

NACCAS Rules of Practice & Procedure
January 2017

Part 5 – Monitoring

Sub-Part A – Annual Reports

Section 5.0 **Annual Report**

- (a) Every year, each accredited school, each applicant for initial accreditation and each school in candidate status shall electronically submit an annual report in the manner required by the Commission. The report and required documents must be received in the NACCAS office no later than the due date. Failure to submit a complete Annual Report by the due date may result in the withdrawal of the school's accreditation, denial of initial accreditation or removal from candidate status (as applicable) and in late fees as determined in [Appendix #2](#) (see page 144) of these *Rules*.
- (b) NACCAS shall verify information provided on the annual reports using various methods, which shall include, but not be limited to,
 - (1) Verification during on-site evaluations,
 - (2) Verification of institutions that are being monitored for low outcomes.

The information each NACCAS-accredited institution provides on the annual report submitted to NACCAS is used to calculate outcome rates for the institution. The formulas used to calculate rates are shown in the annual report worksheet on NACCAS' website, <http://naccas.org>.

- (c) Institutions with one or more outcomes (graduation, placement, licensure) below NACCAS minimum threshold, based on the annual reports due most recently, shall be required to comply with monitoring (see Section 5.0(d) below).
- (d) Monitoring: Depending on the number of years the institution has had a low outcome, and in accordance with [Section 8.18](#) (see page 123) of these *Rules*, the Commission may monitor the institution through a process including requiring the institution to undertake one or more of the elements listed below:
 - (1) Participate in training on strategies for improving outcomes and reporting;
 - (2) Submit a preliminary annual report with back-up documentation;
 - (3) Conduct a student retention study;
 - (4) Submit a plan for improvement and/or supplement to a plan for improvement;
 - (5) Undergo a consultation visit.
- (e) If the plan for improvement is inadequate, the Executive Director and/or Commission may order additional information or actions by the institution, including a special on-site visit to provide technical assistance for institutions preparing and/or implementing a plan for improvement or to evaluate the effectiveness of a plan and its implementation.
- (f) Monitoring Enrollment Growth. Each accredited institution shall provide the Commission with aggregate enrollment data on an annual basis. The Commission shall require the

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submission of such additional reports or data as it may determine is required to effectively monitor any institution experiencing significant enrollment growth, as defined and published by the Commission.

Sub-Part B – Financial Monitoring

Section 5.1 **Financial Statements**

- (a) Institutions must submit financial statements that:
- (1) Comply with NACCAS’ *Standard VII, Criteria 1* (see page 16);
 - (2) Are audited and submitted electronically by the institution’s independent Certified Public Accountant;
 - (3) Are prepared on an accrual basis, and in accordance with Generally Accepted Accounting Principles (GAAP);
 - (4) Contain a statement from the independent Certified Public Accountant showing the calculations referenced in Standard VII, Criteria 1(a) or 1(b); and
 - (5) If the institution participates in Title IV funding programs, are prepared in accordance with federal auditing standards and guidelines.
- (b) Submission Deadline.
- (1) An institution that applies for initial accreditation must submit a financial statement for its most recently completed fiscal year at the same time the application is submitted.
 - (2) Accredited institutions must submit their financial statements within six months following the end of each institution’s fiscal year. If an institution changes its fiscal year, it must submit (at the appropriate times) both (i) the audited 12-month financial statements that would have been due to

NACCAS had no such change been made (i.e., for the “old” fiscal year) and (ii) audited financial statements for the 12-month period ending on the first “new” fiscal year end date to occur on or after the effective date of the change, such that there shall be no gap in the periods covered by consecutive audited statements.⁹
- (c) In any accreditation process, the Commission may request the institution’s most

⁹ Example: ABC Beauty School has a calendar year fiscal year. In September 2015, ABC changes its fiscal year to end March 31. In 2016, ABC must submit (i) an audited financial statement covering the period 1/01/15 to 12/31/15 not later than June 30, 2016 and (ii) an audited financial statement covering the period 4/01/15 to 3/31/16 not later than September 30, 2016. The next audited financial statement due to NACCAS will cover the period 4/01/16 to 3/31/17, due not later than September 30, 2017.

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recent financial statements, to determine compliance with NACCAS Standard VII, Criterion 1 (see page 16). The Commission may accept partial-year financial statements as evidence of compliance with Standard VII, Criterion 1 only in the case of a Category 3 Change of Control in which Control is acquired by a newly-formed Business Entity that has been in operation for less than a full 12-month period.

- (d) In the case of the following accreditation processes, if more than fourteen (14) months have passed since the fiscal year end date of the institution's most-recently submitted audited financial statements, the Commission shall defer final action on the application until it has received the institution's audited financial statements for its most recent fiscal year; provided that the foregoing shall not apply if the Commission determines that its consideration of the application has been delayed beyond the 14-month deadline through no fault of the institution.
- (1) Application for Initial Accreditation
 - (2) Application for Renewal of Accreditation
 - (3) Application for Initial Accreditation of an Additional Location
 - (4) Granting Full Additional Location Accreditation for an Additional Location

Sub-Part C – Monitoring of Government Actions

Section 5.2 Information from the U.S. Department of Education or Other Government Entities

Information received from the U.S. Department of Education or other government agencies shall be reviewed by a designated committee of the Commission and where it suggests any possible area of noncompliance with accreditation standards or other requirements, the Committee shall initiate a process in any of the ways listed in [Section 8.16](#) (see page 122) of these *Rules*.

Sub-Part D – Special Reports

Section 5.3 Special Report

- (a) Each accredited school and each applicant for initial accreditation must notify NACCAS in writing of any material event that may jeopardize its continued operation as a licensed accredited school within ten (10) calendar days of the events' occurrence.

Material events necessitating such reports include the following:

- (1) Filings of petitions for bankruptcy;
- (2) Destruction of the school or a significant part of its facilities;
- (3) Limitation, suspension or revocation of a school's license or right to operate;
- (4) Cessation of teaching;

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- (5) Any show cause order, imposition of probationary status, denial or withdrawal of accreditation by another accrediting agency;
- (6) Voluntary relinquishment of accreditation received from another accrediting agency;
- (7) Any criminal or civil action filed by a state (including state-supported legal assistance agencies) or federal authorities against the institution, its officers or employees;
- (8) Any final action against the school to limit, suspend or terminate student loan guarantees or participation in external programs by a guaranty agency or the United States Department of Education;
- (9) Any determination, in accordance with requirements of the United States Department of Education, that the institution is not meeting the Department's requirements;
- (10) Any qualified or adverse statement, or statement related to an institution's status as an "ongoing concern" included on an audited financial statement.

Such report shall fully set forth the circumstances of such material event and shall append copies of any document or information to the Commission that is relevant to the material event. Such reports shall be submitted to the Executive Director of NACCAS.

- (b) Special reports required by [Section 5.3\(a\)](#) (see page 97) shall be supplemental to, and not in lieu of, any other report or filing that may be required by these *Rules of Practice and Procedure*.

Sub-Part E – Committee and Commission Action on Monitoring Processes

Section 5.4 Committee and Commission Action

- (a) A designated Committee may initiate a monitoring process and bring an institution before the Commission in any of the ways set out in [Section 8.16](#) (see page 122) of these *Rules*.
- (b) The full Commission shall take appropriate action under [Part 8](#) (see page 112) of the *Rules*.