



January 26, 2015

Mr Dale LeMonds
President
Aveda Institute Provo
1700 N. State St., Ste. 18
Provo, UT 84604

Certified Mail Return Receipt Requested
Domestic Return Receipt:
7012 1640 0000 0216 1122

RE: **Final Program Review Determination**
OPE ID: 040723-00
PRCN: 201130827510

Dear Mr. LeMonds:

The U.S. Department of Education's (Department's) School Participation Team - Chicago/Denver issued a program review report on April 17, 2014 covering Aveda Institute Provo'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 2009-2010 and 2010-2011 award years. Aveda's final response was received on June, 2, 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,
- 3) notify the institution of its right to appeal, and
- 4) close the review.

The total liabilities due from the institution from this program review are \$3,760.00.

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

Federal Student
U.S. DEPARTMENT OF EDUCATION
School Participation Initiative - Chicago/Denver
100 West Madison
Chicago, Illinois 60601

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, 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 C and D also contain PII. These appendices were encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the April 17, 2014 program review report. If Aveda wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Aveda receives this FPRD. An original and four copies of the information Aveda submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
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;
- 3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- 4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Aveda's appeal will be those provided in 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).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Adam Quinn at 1-312-730-1689. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Douglas Parrott
Division Director

Enclosure:

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

cc: Jessica Hiatt, Financial Aid Administrator
Utah Department of Commerce - Division of Occupational and Professional Licensing
National Accrediting Commission of Career Arts and Sciences
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Prepared for

Aveda Institute Provo

Federal Student
AID

PROUD SPONSOR of
The AMERICAN MIND

OPE ID 040723-00
PRCN 201130827510

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

Final Program Review Determination January 26, 2015

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A. Institutional Information

Aveda Institute Provo
1700 North State Street
Provo UT, 84604-1008

Type: Proprietary

Highest Level of Offering: One Year, Non-Degree

Accrediting Agency: National Accrediting Commission of Career Arts & Sciences

Current Student Enrollment: 136 - 2011

% of Students Receiving Title IV, HEA funds: 85% - 2011

Title IV, HEA Program Participation PEPS:

<u>Program</u>	<u>2011/12 Award Year</u>
William D. Ford Federal Direct Loan Program (Direct Loan)	\$1,217,297
Federal Pell Grant (Pell)	534,037

Default Rate FFE:	2011 3.1%
	2010 5.0%
	2009 0.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Aveda Institute Provo (Aveda) from May 9, 2011 to May 12, 2011. The review was conducted by Mitch Cary and Mark Diestler.

The focus of the review was to determine Aveda's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA 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 2009/10 and 2010/11 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on April 17, 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(s) 2, 3, 4, 5, 6 and 7

Aveda has taken the corrective actions necessary to resolve findings 2, 3, 4, 5, 6 and 7 of the program review report. Therefore, these findings may be considered closed. The institutions responses to these findings are contained in appendix C. Findings requiring further action by Aveda are discussed below.

Findings with Final Determinations

The program review report finding(s) requiring further action are summarized below. At the conclusion of each finding is a summary of Aveda's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on April, 17, 2014 is attached as Appendix B.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Appendix D of the report.

Finding 1. Verification Not Completed/Incomplete

Citation Summary: An applicant selected for verification is required to submit specific documentation that will verify or update the information used in determining the applicant's Expected Family Contribution (EFC). 34 C.F.R. §668.56(a). Adjusted gross income and untaxed income and benefits for the base year were among the required data that must be verified for the award years that were reviewed. A signed copy of the federal income tax return was acceptable documentation to verify adjusted gross income for the award years reviewed. 34 C.F.R. §668.57(a)(1)(i). The federal tax return can also be used to verify some sources of untaxed income and benefits. 34 C.F.R. §668.58(b).

A Federal Pell Grant or campus-based disbursement may be paid for one payment period prior to verifying the information; however, subsequent payment periods may not be funded until the verification process is completed. 34 C.F.R. 668.58(a)(2)(ii). If verification cannot be accomplished, the institution must refund the funds disbursed for the first payment period to the appropriate federal account. 34 C.F.R §668.58(b)

Noncompliance Summary: Aveda failed to properly complete verification for the following students:

#9 – the student was selected for verification in the 2009-2010 award year. The student was married at the time she filed her Free Application for Federal Student Aid (FAFSA), however, the student and her husband filed separate income tax returns for the base year of 2008. The student's 1040 Federal Income Tax Return was on file, but her husband's federal tax return was not on file. As a result, the student's total adjusted gross income and income taxes paid could not be verified.

#29 – the student was selected for verification in the 2010-2011 award year. There was conflicting data on file regarding income taxes paid. Specifically, the student was dependent. On the FAFSA it was reported that the student's parents paid federal income taxes in the amount of \$9,072 for the base year of 2009. However, the parents' 1040 Federal Income Tax Return for this same time period indicates that the parents paid federal income taxes in the amount of \$1,773.

Required Action Summary: In response to this finding, Aveda must attempt to resolve the verification deficiencies cited above and demonstrate that verification has been properly completed. If verification results in a change to the student's eligibility, the institution will be liable for the difference between the correct and actual disbursement amounts. If the verification process cannot be completed as required, the institution will be liable for all Title IV funds that were improperly disbursed. Additionally, Aveda must develop and implement written procedures to ensure that verification is properly completed in the future. A copy of Aveda's newly developed procedures must be provided with the institution's response to the PRR.

Aveda's Response: As requested, Aveda provided a copy of its written verification policy and procedures. Additionally, the institution provided information regarding the incomplete/not completed verification for the following students:

#9 – Aveda provided evidence of its attempt to collect the appropriate tax return documents from the student's spouse. The school provided an e-mail exchange between the school and the student regarding the reason and need to have the student's spouse's tax forms. The school is unable to provide the necessary tax forms to complete verification.

#29 – Aveda provided a copy of the parent's 1040 Federal Income Tax Return. The institution failed to provide evidence of completing verification by processing a new ISIR transaction. However, an updated EFC can be calculated using the EFC guide for the 2010-2011 award year. The regular dependent calculation was used. After recalculating the EFC using the correct amounts, the student's EFC should have been 9340.

Final Determination: The Department's analysis of the response determined Aveda has sufficiently documented its verification policy and procedures. Further, Aveda did not properly completed verification for student #9 or #29.

#9 – Because the school is unable to provide documentation from the student's spouse to complete verification, 34 C.F.R §668.56(a), the school is liable for all title IV, HEA funds disbursed to the student for the 2009-2010 award year.

#29 – Aveda incorrectly used \$9,072 for taxes paid, rather than \$1,773 as indicated on the student's parents' tax return. Aveda failed to recalculate the student's EFC and have a new ISIR processed at that time as required. 34 C.F.R. 668.59(a)(1). Using the correct amounts in the 2010-2011 regular dependent EFC formula, the student's EFC should have been 9340. From the 2010-2011 Pell charts, an EFC of 9340 is eligible for \$0 in Pell funds. The student remains eligible for loan funds received.

Ineligible Pell Disbursements:

Student # 9	
2009-2010 Pell Owed to ED	\$1,500.00
Interest Owed to ED	\$199.29
Student #29	
2010-2011 Pell Owed to ED	\$2,000.00
Interest Owed to ED	\$60.44
Total Liabilities for Finding:	
Pell Owed to ED	\$3,500.00 (\$3,500 rounded)
Interest Owed to ED	\$259.73 (\$260 rounded)
Total Rounded Liabilities:	\$3,760.00

D. Summary of Liabilities

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

Actual Liabilities By Finding – Including Duplicate Liabilities	
Liabilities	Pell (Closed Award Year)
Finding #1	\$3,500
Subtotal	\$3,500
Cost of Funds	\$260.00
Total	\$3,760.00

Payable To:	
Department	\$3,760.00

E. Payment Instructions

Liabilities Owed to the Department \$1,000 or More but Less Than \$100,000

Aveda owes to the Department \$3,760.00. 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.

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: \$3,760.00
DUNS: 833242683
TIN: 271462704
Program Review Control Number: 201130827510

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 Receivable 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 Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

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 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.

Pell – Closed Award Year

Finding: 1
Appendices: A and D

Aveda must repay:

Pell Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$1,500	\$199.29	2009-2010
\$2,000	\$60.44	2010-2011
\$3,500	\$259.73 (\$260 rounded)	

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

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 interest will be applied to the general program account.

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

F. Appendices

Appendix A – Student Sample; Appendix C – Institution's Response, and Appendix D – Cost of Fund contain 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(s) will be sent in a separate email.

Appendix B, Program Review Report is attached to this report

Prepared for:

Aveda Institute Provo

OPE ID: 04072300

PRCN: 201130827510

Prepared by:

U.S. Department of Education

Federal Student Aid

Chicago/Denver School Participation Division

Program Review Report

April 17, 2014

Federal Student Aid, Chicago/Denver School Participation Division
1244 Speer Blvd., Suite 201
Denver, CO 80204-3518
www.FederalStudentAid.ed.gov

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Appendix A

A. Institutional Information

Aveda Institute Provo
1700 N. State St., Ste. 18
Provo, UT 84604

Type: Proprietary

Highest Level of Offering: One Year, Non-Degree

Accrediting Agency: National Accrediting Commission of Career Arts & Sciences

Student Enrollment: 136 - 2011

% of Students Receiving Title IV: 85% - 2011

Title IV Participation: (PEPS)

Program

William D. Ford Federal Direct Loan Program
Federal Pell Grant Program

2011/12 Award Year

\$1,217,297

534,037

Default Rate FFEL: 2011 -- 3.1%
 2010 -- 5.0%
 2009 -- 0.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Aveda Institute Provo (Aveda) from May 9, 2011 to May 12, 2011. The review was conducted by Mitch Cary and Mark Diestler.

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 the Title IV, HEA 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 2009/10 and 2010/11 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning 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.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Aveda to bring operations of the financial aid programs into compliance with the statutes and regulations.

1. Verification Not Completed/Incomplete

Citation: An applicant selected for verification is required to submit specific documentation that will verify or update the information used in

determining the applicant's Expected Family Contribution (EFC). 34 C.F.R. § 668.56(a). Adjusted gross income and untaxed income and benefits for the base year were among the required data that must be verified for the award years that were reviewed. A signed copy of the federal income tax return was acceptable documentation to verify adjusted gross income for the award years reviewed. 34 C.F.R. § 668.57(a)(1)(i). The federal income tax return can also be used to verify some sources of untaxed income and benefits. 34 C.F.R. § 668.57(d)(1)(i).

A Federal Pell Grant or campus-based disbursement may be paid for one payment period prior to verifying the information, however, subsequent payment periods may not be funded until the verification process is complete. 34 C.F.R. § 668.58(a)(2)(i). If verification cannot be accomplished, the institution must refund the funds disbursed for the first payment period to the appropriate federal account. 34 C.F.R. § 668.58(b).

Noncompliance: Aveda failed to properly complete verification for the following students:

#9 - the student was selected for verification in the 2009/10 award year. The student was married at the time she filed her Free Application for Federal Student Aid (FAFSA), however, the student and her husband filed separate income tax returns for the base year of 2008. The student's 1040 Federal Income Tax Return was on file, but her husband's federal tax return was not on file. As a result, the student's total adjusted gross income and income taxes paid could not be verified.

#29 - the student was selected for verification in the 2010/11 award year. There was conflicting data on file regarding *income taxes paid*. Specifically, the student was dependent. On the FAFSA it was reported that the student's parents paid federal income taxes in the amount of \$9,072 for the base year of 2009. However, the parents' 1040 Federal Income Tax Return for this same time period indicates that the parents paid federal income taxes in the amount of \$1,773.

Required Action: In response to this finding, Aveda must attempt to resolve the verification deficiencies cited above and demonstrate that verification has been properly completed. If verification results in a change to the students' eligibility, the institution will be liable for the difference between the correct and actual disbursement amounts. If the verification process cannot be completed as required, the institution will be liable for all Title IV funds that were improperly disbursed. Additionally, Aveda must develop and implement written procedures to ensure that verification is properly completed in the future. A copy of Aveda's newly developed procedures must be provided with the institution's response to this report.

Instructions for payment of liabilities resulting from this finding will be provided in the Department's Final Program Review Determination letter.

2. **Federal Family Education Loan (FFEL) Program Delayed Delivery Requirements Not Met**

Citation: 34 CFR 682.604(c)(5) states: "A school may not release the first installment of a Stafford loan for endorsement to a student who is enrolled in the first year of an undergraduate program of study and who has not previously received a Stafford, Direct Subsidized, or Direct Unsubsidized loan until 30 days after the first day of the student's program of study unless: --

(i) The school in which the student is enrolled has a cohort default rate, calculated under subpart M of 34 CFR part 668, of less than 10 percent for each of the three most recent fiscal years for which data are available; or

(ii) The school is an eligible home institution certifying a loan to cover the student's cost of attendance in a study abroad program and has a cohort default rate, calculated under subpart M of 34 CFR part 668, of less than 5 percent for the single most recent fiscal year for which data are available."

Noncompliance: Aveda released FFEL proceeds to Student #10 on the student's initial date of enrollment (i.e., start date) for her program. The student had not previously received a FFEL loan and therefore was not eligible to receive a first loan disbursement until 30 days after the first day of the program.

Required Action: The cited student eventually completed the initial 30 days of the program, thus, establishing eligibility for the FFEL proceeds. As such, no further action is required for this student. However, Aveda must develop written procedures to ensure that the 30-day delay requirement is adhered to for all first time borrowers. A copy of Aveda's newly developed procedures must be provided with the institution's response to this report.

3. **William D. Ford Federal Direct Loan (Direct Loan) Program Exit Counseling Not Documented/Performed**

Citation: As stipulated under 34 C.F.R. § 685.304(b)(1), an institution must conduct exit counseling with Direct Loan borrowers shortly before the student ceases to be enrolled on at least a half-time basis. A school must ensure that exit counseling is provided to each borrower either in person, by audiovisual

presentation or by interactive electronic means. 34 C.F.R. § 685.304(b)(2). If the borrower withdraws from school without the school's prior knowledge, the school must mail exit counseling materials to the borrower's last known address within 30 days after the school learns of the student's withdrawal. 34 C.F.R. § 685.304(b)(3). This is necessary in order to emphasize loan payment obligation and the consequences of default.

Noncompliance: There was no documentation on file to substantiate that Aveda conducted Direct Loan exit counseling with Student #26.

Required Action: In response to this finding, Aveda is required to perform exit counseling with the student identified above. Exit counseling materials must be sent to the student via certified mail (return receipt requested). Documentation (e.g., copies of cover letter, exit counseling form and return receipt) to substantiate the mailing must be submitted with Aveda's response to this report. Additionally, Aveda must develop and implement written procedures to ensure that exit counseling is always performed. A copy of Aveda's newly developed procedures must be provided with the institution's response to this report.

4. **Inaccurate Student Account Ledger**

Citation: An institution makes a disbursement of Title IV funds on the date the institution credits a student's account at the institution or pays a student directly with funds received from the Department. 34 C.F.R. § 668.164(a)

34 C.F.R. § 668.24(b) states that an institution shall account for the receipt and expenditure of Title IV funds in accordance with generally accepted accounting principles and establish and maintain the following information on a current basis:

1. Financial records that reflect each Title IV program transaction and;
2. General ledger control accounts and related subsidiary accounts (i.e. student account ledgers) that identify each Title IV program transaction and separate those transactions from all other institutional financial activity.

Noncompliance: Information reported in the Common Origination Disbursement (COD) system and National Student Loan Data System indicates that Aveda drew down Federal Pell Grant Program funds in the amount of \$2,775 for Student #26 in the 2010-11 award year. The account ledger on file for this

student does not reflect any Pell disbursements being made in the 2010-11 award year.

Required Action: In response to this finding, Aveda must account for the undocumented Pell funds in the amount of \$2,775 for Student #26. Aveda must correct the ledger of the cited student to reflect all transactions made to the student's account. A copy of the corrected ledger must be submitted with the Aveda's response to this report. If Pell funds were not drawn down for the cited student, Aveda must provide a detailed explanation regarding the discrepancy. Additionally, Aveda must develop and implement written procedures to ensure that an audit trail (i.e., all transactions must be documented) exists for all activity related to a student's account. A copy of Aveda's newly developed procedures must be provided with the institution's response to this report.

5. Federal Pell Grant Expenditures Not Reconciled

Citation: 34 C.F.R. § 668.14(b)(4) states that an institution must establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Department or from students under the Title IV programs. A Title IV participating institution must maintain, on a current basis, financial records which reflect all program transactions. 34 C.F.R. § 690.81(b). Accepted accounting procedures dictate that those transactions be reconciled on a continual basis. Additionally, an institution must account for the receipt and expenditure of Title IV funds in accordance with generally accepted accounting principles. 34 C.F.R. § 668.24(b)

Noncompliance: Aveda failed to reconcile its Federal Pell Grant Program expenditures for the 2009-10 award year. Specifically, Federal Pell Grant expenditures that were reported by the institution in COD and G-5 did not reconcile with final expenditures that were posted to the institution's awards ledger.

The following discrepancies were noted for Aveda's Federal Pell Grant expenditures for the period ending June 30, 2010:

	<u>G-5</u>	<u>COD</u>	<u>Ledgers</u>	<u>FISAP</u>
<u>2009/10 Pell Awards</u>	\$250,274	\$250,274	\$260,246	\$NA

Required Action: In response to this finding, Aveda must reconcile its Federal Pell Grant expenditures for the 2009-10 award year. Aveda must provide documentation with it response to this report to substantiate that all accounts

related to the institution's disbursement of Federal Pell Grant Program funds have been reconciled. If Aveda is unable to fully support its expenditures for the 2009-10 award year it will be liable for any unsupportable expenditures. Additionally, Aveda must develop written reconciliation procedures that detail how Title IV expenditures will be reconciled at year end. A copy of Aveda's newly developed procedures must be provided with the institution's response to this report.

6. **Return of Title IV (R2T4) Funds Policy Inadequate**

Citation: An institution must make readily available to all enrolled and prospective students any refund policies that it utilizes or that it is required to comply with for the return of unearned Title IV assistance. 34 C.F.R. § 668.43(a)(2). Additionally, an institution must also make readily available to all prospective and current students a summary of the requirements stipulated under 34 C.F.R. 668.22 for the return of Title IV grant or loan assistance. 34 C.F.R. § 668.43(a)(4).

Noncompliance: The consumer information provided by Aveda does not summarize the requirements of federal R2T4 calculations as stipulated under 34 C.F.R. 668.22. Specifically, Aveda's catalog summarizes its own institutional refund policy, but does not address R2T4 calculations for the return of unearned Title IV assistance. Information addressing R2T4 returns was not found in any consumer information materials that Aveda provides to its students.

Required Action: In response to this finding, Aveda must develop consumer information that summarizes the requirements stipulated under 34 C.F.R. 668.22 for R2T4 calculations. This information must be published and be made readily available to all current and prospective students. Aveda must provide a copy of the required information with its response to this report, and also indicate how the information will be disseminated.

7. **Verification Policy and Procedures Not Developed**

Citation: An institution must establish, publish, and apply reasonable standards, policies and procedures for verifying information contained in a student aid application. 34 C.F.R. § 668.53(a). The institution's written verification policies and procedures must be provided to students in a timely manner and must contain a clear explanation of the documents needed to satisfy verification requirements, as well as an explanation of the student's responsibilities. 34 C.F.R. 668.53(b).

As stipulated under 34 C.F.R. 668.53(a), an institution's verification policy and procedures must include the following information:

- (1) The time period within which an applicant shall provide the documentation;
- (2) The consequences of an applicant's failure to provide required documentation within the specified time period;
- (3) The method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's award or loan;
- (4) The procedures the institution requires an applicant to follow to correct application information determined to be in error; and
- (5) The procedures for making referrals under §668.16(g).

Noncompliance: Aveda's verification policy and procedures does not address any of the five requirements listed in the "Citation" section above. Specifically, Aveda does not have any published policies or procedures in place that includes information on the following verification requirements: 1) deadlines to complete verification, 2) consequences for not completing verification, 3) a method of notifying applicants of verification results, 4) procedures to correct application information, and 5) procedures for making referrals to the Office of Inspector General for providing false information.

Required Action: In response to this finding, Aveda must develop a written verification policy and procedures that address all of the required elements outlined above. The verification policy must be provided to selected students, to notify them of responsibilities associated with the verification process. A copy of Aveda's newly developed verification procedures must be provided with the institution's response to this report.

D. Appendix

Appendix A 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.