



January 30, 2015

Julie Klitzke  
President  
Panache Academy of Beauty  
Baraboo, WI 53913

Certified Mail Return Receipt Requested  
Domestic Return Receipt  
7012 1640 0000 0216 1504

RE: **Final Program Review Determination**  
OPE ID: 04202800  
PRCN: 201440528723

Dear Ms. Klitzke:

The U.S. Department of Education's (Department's) Chicago/Denver- School Participation Division issued a program review report on October 27, 2014 covering Panache Academy of Beauty's (PAB) 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 2012-2013 and 2013- 2014 award years. The institution's final response was received on November 21, 2014.

The Chicago/Denver-School Participation Division has reviewed PAB's response(s) to the Program Review Report. A copy of the program review report (and related attachments) and PAB's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by PAB 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.

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

The Program Review Report included a finding concerning Return of Title IV Calculation Errors. Based on the response submitted by PAB, the Chicago/Denver-School Participation Division has determined that the finding for finding #1, should not have been included in the Program Review Report. PAB provided a copy of the student's attendance record and R2T4 calculation for student #4. PAB did not use the incorrect LDA to calculate the student's R2T4. Based off this information the R2T4 was calculated correctly.

Panache Academy of Beauty

OPE ID 04202800

PRCN 201440528723

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) 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 Erica Haynes at 312-730-1470.

Sincerely,

(b)(6)

Douglas Parrott  
Division Director

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

cc: Rebecca J. Cone, Financial Aid Administrator  
Wisconsin Department of Regulation and Licensing  
National Accrediting Commission of Career Arts and Science  
Department of Defense  
Department of Veterans Affairs  
Consumer Financial Protection Bureau



October 09, 2014

Ms. Julie Klitzke  
Panache Academy of Beauty  
1120 Zap Drive  
Lake Delton, WI 53940-9700

Certified Mail  
Return Receipt Requested  
7012164000002164710

RE: Program Review Report  
OPE ID: 04202800  
PRCN: 2014 4 05 28723

Dear Ms. Klitzke:

From July 22, 2014 through July 24, 2014, Erica Haynes and Nicholas Koulermos conducted a review of Panache Academy of Beauty's (PAB) 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 PAB. The response should include a brief, written narrative for each finding that clearly states PAB's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, PAB 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 report<sup>1</sup> 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.

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written

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

response will not be attached to the FPRD. However, it will be retained and available for inspection by PAB 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 Erica Haynes of this office within 30 calendar days of receipt of this letter.

**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, the finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample.

**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).

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 Erica Haynes at 312.730.1470 or Erica.Haynes@ed.gov

Sincerely,

(b)(6)

Dr. Brenda Yette  
Compliance Manager

cc: Rebecca Cone Financial Aid Administrator

**Enclosure:**

Program Review Report (and appendices)  
Protection of Personally Identifiable Information

Prepared for

Panache Academy of  
Beauty

Federal Student  
Aid

PROUD SPONSOR of  
the AMERICAN MIND™

OPE ID 04202800  
PRCN 201440528723

Prepared by  
U.S. Department of Education  
Federal Student Aid  
School Participation Division-Chicago/Denver

## Program Review Report

October 09, 2014

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**A. Institutional Information**

Panache Academy of Beauty  
1120 Zap Drive  
Lake Delton, WI 53940-9700

Type: Proprietary

Highest Level of Offering: Non-Degree Two Year

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 40 (2013)

% of Students Receiving Title IV: 97.5% (2013)

Title IV Participation Postsecondary Education Participants System (PEPS):

	<u>2012-2013</u>
William D. Ford Federal Direct Subsidized Stafford Loan	\$169,323.00
William D. Ford Federal Direct Unsubsidized Stafford Loan	\$176,371.00
Federal Pell Grant	\$151,642.00

Default Rate FFEL/DL:	2011	0%
	2010	0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Panache Academy of Beauty (PAB) from July 22, 2014 to July 24, 2014. The review was conducted by Erica Haynes and Nicholas Koulermos.

The focus of the review was to determine PAB'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 PAB'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 2012-2013 and 2013-2014 (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. In addition, 1 replacement file was selected in the 2013-2014 award year to ensure that the sample for each award year included students who received Title IV funding during the award year that was being tested. Appendix A lists the names and partial 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 PAB'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 PAB 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 PAB to bring operations of the financial aid programs into compliance with the statutes and regulations.

### **Finding 1 – Return of Title IV Calculation Errors**

**Citation:** The Student Assistance General Provisions regulations require that if a Title IV recipient withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance the student earned as of the student's withdrawal date. The institution must also return the amount of the refund allocated to the Title IV programs to the appropriate program accounts within 45 days of the date that the student officially withdrew, was expelled or the institution determined that the student had officially withdrawn, or failed to return from leave of absence.

For a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records. An institution is required to take attendance if an outside entity (such as the institution's accrediting agency or a State agency) has a requirement that the institutions take attendance, or the institution itself has a requirement that its instructors take attendance.

Institutions are expected to have procedures to determine when a student's absence is a withdrawal. Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, at an institution that is required to take attendance, we would expect that the date of the institution's determination that the student withdrew would be no later than 14 days after the student's withdrawal date--the last date of academic attendance as determined by the institution from its attendance records

[see 34 C.F.R. § 668.22(e) ]

[see 34 C.F.R. § 668.22(b)(1)and (2)(b)(1) and (3)]

**Noncompliance:** Student # 4's last date of attendance was on February 12, 2013. The institution calculated the date of determination for 14 days greater than the allotted timeframe as March 15, 2013. As a result, the R2T4 was incorrectly calculated with which led to an incorrect under-return of \$1,996 to the department. Using the correct date of determination the R2T4 calculation showed the amount to be returned was \$3,000.51. The institution retained an additional \$1,004.96 in Federal Direct Loan funds to which it was not entitled to.

Student #13's last date of attendance was on June 20, 2013. The institution incorrectly calculated the date of determination 21 days after the student's last date of attendance as July 11, 2013, which is seven days greater than the allotted timeframe. There were no additional errors associated with this incorrect calculation.

**Required Action:** PAB is required to return the funds that it had improperly retained on behalf of Student #4. PAB is required to repay an additional \$1004.96 to the Department for understating the amount of the R2T4.

## **Finding 2- Student Status-Inaccurate/Untimely Reporting**

**Citation:** A participating school shall submit all reports required to the Secretary. A school shall 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 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 enrolled at that school but has ceased to be enrolled on at least a half-time basis.

[see 34 C.F.R. §685.309 (a) (2)]  
[see 34 C.F.R §685.309 (b) (1) and (2)(i)]

**Noncompliance:** As an attendance-taking institution, as discussed in Finding 1, the institution was required to make a determination within 14 days of the student's last date of attendance whether or not the student had withdrawn. If, at 14 days, the institution determined that the student had withdrawn, the institution had 30 days to report the status change to NSLDS, unless its next regular cycle of status reporting was to occur within 60 days.

The review sample contained a total of 22 students who had withdrawn or graduated from the institution and required updated enrollment status reporting to NSLDS. During the review it was determined that PAB was late reporting enrollment changes to NSLDS for 2 of the students who had graduated and/or withdrawn.

Student #7 withdrew on March 14, 2013. The student's status was reported as withdrawn with an effective date of March 14, 2013. However, this status was not reported until June 24, 2013, which is 43 days beyond the 60 days maximum allowed to submit a regularly-scheduled status change report.

Student #13 withdrew on June 20, 2013. The student's status was reported as withdrawn with an effective date of June 20, 2013. However, this status was not reported until August 28, 2013 which is 9 days beyond the 60 days maximum allowed to submit regularly-scheduled status change report.

**Required Action:** All schools that are approved to participate in the FSA programs must have procedure for reporting student enrollment data to NSLDS, either through a Roster File (formerly called the Student Status Confirmation Report or SSCR) or via updates on the web. PAB must immediately implement a policy and procedures to ensure timely reporting of students' status to NSLDS. The new procedure will involve cross-office coordination, between academic offices

and financial aid. The new procedure must address how PAB Financial Aid will ensure timeliness with NSLDS reporting. A copy of the new policy and procedure must be submitted by PAB in response to this report.

### **Finding 3 – Failure to Implement Quality Assurance System**

**Citation:** In the Program Participation Agreement, the school shall promise to comply with the Act and applicable regulations and shall agree to provide for the implementation of a quality assurance system, as established by the Secretary and developed in consultation with the school, to ensure that the school is complying with program requirements and meeting program objectives.

[see 34 C.F.R. §685.300(b) (9)]

**Noncompliance:** Although PAB participates in the Federal Direct Loan program, there was no evidence that the institution has developed a policy or procedure regarding its Direct Loan Quality Assurance methodology. During an interview with PAB Financial Aid Director, the review team asked PAB to describe the institution's process for meeting the Direct Loan Quality Assurance requirements. PAB Financial Aid Director described the system but was unable to provide evidence that a system is in place.

**Required Action:** All schools that participate in the Federal Direct Loan program are required to implement a quality assurance system for Federal Direct Loans. Although PAB staff could answer the inquiry regarding an official policy and procedure, and demonstrated a strong monthly and annual reconciliation process with respect to Direct Loans, there was no documented evidence that the institution has an efficient Federal Direct Loans quality assurance process in place. PAB must immediately develop and implement an official policy and procedures to ensure that the Federal Direct Loan Quality Assurance requirements are met. The policy and procedures should outline the process used by PAB to comply with this requirement. The policy and procedures must be developed cross-functionally to include all required offices in the process. A copy of the policy and procedures must be submitted by PAB in a response to this report.