

March 22, 2013

Ms. Karla Fickens, President
Frederick School of Cosmetology
403 South Jefferson Street
Frederick, MD 21701

**UPS Overnight Mail Tracking #
1Z A54 67Y 01 9488 9314**

RE: Final Program Review Determination
OPEID: **04139700**
PRCN: **201140327695**

Dear Ms. Fickens:

The U.S. Department of Education's (Department's) School Participation Team – Philadelphia issued a program review report on August 23, 2012 covering Frederick's administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2009-2010 and 2010-2011 award years. Frederick's final response was received on October 17, 2012. A copy of the program review report (and related attachments) and Frederick's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Frederick 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.

Purpose:

The purpose of this letter is to inform Frederick of the final determinations made by the Department concerning all of the outstanding findings of the program review report.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. The appendix was encrypted and sent separately to the institution via e-mail.

Record Retention:

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

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Kenneth Porter at 202-377-4060.

Sincerely,



Nancy Paula Gifford
Director
Philadelphia School Participation Division

Enclosure: Program Review Report (with attachments)
Frederick School of Cosmetology Response to the Program Review Report

cc: Mr. Richard Linton, Financial Aid Director
Maryland Higher Education Commission
National Accrediting Commission of Cosmetology Arts and Sciences

**Prepared for
Frederick School of Cosmetology**

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the AMERICAN VET

**OPE ID: 04139700
PRCN: 201140327695**

**Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division -Philadelphia**

Final Program Review Determination March 22, 2013

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A. Institutional Information

Frederick School of Cosmetology
403 South Jefferson Street
Frederick, MD 21701

Type: Propriety

Highest Level of Offering: Non Degree 1 Year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 14

% of Students Receiving Title IV, HEA funds: (2011-2012) 71%

Title IV Participation (2009-2010)

Federal Pell Grant (Pell)	\$63,197.00
Federal Direct Loan Program (FDLP)	<u>\$112,373.00</u>
Total:	\$175,570.00

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Frederick School of Cosmetology's (Frederick) from August 22, 2011 to August 26, 2011. The review was conducted by Mr. Kenneth Porter, Ms. Alekia Campbell and Mr. Peter Brennan.

The focus of the review was to determine Frederick's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Frederick's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Frederick'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 Frederick 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 Findings

Finding(s) #1 and 3

Frederick has taken the corrective actions necessary to resolve findings # 1 and # 3 of the program review report. Therefore, these findings may be considered closed. The institution's responses concerning these findings are included in Appendix D.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Frederick's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on August 23, 2012 is attached as Appendix C.

Finding # 2: Inaccurate Loan Origination Information Reported to COD

Citation:

A school participating in the Direct Loan Program must ensure that any information it provides to the Department in connection with loan origination is complete and accurate. Additionally, an institution must provide to the Department borrower information that includes, but is not limited to;

- (1) The borrower's eligibility for a loan;*
- (2) The student's loan amount; and*
- (3) The anticipated and actual disbursement dates and disbursement amounts of the loan proceeds. 34 C.F.R. §685.301(a)(1) and (2)*

An actual disbursement of Title IV funds occurs on the date, which the school credits a student's account at the institution or pays a student or parent directly with:

- (1) Funds received from the Department;*
- (2) Funds received from a lender under the FFEL Programs; or*
- (3) Institutional funds used in advance of receiving title IV, HEA program funds. 34 C.F.R. § 668.164 (a)(1)*

Noncompliance Summary:

Frederick inaccurately reported 26 actual loan disbursement dates in COD for 13 students in the review sample. The inaccurate disbursement dates ranged from 1 day to 143 days earlier than the date the Title IV funds were actually disbursed to the students' accounts.

Interest on Direct Loans disbursement begins to accrue on disbursement date report to NSLDS and COD by the institution. Misreporting disbursement dates before the Title IV loan funds are actually disbursed to the student account may cause undue additional interest charges for the Department, the student, or the parent borrower.

Required Action Summary:

The Department required Frederick to conduct a file review of all students who received Federal Direct Loans in 2009-2010 and 2010-2011, in order to determine if the loan disbursement dates Frederick reported to COD for those students were accurate. For each student who received Federal Direct Loans during those award years, the

Department required Frederick to submit a spreadsheet summarizing the results of its file review.

Finally, the Department required Frederick to review its policies and procedures related to the disbursement of Title IV loan funds to ensure that they are sufficient to prevent a recurrence of this finding. The Department required Frederick to submit a copy of any revisions with its response to the program review report.

Frederick's Response Summary:

In its written response, dated October 17, 2012, Frederick submitted the results of the file review for all of the Direct Loan disbursements made by the school during the 2009-2010 and 2010-2011 award years. In addition, Frederick detailed, revisions it made to its policies and procedures to ensure the accuracy of Direct Loan disbursement information reported to COD.

Final Determination:

Based on an analysis of the file review information submitted by Frederick, the Department determined that Frederick inaccurately reported 54 actual disbursement dates to COD for 17 students during the 2009-2010 award year. Frederick inaccurately reported 49 actual disbursement dates to COD for 16 students during the 2010-2011 award year. The inaccurate disbursement date ranged from 1 day to 143 days earlier than the date the Title IV funds were actually disbursed to the students' accounts. By misreporting the disbursement dates, Frederick caused unwarranted interest charges for the student, the parent borrower and the Department.

Frederick must correct the disbursement dates in the COD system. The disbursement record for each student identified in the Appendix B must be adjusted in COD based on the actual disbursement dates to each student's account provided as part of the institution's response to the program review report. A copy of the adjustment to each student's COD record must be sent to Kenneth Porter within 45 days of the date of this letter.

Because COD adjustments are necessary for closed award years, Frederick must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.

- The institution will be notified of the status of the request at the time of submission, and an email notification will be sent to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

Appendix A: Student Sample, contain personally identifiable information and will be emailed to **Frederick School of Cosmetology** as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendix B: - Student Sample to the Final Program Review Determination (File Review Results), contain personally identifiable information and will be emailed to **Frederick School of Cosmetology** as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Frederick School of Cosmetology

OPE ID 04139700

PRCN 201140327695

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Appendix C: Program Review Report

August 23, 2012

Ms. Karla Ficken, President
Frederick School of Cosmetology
403 South Jefferson Street
Frederick, MD 21701

UPS Overnight Mail Tracking #
1Z A54 67Y 01 9625 0286

RE: Program Review Report
OPEID: 04139700
PRCN: 201140327695

Dear Ms. Ficken:

From August 22, 2011 through August 26, 2011, Mr. Kenneth Porter Ms. Alekia Campbell and Mr. Peter Brennan conducted a review of Frederick'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). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by Frederick. The response should include a brief, written narrative for each finding that clearly states Frederick's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Frederick must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A (b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

United States Department of Education
400 Maryland Street, NE
Washington, DC 20002-4200
www.ed.gov
www.FSEAP.org

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response will not be attached to the FPRD. However, it will be retained and available for inspection by Frederick upon request. Copies of the program review report, 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 the FPRD is issued.

The institution's response should be sent directly to Mr. Kenneth Porter of this office within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual that can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Mr. Kenneth Porter at 202-377-0460 or kenneth.porter@ed.gov.

Sincerely,

(b)(6)

John S. Loreng
Team Leader

cc: Mr. Richard Linton, Financial Aid Director

Enclosures: *Protection of Personally Identifiable Information*
Program Review Report

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.



START HERE
GO FURTHER
FEDERAL STUDENT AID

Prepared for
Frederick School of
Cosmetology

OPE ID 04139700
PRCN 201140327695

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division - Philadelphia

Program Review Report

August 23, 2012

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A. Institutional Information

Frederick School of Cosmetology
403 South Jefferson Street
Frederick, MD 21701

Type: Propriety

Highest Level of Offering: Non Degree-1 year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and
Sciences

Current Student Enrollment: 14 (2010-2011)

% of Students Receiving Title IV: 71% (2010-2011)

Title IV Participation (2009-2010, per PCNet)

Title IV Participation: 2009-2010

Federal Pell Grant (Pell)	\$63,197.00
Federal Direct Loan Program (FDLP)	<u>\$112,373.00</u>
Total:	\$175,570.00

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Frederick from August 22, 2011 to August 26, 2011. The review was conducted by Kenneth Porter, Alekia Campbell and Peter Brennan.

The focus of the review was to determine Frederick School of Cosmetology's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Frederick's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files were identified for review from the 2009-2010 and 2010-2011 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Frederick'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 Frederick 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. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Frederick to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding #1: Untimely Enrollment Status Reporting

Citation:

Upon receipt of an enrollment status report, an institution must complete and return that report within 30 days of receipt. And, unless an institution expects to submit its next

enrollment status report within the next 60 days, it must notify the guaranty agency or lender within 30 days whenever:

- (1) a Stafford or PLUS loan has been made to, or on behalf of, a student who enrolled at that school, but who has ceased to be enrolled at least a half-time;
- (2) a Stafford or PLUS loan has been made to, or on behalf of, a student who has been accepted for enrollment at that school, but who failed to enroll at least a half-time for the period for which the loan was intended;
- (3) a Stafford or PLUS loan has been made to, or on behalf of, a full-time student who has ceased to be enrolled full-time; or
- (4) an enrolled student who is a Stafford loan recipient has changed his or her permanent address. 34 CFR 682.610 (c).

Student enrollment information is extremely important, because it determines if the student should maintain "in school" status, move into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. An institution must report changes in the student's enrollment status, the effective date of the status, and anticipated completion date.

NSLDS sends roster files electronically through a school's SAIG mailbox that contain all of the school's students who are identified in NSLDS as Stafford loan borrowers or PLUS loan beneficiaries. The institution, or its servicer, must certify the information and return the file within 30 days of receiving it; or, it may update the information on the NSLDS website. Additionally, an institution must report changes in enrollment to less than half-time, graduated, or withdrawn within 30 days. However, if a school expects a roster file within 60 days, it may provide the data on that roster file.

Noncompliance:

Eight of the 15 files reviewed contained data that was received by NSLDS more than 60 days after the effective date of the change. The chart below provides additional details regarding the actual timeline for reporting the eight instances.

Student#	Change Date	Withdrawal Date	Date of Determination	Date Certified	File Received by NSLDS	# of Days Late
1	01/15/2010	N/A	N/A	07/15/2010	07/15/2010	131
5	04/07/2009	N/A	N/A	07/15/2010	07/15/2010	404
6	1/20/2011	N/A	N/A	04/21/2011	04/25/2011	31
8	08/04/2009	N/A	N/A	11/11/2010	11/11/2010	404

9	12/21/2010	N/A	N/A	06/20/2010	06/21/2010	122
10	12/21/2010	N/A	N/A	04/21/2011	04/25/2011	65
14	04/07/2009	N/A	N/A	07/15/2010	07/15/2010	404
15	4/26/2011	N/A	N/A	08/10/2011	08/11/2011	47
17	N/A	03/19/2011	03/25/2011	06/20/2011	06/21/2011	34

A school's failure to submit enrollment status reports in a timely manner may cause additional expenses for the Department or students.

Required Action:

Frederick must revise its policy and procedures to ensure that students' enrollment status are reported in a timely matter to NSLDS. Frederick must submit a copy of its revised policy and procedures with its response to this Program Review Report.

Finding #2: Inaccurate Loan Origination Information Reported to COD

Citation:

A school participating in the Direct Loan Program must ensure that any information it provides to the Department in connection with loan origination is complete and accurate. Additionally, an institution must provide to the Department borrower information that includes, but is not limited to:

- (1) The borrower's eligibility for a loan;
- (2) The student's loan amount; and
- (3) The anticipated and actual disbursement dates and disbursement amounts of the loan proceeds. 34 C.F.R. §685.301(a)(1) and (2)

An actual disbursement of Title IV funds occurs on the date, which the school credits a student's account at the institution or pays a student or parent directly with:

- (1) Funds received from the Department;
- (2) Funds received from a lender under the FFEL Programs; or
- (3) Institutional funds used in advance of receiving title IV, JFA program funds. 34 C.F.R. § 668.164 (a)(1)

Noncompliance:

Frederick inaccurately reported 26 loan disbursement dates in NSLDS and COD for 13 students in the review sample. The inaccurate disbursement dates ranged from 1 to 143 days earlier than the date the Title IV funds were actually disbursed to the students' accounts.

The chart below compares the actual disbursement dates recorded on the students' account ledger and the corresponding disbursement date that Frederick reported to the Common Origination and Disbursement (COD) system, as displayed in NSLDS.

	Loan Disbursement		Disbursement Date		# of Days Difference
	Type	Net Amount	COD/ NSLDS	Student Ledger	
#6	Unsubsidized Direct Loan	\$2,985	12/03/2009	12/13/09	10
	Subsidized Direct Loan	\$1,742	12/03/2009	12/13/09	10
#7	Unsubsidized Direct Loan	\$995	11/02/2010	11/26/2010	24
	Subsidized Direct Loan	\$1,742	11/02/2010	11/26/2010	24
#8	Unsubsidized Direct Loan	\$1,000	11/18/2010	12/29/2010	41
	Subsidized Direct Loan	\$1,742	11/18/2010	12/29/2010	41
#9	Unsubsidized Direct Loan	\$2,985	11/06/2009	12/03/2009	27
	Subsidized Direct Loan	\$1,742	11/06/2009	12/03/2009	27
#8	Unsubsidized Direct Loan	\$2,985	11/06/2009	11/19/2009	13
	Subsidized Direct Loan	\$1,742	11/06/2009	11/19/2009	13
#11	Subsidized Direct Loan	\$133	8/08/2009	12/29/2009	143
#12	Unsubsidized Direct Loan	\$2,985	9/04/2009	11/19/2009	76
	Subsidized Direct Loan	\$1,742	9/04/2009	11/19/2009	76
	Unsubsidized Direct Loan	\$2,985	1/22/2010	1/25/2010	3
	Subsidized Direct Loan	\$1,742	1/22/2010	1/25/2010	3
#15	Unsubsidized Direct Loan	\$2,985	1/22/2010	1/25/2010	3
	Subsidized Direct Loan	\$1,742	1/22/2010	1/25/2010	3
#20	Unsubsidized Direct Loan	\$2,985	6/15/2011	6/29/2011	14
	Subsidized Direct Loan	\$1,742	6/15/2011	6/29/2011	14
#22	Subsidized Direct Loan	\$1,742	4/19/2011	4/26/2011	7
#24	Unsubsidized Direct Loan	\$1,990	12/07/2010	12/17/2010	10
	Subsidized Direct Loan	\$1,493	12/07/2010	12/17/2010	10
#25	Unsubsidized Direct Loan	\$2,167	6/15/2011	6/29/2011	14
	Unsubsidized Direct Loan	\$2,166	7/22/2011	7/25/2011	3
#30	Unsubsidized Direct Loan	\$995	3/14/2011	3/17/2011	3
	Subsidized Direct Loan	\$1,742	3/14/2011	3/17/2011	3

Interest on Direct Loans disbursement begins to accrue on disbursement date report to NSLDS and COD by the institution. Misreporting disbursement dates before the Title IV loan funds are actually disbursed to the student account may cause undue additional interest charges for the Department, the student, or the parent borrower.

Required Action:

Frederick must conduct a file review of all students who received Federal Direct Loans in 2009-2010 and 2010-2011

For each student who received Federal Direct Loans during those award years, Frederick must provide a spreadsheet with the following information:

1. Student's first name;
2. Student's last name;
3. Student's social security number;
4. Loans received.
5. Award year;
6. Loan type;
7. Loan period;
8. Disbursement amount and disbursement date of each disbursement from COD or NSLDS, and
9. Disbursement amount and disbursement date of each disbursement from student account ledger and .
10. Enrollment Status for each student

Finally, Frederick must review its policies and procedures related to the disbursement of Title IV loan funds to ensure that they are sufficient to prevent a recurrence of this finding. Frederick must submit a copy of any revisions with its response to the program review report.

Finding #3: Early Loan Disbursement

Citation:

An institution may not release the first disbursement of a Stafford loan to a student, who is enrolled in the first year of an undergraduate program of study and has not previously received a Direct Subsidized or Direct Unsubsidized loan until 30 days after the first day of the student's program of study. 34 C.F.R. § 682.604(c)(5).

Noncompliance:

Frederick disbursed Title IV loan funds to student #22 prior to the student completing the first 30 days of the program. Per the enrollment agreement signed by the student, the student's start day in the cosmetology program was April 5, 2011; however, according to the student's ledger statement, the school disbursed Direct Subsidized Loan funds to the student on April 26, 2011 only 22 days after the student started the program.

A school's failure to delay the first disbursement for 30 days may cause a student to incur unnecessary debt.

Required Action:

Frederick must review its policies and procedures related to the disbursement of Title IV loan funds to students enrolled in the first year of an undergraduate program to ensure that they are sufficient to prevent a recurrence of this finding. Frederick must submit a copy of any revisions with its response to the program review report.

**Appendix D: Institution's Written Response to the Program Review Report Dated
October 17, 2012**



403 S. Jefferson Street, Frederick, MD 21701
Tel. (301) 668-2900 FAX (301) 668-5051
www.frederickschoolofcosmetology.edu

October 17, 2012

Mr. Kenneth Porter
US Department of Education
Federal Student Aid School Participation Division - Philadelphia
830 First Street NE
Washington, DC 20202-5402

RE: Program Review Report - Requested school response
OPEID: 04139700
PRCN: 201140327695

Dear Mr. Porter:

The purpose of my letter is to respond to your letter dated August 23, 2012 concerning the findings from the school's program review that was conducted from August 22, 2011 to August 26, 2011. Listed below is the information you have requested in the order as it appears in your letter:

Background information: Regretfully, in April 2010 the school changed third party processors from Financial Aid Services, Inc. to FAME, Inc. The move did not go very smoothly and as a result of the problems associated with changing third party processors the school took corrective action by canceling their contract with FAME, Inc. in September 2010 and resumed third party servicing with Financial Aid Services, Inc.

Finding #1: Untimely Enrollment Status Reporting

Financial Aid Services, Inc. reporting method for the SSCR report is less complicated and very easy to do in a timely manner. The procedure is as follows:

The school is required to submit a SSCR report every other month (on the even months). Financial Aid Servicers will receive the school's enrollment roster from NSLDS at the beginning of the month and transmit it to the school via FASLine (Financial Aid Servicers' software). The school will see the button light up in FASLine when it's available. In red lettering it will say SSCR Due By xx/xx/xxxx. The school is required to go into the SSCR and confirm or update each student's status. It is the school's responsibility to ensure that statuses are updated correctly based on the student's current enrollment status. Once all students are updated, the file will come back to Financial Aid Servicers who will then transmit it back to NSLDS via EDConnect. Any error reports received are sent back to the school via FASLine for correction.

Finding #2: Inaccurate Loan Origination Information Reported to COD:

The school discussed disbursement date regulations with third party servicer and both are now on the same page as to which date should be recorded as the disbursement date on student ledgers and on COD. The date in which the student appears on a roster (roster date) will be used to determine student eligibility. This date will be used when recording disbursement on the student ledger and will be the date reported to COD.

Required Action: Enclosed are the two spreadsheets for Federal Direct Loans for 2009-2010 and 2010-2011. These spreadsheets contain the information you requested and I have included reports from COD for 2009-2010 and 2010-2011. According to the COD Actual Disbursement Roster for both award years the total net disbursements from COD agree with the total disbursements the school received that is posted to each student's account ledgers.

Finding #3: Early Loan Disbursement

The student changed her original start date from March 1, 2011 to April 5, 2011. On the student's certified loan document the loan period was from 3/1/2011 to 10/1/2011. July 2012 Financial Aid Services launched a new on-line system which includes verifying direct loan eligibility disbursements before any loans can be disbursed. The school will verify student start dates for all first disbursements to ensure that the student has been attending for at least 30 days before accepting the disbursements for payment, ensure that the students have earned the correct amount of hours for the 450, 900 and 1200 hour loan disbursements, and monitoring satisfactory academic progress.

Corrective Action: Frederick School of Cosmetology will continue to attend yearly financial aid seminars and will continue to work closely with Financial Aid Servicers, Inc., the school's third party processor to ensure that the school policies and procedures are in compliance with all federal statutes and regulations in regards to processing Title IV financial aid.

In closing, we would like to thank you, Ms. Campbell and Mr. Brennan for the information and assistance you have provided our school during the Program Review. Please know, I value, respect and understand the purpose and importance of the Program Review. I will sincerely try to the best of my ability to put procedures in place so that the above mistakes do not happen again. If you have any questions concerning this matter please contact me at 301-668-2900 or kficken@frederickschoolofcosmetology.com.

Sincerely,



Karla Ficken
Director of Administration

cc: Mr. Richard Linton, Financial Aid Director

Enclosures: Student Direct Loan Award Year 2009-2010
Student Direct Loan Award Year 2010-2011
COD Actual Disbursement Roster 2009-2010
COD Actual Disbursement Roster 2010-2011