Title IV, HEA program funds to students enrolled in the institution's Teacher Training program until the institution's annual compliance audit reflects graduation and placement rates that meet the minimum standards, as required by federal regulations. At that time, FCCAS may apply to have the program reapproved by the Department.*

FCCAS was also required to devise and implement policies and procedures to ensure that, in the future, completion and placement rates for short term programs are annually monitored by staff for compliance with federal regulations. A copy of the updated policies and procedures, as well as assurances from FCCAS that no Title IV, HEA program funds will be awarded until the program is reapproved by the Department, were required to accompany the institution's response to this report.

FCCAS Response: In its response, FCCAS provided assurances that it had ceased awarding aid for the impacted program once the school received notification from the Department. In addition, the school provided assurances that it would not award aid to students enrolled in the program until the program is reapproved by the Department. The institution also provided updated policies and procedures, as well as a corrective action plan.

Final Determination: The Department's determination of noncompliance is sustained. FCCAS failed to notify the Department that its 2012 and 2013 annual compliance audits reported placement rates that did not meet the minimum standards established in federal regulations for the institution's short-term Teacher Training program, and continued to award Title IV, HEA program funds to students enrolled in the program. As a result of this noncompliance, four students were awarded and disbursed aid while enrolled in the ineligible program.

Student #1: This student was enrolled in the Teacher Training program during the 2013-2014 award year and had a total of \$1,750 in Title IV, HEA Subsidized Loan funds and \$3,000 in Title IV, HEA Unsubsidized Loan funds disburse to their account.

Student #2: This student was enrolled in the Teacher Training program during the 2013-2014 award year and had a total of \$1,750 in Title IV, HEA Subsidized Loan funds and \$3,000 in Title IV, HEA Unsubsidized Loan funds disburse to their account.

Student #3: This student was enrolled in the Teacher Training program during the 2013-2014 award year and had a total of \$1,750 in Title IV, HEA Subsidized Loan funds and \$3,000 in Title IV, HEA Unsubsidized Loan funds disburse to their account.

Student #4: This student was enrolled in the Teacher Training program during the 2014-2015 award year and had a total of \$1,750 in Title IV, HEA Subsidized Loan funds and \$3,000 in Title IV, HEA Unsubsidized Loan funds disburse to their account.

As a result, FCCAS disbursed \$12,000.00 in Title IV, HEA Unsubsidized Loan funds and \$7,000.00 in Title IV, HEA Subsidized Loan funds to the four students enrolled in the ineligible program. The Department utilized the estimated actual loss formula (EAL) to determine the liability that has resulted, or will result from the ineligible loan disbursements. The EAL formula is based on the most recent sector default rate available for institutions such as FCCAS. The estimated actual loss calculation resulted in an established liability of \$473.00 (\$473.03, *rounded*). Since the total liability amount owed to the Department is minimal, a receivable is not being established with the Department's Accounts Receivable Group and no additional actions are required from FCCAS at this time. However, FCCAS is reminded that it remains responsible for ensuring that it has corrected its procedures so that this type of finding does not recur.

Prepared for

Fayetteville College of Cosmetology Arts & Sciences

OPE ID: 02595000

PRCN: 201510728870

Prepared by:

U.S. Department of Education

Federal Student Aid

School Participation Division – Kansas City

Program Review Report

January 21, 2015

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A. Institutional Information

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B. Scope of Review

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The focus of the review was the institution's compliance with federal regulations, specifically in regards to FCCAS's short term programs during the 2013-2014 and 2014-2015 (to date) award years. The review consisted of an examination of FCCAS's disbursement records for the time period indicated, individual student financial aid and academic files, attendance records, and student account cards.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning FCCAS's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve FCCAS of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. The findings of noncompliance are referenced to the applicable statutes and regulations and specifies the actions to be taken by FCCAS to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Ineligible Program

Citation: An eligible program provided by a proprietary institution of higher education or postsecondary vocational institution—

- For purposes of the Direct Loan programs only, must—
 - Require a minimum of 10 weeks of instruction, beginning on the first day of classes and ending on the last day of classes or examinations;
 - Be at least 300 clock hours but less than 600 clock hours;
 - Provide undergraduate training that prepares a student for gainful employment in a recognized occupation as provided under § 668.6;
 - Admit as regular students some persons who have not completed the equivalent of an associate degree; and
 - Satisfy the requirements of 34 C.F.R. § 668.8(e).
- 34 C.F.R. § 668.8(d)(3)*
- An educational program that satisfies the requirements of paragraphs of this section qualifies as an eligible program only if—
 - The program has a substantiated completion rate of at least 70 percent;
 - The program has a substantiated placement rate of at least 70 percent;
 - The number of clock hours provided in the program does not exceed by more than 50 percent the minimum number of clock hours required for training in the recognized occupation for which the program prepares students, as established by the State in which the program is offered, if the State has established such a requirement, or as established by any Federal agency; and
 - The program has been in existence for at least one year. The Secretary considers an educational program to have been in existence for at least one year only if an institution has been legally authorized to provide, and has continuously provided, the program during the 12 months (except for normal vacation periods and, at the discretion of the Secretary, periods when the institution closes due to a natural disaster that directly affects the institution or the institution's students) preceding the date on which the institution applied for eligibility for that program.
 - An institution shall substantiate the calculation of its completion and placement rates by having the certified public accountant who prepares its audit report required under § 668.23 report on the institution's calculation based on performing an attestation

engagement in accordance with the Statements on Standards for Attestation Engagements of the American Institute of Certified Public Accountants (AICPA).
See 34 C.F.R. § 668.8(e)

Noncompliance: FCCAS failed to notify the Department that its 2012 and 2013 annual compliance audits reported placement rates that did not meet the minimum standards established in federal regulations for the institution's short-term Teacher Training program, and continued to award Title IV, HEA program funds to students enrolled in the program. The 2012 audit reported a placement rate of 0% for the short-term program, while the 2013 audit reported a placement rate of 50%.

The Department informed FCCAS of its noncompliance on 10/29/2014. The notification also instructed FCCAS to immediately cease from awarding and disbursing any Title IV, HEA program funds to students enrolled in the program.

Required Action: FCCAS must provide written assurances that it will not award any Title IV, HEA program funds to students enrolled in the institution's Teacher Training program until the institution's annual compliance audit reflects graduation and placement rates that meet the minimum standards, as required by federal regulations. At that time, FCCAS may apply to have the program reapproved by the Department.

FCCAS must also devise and implement policies and procedures to ensure that, in the future, completion and placement rates for short term programs are annually monitored by staff for compliance with federal regulations. A copy of the updated policies and procedures, as well as assurances from FCCAS that no Title IV, HEA program funds will be awarded until the program is reapproved by the Department, must accompany the institution's response to this report.

Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not repay any funds owed to the Department until the FPRD is issued.

Finding 2. Incorrect Loan Periods

Citation: Federal regulations state the period of enrollment is the period for which a Federal Direct Subsidized, Federal Direct Unsubsidized, or Federal Direct PLUS Loan is intended. The period of enrollment must coincide with one or more bona fide academic terms established by the school for which institutional charges are generally assessed (e.g., an academic year; or the length of the program of student in weeks of instructional time). The period of enrollment is also referred to as the loan period. *See 34 C.F.R. § 685.102(b)*

Noncompliance: FCCAS incorrectly certified the loan periods on students' loan origination records for the students listed below.

Student #2: FCCAS incorrectly certified a loan period of 11/05/2013-05/05/2014 for this student's Title IV, HEA Subsidized and Unsubsidized Loans. Based on the student's timesheet, the student's loan period should have been 11/05/2013-05/28/2014; the date student completed the program.

Student #3: FCCAS incorrectly certified a loan period of 02/04/2014-08/04/2014 for this student's Title IV, HEA Subsidized and Unsubsidized Loans. Based on the student's timesheet, the student's loan period should have been 02/04/2014-10/03/2014; the date student completed the program.

Student #4: FCCAS incorrectly certified a loan period of 03/04/2014-09/06/2014 for this student's Title IV, HEA Subsidized and Unsubsidized Loans. Based on the academic term dates listed on the student's transcript, the student's loan period should have been 03/04/2014-10/03/2014; the date student completed the program.

Required Action: FCCAS must revise all loan periods for the impacted students listed in Appendix A and provide documentation of the updates. In addition, FCCAS must review all loan periods for all students who received loans during the 2013-2014 and 2014-2015 (to date) award years. Any incorrect loan periods must be updated in COD and NSLDS.

Lastly, FCCAS must devise and implement policies and procedures that will ensure that, in the future, Title IV, HEA Subsidized and Unsubsidized Loan funds will be appropriately certified with the correct loan periods, and that all loan periods will be updated to reflect a student's actual enrollment.

A discussion of the results of FCCAS's review of its 2013-2014 and 2014-2015 (to date) loan periods, including affirmations that it has been completed and all required updates have been made, as well as updated policies and procedures and documentation of the updated loan periods for all students listed in Appendix A, must accompany FCCAS's response to this report.