



APR 07 2023

Ms. Larissa Catapano
President/Owner
Mason Anthony School of Cosmetology Arts & Sciences
6353 Presidential Gateway
Columbus, OH 43231

Sent via UPS
#1Z37X7Y30195784513
OPE ID: 04292800

Dear Ms. Catapano:

This is to inform you that the U.S. Department of Education (“Department”) has determined that Mason Anthony School of Cosmetology Arts & Sciences (“Mason Anthony”) is unable to meet its responsibilities under its provisional program participation agreement (“PPA”) (Enclosure 1). 34 C.F.R. § 668.13(d)(1). As a result, the provisional certification the Department granted to Mason Anthony on August 1, 2022, is hereby revoked. With this revocation, Mason Anthony’s PPA ends effective the date of this letter, which is also the date of its mailing. 34 C.F.R. § 668.13(d)(2)(ii). Following the revocation of a PPA, an institution may no longer participate in the federal student financial assistance 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”). 34 C.F.R. § 668.26(a)(4).

In particular, with the mailing of this letter, Mason Anthony is no longer eligible to participate in the following Title IV, HEA programs: Federal Pell Grant (“Pell Grant”), Federal Supplemental Educational Opportunity Grant (“FSEOG”), Iraq and Afghanistan Service Grants, Teacher Education Assistance for College and Higher Education (“TEACH”) Grant, Federal Work-Study (“FWS”), Federal Perkins Loan (“Perkins Loan”), and William D. Ford Federal Direct Loan (“Direct Loan”) programs. The Direct Loan program includes the Federal Direct Stafford/Ford Loan Program, the Federal Direct Unsubsidized Stafford/Ford Loan Program, and the Federal Direct PLUS Program. The FSEOG, FWS, and Perkins Loan programs are known as campus-based programs.

In addition, as a result of this revocation, Mason Anthony is responsible for complying with each regulatory requirement that has been established for institutions whose participation in the Title IV, HEA programs ends. *See generally*, 34 C.F.R. § 668.26(b). Specifically, among other itemized responsibilities, Mason Anthony must submit to the Department, within 45 days of this revocation becoming final, all financial, performance, and other reports required by the Title IV regulations as well as a letter of engagement for an independent audit of all funds that the institution received under the Title IV, HEA programs. 34 C.F.R. § 668.26(b)(2). This closeout audit report is to be submitted within 45 days after the letter of engagement. 34 C.F.R. § 668.26(b)(2)(ii). In addition, Mason Anthony shall inform the Department of the arrangements that it has made for the retention and storage of its records. 34 C.F.R. § 668.26(b)(3). Mason Anthony must continue to comply with the requirements of 34 C.F.R. § 668.22 for the treatment of Title IV funds when a student withdraws. *See* 34 C.F.R. § 668.26(b)(7).

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

Administrative Actions and Appeals Service Group
830 First St., N.E. Washington, D.C. 20002-8019
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The Department is revoking Mason Anthony's PPA because the Department has concluded that Mason Anthony has violated the terms of its provisional PPA.¹ The Department reached this conclusion based on Mason Anthony's move to a new location prior to applying for and receiving approval by the Department; and by the institution's corresponding failure to comply with special conditions stipulated in the PPA, which includes restrictions on growth, and standards of administrative capability.² Mason Anthony has failed to comply with the restrictions on growth and standards of administrative capability conditions of the PPA. Mason Anthony's move to a new campus location constitutes a violation of the "Restriction on Growth" condition of the PPA.³ Mason Anthony's breach of the terms of its PPA is compounded by its failure to be forthright and transparent to the Department concerning its new location, while applying for recertification to continue participating in the Title IV programs.

As a result of these violations, and the institution's subsequent actions, the Department has determined that Mason Anthony does not adhere to a fiduciary standard of conduct, and it lacks the administrative capability and financial responsibility that is necessary to competently administer the Title IV, HEA programs. Accordingly, this has resulted in the loss of Mason Anthony's eligibility to participate in the Title IV, HEA programs.

I. MASON ANTHONY HAS BREACHED ITS FIDUCIARY DUTY TO THE DEPARTMENT

On July 26, 2022, Mason Anthony signed a provisional PPA with the Department stating that the institution would comply with all Title IV, HEA program requirements, as well as any conditions specified by the Department in the PPA. 20 U.S.C. §1094(a)(1); *see generally* 34 C.F.R. § 668.14. The PPA was executed by the Department on August 1, 2022. By entering into the PPA with the Department, Mason Anthony accepted the responsibility to act as a fiduciary in the administration of the Title IV, HEA programs. As a fiduciary, Mason Anthony is subject to the highest standard of care and diligence in administering the Title IV, HEA programs and in accounting to the Secretary for the student funds disbursed. 34 C.F.R. § 668.82(a) and (b). Revocation of the school's PPA is warranted when the Department determines that a school has not met the fiduciary standard of conduct, either through its failure to comply with Title IV, HEA program standards and requirements, or through acts of affirmative misconduct. *See* 34 C.F.R. § 668.13(d).

¹ Under the terms of "Provisional Certification," Mason Anthony's PPA states – "During the period of provisional certification, the participation of the Institution will be subject to revocation for cause. Cause for revocation may include, but is not limited to, a failure to comply with any provision set forth in this Agreement, a violation of Department regulations deemed material by the Department, or a material misrepresentation in the material submitted to the Department as part of the Institution's application process for this certification."

² *See* 34 C.F.R. § 600.20(c)(1)(i) and *See generally* 34 C.F.R. § 668.16.

³ The "Restriction on Growth" condition of the PPA stipulates that Mason Anthony may not add a new location that has not already been approved by the Department, and included in the institution's ECAR, until the Department has accepted and reviewed the institution's financial statements and compliance audits that cover one complete year of the institution's uninterrupted Title IV participation.

As explained below, Mason Anthony failed to meet the fiduciary standard of conduct through its failure to comply with the terms of its provisional PPA, which includes a breach of special conditions, and by its failure to meet the standards of administrative capability.

A. Mason Anthony Breached its Provisional PPA by Moving its Campus to a New Location Without Notifying the Department and Obtaining Approval for the Move, and Violated the Restriction on Growth Condition of the PPA

Mason Anthony's PPA sets out requirements for substantial changes made during the term of provisional certification and special conditions of provisional certification that the institution must adhere to.⁴ Failure to adhere to these requirements is a breach of the PPA.

Mason Anthony's provisional PPA contains a "Restriction on Growth" condition. Under this condition, Mason Anthony may not add a new location that has not already been approved by the Department. This restriction remains in place until the Department has accepted and reviewed the institution's annual financial statement and compliance audits that cover a complete fiscal year. Mason Anthony began operating at a new location before meeting this requirement.⁵ Accordingly, Mason Anthony breached the "Restriction on Growth" condition of the PPA, thus, violating its provisional PPA.

On December 6, 2022, Mason Anthony submitted its fiscal year ending ("FYE") December 31, 2021 independent compliance audit and financial statements to the Department via the eZ-Audit platform. As part of the Department's review of the audit, the Department noted conflicting address information for Mason Anthony's campus. Specifically, the address listed on Mason Anthony's website did not match the address for which Title IV eligibility was granted (5405 Roberts Road, Hilliard, OH, the "Hilliard Location"). Additionally, the Department noted postings (dated March 1, 2022) on social media (i.e., Mason Anthony's Facebook page) which included photos of students, with a caption that included the following statement, "Yesterday and today we welcomed our first classes at our brand-new campus in Westerville!"

The Department contacted you, Larissa Catapano, via email on January 9, 2023, to inquire about the date that Mason Anthony moved to a new location, and to request additional information regarding the discrepant school addresses. On January 11, 2023, Tony Craig, Compliance Officer, at Mason Anthony, responded on your behalf, providing limited responses to the questions posed in the Department's email of January 9, 2023, but Mr. Craig confirmed that Mason Anthony had moved to a new location at 6353 Presidential Gateway, in Columbus, Ohio ("Westerville Location"). In a subsequent email to the Department on January 12, 2023, Mr. Craig provided documentation to substantiate that the new location had been approved by the institution's accrediting agency, National Accrediting Commission of Career Arts and Sciences ("NACCAS") on August 24, 2022. Additionally, in an email to the Department on January 13, 2023, Mr. Craig informed the Department that Mason Anthony moved to its new and current location on December 6, 2022. The date provided by Mr. Craig conflicts with the apparent move date of March 2022 or earlier, based on postings on Mason Anthony's Facebook page. This conflicting information by Mason Anthony in response to direct questions from the Department

⁴ The conditions applicable to Mason Anthony's provisional certification are stipulated on pages two and three of PPA, under Provisional Certification, Special Requirements for Substantial Changes Made During Term of Provisional Certification, Reasons and Special Conditions of Provisional Certification.

⁵ The Department has corroborated that Mason Anthony commenced classes at its new location in March 2022.

further demonstrates the institution's failure to adhere to a fiduciary standard of conduct. Regardless of the actual move date, Mason Anthony violated its provisional PPA and Title IV, HEA program regulations by opening the Westerville Location without Department approval. As a result of these violations, the Department transferred Mason Anthony from the advanced method of payment to the Heightened Cash Monitoring 2 ("HCM2") method of payment on January 11, 2023.⁶

As further evidence of Mason Anthony's failure to timely notify the Department about the new location and its intent to move its main campus, the Department has established that Mason Anthony submitted a change of location application to NACCAS on December 28, 2021.⁷ In the application, Mason Anthony indicated that classes would cease at the former location at the Hilliard Location on February 28, 2022, and classes would begin at the new location at the Westerville Location on March 1, 2022. Additionally, in the application, Mason Anthony indicated that it began notifying students of the proposed relocation as early as October 1, 2021. The Department was also advised by the Ohio State Cosmetology and Barber Board ("OSCB") that OSCB issued a license for the esthetics school at the Westerville Location on February 24, 2022 and it issued a license for the cosmetology school at the Westerville Location on October 6, 2022.⁸

B. Mason Anthony Failed to Disclose the Existence of a New Location in its Recertification Application When Applying for Continued Participation in the Title IV, HEA Programs

On March 29, 2022, Mason Anthony submitted an Electronic Application for Approval to Participate ("E-App"), to the Department, to be considered for recertification, to continue to participate in the Title IV, HEA programs. In the E-App, Mason Anthony represented the Hilliard campus as its only location. The E-App was submitted to the Department after Mason Anthony had already begun operating at its new Westerville Location location, even if only partially. Mason Anthony did not inform the Department of a new location or a pending move in its application. In reliance upon the information included in the E-App, the Department granted approval on August 1, 2022, and issued a PPA and ECAR to Mason Anthony, which designates the Hilliard Location as the only campus. Furthermore, in direct email communications with the Chicago/Denver School Participation Division ("SPD") regarding the recertification process, Mason Anthony never advised the SPD of its move to a new location or a pending move. While it is apparent that Mason Anthony took steps to notify NACCAS and OSCB of its designated move to a new location, effective in March 2022, at no time during the course of the Title IV recertification approval process did Mason Anthony communicate to the Department that it had begun operations at a new campus in early March 2022. The existence of a new location was clearly withheld from the Department in violation of the institution's approval conditions.

⁶ HCM2 is a more restrictive method of payment than advance payment, and it allows for more oversight of institutions that demonstrate a lack of administrative capability.

⁷ Mason Anthony's initial PPA, executed on August 10, 2020, with an approval expiration date of June 30, 2022, also stipulated a "Restriction on Growth During Initial Participation" special condition, which forbids the institution from adding a location that has not been approved by the Department, and listed on Mason Anthony's ECAR, until the requirements stipulated in section A of this notice have been met.

⁸ While Mason Anthony is recognized as one institution, it has held four separate school licenses with the Ohio State Cosmetology and Barber Board. Separate licenses were issued for the esthetics school and the cosmetology school at Mason Anthony's former and current locations. This is because the institution's campus formerly and currently consists of multiple buildings at the same location.

On January 13, 2023, Mason Anthony submitted another E-App notifying the Department that it had moved its campus to the Westerville Location. This update was provided approximately 10 months after the move had taken place, and it was submitted only after the Department had inquired to Mason Anthony about the new location. In response to Mason Anthony's application, the Department sent an email to Andrew Catapano, Chief Financial Officer, on January 17, 2023 to request, among other things, that Mr. Catapano provide a written narrative detailing why the institution did not proactively inform the Department of the existence of the new location and why it did not wait for Department approval prior to moving to the new location and disbursing Title IV, HEA program funds. On January 20, 2023, Mr. Catapano provided a written response to the Department via email. Mr. Catapano admitted in his response that Mason Anthony had started the planning process to move to a new location as early as February 2020, that the first phase of the move was completed in March 2022, and that the final phase of the move was completed in November 2022.

Mr. Catapano further states in his January 20, 2023 response, "It was our understanding under this Provisional Certification that while an "additional location" would raise to the level of substantive change that would require approval by the Secretary, our campus relocation was not the establishment of an additional location requiring prior notice and approval, but instead was a non-substantive change of location and was not barred under our Provisional Certification. We learned that a campus relocation requires notice within 10 business days of its completion, which is how it is outlined in the recertification app site." Mr. Catapano further stated he did not feel it was necessary to notify the Department at the time when the recertification application was submitted because at that time (i.e., March 2022) Mason Anthony had only partially moved into its new location.⁹ Essentially, in his narrative, Mr. Catapano is only assuming responsibility for failing to notify the Department within 10 days of the move to the new location. Mr. Catapano's interpretation of the terms contained in Mason Anthony's provisional PPA, as well as his understanding of Title IV, HEA program regulations pertaining to provisionally certified schools is incorrect. Mr. Catapano argues that an "additional location" is not synonymous with a "change of location." This explanation is simply not credible. Mason Anthony was approved to participate in the Title IV, HEA programs at the only location (the Hilliard Location) it represented on its E-App. Approval of this location was used in the institution's PPA and corresponding ECAR. The establishment of any "new" location is a substantial change, as is the closure or redesignation of an institution's main location to an additional location. The "Restriction on Growth" condition of the PPA explicitly states that Mason Anthony may not add a "new" location that has not already been approved by the Department until the appropriate requirements are met.

In addition to violating Title IV program requirements, the gravamen of the Department's concern is Mason Anthony's violation of its fiduciary to the Department. Mason Anthony had ample opportunity to inform the Department of its plans and ask questions about them when it was initially certified in August 2020.¹⁰ It also had an obligation to report the new location to the Department when it applied for recertification in March 2022. The new location was not voluntarily reported, and was only reported

⁹ In March 2022, Mason Anthony commenced classes at a location which offers at least 50 percent of an educational program. The location was not approved by the Department and not listed on the institution's ECAR. The commencement of classes at this location in March 2022 represents the existence of a new location regardless of the relocation phase (e.g., full or partial) to the new location at that time.

¹⁰ In Mr. Catapano's January 20, 2023 response to the Department, Mr. Catapano indicated that the planning process to move to a new location had begun as early as February 2020.

after the Department inquired about it. Furthermore, Mason Anthony provided incomplete and misleading information when it was questioned about the unreported move by implying in its January 20, 2023 response that the only wrongdoing it committed was failing to notify the Department “within 10 business days of the primary location move in November 2022.” By making the appropriate notifications and obtaining required approvals from NACCAS and OSCBB it’s clear that Mason Anthony understands the responsibilities required by these agencies and breached its obligation to comply with Department regulations and the requirements in its approval.

II. MASON ANTHONY HAS FAILED TO DEMONSTRATE ADMINISTRATIVE CAPABILITY

To continue to participate in the Title IV, HEA programs, an institution must demonstrate that it is capable of adequately administering those programs. The Secretary considers an institution to have the requisite administrative capability if the institution administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations. 34 C.F.R. § 668.16(a). As explained below, the Department has concluded that Mason Anthony does not possess the requisite administrative capability that is necessary to properly administer the Title IV, HEA programs.

A. Mason Anthony’s FYE December 31, 2021 Independent Compliance Audit was Submitted 159 Days Late, and it Contains Numerous, Serious, and Systemic Title IV Violations

An institution that participates in the Title IV, HEA programs must have an independent auditor conduct an annual audit of its administration of the programs and an audit of the institution’s financial statements. 20 U.S.C. § 1094(c)(1)(A)(i); 34 C.F.R. § 668.23(a)(2). The compliance audit must be conducted in accordance with U.S. General Accounting Office’s (GAO’s) Government Auditing Standards, and the audit guides issued by the Department’s Office of Inspector General (OIG). 34 C.F.R. § 668.23(b)(2). A proprietary institution of higher education, such as Mason Anthony, must submit its compliance audit report (i.e., Title IV program audit and audited financial statements) to the Department no later than six months after the last day of the institution’s fiscal year. 34 C.F.R. § 668.23(a)(4). Mason Anthony’s fiscal year ends on December 31. Accordingly, and pursuant to 34 C.F.R. § 668.23(a)(4), Mason Anthony’s annual audit submission is due to the Department on or before June 30 of the following year.

Mason Anthony’s FYE December 31, 2021 compliance audit and financial statements were submitted to the Department via eZ-Audit on December 6, 2022, *159 days past the June 30, 2022 due date.*¹¹ In the audit, the auditor cited numerous, serious, systemic, violations of Title IV program requirements, and the audit contains substantial questioned costs, which may result in significant institutional liabilities for

¹¹The Department sent an official citation letter to Mason Anthony on February 8, 2023, to notify the institution that the late audit submission represents a past performance violation under 34 C.F.R. § 668.174(a)(3). Failure to comply with audit requirements stipulated under 34 C.F.R. § 668.23 may result in administrative action being taken, which includes the revocation of a provisional PPA, against the institution. 34 C.F.R. §668.171(e)(2).

improperly disbursed Title IV, HEA program funds. Among the most serious, systemic, deficiencies cited are: *Lack of Administrative Capability, Missing Student Records (undocumented student eligibility), Records not Maintained at Least Three Years, Incorrect Title IV Refund Calculations/Title IV Refunds Not Paid Timely, Unpaid Student Credit Balances, and Inaccurate Reporting to the Department.*

On January 24, 2023 the Department sent a preliminary audit determination letter (“PADL”) to Mason Anthony, instructing the institution to perform file reconstructions for the systemic violations. File reviews are necessary to determine the extent of the violations, and to establish liabilities, if applicable, for all undocumented, ineligible, Title IV disbursements. On March 27, 2023, Mason Anthony provided a response to the PADL. The Department has determined that Mason Anthony’s response is unacceptable. Many of the file reviews submitted by Mason Anthony are incomplete and/or contain discrepant information. Thus, Mason Anthony, as instructed by the SPD, must provide complete file reviews which conform to all requirements outlined in the PADL. Mason Anthony’s failure to provide a complete and adequate response to the PADL further demonstrates its lack of administrative capability.

The quantity of findings in this audit, the serious nature of many of the deficiencies, and Mason Anthony’s failure to submit an acceptable response to the Department’s request for additional information demonstrates that Mason Anthony lacks the administrative capability that is necessary to competently administer the Title IV, HEA programs.

III. MASON ANTHONY HAS FAILED TO MEET THE STANDARDS OF FINANCIAL RESPONSIBILITY

To continue participation in any Title IV, HEA program, an institution must demonstrate to the Department that it is financially responsible under the standards set forth at 34 C.F.R. Part 668, Subpart L. The Department’s standards of financial responsibility were established to ensure that only institutions which are sound and financially capable of meeting their educational and administrative responsibilities, including timely submission of compliance and financial statement audits, are allowed to participate in the Title IV, HEA programs. The financial responsibility regulations at 34 C.F.R. § 668.171(e)(2) specifically provide that the failure of an institution to submit its annual audits by the date permitted, and in the manner required, under 34 C.F.R. § 668.23 is grounds for the Department to take an action against the institution under the provisions of 34 C.F.R. § 668.13(d). Mason Anthony’s untimely submission (i.e., 159 days late) of its FYE December 31, 2021 independent compliance audit constitutes a failure to meet the standards of financial responsibility.

IV. MASON ANTHONY’S PROVISIONAL CERTIFICATION IS HEREBY REVOKED

As detailed in this letter, Mason Anthony’s failure to comply with the provisions of its PPA, as well as Title IV program requirements, demonstrates that it fails to meet the standards of administrative capability, as well as the standards of financial responsibility, and it has breached its fiduciary responsibility to the Department. Moreover, in addition to the program violations described in this letter, administrative capability problems have also been documented by OSCBB, as the agency has advised the Department that it has received numerous student complaints on a variety of issues

since Mason Anthony has been in existence. Accordingly, the Department has determined that Mason Anthony is unable to meet its responsibilities under its PPA and has breached its fiduciary responsibilities to the Department. Therefore, Mason Anthony's provisional certification is hereby revoked.

Mason Anthony may request reconsideration of this revocation by submitting to the Department, **no later than 20 days following receipt of this notice**, written evidence to demonstrate that the revocation is unwarranted. 34 C.F.R. § 668.13(d)(3)(i). Should Mason Anthony elect to pursue this option, please submit written materials to me at the following address:

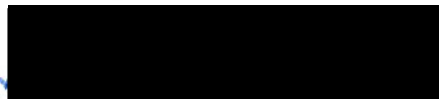
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid
830 First Street, NE (UCP-3, Room 92G4)
Washington, DC 20002-8019

While the regulation at 34 C.F.R. 668.13(d)(3) allows facsimile transmission, the preferred alternative submission format in this post-COVID environment is email transmission. Should Mason Anthony elect to submit written materials by email, please send the information to aaasg@ed.gov.

The Department's designated official will promptly consider any request for reconsideration and will notify the institution by certified mail, return receipt requested, of a final decision. 34 C.F.R. § 668.13(d)(4)(i).

If you have any questions regarding this letter, you may contact Mitch Cary at 303-844-3145 or via email at mitch.cary@ed.gov.

Sincerely,



Susan D. Crim
Director
Administrative Actions and Appeals Service Group

Enclosures

cc: Darin Wallace, Executive Director, National Accrediting Commission of Career Arts & Sciences, via dwallace@naccas.org
Lori Pearson, Executive Director, Ohio State Cosmetology and Barber Board, via lori.pearson@cos.ohio.gov
Department of Defense, via osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil
Department of Veteran Affairs, via INCOMING.VBAVACO@va.gov
Consumer Financial Protection Bureau, via CFPB_ENF_Students@cfpb.gov