April 9, 2019

Scott Weaver, Owner
Douglas J Aveda Institute Chicago
2828 North Clark Street
Chicago, IL 60657

Certified Mail Return Receipt Requested
70162140000004905722

RE: **Final Program Review Determination**
OPE ID: 041410
PRCN: 2014-05-28559

Dear Mr. Weaver:

The U.S. Department of Education's (Department's) School Participation Team issued a program review report on July 28, 2014 covering Douglas J Aveda Institute Chicago's (Aveda) 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 2013-2013 and 2013-2014 award years.. Aveda's responses were received on October 29, 2014 and November 11, 2014. A copy of the program review report (and related attachments) and Aveda's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Aveda 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:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal.

This FPRD contains one or more findings regarding Aveda's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41 and 668.46. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed.

This FPRD contains one or more findings regarding Aveda's failure to comply with the requirements of the Drug-Free Schools and Communities Act Amendments of 1989 as reflected in Section 120 of the HEA. 20 U.S.C. § 1011(i), and the Department's regulations in 34 C.F.R. Part 86. Since such a finding does not result in a financial liability it may not be appealed at this time.

The total liabilities due from the institution from this program review are $16,006.00.

This final program review determination contains detailed information about the liability determination for all findings.

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. In addition, Appendices B and C are included in this report without PII. Appendices B and C will encrypted sent separately with PII to the institution via e-mail.

Appeal Procedures:

If Aveda elects to appeal to the Secretary of Education for a review of the financial liabilities established by this FPRD, the institution must file a written request for a hearing. Please note that institutions may appeal financial liabilities only. The Department must receive Aveda's request no later than 45 calendar days from the date Aveda receives this FPRD. **The Department requests that Aveda submit an original and four copies of its complete request for review**. The request must be sent to:

If the institution has any questions regarding this letter, please contact Susan Frost Alvarez at (312)730-1694. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Si cerely,

[redacted]

for Douglas Parrott
Division Director

Enclosure:
Protection of Personally Identifiable Information
Program Review Report (and appendices)
Final Program Review Determination Report (and appendices)

cc: Shaun Zelski, Director of Financial Aid
Illinois Department of Professional Regulation
National Accrediting Commission of Career Arts and Sciences
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Attn: Susan Crim, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/Enforcement
830 First Street, NE UCP3, Room 84F2
Washington, DC 20002-8019

Aveda's appeal request must:

(1) indicate the findings, issues, and facts being disputed;
(2) state the institution's position, together with pertinent facts and reasons supporting its position; and
(3) include a copy of the FPRD received by the school.

When it submits its request for appeal, the institution may also include documentation it believes the Department should consider in support of the appeal if such documentation is submitted, please provide one copy on an electronic format, preferably as a PDF, such as on a flash drive. Please provide the additional copies in hard copy format.

If any appeal documents include personally identifiable information (PII), the PII must be redacted, except for the student's name and last four digits of his/her social security number (please see the enclosed document, "Protection of Personally Identifiable Information," for instructions on how to mail records containing PII).

If the institution's appeal is timely, the request for appeal will be transmitted to the Department's Office of Hearings and Appeals (OHA), for an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The Hearing Official assigned to the case will issue an order scheduling the submission of briefs and supporting evidence in accordance with 34 C.F.R. § 668.114(c). The institution may therefore submit additional documentation supporting its appeal request at that time. Further, if the institution is appealing a projected liability amount, it may provide detailed liability information from a complete file review, either at the time it initially submits it appeal request or pursuant to the proceedings at OHA. The procedures followed with respect to Aveda's appeal are those provided at 34 C.F.R. Part 668, Subpart H. Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).

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).

Prepared for

Douglas J. Aveda Institute

OPE ID: 041410
PRCN: 2014-05-28559

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

Final Program Review Determination

April 9, 2019

Federal Student Aid, Chicago/Denver Participation Division
500 West Madison Street, Suite 1576, Chicago, IL 60661
www.FederalStudentAid.ed.gov

Table of Contents

A. Institutional Information

Douglas J. Aveda Institute Chicago
2828 North Clark Street
Chicago, IL 60657

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: 219 (2012-13)

% of Students Receiving Title IV: 73% (2012-13)

Title IV Participation: 2011-12 Award Year

Pell Grant	$ 455,923.00
William D. Ford Federal Direct Loan Program (Direct Loan)	$1,028,011.00

Default Rate FFEL/DL:	2011	7.5%
	2010	0.0%
	2009	N/A

(https://nslds.ed.gov/nslds/nslds_SA/defaultmanagement/search_cohort_3yr_CY_20_13.cfm)

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Douglas J. Aveda Institute (Aveda) from January 21 – January 24, 2014. Susan Frost Alvarez and Gigi Moore conducted the review.

The focus of the review was to determine Aveda'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 Aveda'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 year. 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 partial social security numbers of the students whose files were examined during the program review. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report (report) was issued on July 28, 2014.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Aveda'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 Aveda 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 5. Accounting Records Incorrect
Finding 7. Return of Title IV Funds Made Late
Finding 8. Student Credit Balance Deficiencies
Finding 11. Consumer Information Requirements Not Met

Aveda has taken the corrective actions necessary to resolve Findings 5, 7, 8 and 11 of the program review report. Therefore, these findings may be considered closed. Appendix F contains the institution's written response related to the resolved findings. Findings requiring further action by Aveda are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution and may be considered closed. These findings are included solely for the purpose of discussing resolution of the finding.

Finding 2. Ineligible Disbursement

Citation Summary:

An institution shall establish and maintain, on a current basis, any application for Title IV, HEA program funds and program records that document (1) its eligibility to participate in the Title IV, HEA programs; (2) the eligibility of its educational programs for Title IV, HEA program funds; (3) its administration of the Title IV, HEA programs in accordance with all applicable requirements; (4) its financial responsibility, as specified in this part; (5) information included in any application for Title IV, HEA program funds; and (6) its disbursement and delivery of Title IV, HEA program funds. *34 C.F.R. § 668.24(a)*

An institution shall maintain required records in a systematically organized manner. *34 C.F.R. § 668.24(d)*

If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV, HEA program funds that were credited to the student's account at the institution or disbursed directly to the student for that payment period or period of enrollment, for Federal Perkins Loan, FSEOG TEACH Grant, Federal Pell Grant, ACG, and National SMART Grant program funds; and Direct Loan funds. *34 C.F.R. §668.21*

Noncompliance Summary:

Aveda is required to take attendance. However, Aveda was unable to locate the source and summary attendance records for student 27. As such, reviewers were unable to determine the accuracy of the R2T4 calculation completed for this student. Aveda's subsequent efforts to locate any daily attendance records for this student were unsuccessful; therefore, Aveda returned the remainder of Title IV funds disbursed to this student ($303.00 in Pell Grant funds). Aveda provided documentation on February 19, 2014 that substantiated that the funds had been returned.

A student is considered not to have begun attendance if a school is unable to document the student's attendance in any class.

A school is responsible for ensuring that it is in compliance with the requirements for schools that are required to take attendance, even if some faculty does not comply with the school's attendance-taking policy. For students enrolled in classes taught by faculty who fail to take attendance, a student's withdrawal date is the last date of academic attendance from the attendance records taken by the faculty that did take attendance. If no records of a student's academic attendance exist, the student is considered not to have begun attendance for Title IV program purposes and never to have established eligibility for Title IV program funds. Title IV program funds received by a student who failed to establish eligibility must be handled by the school in accordance with the requirements described in 34 C.F.R § 668.21.

Required Action Summary:

The institution was required to comply with the above-cited regulatory requirements and was encouraged to review 34 C.F.R. § 668.24 and §668.21 in their entirety. The institution was required to submit a copy of its written policies and documentation for verifying student attendance that comply with federal regulations.

Summary of Aveda's Response:

Aveda did not concur with the finding. The school stated that it believes it provided the Department with a copy of the Minimum Practical Application (MPA) record along with copies of the academic records, financial aid records, and student account ledger on the first day of the on-site program review for student 27. However, the school was unable to locate the original MPA record when the Department requested a copy of student's attendance records to verify the accuracy of the return of Title IV (R2T4) calculation completed by Aveda for student 27.

Despite an additional search after the on-site program review site visit had concluded, the original MPA was not located and Aveda was otherwise unable to substantiate attendance. Therefore, Aveda returned $303.00 in Pell Grant funds to the Department via G5 on January 31, 2014, and wrote off the resulting balance on the student's account.

Aveda stated that despite being unable to provide source attendance documents and the student's MPA record, the institution provided additional unsigned summary reports that they believe substantiate the student's attendance. Aveda stated that it did not provide these records during the on-site program review because of their singular focus on finding the MPA record.

Final Determination:

As directed, Aveda stated that it has reviewed 34 C.F.R. § 668.24 and §668.21 and also provided a copy of its written policies and documentation for verifying student attendance that appear to be in compliance with federal regulations.

Aveda also provided the Department with documentation of the return of the $303.00 in Pell Grant fund liabilities associated with this finding.

Although this finding is considered resolved, the institution is reminded that 34 C.F.R. § 668.24(d) states that an institution shall maintain required records in a systematically organized manner. Aveda's failure to maintain adequate records demonstrates a lack of administrative capability which is also discussed under Findings 1 and 3.

The institution is further reminded that its fiduciary responsibilities obligate it to the highest standard of care and diligence in administering and accounting for Title IV funds. As such, Aveda is required to implement procedures or enhance current to bring the institution into compliance with federal regulations to ensure that this finding does not recur.

Finding 6. Return to Title IV Calculation Errors

Citation Summary:

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. *34 C.F.R. § 668.22(a)(1).* For clock hour programs, the percentage of the payment period completed is determined using scheduled hours as detailed under 34 C.F.R. § 668.22(f)(1)(ii).

Noncompliance Summary:

Aveda completed the R2T4 calculation for student 15 using the incorrect number of scheduled hours as of the student's last date of attendance. The attendance records for student 15 indicate that the student was scheduled to complete 325 clock hours as of March 7, 2013. Aveda incorrectly calculated that the student was scheduled to complete 353 clock hours as of the last date of attendance.

Required Action Summary:

Revising the R2T4 calculation to include the correct number of scheduled hours did not change the results of the calculation as the student was still scheduled to complete more than 60% of the payment period as of the last date of attendance (325/450= 75.2%). Therefore, no return of funds was required. Consequently, there is no liability associated with this finding.

Summary of Aveda's Response:

Aveda did not concur with the finding. The institution stated that student 15 originally enrolled in the Esthiology program on August 7, 2012 and withdrew on August 10, 2012. The student re-enrolled in the same program on November 19, 2012, within 180 days of her original start date. Student 15 withdrew from the institution a second time on March 7, 2013. Aveda stated that the student was scheduled to attend 325 hours from the date of re-enrollment on November 19, 2012 through the last date of attendance on March 7, 2013.

Aveda' written response stated that the original R2T4 calculation for the enrollment period of August 7, 2012 - August 10, 2012 was completed using 28 scheduled hours; the second R2T4 calculation for student 15 was correctly completed using 353 scheduled hours, 28 hours from the first enrollment plus the 325 hours scheduled in the second enrollment.

Final Determination:

Aveda was unable to provide source or summary attendance documentation during the on-site program review that documented that student 15 actually began attendance in the Esthiology program on August 7, 2012. The institution's written response subsequently provided an attendance summary dated September 9, 2014, which recorded actual attendance of 28 clock hours for the period of August 7, 2012 - August 10, 2012 for student 15. However, Aveda did not provide copies of any source attendance documentation to support the attendance summary provided in its written response and the institution did not provide an explanation as to why the source attendance documents were not provided to the Department during the on-site program review, or with the institution's written response. As such, these additional hours cannot be included in the student's R2T4 calculation.

As previously stated, student 15 was scheduled to complete more than 60% of the payment period as of the last date of attendance (325/450= 75.2%), and therefore no return of funds was required. Consequently, there is no liability associated with this finding.
Although this finding is considered closed, the institution is reminded that 34 C.F.R. § 668.24(d) states that an institution shall maintain required records in a systematically organized manner. Aveda's failure to maintain adequate records demonstrates a lack of administrative capability which is also discussed under Findings 1 and 3.

The institution is further reminded that its fiduciary responsibilities obligate it to the highest standard of care and diligence in administering and accounting for Title IV funds. As such, Aveda is required to implement procedures or enhance current to bring the institution into compliance with federal regulations to ensure that this finding does not recur.

Finding 12: Third Party Servicer Not Reported

Citation Summary:

An institution may enter into a written contract with a third-party servicer for the administration of any aspect of the institution's participation in any Title IV, HEA program only to the extent that the servicer's eligibility to contract with the institution has not been limited, suspended, or terminated under the proceedings of subpart G of this part. An institution that contracts with a third-party servicer to administer any aspect of the institution's participation in a Title IV, HEA program shall provide to the Secretary, upon request, a copy of the contract, including any modifications, and provide information pertaining to the contract or to the servicer's administration of the institution's participation in any Title IV, HEA program. *34 C.F.R. §668.25.*

Schools are required to notify the Department of all third-party servicer contracts and changes to existing contracts.

A Third Party Servicer is defined as an individual or a state or a private, profit or nonprofit organization that enters into a contract with an eligible school to administer, through manual or automated processing, any aspect of the school's participation in any Title IV program. The Secretary considers administration of participation in a Title IV, HEA program to include performing any function required by any statutory provision of or applicable to Title IV of the HEA, any regulatory provision prescribed under that statutory authority, or any applicable special arrangement, agreement, or limitation entered into under the authority of statutes applicable to Title IV of the HEA. *34 C.F.R. §668.2.*

A third-party servicer must submit a compliance audit each year. If the servicer contracts with several schools, a single audit can be submitted that covers its administrative services for all those schools. *34 C.F.R. § 668.23*

Noncompliance Summary:

During the interviews the program review team conducted while on site, Aveda's financial aid personnel described the services provided to Aveda by [redacted] of Choice Consulting. Based upon the description of services provided by Choice Consulting and Training Services, Inc. (CCTSI), a copy of the contract between CCTSI and Aveda was requested for review.

The contract between Aveda and CCTSI states that CCTSI will provide certain services to Aveda. An analysis of these services as well as an interview with [redacted], CCTSI's owner, revealed that CCTSI meets the definition of a third party servicer as detailed below.

The contract states that CCTSI will conduct on-site visits to Aveda for the purposes listed below:

- To assist Aveda with the management, organization and administration of the financial aid office

- To meet with school staff to review and update, as necessary, policies, procedures, and to determine adherence to same

- To review student financial aid files and related information, to verify compliance with federal regulations and accuracy of calculation

  (Section I: Consultant Responsibilities, B (Nos. 3-5))

- Provide assistance in researching financial aid related questions and issues

- Assist in policy and procedure development and implementation

- Provide assistance with recordkeeping and reporting, as warranted (Section I: Consultant Responsibilities, C, D, and E)

Upon review of this contract, the Department interviewed [redacted] during the program review. [redacted] stated her services with Aveda include the on-site review of student files, including approval of professional judgment and verification issues. She also stated that she routinely audits a sample of student financial aid files for compliance when working on-site, and will take student files with her, as needed. Additional services provided by [redacted] include resolving Direct Loan reconciliation issues, default management, and the preparation and review of required consumer information disclosures for Aveda. [redacted] also explained that she provides these services for the Douglas J. Aveda Institute locations in Knoxville TN, East Lansing MI, Grand Rapids MI and Ann Arbor MI (OPE IDs: 02588200, 02588201, 02588202, 02588203 and 02588204).

The services provided by CCTSI meet the definition of a third party servicer. However, Aveda failed to report CCTSI as a third party servicer on its Eligibility and Certification Approval Report (ECAR).

Required Action Summary:

The institution was required to comply with the above-cited regulatory requirements, and was required to report CCTSI as a third party servicer.

Aveda was required to implement procedures or enhance current procedures to ensure that this finding does not recur.

Summary of Aveda's Response:

Aveda did not concur that CCTSI is a third party servicer contracted by the institution. Aveda stated that the institution's corporate office processes all Federal Student Aid, including processing financial aid applications, performing need analysis, determining student eligibility, originating loans, submitting disbursement data to COD, requesting, receiving, disbursing of FSA funds, performing R2T4 calculations and administering all other activities related to awarding and disbursing Title IV funds. Aveda stated that the institution's corporate office conducts all administrative activities in support of its participation in the FSA programs, including reporting, reconciliations, R2T4 calculations, consumer information, submitting E-App changes, etc. Aveda further claimed that it does not engage CCTSI to perform any of the functions related to the processing of Title IV aid, approval of professional judgments, review student files selected for verification, or any other administrative task.

Contrary to the contract provide by the school, Aveda also alleged that CCTSI supports the institution only by providing the following activities: training staff; advising management regarding organizational structure; recommending systems enhancements; and assessing compliance.

The institution stated that it does not believe, but also cannot confirm, that CCTSI has taken any student records from the school. The institution contends that [redacted] of CCSTI mis-stated the actual services provided to Aveda because no Aveda staff members were present during the in-person interview. The institution's written response included a written statement from [redacted] written statement recants the statements she made during the on-site program review regarding the specific services she provided to Aveda.

Final Determination:

The institution did not concur with the finding. However, Aveda's response failed to provide substantive documentation that CCSTI does not, and has not provided services that meet the definition of a third party servicer to Aveda. The contract between CCSTI and Aveda clearly defines services that meet the definition of a third party servicer. Additionally, the written statement made by [redacted] subsequent to the on-site review did not provide a credible explanation of why her initial description of services provided to Aveda were inaccurate and why the services detailed in the signed contract were also inaccurate. Aveda and [redacted] also failed to provide an explanation or documentation to substantiate their claim that CCSTI was not providing all services outlined in their contract.

Despite Aveda's insistence that CCSTI is not a third party servicer, the institution submitted an E-App update that added CCSTI as a third party servicer. The Department subsequently requested a copy of the institution's most recent contract with CCSTI. Aveda's third party servicer contract with CCSTI is now in compliance with the requirements set forth in 34 C.F.R. § 668.25(c).

This finding is considered resolved.

Findings with Final Determinations

Finding 1. Lack of Administrative Capability

Citation Summary:

To participate in any Title IV HEA program, an institution shall demonstrate that it is adequately capable of administering the program. In order to consider an institution to have that administrative capability, the institution must administer the programs in accordance with all statutory and regulatory provisions that apply to the Title IV programs. *34 C.F.R. § 668.16.*

Noncompliance Summary:

The program review disclosed several serious findings of noncompliance, including noncompliance with respect to:

- Student eligibility (see Findings 2-4);
- Award and return calculations, (see Findings 2, 6 and 7);
- Disbursing and returning funds (see Findings 2, 5, 6, and 8);
- Record keeping/Failure to document attendance (see Findings 2-9); and
- Institutional policies and procedures (see Finding 4 and Findings 8-14).

These findings, individually and collectively, demonstrate a lack administrative capability and an insufficient investment in administrative resources to properly administer the Title IV programs in which the institution participates.

Required Action Summary:

Aveda was required to invest in the administrative resources necessary to administer the Title IV programs in accordance with all statutory provisions of or applicable to the HEA and all applicable regulatory provisions prescribed under that statutory authority.

Aveda was required to thoroughly review each finding cited in the report and take corrective action to ensure that none of the findings will recur in a future compliance examination (e.g. program review, independent audit, federal audit). Although a written response to this finding was not required, the Department expected Aveda to address the requirement articulated under each finding in a clear, complete, and unambiguous response that reflects a concerted commitment to improve Aveda's administration of the Title IV programs.

Summary of Aveda's Response:

The institution's written response stated that it does not concur with this finding. Aveda stated that it believes that the Department overstated the severity and number of findings cited in the program review report and further stated that it did not concur in whole with any of the fourteen findings identified in the program review report. However, Aveda's response to this report contradicts this statement as evidenced in the following examples.

Example 1: Aveda stated that prior to the start of the program review the institution had posted all required information and minimal consumer information on its website – including campus security and crime report, drug and alcohol abuse prevention policy, Gainful Employment program disclosures, Net Price Calculator, etc. During discussions with Aveda prior to the start of the on-site program review the Department identified that the requested information provided by Aveda was deficient. Aveda maintains that it remedied the deficiencies and posted all of the required consumer information to the institutional website by the starting date of the program review. However, the institution acknowledged that some policy statements were missing or required revision and that and the institution did not adequately substantiate its distribution of required documentation for consumer information. Despite this written acknowledgement of missing and incomplete consumer information, Aveda stated that it did not concur that its consumer information and distribution of consumer information were inadequate prior to the on-site program review.

Example 2: Aveda stated that it did not concur in whole with any of the fourteen findings, yet it attributed the serious and systemic violations identified with satisfactory academic progress (SAP) monitoring and attendance record deficiencies to personnel changes during the past two years.

Despite Aveda's non-concurrence, it responded to the Lack of Administrative capability finding by stating that it has addressed the areas related to SAP and has committed the necessary resources to ensure administrative capability in administering the Title IV programs and now (and will continue to) utilizes a financial aid consultant for training, policy and process review and related issues. Aveda further stated that it has purchased educational management software and plans to fully implement the system by January 31, 2015, and that it is considering engaging FAME as a third party servicer to improve processing times for students and better manage staff turnover.

Example 3: Aveda failed to address the errors identified in the academic probation records for students 6 and 24 as cited under Finding 3.

Example 4: Aveda failed to maintain accurate and consistent attendance records and also failed to maintain any attendance documentation for student 27 (Findings 2 & 3). Aveda also failed to provide the written policies and procedures that were required in response to Finding 3.

Example 5: Aveda failed to resolve exit counseling deficiencies for students 2, 10, and 15 as cited under Finding 9.

Final Determination:

As a general matter, all deficiencies identified as a result of a program review must be cited as such, regardless of when the deficiency is identified and regardless of how quickly the deficiency is corrected. As such, an institution's disagreement with a finding that is based on its assertion that the finding has been resolved is a disagreement without merit.

Aveda's failure to fully resolve Findings 3, 4, and 9, 10, 13, and 14 demonstrates a lack of administrative capability and an insufficient investment in administrative resources to properly administer the Title IV programs in which the institution participates.

Finding 3. Inaccurate Record Keeping

Citation:

An institution shall establish and maintain, on a current basis, any application for Title IV, HEA program funds and program records that document (1) its eligibility to participate in the Title IV, HEA programs; (2) the eligibility of its educational programs for Title IV, HEA program funds; (3) its administration of the Title IV, HEA programs in accordance with all applicable requirements; (4) its financial responsibility, as specified in this part; (5) information included in any application for Title IV, HEA program funds; and (6) its disbursement and delivery of Title IV, HEA program funds. *34 C.F.R. § 668.24(a).*

An institution shall maintain required records in a systematically organized manner. *34 C.F.R. § 668.24(d).*

Noncompliance Summary:

The following instances of inaccurate recording keeping were identified during the on-site review:

- As identified in Finding 2, Aveda was unable to locate attendance records for student 27 to document the accuracy of the R2T4 calculation completed for the student.

- The enrollment contract for student 3 has a start date of August 7, 2001. This date was clearly a typographical error, since the student was 10 years old on August 7, 2001. Nonetheless, the error was not corrected, and the admissions advisor and the student signed the contract with the incorrect start date.

- Multiple typographical errors were noted on the enrollment contract template used by Aveda for students enrolled during the 2012-2013 and 2013-2014 award years.

- Entries on manual student attendance records are inconsistent, and are not regularly maintained by Aveda. Students are responsible for making the individual entries on daily attendance records. Students indicate the month on the attendance report, but often fail to indicate the year. Additionally, instructors who approve student attendance are not ensuring that entries are complete before approving monthly attendance records.

- The first name used on the student 29's academic records was inconsistent. Although Aveda indicated that student 29 is a [redacted] individual, Aveda did not consistently use the student's legal first name on all records, and did not make a note in the student's file that explained the use of multiple first names on the student's records.

- For students 3 and 12, the completion date noted on the student transcript was dated before the student's documented last day of attendance.

- The academic warning notice forms for students 6 and 24 are labeled "academic probation", rather than the correct title of "academic warning" noted in the January 2012 catalog on page 42, and in the October 2012 catalog on page 70.

- The Dependent and Independent Verification forms used for the 2013-14 award year were not consistent. Two different forms were used during the award year. Neither form used clearly instructed students and/or parents which items they are required to complete. Additionally, the first version of the verification form used did not include a statement of purpose for students who may be required to complete this section.

Required Action Summary:

The institution was required to comply with the above-cited regulatory requirements and review 34 C.F.R. § 668.24 in its entirety. The institution was required to submit a copy of its written policies and document its procedures for institutional record keeping that comply with federal regulations. Additionally, Aveda was required to invest in the administrative resources necessary to administer the Title IV, HEA programs in accordance with all statutory provisions applicable to the HEA and all applicable regulatory provisions prescribed under that statutory authority.

Summary of Aveda's Response:

Aveda concurred with the student record errors noted in this finding for students 3, 12, and 29. However, Aveda failed to address the errors identified in the academic probation records for students 6 and 24.

Aveda stated that it does not concur with the finding of inaccurate records noted for student 27. As detailed in Finding 2, Aveda was unable to locate source attendance documentation for student 27 during the on-site program review and during the weeks immediately following the program review. In addition, Aveda failed to provide source attendance documentation for student 27 with its program review report response.

Aveda concurs that there were multiple typographical errors in the enrollment contract during the 2012-2013 and 2013-2014 award years, and stated that it has corrected the errors in the enrollment contract.

Aveda concurred that entries on its manual attendance records were inconsistent and often lacked dates on the monthly attendance report sheet (MPA). The institution stated that most students enrolled in the Esthiology program graduate within a calendar year, and that the school can identify the timeframe a student attended by using the dates on the enrollment agreement and in the school's database. The institution further stated that only evening cosmetology students are enrolled for longer than one calendar year. Aveda further explained that it has an internal methodology to determine the correct calendar year for student attendance when the student was enrolled in the same month during different calendar years, however, the methodology was not provided in the school's written response.

Although Aveda did not provide any explanation as to why multiple versions of the verification worksheet were used during the 2013-2014 award year, it did state that it modified its verification worksheet during the 2013-2014 award year to comply with federal regulations. The institution stated that the financial aid officer met with the majority of students who were required to complete the verification worksheet and counseled students and families on how to complete financial aid forms. The school noted that they had no verification findings cited in the program review report.

Final Determination:

In its response, Aveda concurred with student specific errors, but failed to provide the written policies and procedures that were required in response to this finding. Furthermore, the institution's explanation for the failure to properly date attendance records does not take into consideration students who start at different times during the year, and students who may take one or more leave of absence during their enrollment. Aveda's failure to maintain an adequate system of record keeping and failure to comply with the requirements of this finding (failing to provide the required written policies and procedures) demonstrates a lack of administrative capability.

Aveda must immediately develop and implement the required policies and procedures or enhance current policies and procedures to bring the institution into compliance with federal regulations and ensure that this finding does not recur. Aveda's independent auditor must review and comment on these required policies and procedures in its next regularly scheduled non-federal audit. Aveda is also reminded that, per the required action section, Aveda must also invest in the administrative resources necessary to administer the Title IV programs in accordance with all statutory provisions of or applicable to the HEA and all applicable regulatory provisions prescribed under that statutory authority.

Finding 4. Satisfactory Academic Progress Policy Not Developed, Not Monitored

Citation Summary:

A student is eligible to receive Title IV, HEA program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress. *34 C.F.R. § 668.32(f)*

An institution must establish, publish and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. *34 C.F.R. § 668.16(e)*

An institution's satisfactory academic progress (SAP) policy must be at least as strict as that for students who are not receiving FSA funds at the school, and it must apply consistently to all educational programs and to all students within categories, e.g., full-time, part-time, undergraduate, and graduate students. The policy must require an academic progress evaluation at the end of each payment period for students in programs lasting one year or less. For all other programs, the policy must require annual reviews and must correspond with the end of a payment period. For programs greater than one year, your policy may also call for progress reviews after each payment period. *See 34 C.F.R. § 668.34(a).*

An institution's SAP policy must specify that both the quantitative (time-based) and qualitative (grade-based) standards are reviewed at each evaluation point. Each may include a payment period-based standard but are required to include a cumulative standard. An institution's SAP policy must specify the qualitative standard (grade point average or GPA) that a student must have at each evaluation or, if GPA is not an appropriate qualitative measure, a comparable measure against a norm (for example, a percentage grade may be given). *See 34 C.F.R. §§ 668.34(a)(4) and (5).* A review of SAP is not complete until both the qualitative and quantitative measures have been reviewed.

Noncompliance Summary:

A school must not only publish financial aid SAP standards, it must apply those SAP standards for the purpose of measuring whether an otherwise Title IV eligible student is maintaining SAP in his or her program. Aveda's financial aid SAP policies and procedures failed to ensured consistent and accurate application of the qualitative and quantitate SAP components. Aveda also did not maintain documentation to verify that qualitative and quantitate SAP components were monitored and enforced to determine financial aid eligibility.

The institution further failed to maintain complete and accurate records of qualitative SAP for all students enrolled in the cosmetology program. Student progress reports for individual instructional units were consistently missing qualitative grades. The missing grades were also excluded from the instructional unit SAP calculation, which consistently resulted in inaccurate determinations regarding a student's compliance with financial aid SAP as well as the institution's academic SAP standards. In addition, for financial aid SAP the qualitative component was not calculated by payment period or on a cumulative basis for any student file examined during the onsite review.

Aveda's financial aid SAP policy and academic SAP policy also created different standards and both failed to measure cumulative quantitative progress. The financial aid SAP policy was substantially less strict than the institution's academic SAP policy. Additionally, Aveda was unable to provide any documentation that SAP was correctly monitored and the end of each payment period to determine financial aid eligibility.

Details of the noncompliance are provided below.

Conflicting SAP Policies

In Aveda's October 2012 catalog, the SAP standards for academics and financial aid eligibility were substantially different from one another. Financial aid SAP standards were less strict than the academic SAP standards. The financial aid SAP standards also allowed students to fail to meet SAP standards for two payment periods (page 72) before being placed on a SAP warning status which was not in compliance with the regulatory requirements set forth in 34 C.F.R. § 668.34.

Aveda was also unable to demonstrate that the institution was accurately calculating the qualitative component of financial aid SAP for students. Specifically, Aveda's instructional units do not correspond with financial aid payment periods (January 2012 catalog, pgs. 68-69). The January 2012 catalog states that satisfactory academic progress under both the financial aid SAP policy and the institution academic SAP policy was evaluated at the end of each instructional unit.[1] Students were required to meet the quantitative component of SAP (for both policies) by achieving 90% cumulative attendance and the qualitative component of SAP (for both policies) was met by earning 80% average at the end of each instructional unit, as well as cumulatively. However, Aveda could not document that they correctly evaluated student's

[1] Aveda's 1,500 clock hour cosmetology program is divided into five instructional units: "Intro", 350 clock hours and 10 weeks; "Alpha", 350 clock hours and 10 weeks; "Beta", 350 clock hours and 10 weeks; "Gamma", 350 clock hours and 10 weeks; and "Salon Life", 100 clock hours and any remaining weeks that were not previously completed. The financial aid payment periods for Aveda's cosmetology program are 0-450 clock hours and 12 weeks; 451-900 clock hours and 12 weeks; 901-1,200 clock hours and 10 weeks; and 1,201-1,500 clock hours and nine weeks. The instructional units do not correspond with either the clock hours or the weeks in each payment period of the program.

financial aid eligibility at the end of each instructional unit, or at the end of each payment period.[2] The institution also failed to monitor and calculate cumulative qualitative SAP.

Monitoring Deficiencies and Inaccurate/Incomplete Records

- Aveda's academic SAP notifications provided to students at the end of each instructional unit do not indicate whether or not students were meeting SAP or were placed on financial aid probation. In addition, the student files that were analyzed during the program review did not contain any notifications regarding financial aid SAP.

- At the end of each instructional unit, Aveda provides notifications to all students informing them of their instructional unit grades. However, these notifications failed to indicate whether or not students were meeting the cumulative academic SAP standards; these notifications also failed to inform the student whether or not he/she was in compliance with the financial aid SAP standards. In addition, the student files that were analyzed during the program review did not contain a separate notification when the student failed to meet financial aid SAP standards.

- As previously identified, Aveda's instructional units do not correspond with financial aid payment periods. The "End of Unit Progress Report" issued at the end of each instructional unit fails to indicate the start date of the unit, cumulative clock hours previously completed, the total number of cumulative clock hours completed, and do not provide a cumulative qualitative SAP evaluation for financial aid. An institution may monitor financial aid SAP more frequently (for ex., monitoring SAP at the end of every month) but an official review (i.e., for Title IV/SAP purposes) must occur at the end of a payment period. Even if an institution conducts financial aid SAP progress evaluations at the end of each month, the official financial aid SAP evaluation must occur at the end of a payment period.[3] Because Aveda did not document the when students completed each payment period, reviewers were unable to determine if students had met the required quantitative component of the financial aid SAP policy prior to the disbursement of Title IV funds.

- Aveda's "Score Sheet" is used to record grade detail for a specific instructional unit (i.e. Intro, Alpha, Beta, Gamma and Salon Life). The grade detail on the Score Sheet is used to calculate an average qualitative grade which is then reported on the End of Unit Report. Aveda routinely failed to enter grades for all assignments and tests identified on Score Sheet. The assignments and tests that were missing a percentage grade were also

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[2] 34 C.F.R. § 668.34(3)(i) states that SAP must be evaluated at the end of each payment period if the program is one academic year in length or shorter. For programs that are longer than one academic year, SAP must be evaluated at the end of each payment period or at least annually to correspond with the end of a payment period.
[3] See *2012-2013 Federal Student Title IV, HEA funds Handbook, Volume 1 – Student Eligibility.*

not included in the qualitative financial aid SAP calculation. [4] As a result, the qualitative percentage grade calculated by Aveda to determine both academic and financial aid SAP eligibility for each instructional unit was consistently inaccurate. Additionally, Aveda's Score Sheet did not specify a payment period, nor did it include the required cumulative qualitative SAP evaluation which must be calculated in order to determine a student's compliance with SAP for financial aid eligibility.

In addition to Aveda failure to monitor SAP for the purpose of determining financial aid eligibility, reviewers also found instances of Aveda failing to follow its academic SAP policy.

- Students 6 and 24: These students failed to meet Aveda's academic SAP policy and therefore Aveda created academic SAP plans for each of these students. It's unclear who created the academic SAP plan, and the documentation did not indicate if the plan was successfully completed. Faculty members also failed to sign off on the plans.

- Students 6 and 24 also failed to meet the qualitative component of the financial aid SAP policy. However, the academic SAP plans did not inform the students that if they subsequently failed to meet the financial aid SAP requirements that they may fail to qualify for financial aid (The reviewers noted that there were no separate financial aid SAP notifications in any of the student files examined during the file review.).

Required Action Summary:

Aveda was required to develop financial aid SAP policies and procedures in accordance with Federal regulations, and was required to submit a copy of these policies with its response. The new procedures were required to articulate how the financial aid SAP policy will be monitored and enforced on a consistent basis in conjunction with Aveda's academic SAP policy.

Due to the systemic errors identified, the institution was required to perform a full review for all Title IV recipients enrolled in the cosmetology program during the period from July 1, 2013 through June 30, 2014, to determine if they failed to meet the regulatory satisfactory academic progress requirements.

Aveda's Response Summary:

Aveda requested and received two extensions to submit their response to Finding 4, but did not submit their response by the October 29, 2014 deadline. The file review and supporting materials for this finding were not submitted to the Department until November 11, 2014.

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[4] Aveda's academic policies state that, "Incomplete grades are not given". See *page 43 of the January 2012 catalog, and page 73 of the October 2012 catalog.*

Aveda did not concur with the finding, and stated that it does not believe that the institution's financial aid SAP policy was less strict than the academic SAP policy in the January 2012 and October 2012 catalogs. The institution stated that the financial aid SAP policy was applied in addition to the existing academic SAP policy, and explained that the financial aid SAP policy in both catalogs indicate that a student will be dismissed if he/she fails to regain SAP within 30 days. The institution's 2014 revised financial aid and academic SAP policies now use the same evaluation standards and periods of measurement.

Aveda provided a copy of the institution's financial aid SAP policy that was revised in November 2013, a copy of the institution's 2014 catalog, as posted on the institution's website, and a copy of the institution's financial aid SAP monitoring and disbursement procedures that were in effect prior to the on-site program review. Aveda stated that it was accurately and consistently monitoring SAP for both academic and financial aid purposes during the 2013-2014 award year, and consistently reviewed both qualitative and quantitative SAP measures before disbursement rosters were submitted for payment. The institution also stated that it provided evidence of financial aid warning, appeal, and probation documents, as necessary.

Aveda concurred that the language used in the institution's October 2012 financial aid SAP policy is "cumbersome and not as clear as it might be." Although Aveda admitted that the instructional units and academic SAP monitoring policy did not align with required financial aid monitoring at the end of each payment period, it insisted that their financial aid SAP policy was still in compliance, and was enforced within the standards set forth in 34 C.F.R. § 668.32(f).

In regards to the fact that Aveda's cosmetology instructional unit clock hour requirements and weeks of instruction did not correspond to financial aid payment periods, the institution stated that the 2011 standards of 34 C.F.R. § 668.34, "created an additional administrative burden for cosmetology schools to evaluate SAP at the end of each instructional unit as well as at the end of each payment period." As a result, Aveda stated that it realigned its academic evaluations to coincide with the payment period-based SAP reviews, as of November 2013.

Aveda did not concur that missing assignment and test grades on instructional unit Score Sheets were omitted from the calculation of the qualitative percentage grade calculation at the end of each instructional unit. The institution stated that assignments and test that were missing grades were assigned a 0% grade that was included in the calculation of the unit qualitative average grade. When a student completed missing coursework (assignments, tests, etc.), the coursework was assigned a percentage grade which was used in calculating the unit qualitative average grade. The institution stated that the document identified as the Score Sheet is a protected document, and it is used to record unit coursework grades and calculate the unit qualitative SAP grade. Aveda stated that staff cannot change the grading formula, which thereby assures that a 0% grade is recorded and used in the calculation of the unit qualitative SAP grade.

In the required file review, Aveda correctly identified that students 38 and 199 did not meet the financial aid SAP standards identified in the catalog. Title IV funds were incorrectly disbursed to both students during the periods they were determined to be SAP ineligible. Aveda identified liabilities totaling $10,967.00 for students 38 and 199, but requested that the Department forego establishing the liabilities for these students.

Final Determination:

The revised qualitative and quantitative SAP policies submitted with Aveda's written response have resolved the policy conflicts and deficiencies identified in the January 2012 and October 2012 catalogs.

A. Overall File Review Results

Aveda completed the required file review for 255 students for the 2013-2014 award year. Aveda incorrectly included students 214-246 and students 248-254 in the file review as no Title IV funds were disbursed for these students.

An analysis of the documentation submitted in response to the file review revealed that Aveda entered grades of "P' and "F" on amended unit Score Sheets which were previously missing a percentage grades.[5] No explanation was provided for the entry of either a "P" or "F" where grades were previously missing for the following students: 2, 4, 5, 8, 9, 11-19, 21-26, 28, 31, 32, 36, 38, 39, 41, 43, 45, 47, 48, 50-53, 56, 58, 59, 61, 63-65, 67-69, 71-73, 75, 76, 78-80, 83-86, 88, 90, 92, 93, 96, 98-101, 103, 108, 112, 114, 117-119, 122, 125-129, 131, 134, 137-141, 143, 146, 147, 149, 150, 152, 154-158, 160, 164-171, 173-175, 178, 179, 181-183, 185-190, 193-195, 197-199, 205-208, 211-213, 248, and 255. However, Aveda did provide percentage grades on the reconstructed transcripts that were used to complete the file review for these students.

Aveda correctly identified that students 38 and 198 did not meet the required academic SAP standards. However, the institution failed to correctly determine the SAP status for the following 11 students (11/217 = 5.1% error rate). See *Appendix B*

1. Missing Information

Student 29: The institution failed to provide hard copy or electronic SAP information for student 29; as a result, the student is ineligible for the Title IV funds disbursed for payment periods three and four.

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[5] If the student failed to complete any type of assignment or coursework then the "Percent Earned" should be 0%. The "Percent Earned" grade should also be 0% when there is no documentation to substantiate that any type of assignment or coursework was completed. Additionally, Aveda's grading scale in both the January 2012 and October 2012 catalogs states that only percentage grades are given. See *October 2012 Aveda catalog, page 18 and January 2012 Aveda catalog, page 40*. Nonetheless, Aveda entered the grades of "P' and "F" on amended unit Score Sheets which were previously missing a percentage grades.

Student 45: The institution stated that it completed financial aid and academic SAP evaluations at the end of each payment period for this student. However, the hard copy SAP evaluations are missing for payment periods two and three. Based upon the electronic summary provided by Aveda, the student failed to meet the quantitative financial aid SAP standard (90% completion rate) at the end of payment period one (86%) and at the end of payment period two (89%). The student was not placed on financial aid or academic SAP warning for either payment period two or three. As a result, the student was ineligible to received Title IV funds for the third payment periods (per the regulatory requirements the student should have been place on warning at the end of payment period one and then suspended from receiving financial aid at the end of payment period two). Student 45 achieved a 90% completion rate at the end of payment period three and was therefore eligible for the Title IV funds disbursed for payment period four.

Students 77, 84, 103, 154, and 255: Aveda failed to correctly calculate the total number of clock hours completed by students 77, 84, 103, 154, and 255. Per disbursement records in COD, these students were paid for payment periods three and four during the 2013-2014 award year. The institution failed to provide documentation to substantiate that the qualitative and quantitative financial aid SAP evaluations were completed when each of these students completed 1,200 clock hours. As a result, the students' eligibility for payment periods three and four cannot be determined. , Consequently, these students were ineligible to receive Title IV funds for payment periods three and four.

Student 156: Aveda failed to provide complete SAP documentation for this student. The institution stated that it had completed financial aid and academic SAP evaluations at the end of each payment period for this student. However, both unit and end of payment period SAP evaluations are missing for this student. Based upon the SAP summary spreadsheet provided by Aveda, the student failed to meet the quantitative financial aid SAP requirement of 90% at the end of payment period one (86%) and payment period two (88%). The student was therefore ineligible to receive Title IV funds for payment period three because she failed to meet quantitative SAP standards for payment periods one and two (per the regulatory requirements the student should have been place on warning at the end of payment period one and then suspended from receiving financial aid at the end of payment period two).

2. Failure to Calculate Cumulative Quantitative SAP

Student 75: Aveda failed to identify that this student was not meeting quantitative financial aid SAP standard at the end of payment period one (86.97 %), and also at the end of the second payment period (89.76%). The student was also incorrectly provided a notice at the end of the first and second payment periods that stated the student was in good SAP standing. The student was ineligible to receive Title IV funds for the third payment period because she failed to meet quantitative financial aid SAP standard for payment periods one and two (per the regulatory requirements the student should have been place on warning at the end of payment period one and then suspended from receiving financial aid at the end of payment period two).

Student 125: Aveda failed to notify the student that she was not meeting quantitative financial aid or academic SAP at the end of the first payment period (87%). The institution incorrectly placed the student on qualitative SAP warning at the end of payment period two (89%) instead of payment period one, and therefore failed to identify that the student failed to meet quantitative SAP for two consecutive payment periods. As a result, the student was ineligible to receive Title IV funds for payment period three and four.

Student 195: Aveda failed to notify the student that she failed to meet quantitative SAP at the end of the first payment period (76%), the second payment period (85%), and at the end of the third payment period (87%). As a result, the student was ineligible to receive Title IV funds for payment periods three and four.

B. Liabilities

Due to the financial aid and academic SAP calculation errors identified during the file review, the Department has determined that Aveda did not accurately calculate and monitor SAP for students enrolled in the Cosmetology program during the 2013-2014 award year. Consequently, the Department has determined that Aveda must return $12,201.00 in Pell Grant funds disbursed to ineligible students who failed to meet the minimum institutional financial aid and academic SAP requirements. Aveda is also liable to the Department for $118.46 in associated cost of funds for the ineligible Pell Grant disbursements. See *Appendix C*.

Aveda also disbursed $69,391.00 in Direct Loan (DL) funds to ineligible students who failed to meet the minimum institutional financial aid and academic SAP requirements . See *Appendix B*. However, in lieu of requiring the institution to assume the risk of default by purchasing the ineligible loans from the Department, or asserting a liability for the entire loan amount, the Department has asserted a liability for the estimated loss (EL) that the government may incur with respect to the ineligible loans. The estimated loss is calculated based on the relationship between Aveda's cohort default rate and the sector cohort default rate. As a result, the estimated loss that Aveda must pay to the Department for these ineligible loans is $3,686.59. Appendix D contains the results of the calculation of the EL.

Aveda is reminded that 34 C.F.R. § 668.24(d) states that an institution shall maintain required records in a systematically organized manner. Aveda's failure to maintain adequate and accurate records for SAP demonstrates a lack of administrative capability.

The institution is further reminded that its fiduciary responsibilities obligate it to the highest standard of care and diligence in administering and accounting for Title IV funds. As such, Aveda is required to implement procedures or enhance current to bring the institution into compliance with federal regulations to ensure that this finding does not recur.

Finding 9. Federal Direct Loan (DL) Exit Counseling Deficiencies

Citation Summary:

A school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school. The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. If a student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after the school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required. *34 C.F.R. § 685.304(b) (1), (2) and (3)*

The school must maintain documentation substantiating the school's compliance with this section for each student borrower. *34 C.F.R. § 685.304(b)(7)*

Noncompliance Summary:

Aveda stated that Federal Direct Loan (DL) exit counseling notifications for withdrawn students were sent via email only. However, there was no documentation in the student files to substantiate that the email notifications of DL exit counseling were emailed to students 2, 10, 15, 19, and 23. Documentation of DL exit counseling was also not maintained for students 9, 14, and 24, who had graduated from the institution.

Required Action Summary:

The institution was required to comply with the above-cited regulatory requirements and must submit to this office a copy of its DL exit counseling policies and procedures that comply with federal regulations. In their next non-federal audit, the auditor must verify that Aveda sent the required DL exit counseling to students 2, 9, 10, 14, 15, 19, 23, and 24.

Summary of Aveda's Response:

Aveda did not concur with the finding. The institution stated that did not deem it necessary to mail or email exit loan counseling materials to the students identified in this finding. Aveda stated that exit counseling materials were either mailed or emailed to students at the time their withdrawal was processed and that student 23 reenrolled after withdrawing.

Aveda concurred that the institution did not maintain exit counseling documentation in student files for students 9, 19, and 24, but was able to print evidence of completed exit counseling from the Common Origination and Disbursement website (COD).

Aveda stated that students 2, 10, and 15 were sent a cover letter listing withdrawal documents enclosed with the mailing, including the "Student Loan Exit Interview Form". In the cover letter, the fourth paragraph addresses completing the exit interview form and returning it to the campus. Aveda stated that it emails the Exit Counseling Guide published by the Department with this mailing.

In their written response, the institution provided a blank copy of its revised loan exit counseling form letter sent to students, and an undated copy of the institution's loan exit counseling procedures for graduates and withdrawn students.

Final Determination:

Aveda correctly identified that no deficiencies occurred for students 14 and 23.

Aveda's response failed to include any documentation that loan exit counseling had been either mailed or emailed to students 2, 9, 10, 15, 19 and 24 at the time the students ceased enrollment. For students 2, 10 and 15, Aveda provided a copy of the withdrawal letter mailed to the students. The letter and the attachment did not provide a physical copy of the loan exit counseling form and did not provide students the URL to complete loan exit counseling on-line. The "Student Loan Exit Interview Form" referenced as an attachment is a checklist, and includes a line item for the student to check-off which simply states, "I have completed Exit Counseling online."

Aveda's response provided documentation from COD records that students 9, 19, and 24 completed loan exit counseling.

The institution is reminded that 34 C.F.R. § 668.24(d) states that an institution shall maintain required records in a systematically organized manner. The school must maintain documentation substantiating the school's compliance with 34 C.F.R. § 685.304(b)(1),(2) and (3) for each student borrower. *34 C.F.R. § 685.304(b)(7)*.

Aveda failed to resolve exit counseling deficiencies for students 2, 10, and 15 as there was no evidence to substantiate that the required exit counseling materials had been provided to these students. The institution is required to comply with the above-cited regulatory requirements. In the institution's next non-federal compliance audit, the auditor must verify that the required DL exit counseling has been sent to students 2, 10, and 15.

The institution's failure to fully resolve deficiencies individually or collectively, suggest an impaired administrative capability and/or an insufficient investment in administrative resources to properly administer the Title IV programs in which the institution participates. Aveda is advised to review the regulatory citations in this finding and to bring their administration of exit counseling into compliance with those regulations.

Finding 10. Gainful Employment Disclosures Requirements Not Met

Citation Summary:

The required reporting and disclosure requirements for programs that prepare students for gainful employment in a recognized occupation are specified in 34 C.F.R. § 668.6. Schools must include the required information in promotional materials it makes available to prospective students and post the information on its websites.

Final regulations published in the Federal Register on October 29, 2010 require institutions that participate in the student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, to disclose certain information about their Title IV-eligible educational programs that lead to gainful employment in a recognized occupation (GE Programs). These requirements became effective July 1, 2011.

Schools were responsible for meeting these disclosure requirements using their own form until the Department released its form. Schools must now use the Department-developed disclosure form that was released on November 22, 2013.

Schools must disclose the median loan debt incurred by students who completed the gainful employment program. A school must include in its disclosures its own calculation of median debt—separately showing FSA debt and other educational debt—until such time as the Department provides that loan debt information.

The placement rates for students completing a gainful employment program are to be determined under a methodology developed by the National Center for Education Statistics (NCES) when that rate is available.

If the school is required by its accrediting agency or state to calculate a placement rate on a program basis, it must disclose the rate under this section and identify the accrediting agency or state agency under whose requirements the rate was calculated. If the accrediting agency or state requires a school to calculate a placement rate at the institutional level or other than a program basis, the school must use the accrediting agency or state methodology to calculate a placement rate for the program and disclose that rate.

Noncompliance Summary:

Aveda failed to compile and publish materially complete gainful employment (GE) disclosures for the 2012-2013 and 2013-2014 award years. Further, Aveda failed to include the required GE disclosure information in its promotional materials, failed to make this information available to prospective students, and failed to post the information on its website.

Aveda did not include GE program disclosure information in their catalog and the institution failed to publish any program-specific promotional materials that include the required program disclosures. During the on-site program review, Aveda indicated that the institution's 2013-2014 GE disclosures were "in-process" of being created. Although Aveda provided these GE disclosures shortly after the conclusion of the on-site program review, the disclosures were not in the required format.

Required Action Summary:

The institution was required to comply with the above-cited regulatory requirements and was required to submit a copy of its gainful employment disclosures that are in compliance with federal regulations. Additionally, Aveda was required to provide documentation that the required information was included in the school's promotional materials, that the school made this information available to prospective students, and that the required GE disclosures were posted on the school's website.

Summary of Aveda's Response:

Aveda did not concur that the institution failed to publish GE program disclosures on its website at the time the on-site program review was conducted. The institution's response stated that they provided a screenshot of the disclosures posted on their website in Exhibit 10-C. However, the institution provided a printout from www.archive.org that contained unlabeled thumbnail-sized images that were unreadable. Aveda conceded that it did not have GE program disclosure information in their catalog and that it failed to publish any program-specific promotional materials that include the required program disclosures.

Aveda also asserted in its response that it had met all deadlines for posting GE disclosures online and that, as a result of this finding, has now included a statement regarding GE program disclosures as an insert in its current catalog.

Final Determination:

Although Aveda claims that it did publish GE program disclosures on its website at the time of the on-site program review, it failed to provide documentation to substantiate that claim. Aveda's response also failed to provide documentation that GE disclosures were created and/or distributed for the 2012-2013 award year, or any prior year.

During the on-site program review, Aveda indicated that the institution's 2013-2014 GE disclosures were "in-process" of being created. In its written response, the institution provided a copy of its GE disclosures dated January 9, 2014. Although Aveda provided these GE disclosures shortly after the conclusion of the on-site program review, the disclosures were not in the required format. Schools are required to use the disclosure form developed by the Department that was released on November 22, 2013. Aveda's response also failed to provide documentation that the GE disclosures dated January 9, 2014 were made available on the institution's website at the time the on-site program was conducted. Exhibit 10-C provided in Aveda's response did not provide any documentation that the required GE disclosures were posted on the institution's website at the time of the program review. Aveda's response also failed to provide any documentation that the disclosures were provided to prospective and current students.

The Department re-examined the institution's website to confirm that Aveda has updated their online GE disclosures using the Department's disclosure template; the examination revealed that the website is now in compliance. However, Aveda admitted that it has not published any program-specific promotional materials that include the required GE program disclosures, but is aware that the disclosures must be included on any future materials.

Aveda failed to resolve the following:

- Aveda failed to provide documentation that GE disclosures were created and/or distributed for the 2012-2013 award year, or any prior year.
- Aveda failed to include the required GE disclosure information in its promotional materials, failed to make this information available to prospective students, and failed to post the information on its website.
- Aveda did not include the required GE disclosures in its program-specific promotional materials.

The institution's failure to successfully resolve deficiencies, individually or collectively, suggest an impaired administrative capability and/or an insufficient investment in administrative resources to properly administer the Title IV programs in which the institution participates.

Aveda must implement procedures or enhance current procedures to ensure that that the required GE disclosures are correctly calculated and mad available to students and prospective students each year. In Aveda's next non-federal audit, the auditor must comment on the corrective action implemented by Aveda and ensure that, for the audit period under review, the required GE disclosure information is included in the institution's promotional materials, made it available to prospective students, and posted on the institution's website in compliance with the requirements set forth in 34 C.F.R. § 668.6.

Finding 13: Failure to Comply with Drug and Alcohol Abuse Prevention Program Requirements - Multiple Violations

Citation Summary:

The Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations requires each participating institution of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.

On an annual basis, the IHE must distribute written information about its drug and alcohol abuse prevention program (DAAPP) to all students, faculty, and staff. The distribution plan must make provisions for providing the material to students who enroll at a date after the initial distribution, and for employees who are hired at different times throughout the year. The information must include:

1) A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;
2) A written description of legal sanctions imposed under Federal, state and local laws for unlawful possession or distribution of illicit drugs and alcohol;
3) A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;
4) A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to students and employees; and,
5) A statement that the IHE will impose disciplinary sanctions on students and employees for violations of the institution's codes of conduct and a description of such sanctions.

In addition, each IHE must conduct a biennial review in order to measure the effectiveness of its drug prevention program, and to ensure consistent treatment in its enforcement of its disciplinary sanctions. The IHE must prepare a report of findings and maintain its biennial review report and supporting materials and make them available to the Department and interested parties upon request. *34 C.F.R. §§86.3, 86.100, and 86.103.*

Noncompliance Summary:

Aveda violated multiple requirements of the DFSCA. Specifically, the school failed to prepare and publish an accurate and complete DAAPP disclosure to students and employees as required for 2012 and 2013. Aveda's existing DAAPP was dated April 9, 2009, and there was no documentation that the school has updated or distributed this policy on an annual basis since the original publication date. The following deficiencies were identified in Aveda's 2009 DAAPP:

- As of January 3, 2014, the school's website provided a link to its DAAPP. Rather than linking to a PDF version of the DAAPP, the link contained a PDF file of Aveda's spa services.
- The existing DAAP does not include any information about drug or alcohol counseling, treatment, or rehabilitation programs or resources that are provided by the institution and/or community agencies and organizations. The DAAPP refers to a separate addendum that provides this information.

In addition, Aveda failed to conduct a Biennial Review (BR) to: 1) evaluate the effectiveness of its DAAPP; 2) identify areas requiring improvement or modification; and, 3) assess the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct. As a consequence of this condition, the institution also failed to produce a report of findings.

Required Action Summary:

Aveda was required to take all necessary corrective actions to resolve these violations and to ensure that they do not recur. At a minimum, Aveda was required to perform the following:

- Review and revise its existing drug and alcohol program materials and develop new program content as needed to ensure that a comprehensive DAAPP that includes all of the required elements found in the DFSCA in its place;

- Publish a materially-complete annual DAAPP disclosure that summarizes the program;

- Develop detailed policies and procedures that ensure that the DAAPP disclosure is distributed annually to every student who enrolls for any academic credit and to all employees. This policy must provide for active delivery to every member of the campus community regardless of when they enroll or are hired, and irrespective of the duration of enrollment/employment. A copy of Aveda's new DAAPP and new distribution policy must accompany with its response to this Program Review Report.

- Distribute the new DAAPP disclosure and provide documentation evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed in accordance with the DFSCA. This certification must also affirm that the institution understands all of its DFSCA obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur;

- Conduct a biennial review to measure the effectiveness of its DAAPP and prepare a report of findings. Aveda's report must include a description of the research methods and data analysis tools that were used to determine the effectiveness of the program and the consistency of its enforcement strategy. The report must identify the responsible officials and offices that conducted the biennial review. Finally, the biennial review must be approved by Aveda's chief executive and/or its Board. The biennial review must be completed by May 15, 2014 and its report and supporting materials must be submitted to the review team by May 31, 2014. During the site visit, the review team was advised that Aveda's new compliance leadership team was committed to implementing program improvements and the recommendations. The Department expects to see evidence of this commitment in Aveda's new biennial review report.

- Establish policies and procedures to ensure that all subsequent biennial review are conducted in a timely manner and are fully documented and to take all other necessary action to ensure that this violation does not recur. A copy of these new policies and procedures must accompany Aveda's biennial review report.

Aveda was required to incorporate the findings from its biennial review into its DAAPP. Because the DFSCA went into effect in 1990, longstanding practice dictates that the biennial review is normally conducted in even-numbered years; however, Aveda's persistent failure to comply with all elements of the biennial review requirement necessitates the need to commence a new study immediately, as noted above. This will result in this and subsequent biennial reviews and reports to be completed in the odd-numbered years going forward. As noted above, the exceptions identified in this finding constitute serious violations of the DFSCA that by nature cannot be cured. There is no way to truly "correct" a violation of a consumer protection/information law once it occurs. Aveda will be given an opportunity to conduct a meaningful review of its DAAPP and to bring its drug and alcohol programs into full compliance with the DFSCA as required by its PPA. However, Aveda was advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective measures as a result.

Summary of Aveda's Response:

In its official response, Aveda concurred with the majority of the Department's finding and stated that remedial action was taken as directed in the program review. Regarding the one area of disagreement, Aveda management contended that the DAAPP materials that were provided to the review team are still adequate even though they were dated April 9, 2009. Aveda officials contended that no changes were made because the existing policies and procedures meet the regulatory requirements. Aveda management also contended that the 2009 DAAPP materials were materially complete despite the fact that required information about drug and alcohol counseling, treatment, and/or rehabilitation programs and resources were provided in a separate publication. The institution corrected the defective website link to its DAAPP.

Aveda officials concurred that the institution failed to comply with the biennial review requirement, and asserted that a plan of action was developed to ensure that future biennial reviews will be conducted in a timely manner, and are well documented. Finally, Aveda's management claimed that the first biennial review meeting was to occur on October 20, 2014 and that the review would examine program data from July 1, 2012 – June 30, 2014.

Final Determination:

Finding 13 of the Program Review Report cited Aveda for multiple violations of the *DFSCA* and the Department's Part 86 Regulations. Specifically, Aveda failed to develop and implement a substantive DAPP that contained all of the required elements. Aveda also failed to properly distribute an annual DAAPP disclosure to all employees and students enrolled for academic credit. Reviewers determined that as of January 3, 2014, the school's website provided a link to its DAAPP. Rather than linking to a PDF version of the DAAPP, the link contained a PDF file of Aveda's spa services. Moreover, Aveda's DAAAP materials provided to the review team did not include any information about drug or alcohol counseling, treatment, or rehabilitation programs or resources that are provided by the institution and/or community agencies and organizations. The DAAPP referred to a separate addendum that purported to provide this information. In addition, Aveda's response to the program review concurred with the review team's determination that Aveda failed to conduct a biennial review of the DAAPP's effectiveness and produce a report of findings.

These separate and distinct violations necessarily follow each other because the biennial review is primarily a study of the DAAPP's effectiveness. Therefore, an institution cannot conduct a proper biennial review until it has a fully functional DAAPP in place and program requirements and standards of conduct are communicated clearly to all members of the campus community. Because of these violations, the institution was required to develop and implement a complete DAAPP and produce and distribute an annual disclosure. Aveda was also required to conduct a substantive biennial review as soon as initial program data was available. In its response, Aveda concurred with the finding, described the remedial actions taken so far, and submitted documents in support of its compliance.

The Department carefully examined all available information including Aveda's narrative response and supporting documentation. Based on the Department's review and Aveda's partial admission of noncompliance, each of the violations identified in the noncompliance section of the initial finding are sustained. The Department notes that the DAAPP materials in place during the review period did not address all required elements. Aveda stated that it had remedied the deficiencies in its DAAPP prior to the completion on the on-site program review. Although the institution provided a copy of its revised 2013 DAAPP (dated January 15, 2014) to the review team during the site visit, there is no question that the materials that were in place during the review period were deficient. Revisions of the type that Aveda claimed to have made do nothing to change the fact that the institution maintained deficient policies and materials for the academic years reviewed for the program review. Moreover, Aveda did not provide any documentation showing that a DAAPP disclosure was ever produced during the review period (2012 and 2013) or that any program materials were actively distributed to enrolled students and current employees during this timeframe. Aveda's program review response included a copy of a new annual DAAPP disclosure, which was not dated. The institution did not provide evidence to show that the new DAAPP disclosure based on the revised program was ever actively distributed. The Department also must point out that Aveda did not immediately conduct a biennial review, as directed in the program review report. To give the institution the benefit of the doubt, the review team attributed this delay to the fact that a comprehensive DAAPP had only been in place for a short time prior to the submission of Aveda's response. Aveda's response stated that the biennial review would be completed in October 20, 2014; however, a copy of the report was not submitted to the review team. The report of findings and supporting documentation should be readily available and must be submitted immediately to the Department for review. Copies of the Aveda's new and revised DAAPP policies and procedures, its new annual DAAPP disclosure, documented proof of active distribution of the new annual disclosure (e-mail records will suffice) must accompany the biennial review report and supporting documentation. These materials must be submitted to Ms. Susan Frost Alvarez at susan.frostalvarez@ed.gov and to the Department's *Clery Act* Compliance Team at clery@ed.gov within 15 days of Aveda's receipt of this FPRD.

If any of the requested documents are not available or do not exist, Aveda must clearly state that fact and to the extent possible, explain with particularity the circumstances related to the failure to produce these records. In this context, Aveda officials are specifically advised to not produce any new documents for past periods for the purpose of complying with this document production. Aveda's submission must reference its Program Review Control Number (PRCN) and the finding number in the subject line of its e-mail message. Aveda is also advised that any failure to respond to the supplemental request for document production will result in a referral for the imposition of administrative actions, in addition to the referral that will be made to address the original violations identified in Finding 13 of the Program Review Report.

Aveda is also advised that it must continue to develop its DAAPP. Aveda must also ensure that it distributes accurate and complete DAAPP materials to all students and employees in accordance with the Department's regulations and Aveda's new procedures. Aveda must ensure that going forward; all biennial reviews must be a substantive evaluation of the goals and objectives of Aveda's DAAPP and must fully describe and evaluate the effectiveness of the component parts of the programs. In addition, Aveda must examine the strengths and weaknesses of the program as well as the efficacy of the policies and procedures that underlie it. The review process must not merely be or become a conclusory ratification of existing policy. Each report must also be approved by Aveda's President and/or its board. Finally, Aveda must implement procedures and provide sufficient oversight to ensure that future reviews are conducted on the required schedule.

Although this finding is now satisfied for program review purposes, Aveda is reminded that the exceptions identified above constitute serious and persistent violations of the *DFSCA* that by their nature cannot be cured. There is no way to truly "correct" violations of this type once they occur. Aveda asserted that it has taken adequate remedial actions but as noted above, additional work is required to demonstrate full compliance. Aveda officials must understand that the Department considers compliance with the *DFSCA* to be essential to maintaining a safe and healthy learning environment. This is true for all institutions regardless of size, location or organizational structure. Data compiled by the Department shows that the use of illicit drugs and alcohol abuse is highly correlated to increased incidents of violent crime on campus. *DFSCA* violations deprive students and employees of important information regarding the educational, financial, health, and legal consequences of illicit drug use and alcohol abuse and may also deprive institutions of important information about the effectiveness of any drug and alcohol programs that may have been in place during the program review period. For these reasons, Aveda is advised that its remedial measures cannot and do not diminish the seriousness of these violations nor do these actions eliminate the possibility that the Department will impose an adverse administrative action and/or additional remedial measures as a result.

Finally, the Department strongly recommends that Aveda re-examine its drug and alcohol abuse preventions policies, procedures and programs on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with the *DFSCA*. Please be advised that the Department may request information on a periodic basis to test the effectiveness of Aveda's new drug and alcohol policies and procedures.

Finding 14: Crime Awareness Requirements Not Met - Incomplete Annual Security Report

Citation Summary:

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) and the Department's regulations require that all institutions that receive Title IV, HEA funds must, by October 1 of each year, publish and distribute to its current students and employees through appropriate publications and mailing, a comprehensive Annual Security Report (ASR) that contains, at a minimum, all of the statistical and policy elements enumerated in 34 C.F.R. §668.46(b).

The ASR must be published and actively distributed as a single document. Acceptable means of delivery include regular U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. *34 C.F.R. §668.41(e)(1)*. These regulations also require institutions to provide a notice containing this information to all prospective students and employees. This notice must also advise interested parties of their right to request a paper copy of the ASR and to have it furnished upon request. *34 C.F.R. §668.41(e)(4).*

An institution's ASR must include statistics for incidents of crimes reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assaults, burglary, motor vehicle theft, and arson. Statistics for certain hates crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs; illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2) on-campus student residential facilities; 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property. *34 C.F.R. §668.46(c)(1).*

The ASR also must include several mandated policy statements. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of crime prevention programs and resources as well as channels for victims of crime to seek recourse. In general, these policies include topics such as the law enforcement authority and practices of campus police and security forces, incident reporting procedures for students and employees, and policies that govern the preparation of the ASR itself. Institutions are also required to disclose alcohol and drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies of the issuance of timely warnings, emergency notifications, and evacuation procedures. As noted above, the ASR must be published as a single comprehensive document. With the exception of certain drug and alcohol program information, cross referencing to other publications is not sufficient to meet the publication and distribution requirements. *§485(f) of the HEA; 34 C.F.R. §668.46(b).*

Finally, each institution must also submit its crime statistics to the Department for inclusion in the Office of Postsecondary Education's "Campus Safety and Security Data Analysis Cutting Tool." This data must be submitted in the manner designated by the Secretary and in accordance with the timelines published in the Federal Register. *34 C.F.R. §668.41(e)(5).*

Noncompliance Summary:

Aveda violated multiple violations of the Clery Act. Specifically, the school failed to provide documentation that it published an updated ASR in 2012. The most recent ASR prior to the 2013 report is dated September 9, 2011. In addition, Aveda's 2013 ASR did not include the following required statistical disclosures and policy and procedural statements:

- The 2013 ASR does not include policies or procedures for preparing the annual disclosure of crime statistics. This includes Aveda's failure to obtain crime and incident reports from its surrounding Clery geography in the Century Shopping Centre, where the school is located.

- The 2013 ASR does not include a statement advising the campus community where law enforcement agency data concerning registered sex offenders may be obtained.

- The 2013 ASR does not include a statement disclosing whether the institution has any policies or procedures that allow victims or witnesses to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics, and, if so, a description of those policies and procedures.

- The 2013ASR did not include a statement of policy regarding campus law enforcement in their ASR. This statement must contain the following elements:

    - A description of the law enforcement authority of the campus security personnel

    - A description of the working relationship of campus security personnel with State and local law enforcement agencies, including whether the institution has agreements with such agencies, such written memoranda of understanding (MOU), for the investigation of alleged criminal offenses

- Aveda's 2013 ASR is deficient in its statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement of policy must include:

    - A description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses;

    - Procedures students should follow if a sex offense occurs, including procedures concerning who should be contacted, the importance of preserving evidence for the proof of a criminal offense, and to whom the alleged offenses

    - Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that institutional personnel will assist the student in notifying these authorities, if the student requests the assistance of these personnel should be reported;

    - Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that institutional personnel will assist the student in notifying these authorities, if the student requests the assistance of these personnel;

    - Notification to students of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses;

    - Notification to students that the institution will change a victim's academic and living situations after an alleged sex offense and of the options for those changes, if those changes are requested by the victim and are reasonably available

    - Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:

        - The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
        - Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense; and
        - Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.

- The 2013 ASR does not include a statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. §14071(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.

- Aveda's 2013 ASR did not contain any of the following required information regarding the school's emergency and evacuation procedures:
    - Procedures to immediately notify the campus community upon confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees;
    - A statement that the institution will, without delay, determine the content of the notification and initiate the notification in such an emergency;
    - A description of the process the institution will use to confirm there is a significant emergency, determine who to notify, determine the content of the notification, and initiate the notification system;
    - The positions and titles of the individuals who will confirm that there is a significant emergency, determine the content of the notification to students, who will send the notification, and initiate the notification; and,
    - Plans to conduct tests of the emergency response and evacuation procedures, and documentation of such tests.
- For reported statistics, the following deficiencies were identified in the 2013 ASR:
    - Category statistics for persons who were referred for campus disciplinary action for Liquor Law Violations, Drug Law Violations, and Illegal Weapons Possession were not reported. If no persons were referred in a particular category for a specific year then a "0" should have been entered in the specific category in the ASR.
    - Hate crime statistics were not reported separately from those for other incidents of crimes reported. If no hate crimes were reported in a particular category for a specific year then a "0" should have been entered in the category in the ASR.

The extent of the omissions noted above indicate a general failure on the part of Aveda to prepare and publish an accurate and complete ASR in 2013 and in all prior years. As a result of this violation, the school also failed to comply with the requirement to actively distribute the ASR to all current students and employees as a materially-complete comprehensive document.

Furthermore, Aveda also failed to actively notify prospective students and prospective employees about the availability of the 2013 ASR and all prior reports. As a result of the failures documented herein, the Department finds that Aveda has persistently failed to comply with the ASR publication, distribution, and notification requirements and to otherwise comply with the most basic requirements of the Clery Act since its enactment.

Failure to publish a materially-complete ASR and to actively distribute it in accordance with Federal regulations deprives the campus community of important security information that can empower its members to make informed decisions and play a more active role in their own safety and security.

Required Action Summary:

As a result of this violation, Aveda was required to develop and implement procedures for preparing, publishing, and distributing an ASR in accordance with Federal regulations. The new procedures must articulate how prospective students and employees will be notified of the report's availability. Using its new policy as a guide, Aveda was required to prepare and publish an accurate and complete ASR that includes all of the statistical disclosures and policy, procedure and programmatic information required under 34 C.F.R. §668.46(b). A copy of the institution's new policies and procedures and its draft ASR were required to accompany Aveda's response to the program review report. Once the new ASR was evaluated by the review team for accuracy and completeness, the institution was required to actively distribute it to all current students and employees in accordance with 34 C.F.R. §668.41(e).

Finally, Aveda was required to provide documentation to the Department evidencing the ASR distribution as well as a certification statement attesting to the fact that the materials were distributed in accordance with the Clery Act. This certification must also affirm that the school understands all of its Clery Act obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur.

As noted above, the exceptions identified in this finding constitute serious violations of the Clery Act that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. Aveda will be given an opportunity to develop and distribute an ASR and finally begin to bring its overall campus security program into compliance with the Clery Act as required by its PPA. However, the school is advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or additional corrective measures.

Based on an evaluation of all available information including Aveda's response, the Department will determine if additional actions will be required and will advise the school accordingly in its Final Program Review Determination.

Summary of Aveda's Response:

In its official response, Aveda did not concur with the Department's finding. Specifically, Aveda stated that it became aware of the ASR deficiencies immediately prior to the on-site program review, and attempted to correct the deficiencies prior to the on-site phase of the program review. Aveda officials claimed that copies of the ASR were distributed during new student orientation and each student signed a form indicating that he/she has received a copy of the ASR. Aveda indicated that the form was most recently updated on September 14, 2011, and provided a screenshot of the document. (The Department notes that Aveda did not provide any copies of the above-referenced new student orientation forms that are used to document distribution of the ASRs).

Secondly, Aveda did not concur that its 2013ASR failed to include policies or procedures for preparing the annual disclosure of crime statistics. This included Aveda's failure to obtain crime and incident reports from its surrounding *Clery* geography in the Century Shopping Centre, where the school is located. The institution stated that it made a good faith effort to acquire crime statistics from local law enforcement, but was unable to obtain them in time for the October 1, 2013 reporting deadline. (The Department notes that Aveda did not provide any documentation of its attempts to obtain crime statistics from local law enforcement).

Thirdly, Aveda did not concur that its 2013ASR failed to include a statement advising the campus community where law enforcement agency data concerning registered sex offenders may be obtained. In its response, the institution provided sample links of where the information can be found; however, the Department notes that Aveda did not document where the information was included in the 2013 ASR.

Fourthly, Aveda did not concur that its 2013 ASR did not include a statement disclosing whether the institution had any policies or procedures that allow victims or witnesses to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics, and, if so, a description of those policies and procedures. In its response, Aveda provided the required language in its revised ASR; however, the Department notes that Aveda officials did not document where the information was included in the 2013 ASR.

Fifthly, Aveda did not concur that its 2013ASR did not include a statement of policy regarding campus law enforcement in their ASR. The institution stated that its revised 2013 ASR states that the institution's Director at each campus location is the campus security authority, and accordingly, the institutional Director will use his/her discretion to report to the police any incident that is considered a crime under local state of federal law. Aveda's revised 2014 ASR did not include a statement encouraging prompt reporting of all crimes to the appropriate police agencies. No contact information was provided in the ASR for any local police agencies.

Sixthly, Aveda did not concur that its 2013 ASR was deficient in its statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. In its response, the institution provided the required language in their revised 2014 ASR; however, the Department notes that Aveda officials did not claim that this information was included in the 2013 ASR.

Seventhly, Aveda did not concur that their 2013 ASR failed to include a statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. §14071(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address. In its response, the institution provided the required language in its revised ASR; however, the Department notes that Aveda officials did not document where the information was included in the 2013 ASR.

Eighthly, Aveda did not concur that its 2013 ASR did not contain any of the required information regarding the school's emergency and evacuation procedures, and did not include plans to conduct tests of the emergency response and evacuation procedures, and documentation of such tests. In its response, the institution provided the required language in their revised ASR; however once again, Aveda officials were not able to document that this information was included in the 2013 ASR. Furthermore, Aveda officials were not able to document any tests of its emergency response and evacuation procedures or that such information was disclosed to students and employees.

Finally, Aveda did not concur that their 2013 ASR failed to report category statistics for person who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession were not reported. In its response, the institution provided the required category statistics in its revised ASR; however, the Department notes that Aveda officials were not able to document that this information was included in the 2013 ASR.

Aveda did, in fact, concur that its 2013 failed to report hate crime statistics separately from those for other incidents of crimes reported. The institution indicated that it would adopt the sample crime statistics reporting table found on page 152 of the Handbook for Campus Safety and Security Reporting to better comply with the requirements.

Final Determination:

Finding 14 of the Program Review Report cited Aveda for multiple violations of the *Clery Act*. The review team found that Aveda failed to produce a 2012 ASR and as such, was unable to distribute this required report to enrolled students and current employees. Aveda also failed to produce an accurate and complete 2013 ASR. This report included numerous statistical errors and omitted at least seven significant multi-part policy and procedural disclosures listed in the noncompliance section above[6]. Additional information on these deficiencies is set forth in the Noncompliance section of the initial finding above. Aveda concurred that its 2013 ASR failed to report hate crime statistics separately from those for other incidents of crimes reported. In its response to the program review, Aveda disagreed with the review team's determinations in numerous areas. The Department addresses each of Aveda's contentions below:

Aveda officials claimed that copies of the ASR were distributed at new student orientation and each student signs a form indicating that he/she has received a copy of the policy. Aveda indicated that the form was most recently updated on September 14, 2011, and provided a screenshot of the document (The Department notes that the Aveda did not provide any copies of the above-referenced new student orientation forms that are used to document distribution of the ASRs). Aveda did not provide reviewers with any evidence that its 2012 and 2013 ASRs were properly distributed as required by the Department's regulations. Moreover, Aveda did not produce any evidence that prospective students and prospective employees were notified about the availability of the 2013 ASR and all prior reports.

The institution stated that it made a good faith effort to acquire crime statistics from local law enforcement, but was unable to obtain them in time for the October 1, 2013 reporting deadline. (The Department notes that Aveda did not provide any documentation of its attempts to obtain crime statistics from local law enforcement).

Aveda did not concur that its 2013ASR failed to include a statement advising the campus community where law enforcement agency data concerning registered sex offenders may be obtained. In its response, the institution provided sample links of where the information can be found; however, the Department notes that Aveda did not document where the information was included in the 2013 ASR.

Aveda did not concur that its 2013 ASR did not include a statement disclosing whether the institution has any policies or procedures that allow victims or witnesses to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics, and, if so, a description of those policies and procedures. In its response, Aveda provided the required language in its revised ASR; however, the Department notes that Aveda officials did not document where the information was included in the 2013 ASR.

Aveda did not concur that its 2013 ASR failed to include a statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C.

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[6] The Department must note that several of the statistical, policy, and procedural disclosures that were omitted from the 2013 ASR required a multi-part response meaning that Aveda actually failed to provide significantly more than seven informational disclosures in its report. The omitted material included required campus crime statistics and the Institute's emergency evacuation and response procedures. Such procedures are vitally important to the safety of students and employees at all institutions regardless of a school's size, location, or organizational structure. Aveda also failed to develop numerous policies and procedures required by *34 C.F.R. §668.46(b)(11)*, commonly referred to as the Campus Sexual Assault Victim's Bill of Rights.

§14071(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address. In its response, the institution provided the required language in its revised ASR; however, the Department notes that Aveda officials did not document where the information was included in the 2013 ASR.

Aveda did not concur that its 2013 ASR did not contain any of the required information regarding the school's emergency and evacuation procedures, did not include plans to conduct tests of the emergency response and evacuation procedures, and documentation of such tests. In its response, Aveda provided the required language in their revised ASR; however once again, Aveda officials were not able to document that this information was included in the 2013 ASR. Furthermore, Institution officials were not able to document any tests of its emergency response and evacuation procedures or that such information was disclosed to students and employees.

Aveda did not concur that its 2013 ASR failed to report category statistics for persons who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession. In its response, the Aveda provided the required category statistics in its revised ASR; however, the Department notes that Aveda officials were not able to document that this information was included in the 2013 ASR.

As a result of these violations, Aveda was required to review and revise its existing policies and procedures and develop and implement new policies and procedures as needed to address the deficiencies. In its response, Aveda only concurred with the deficiencies related to the disclosure of hate crimes. Aveda asserted that remedial action was taken to address the violations with which it agreed.

The Department carefully examined all available information including Aveda's narrative response and supporting documentation. Based on that review, each of the violations identified in the noncompliance section of the initial finding are sustained. The Department also determined that Aveda continued to violate the *Clery Act* even after these violations were brought to management's attention by the review team. This conclusion is supported by the review team's detailed examination of the 2013 ASR, which was produced after the significant violations identified during an examination of Aveda's2012 report were brought to management's attention.

As noted throughout, the Chicago/Denver School Participation Division has made a concerted, good-faith effort to assist Aveda toward full compliance with the *Clery Act*; however, as indicated by the persistent violations noted above, these efforts were not successful. For these reasons, the Department has determined that this finding is now satisfied for purposes of this program review and is referred to the Department's Clery Act Compliance Team (CACT). The CACT will oversee Aveda's development and implementation of it final remedial actions regarding this finding. As part of that referral, Aveda is directed to take immediate action to finally and fully address the noted deficiencies and submit creditable evidence to substantiate its claims of remedial action.

Specifically, upon receipt of this FPRD, Aveda must immediately conduct a full review of its 2015 ASR and its data submissions to the CSSDACT and then correct all statistical discrepancies and/or omissions of required statements of policy, procedure, and programs. Once all deficiencies are corrected, Aveda must actively distribute a modified 2015 ASR to enrolled students and current employees. This distribution must be completed within 30 days of Aveda's receipt of this FPRD. Within 45 days of receipt of this FPRD, Aveda must submit copies of the following records to the Department: 1) the initial and revised 2014 and 2015 ASRs and 2) credible evidence showing that these reports were actively distributed to mandatory recipients. Suitable evidence of distribution may include a copy of an e-mail used to transmit the report or other similar documentation. These materials must be submitted via electronic mail to Ms. Susan Frost Alvarez at susan.frostalvarez@ed.gov and to the CACT at clery@ed.gov.

Aveda's submission must reference the Program Review Control Number noted on the cover letter in the subject line of its e-mail submission. If any of the requested records were not produced or do not exist, Aveda officials must clearly communicate that fact to the Department in writing via electronic mail. In this context, Aveda officials are advised that no new documents are to be created at this time for the purpose of demonstrating compliance with any *Clery Act* requirement for past periods (except for necessary revisions to the 2015 ASR). Aveda is also advised that a failure to respond to this request for document production will result in a referral for the imposition of administrative actions in addition to any referrals that may be made to address the original violations identified in Finding 14 of the Program Review Report.

Although this finding is now satisfied[7], the officers and directors of Aveda are put on notice that Aveda must also take any other action that may be necessary to address the violations identified above as well as any other deficiencies and weaknesses were detected during the preparation of the Aveda's response and as may otherwise be needed to ensure that these violations do not recur. Aveda is also reminded that the exceptions identified above constitute serious and persistent violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" violations of this type once they occur. The compilation and disclosure of accurate crime statistics and the production and distribution of materially-complete ASRs are among the most basic requirements of the *Clery Act* and are fundamental to its campus safety goals. Aveda was required to initiate all necessary remedial measures; however, the institution failed to do so, as required by the terms and conditions of its PPA. The failure to take adequate remedial action calls Aveda's ability and/or willingness to properly administer the Title IV programs into serious question. Aveda must immediately take the actions outlined above to demonstrate its administrative capability and the effectiveness of its campus safety programs.

[7] Subject to Aveda's satisfactory production of the requested documentation.

The Department also strongly recommends that Aveda re-examine its campus safety and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with Federal regulations. As part of these periodic reviews, Aveda officials are encouraged to continue to use the Department's "Handbook for Campus Safety and Security Reporting" (2011) as a reference guide for *Clery Act* compliance. The Handbook is online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The Department also provides a number of other *Clery Act* training resources. Aveda officials can access these materials at: www2.ed.gov/admins/lead/safety/campus.html. The regulations governing the *Clery Act* can be found at *34 C.F.R. §§668.14, 668.41, 668.46*, and *668.49*.

Finally, Aveda's management is also reminded that Section 304 of the Violence Against Women Reauthorization Act of 2013 (VAWA) amended the *Clery Act* to require institutions to compile and disclose statistics for incidents of sexual assault, dating violence, domestic violence, and stalking. VAWA also requires institutions to include new policy, procedural and programmatic disclosures regarding sexual assault prevention, response, and adjudication in their ASRs. All institutions were already obligated to make a documented good-faith effort to comply with the statutory requirements of VAWA and to include all new required content in the 2014 ASR. Because the Department issued Final Rules on the VAWA amendments before November 1, 2014, the new regulations went into full effect on July 1, 2015, per the Department's Master Calendar. In light of the violations documented above, Aveda is advised to immediately bring its sexual assault policies up to the standard required by VAWA. Institutional officials may view the Final Rule at:
http://ifap.ed.gov/fregisters/attachments/FR102014FinalRuleViolenceAgainstWomenAct.pdf

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows:

Established Liabilities

Liabilities From Attached Appendices	**Pell Grant (Closed Award Year)**	**COF**	**DL EL**	**TOTAL**
Finding 4	$12,201.00	$118.46	$3,686.59	
Payable to ED	$12,201.00	$118.46	$3,686.59	
(Rounded)	$12,201.00	$118.00	$3,687.00	
TOTALS	**$12,201.00**	**$118.00**	**$3,687.00**	**$16,006.00**

E. Payment Instructions

SECTION I

Liabilities Owed to the Department

The total amount owed as a result of this program review is $16,309.00. However, the Department confirmed that the institution has already paid $303.00. Therefore, the remaining amount owed totaling $16,006.00 must be paid back in accordance with the instructions set forth below.

Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

If the check is sent special delivery (signature/receipt required), the check must be sent to the following address:

U.S. Bank
1005 Convention Plaza
St. Louis, MO 63101
Attn: Govt. Lockbox Tram MO-SL-C2GL
Re: For Dept. of Ed. 979026

Payment must be made via check

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount:	$16,006.00
PRCN:	2014-05-28559
DUNS:	106698355
TIN:	270869503

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter.** If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Aveda is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivables & Bank Management Group at (202) 245-8080 and ask to speak to Aveda's account representative.

If full payment cannot be made within **45** days of the date of this letter, contact the Centralized Receivables Service (CRS) at 1-855-549-2683 to apply for a payment plan. Interest charges and other conditions apply.

If within 45 days of the date of this letter, Aveda has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due to Aveda from the Federal Government. **Aveda may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Aveda must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

SECTION II - Instructions by Title IV, HEA Program

1. William D. Ford Federal Direct Loan (Direct Loan) Liabilities:

Direct Loan Estimated Actual Loss

Finding 4
Appendix D

DL Estimated Actual Loss	
Amount	Award Year
$3,687.00	2013-2014
Total	
$3,687.00	

Aveda must pay the amount reflected above in Direct Loan estimated loss liabilities for the award year reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in Section 1 above.

2. Liabilities Owed to the Department in the case of Title IV Grants

Pell Grant – Closed Award Year

Finding 4
Appendices B and C

Aveda must repay:

Pell Grant -Closed Award Year			
Amount (Principal)	Amount (COF)	Title IV Grant	Award Year
$ 12,201.00	$118.00	Pell Grant Program	2013-2014 Award Year
Total Principal	Total COF		
$ 12,201.00	$118.00		

The disbursement record for each student identified in Appendices B and C to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the Appendix B.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The COF will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to Susan Frost Alvarez **within 45 days of the date of this letter**.

F. Appendices

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

Appendices B-G are attached to this report.