

# Index Sheet

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Subfolder: Program Review/FPRD

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Rec Date:

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School Year: 2013

ACN:

PRCN: 201130127552

Box ID: 1508

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March 25, 2013

Laura Landino  
President  
Paul Mitchell the School North Haven  
97 Washington Avenue  
North Haven, Connecticut 06473-3108

UPS Tracking No.:  
1Z A54 67Y 02 9316 2661

RE: **Final Program Review Determination**  
OPE ID: 02112700  
PRCN: 201130127552

Dear President Landino:

The U.S. Department of Education's (Department's) School Participation Team – New York/Boston issued a program review report on February 28, 2013 covering Paul Mitchell the School North Haven's (Paul Mitchell) 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 2010-2011 award year. The institution's final response was received on March 21, 2013.

The School Participation Team – New York/Boston has reviewed Paul Mitchell's responses to the Program Review Report. A copy of the program review report (and related attachments) and Paul Mitchell's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Paul Mitchell 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.

Paul Mitchell's responses have resolved all findings. In addition Paul Mitchell has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, Paul Mitchell 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 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 Mark Malboeuf at (617) 289-0140.

**Federal Student Aid**  
AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

John W. McCormack Fed Bldg., 5 Post Off Sq., 9<sup>th</sup> Floor, Suite 950-A  
Boston, MA 02109

Paul Mitchell the School North Haven  
02112700  
2011-301-27552  
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Sincerely,

(b)(6)

Betty Coughlin  
Division Director

Enclosure: Program Review Report (with attachments)  
Paul Mitchell's Response to the Program Review Report

cc: Ms. Varania Willaby, Financial Aid Administrator  
Connecticut Department of Public Health  
National Accrediting Commission of Cosmetology Arts and Sciences



February 28, 2013

Laura Landino  
President  
Paul Mitchell the School North Haven  
97 Washington Avenue  
North Haven, Connecticut 06473-3108

UPS Tracking #:  
1Z A54 67Y 02 9695 2025

RE: **Program Review Report**  
OPE ID: 02112700  
PRCN: 201130127552

Dear President Landino:

From June 13, 2011 through June 16, 2011, Lonny Meloon and Stephen Podeszwa as representatives of the U.S. Department of Education (Department) conducted a review of Paul Mitchell the School North Haven's (Paul Mitchell) 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 Paul Mitchell. The response should include a brief, written narrative for each finding that clearly states Paul Mitchell's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Paul Mitchell 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.

<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).

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New York/Boston School Participation Division  
5 Post Office Square, 9<sup>th</sup> Floor, Suite 950-A, Boston, MA 02109-3921

Paul Mitchell the School North Haven  
OPE ID: 02112700  
PRCN: 201130127552  
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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 response will not be attached to the Final Program Review Determination (FPRD). However, it will be retained and available for inspection by Paul Mitchell 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 Mark Malboeuf 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, appendices that contain personally identifiable information will be emailed to Branford as encrypted WinZip files using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip files will be sent in a separate email.

**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 Mark Malboeuf at (617) 289-0140 or [mark.malboeuf@ed.gov](mailto:mark.malboeuf@ed.gov).

Sincerely,

(b)(6)

Tracy M. Nave  
Compliance Manager

cc: Ms. Varania Willaby, Financial Aid Administrator

Prepared for  
Paul Mitchell the School North Haven



START HERE  
GO FURTHER  
FEDERAL STUDENT AID

OPE ID: 02112700  
PRCN: 201130127522

Prepared by  
U.S. Department of Education  
Federal Student Aid  
School Participation Team - New York/Boston

## Program Review Report

February 28, 2013

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PRCN 201130127552  
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**A. Institutional Information**

Paul Mitchell the School North Haven  
97 Washington Avenue  
North Haven, Connecticut 06473-3108

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year (900-1799 hours)

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 147 (2011)

% of Students Receiving Title IV: 90% (2011)

Title IV Participation: Postsecondary Education Participants System (PEPS)

Award Year: 2010-2011

Pell	\$488,756
FFELP Stafford Subsidized	\$19,250
FFELP Stafford Unsubsidized	\$17,350
FFELP PLUS	\$14,413

FDLP Stafford Subsidized	\$663,512
FDLP Stafford Unsubsidized	\$723,579
FDLP PLUS	\$321,947

Total Funding \$2,248,807

Default Rate FFEL:	2010	6.8%
	2009	6.7%
	2008	8.4%

## **B. Scope of Review**

The U.S. Department of Education (Department) conducted a program review at Paul Mitchell the School North Haven (Paul Mitchell) from June 13, 2011 through June 17, 2011. The review was conducted by Mr. Lonny Meloon and Mr. Stephen Podeszwa.

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

A sample of 15 files was identified for review from the 2010-2011 (year to date) award year. The student files were selected randomly from the list of students who: 1) withdrew or ceased attendance for any reason other than graduation; 2) were selected for verification; and 3) received all non-passing grades ("0" GPA) for any term within the award year being reviewed. Appendix A identifies 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 Paul Mitchell'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 Paul Mitchell 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 Paul Mitchell to bring operations of the financial aid programs into compliance with the statutes and regulations.

### **Finding 1: Late Return of Title IV Funds**

**Citation:** When a recipient of Title IV grant or loan assistance 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 grant or loan assistance

that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section. Except as provided in paragraphs (a)(2)(ii) and (a)(2)(iii) of this section, a student is considered to have withdrawn from a payment period or period of enrollment if, in the case of a program that is measured in clock hours, the student does not complete all of the clock hours and weeks of instructional time in the payment period or period of enrollment that the student was scheduled to complete. *34 C.F.R. § 668.22(a)(1)(2)(i)(B)*

In addition, an institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (l)(3) of this section. The timeframe for returning funds is further described in § 668.173(b). *34 C.F.R. § 668.22(f)(1)*

**Noncompliance:** Paul Mitchell failed to perform a Return to Title IV (R2T4) calculation and return funds for Student 15 timely.

Student 15's ledger reflects that the student's last date of attendance (LDA) was April 22, 2011. Similarly, April 22, 2011 is also the date of the institution's determination that the student withdrew. Based on the student's withdrawal date of determination of April 22, 2011, Paul Mitchell was required to perform a R2T4 calculation to determine the amount of unearned Title IV financial aid the student received and return the unearned Title IV to the Department no later than June 6, 2011. Paul Mitchell did not return the Title IV aid until June 10, 2011, which was 4 days late.

**Required Action:** Paul Mitchell must implement appropriate internal controls and revise its R2T4 policies and procedures to ensure that when a student withdraws, it performs a R2T4 calculation and returns any unearned Title IV aid in a timely manner. Paul Mitchell must provide a copy of its revised policies and procedures with its response to this report.

## **Finding 2: Improper Retention of Title IV Student Credit Balances**

**Citation:** Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but, no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.  
*34 C.F.R. § 668.164(e)(1)(2)*

Additionally, notwithstanding any authorization obtained by the institution under this paragraph, pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded. *34 C.F.R. § 668.165(b)(5)(iii)*

**Noncompliance:** Paul Mitchell improperly retained a credit balance for Student 10. During the review, it was determined that Paul Mitchell posted a Direct Unsubsidized Loan disbursement to the student's ledger on February 23, 2011. The payment created a Title IV credit balance of \$46.99. Under the applicable Title IV program regulations, Paul Mitchell was required to pay the credit balance no later than March 9, 2011. Paul Mitchell improperly retained the credit balance until April 8, 2011.

**Required Action:** Paul Mitchell must demonstrate that it has implemented appropriate internal controls and revise its policies and procedures to ensure it pays credit balances timely. Paul Mitchell must provide a copy of its revised policies and procedures with its response to this report.

**Finding 3: Failure to Notify Borrower of Right to Cancel All or Part of Loan or Loan Disbursement**

**Citation:** Except in the case of a post-withdrawal disbursement made in accordance with 34 C.F.R. § 668.22(a)(5) if an institution credits a student's account at the institution with Direct Loan or FFEL funds, the institution must notify the student or parent of:

- (i) The anticipated date and amount of the disbursement;
- (ii) The student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. However, if the institution releases a check provided by a lender under the FFEL Program, the institution is not required to provide this information; and
- (iii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

*34 C.F.R. § 668.165(a)(2)*

**Noncompliance:** The loan delivery notification that Paul Mitchell provided to students and parents did not contain all the required elements as required by regulation. The notice did not include the anticipated date and amount of the loan disbursement. This finding applies to all 15 student files reviewed.

**Required Action:** Paul Mitchell must revise its notice that it provides to students and parents when loan funds are credited to student accounts. The notice must include the

date and anticipated date of the loan disbursement. With its response to this report, Paul Mitchell must provide a copy of the revised notice and ensure the Department that it will be provided to students and parents when a loan disbursement is made.

#### **Finding 4: Inadequate Recordkeeping**

**Citation:** An institution shall establish and maintain, on a current basis, any application for Title IV, HEA program funds and program records that document its eligibility to participate in the Title IV, HEA programs; the eligibility of its educational programs for Title IV, HEA program funds; its administration of the Title IV, HEA programs in accordance with all applicable requirements; its financial responsibility, as specified in this part; information included in any application for Title IV, HEA program funds; and its disbursement and delivery of Title IV, HEA program funds. *34 C.F.R. § 668.24(a)*

In addition, an institution shall maintain required records in a systematically organized manner. An institution shall make its records readily available for review by the Secretary or the Secretary's authorized representative at an institutional location designated by the Secretary or the Secretary's authorized representative. *34 C.F.R. § 668.24(d)(2)*

**Noncompliance:** Paul Mitchell did not maintain complete records related to information included in the application for Title IV, HEA program funds for Students 6 and 14.

Paul Mitchell failed to establish and maintain both the academic and financial aid files for students 6 and 14. During the program review, when Paul Mitchell was presented with the student sample, school officials indicated that they had "lost" these entire files.

Subsequent to the review and prior to the issuance of this report, Paul Mitchell provided the required documentation which supported both of the student's eligibility for the Title IV they had received.

**Required Action:** Since Paul Mitchell provided the required documentation to support the eligibility of students 6 and 14, there will not be a liability associated with this finding. However, Paul Mitchell must immediately develop and implement internal controls to ensure that student files are maintained in a secure environment where the files are accessible only to appropriate personnel.

#### **D. Appendices**

Appendix A contains personally identifiable information and will be emailed to Paul Mitchell as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password will be sent in a separate email.

**PAUL MITCHELL**

**the school**

**NORTH HAVEN**

97 Washington Ave. // North Haven // CT-06473  
T: 866.942.5627 // F: 203.985.0327  
paulmitchell.edu/ge // northhaven.paulmitchell.edu

Paul Mitchell the school North Haven  
OPE ID: 02112700  
PRCN: 201130127552

**Program Review Response**  
**Period: 6/13/2011 – 6/16/2011**

**Finding 1: Late Return of Title IV Funds:**

We've increased internal controls by monitoring LDA on a weekly basis. Based on our last audits for 2011 and 2012 audits there were zero findings of late returns of Title IV funds.

**Finding 2: Improper Retention of Title IV Student Credit Balances:**

We have changed our policy and implemented an authorization credit form (attached).

**Finding 3: Failure to Notify Borrower of Right to Cancel All or Part of Loan or Loan Disbursement:**

We have changed our policy and implemented issuing a borrower notice (attached) to notify each student of their right to cancel all or a portion of their loan. Each notice is accompanied with a print out of the student ledger and current disbursement highlighted. These notices are given to students and a copy/ ledger are kept in the file.

**Finding 4: Inadequate Recordkeeping:**

We continue to allow only the financial aid team access to the student files. We have also begun scanning the files which our corporate office have access. Each year since the audit we have completed an internal audit ensuring all files are located and filed in its proper place.



# Student Authorization Credit Form

*For Future Professionals receiving a Federal Pell Grant, federal subsidized or unsubsidized loans, as well as Parent Plus Loans.*

Future Professional \_\_\_\_\_

Future Professional Number \_\_\_\_\_

**Note:** Signing this authorization is *optional* and not required for admission, enrollment, receipt of financial aid, or receipts of other services at this Institution.

### **AUTHORIZATION TO CREDIT TITLE IV FUNDS TO A STUDENT'S ACCOUNT**

I give my permission for Paul Mitchell Schools to apply any Title IV financial aid funds it receives to my account. \_\_\_\_\_ *Initial*

### **AUTHORIZATION TO RETAIN A CREDIT BALANCE ON A STUDENT'S ACCOUNT**

I also authorize Paul Mitchell Schools to retain any credit balance on my account and authorize the financial aid office to apply that credit balance to any overtime charges or other charges that may have accrued on my student account. \_\_\_\_\_ *Initial*

### **AUTHORIZATION TO RETURN A CREDIT BALANCE TO REDUCE LOAN AMOUNTS**

I authorize Paul Mitchell Schools to return any excess earned Title IV funding to reduce my loan balance should I withdraw from the program prior to completion. \_\_\_\_\_ *Initial*

*I furthermore understand that I may cancel or modify the authorization at any time and receive monies due to me in full within 14 days of the cancellation by contacting my school's financial aid office.*

\_\_\_\_\_  
Future Professional Signature Date

\_\_\_\_\_  
School Official Signature Date

**PAUL MITCHELL**

**the school**

**NORTH HAVEN**

Dear Borrower,

Your Direct Loan funds have been credited toward your account. These loans were made to cover institutional charges (i.e, tuition, books, fees, etc). You, as the borrower, have the right to cancel all, or portion of this loan, and have the loan proceeds return to the lender. In order to cancel all, or portion of this loan disbursement, please notify us in writing within 14 days of the date of this notice. In addition, it will be necessary for you to contact our financial aid office to make payment arrangements on any remaining balance due on your account. We will notify you of any action taken as a result.

The attached student ledger indicates the funds that have been credited to your account: Please contact our financial aid office at 203.985.0222 if you have any questions.

Sincerely,

Financial Aid Office

*Masters:Writable*