



April 10, 2013

William H. O'Brien
President
O'Briens Aveda Institute
1475 Shelburne Road
South Burlington, VT 05403-7747

UPS Tracking #:
1ZA5467Y0298534867

RE: **Final Program Review Determination**
OPE ID: 008658
PRCN: **201030127190**

Dear Mr. O'Brien:

The U.S. Department of Education's (Department's) School Participation Division – NY/Boston issued a program review report on September 28, 2012 covering O'Briens Aveda Institute's (O'Briens) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2008-2009 and 2009-2010 award years. The institution's final response was received on November 27, 2012.

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

O'Briens response has resolved all findings. In addition O'Briens has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, O'Briens may consider the program review closed with no further action required.

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

If you have any questions please call Gary Caramanis at 617-289-0134.

Sincerely,

(b)(6)

Betty Coughlin
Director

Enclosure: Program Review Report (with attachments)

cc: Beth Reeve, Financial Aid Administrator
Vermont State Board of Cosmetology
National Accrediting Commission of Cosmetology Arts & Sciences

Federal Student

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

School Participation Division – NY/Boston

5 Post Office Square, 9th Floor, Suite 950-A, Boston, MA 02109



September 28, 2012

William H. O'Brien
President
O'Briens Aveda Institute
1475 Shelburne Road
South Burlington, Vermont 05403-7747

UPS Tracking #:
1Z A54 67Y 02 9384 1187

RE: Program Review Report
OPE ID: 00865800
PRCN: 201030127190

Dear President O'Brien:

From May 24, 2010 through May 28, 2010, Mr. Lonny R. Meloon and Mr. Gary Caramanis conducted a review of O'Briens Aveda Institute's (O'Briens) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by O'Briens. The response should include a brief, written narrative for each finding that clearly states O'Briens' position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, O'Briens must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

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

Federal Student Aid, School Participation Division – New York/Boston
5 Post Office Square, 9th Floor, Suite 950-A, Boston MA 02109-3921
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- a. A written statement addressing institution's response;
- b. A written statement of the basis for such report or determination; and
- c. A copy of the institution's response.

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by O'Briens upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Gary Caramanis within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Mr. Gary Caramanis at (617) 289-0134 or gary.caramanis@ed.gov.

Sincerely,

(b)(6)

Tracy M. Nave
Compliance Manager

cc: Ms. Beth Reeve, Financial Aid Officer
Enclosure: Protection of Personally Identifiable Information

Prepared for
O'Briens Aveda Institute



START HERE
GO FURTHER
FEDERAL STUDENT AID

OPE ID 008658
PRCN 201030127190

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

Program Review Report

September 28, 2012

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A. Institutional Information

O'Briens Aveda Institute
1475 Shelburne Road
South Burlington, Vermont 05403

Type: Proprietary

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

National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 424 (2010)

% of Students Receiving Title IV: 86% (2010)

Title IV Participation: National Student Loan Data System

	2008-2009	2009-2010
Federal Pell Grant	\$53,289	\$103,300
FFELP Stafford Subsidized	\$93,281	\$75,898
FFELP Stafford Unsubsidized	\$107,445	\$103,549
FFELP PLUS	\$6,016	\$0
FDLP Stafford subsidized	\$0	\$29,666
FDLP Stafford Unsubsidized	\$0	\$35,557

Default Rate FFEL/DL:	2009	11.2%
	2008	12.9%
	2007	11.1%

B. Scope of Review

The U.S. Department of Education (Department) conducted a program review at O'Briens Aveda Institute (O'Briens) from May 24, 2010 through May 28, 2010. The review was conducted by Mr. Lonny R. Meloon and Mr. Gary Caramanis.

The focus of the review was to determine O'Briens' 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 O'Briens' policies and procedures regarding institutional and student eligibility, return of Title IV, credit balances, enrollment status, 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 2008-2009 and 2009-2010 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.

Disclaimer

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning O'Briens' specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve O'Briens 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 (FPRD) letter.

C. Findings

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

Finding 1: Federal Pell Grant Overpayment

Citation: Federal regulations at 34 C.F.R. § 690.62 stipulate, in part, that a student's Federal Pell Grant for an academic year is based on the payment and disbursement schedules published by the Secretary for each award year. Federal regulations at 34 C.F.R. § 690.79(a)(2) states, in part, that the institution is liable for a Federal Pell Grant overpayment if the overpayment occurred because the institution failed to follow the procedures set forth in this part.

Noncompliance: O'Briens awarded a Federal Pell Grant to Student #9 in excess of her entitlement. The student was awarded and disbursed \$4,681. A review of the 2008/2009

payment and disbursement schedule utilizing the student's Expected Family Contribution (3,752) and cost of attendance (\$14,700) resulted in a scheduled award of \$981. Consequently, the institution improperly paid the student \$3,700 in Federal Pell Grant funds (\$4,681 - \$981 = \$3,700).

Required Action: In response to this finding, the institution must provide documentation supporting the amount disbursed to this student or be liable for the overpayment. Instructions for repayment of any liabilities, including interest, will be provided in the Final Program Review Determination Letter (FPRD). O'Briens must revise and implement procedures to ensure that future Federal Pell Grants awards are calculated and awarded in accordance with program regulations. Please provide a copy of the revised procedures with your response to this report.

Finding 2: Institutional Student Information Report (ISIR) Missing/Incomplete

Citation: 34 C.F.R. § 668.24(a)(3)(5)(6) of the Student Assistance General Provisions regulations state, in part, that an institution shall establish and maintain, on a current basis, any application for Title IV, HEA program funds and program records that document its administration of the Title IV, HEA programs in accordance with all applicable requirements; information included in any application for Title IV, HEA program funds; and its disbursement and delivery of Title IV, HEA program funds.

34 C.F.R. § 668.24(c)(1)(i)(iii) of the Student Assistance General Provisions regulations state, in part, that the records an institution must maintain in order to comply with the provisions of this section include but are not limited to the Student Aid Report or Institutional Student Information Record used to determine eligibility for Title IV, HEA program funds and documentation of each student's or parent borrower's eligibility for Title IV, HEA program funds.

Further, 34 C.F.R. § 668.24(e)(1) of the Student Assistance General Provisions regulations state, in part, that an institution shall keep records relating to its administration of the Federal Perkins Loan, FWS, FSEOG, Federal Pell Grant, ACG, National SMART Grant, or TEACH Grant Program for three years after the end of the award year for which the aid was awarded and disbursed under those programs.

In addition, 34 C.F.R. § 668.24(e)(2)(i) of the Student Assistance General Provisions regulations state, in part, that an institution shall keep records relating to a student or parent borrower's eligibility and participation in the FFEL or Direct Loan Program for three years after the end of the award year in which the student last attended the institution.

Noncompliance: O'Briens failed to maintain ISIRs which were used to determine eligibility for Title IV, HEA program funds for student #'s 1, 2, 7, 9 and 15.

For student # 1, the ledger indicated that O'Briens disbursed a Federal Supplemental Educational Opportunity Grant (FSEOG) in the amount of \$384; a Federal Pell Grant in the amount of \$420; and a Stafford Subsidized Loan in the amount of \$3,000. The reviewers were unable to

determine whether the student was eligible to receive the FSEOG award, Federal Pell Grant and Stafford Subsidized Loan because O'Briens was unable to provide the 2008-2009 ISIR.

For student # 2, the ledger indicated that O'Briens disbursed a Stafford Subsidized Loan in the amount of \$3,000 and a Federal Pell in the amount of \$4,000. The reviewers were unable to determine whether the student was eligible to receive the Stafford Subsidized Loan and the Federal Pell Grant award because O'Briens was unable to provide the appropriate 2008-2009 ISIR.

For student # 7, the ledger reflected that the student received a Stafford Subsidized Loan in the amount of \$2,528 and a Federal Pell Grant in the amount of \$3,416. The reviewers were unable to determine whether the student was eligible to receive the Stafford Subsidized Loan and Federal Pell Grant because O'Briens was unable to provide the 2008-2009 ISIR.

For student # 9, the ledger reflected that the student received a Federal Pell Grant in the amount of \$4,681 and a Stafford Subsidized Loan in the amount of \$3,482. The reviewers were unable to determine whether the student was eligible to receive the Federal Pell Grant and the Stafford Subsidized Loan because O'Briens was unable to provide the 2008-2009 ISIR.

For student # 15, the ledger reflected that O'Briens disbursed a Federal Pell Grant in the amount of \$1,709; FSEOG in the amount of \$100; and a Stafford Subsidized Loan in the amount of \$1,264. The reviewers were unable to determine whether the student was eligible for the Federal Pell Grant, FSEOG and Stafford Subsidized Loan because O'Briens was unable to provide the 2008-2009 ISIR.

Required Action: With its response to this report, O'Briens must provide the missing ISIRs for student #'s 1, 2, 7, 9 and 15. If O'Briens cannot produce the ISIRs in question, the school will be liable for the Title IV disbursements made to the aforementioned students. Payment instructions will be provided in the FPRD.

In addition, O'Briens must develop policies and procedures to ensure that it retains all required records in accordance with the applicable program regulations. With its response to this report, O'Briens must provide a copy of its revised policies and procedures.

Finding 3: Verification Not Documented/Inadequate

Citation: 34 C.F.R. § 668.53(a) of the Student Assistance General Provisions regulations state, in part, that an institution shall establish and use written policies and procedures for verifying information contained in a student aid application in accordance with the provisions of this subpart.

34 C.F.R. § 668.56(a) of the Student Assistance General Provisions regulations state, in part, that except as provided in paragraphs (b), (c), (d), and (e) of this section, an institution shall require

an applicant selected for verification under § 668.54(a)(2) or (3) to submit acceptable documentation described in § 668.57 that will verify or update the following information used to determine the applicant's EFC:

- (1) Adjusted Gross Income (AGI) for the base year if base year data was used in determining eligibility, or income earned from work, for a non-tax filer
- (2) U.S. income tax paid for the base year if base year data was used in determining eligibility;
- (3) Aggregate number of family members in the household or households;
- (4) Number of family members in the household who are enrolled as at least half-time students in postsecondary educational institutions if that number is greater than one; and
- (5) Certain untaxed income and benefits as required by 34 C.F.R. § 668.56(a)(5).

Noncompliance: O'Briens failed to maintain the required verification documentation for student #'s 4, 9 and 14 who were selected by the Central Processing System (CPS) for verification.

For student # 4, the ISIR reflected that the student was selected for verification by CPS. However, student number 4's financial aid file did not contain the required verification documentation. Student # 4's ledger indicated that O'Briens disbursed a Federal Pell Grant in the amount of \$1,591; FSEOG in the amount of \$200; and a Stafford Subsidized Loan in the amount of \$3,750. Because the student's file was missing the required verification documentation, the reviewers were unable to determine whether the student was eligible for the Federal Pell Grant, FSEOG and Stafford Subsidized Loan.

For student # 9, the ISIR indicated that the student was selected for verification by CPS. The student's financial aid file did not contain the required verification documentation. Student # 9's ledger reflected that the student received a Federal Pell Grant in the amount of \$4,681 and a Stafford Subsidized Loan in the amount of 3,482. Because the student's file was missing the required verification documentation, the reviewers were unable to determine whether the student was eligible for the Federal Pell Grant and Stafford Subsidized Loan.

For student # 14, the ISIR indicated that the student was selected for verification by CPS. Student # 14's financial aid file did not contain any of the required verification documentation. The student's ledger reflected that O'Briens disbursed a Federal Pell Grant in the amount of \$1,709; FSEOG in the amount of \$100; and a Stafford Subsidized Loan in the amount of \$1,264. Because the student's file was missing the required verification documentation, the reviewers were unable to determine whether the student was eligible for the Federal Pell Grant, FSEOG and Stafford Subsidized Loan.

Required Action: O'Briens must conduct a file review of all students selected for verification for both the 2008-2009 and 2009-2010 award years. O'Briens must provide the following information and documentation for each student selected for verification:

1. The student's full name
2. Last four-digits of the student's social security number
3. A copy of the student's ledger
4. A copy of the student's ISIR
5. A copy of the verification documentation

This information must be compiled in a password protected Excel spreadsheet and submitted in a CD-ROM format or password protect zip file sent via electronic email. Instructions for the payment of any liabilities will be provided in the Final Program Review Determination (FPRD) letter.

In addition, O'Briens must develop policies and procedures to ensure that it retains all required verification documentation in accordance with regulations. With its response to this report, O'Briens must provide a copy of its revised policies and procedures.

Finding 4. Federal Supplemental Educational Opportunity Grant (FSEOG) – No Written Selection Procedures and Exceptional Need not Met

Citation: Section 413(c)(2) of the Higher Education Act of 1965, as amended, requires that each institution of higher education participating in the FSEOG Program assure its selection procedures will be designed to make FSEOG awards first to students with exceptional need and will give priority for FSEOG awards to students who receive Federal Pell Grants. The term "exceptional need" means students with the lowest Expected Family Contribution (EFC) at the institution.

34 C.F.R § 676.10(a)(1)(2) of the FSEOG regulations state that in selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest EFC who will also receive Federal Pell Grants in that year. If the institution has FSEOG funds remaining after awarding FSEOG funds to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest EFC who will not receive Federal Pell Grants.

Noncompliance: O'Briens did not have written procedures for the selection of students for FSEOG awards. It appeared that O'Briens awarded FSEOG arbitrarily because students with the same circumstances were not awarded FSEOG similarly.

For example, student # 5 had a 0 EFC reported on the ISIR. The student received a Federal Pell Grant in the amount of \$4,730 and a FSEOG award in the amount \$200.

Student number 7 had a 0 EFC and was awarded \$3,416 in Federal Pell Grant funds but did not receive a FSEOG award.

Student # 11's ISIR reflected a 0 EFC. The student received a Federal Pell Grant in the amount of \$4,731 but did not receive a FSEOG. For student # 14, the ISIR reflected a \$0 EFC. The student received a Federal Pell Grant in the amount of \$1,709 and a FSEOG award in the amount of \$100.

Conversely, student # 6 had an \$855 EFC reported on the ISIR. The student received a Federal Pell Grant in the amount of \$3,460 and a FSEOG award in the amount of \$200.

In administering its FSEOG program, O'Briens is allowed to establish categories of students to be considered for an award. In addition, O'Briens may base such categories on class standing, enrollment status, program, date of application, or a combination of factors. By establishing these categories, O'Briens would be attempting to ensure that students in each category have an opportunity to receive FSEOG awards.

Although an institution is allowed to establish categories of students as a means of administering its packaging policies, categorization may not be used to exclude certain students or groups of students from consideration. This principle would not apply to a category made up of students whose applications are received after a specific deadline as there is no requirement to reserve funds for late applicants although the school is not precluded from doing so.

However, if O'Briens knows that its FSEOG funds are so limited as to exclude year after year categories of students who began their program later in the sequence due to its rolling admissions policy, O'Briens is not in compliance with the Higher Education Act of 1965, as amended.

School officials confirmed that O'Briens determined FSEOG student eligibility on a first-come basis. As a consequence, O'Briens FSEOG awarding practices resulted in students with exceptional need not being awarded FSEOG. During the review, several instances were identified where O'Briens did not award FSEOG funds to its neediest students – students with the lowest EFC and who received a Federal Pell Grant award.

Required Action: O'Briens must develop written selection procedures which ensure that FSEOG funds are awarded to students with exceptional need in accordance with regulations. O'Briens must submit a copy of its written selection procedures with its response to this report.

Finding 5: Failure to Notify Borrower of Right to Cancel All or Part of Loan or Loan Disbursement

Citation: 34 C.F.R. § 668.165(a)(2) of the Student Assistance General Provisions regulations state, in part, that except in the case of a post-withdrawal disbursement made in accordance with § 668.22(a)(5), if an institution credits a student's account at the institution with Direct Loan, FFEL, or Federal Perkins Loan Program funds, the institution must notify the student or parent of – the anticipated date and amount of the disbursement; the student's right or parent's right to cancel all or a portion of that loan, loan disbursement,

Additionally, 34 C.F.R. § 668.165(a)(3) of the Student Assistance General Provisions regulations state, in part, that the institution must provide the notice described in paragraph (a)(2) of this section in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution, if the institution obtains affirmative confirmation from the student under paragraph (a)(6)(i) of this section; or no earlier than 30 days before, and no later than seven days after, crediting the student account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section.

Noncompliance: O'Briens failed to notify students and parents of their right to cancel all or part of a loan or loan disbursement when funds were credited to the student's account.

This finding applies to all 30 students in the sample.

Required Action: O'Briens must develop a notice as required under program regulations, and revise its current policies and procedures to ensure that the required notice is sent to the student or parent when the student's account has been credited with Title IV HEA loan funds. O'Briens must include a copy of the notice and revised procedures with its response to this report.

Finding 6: Annual Security Report Distribution Requirements Not Met

Citation: The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (*Clery Act*) and the Department's regulations require that all institutions participating in Title IV, HEA financial aid programs prepare a comprehensive annual security report (ASR) that contains, at a minimum, all of the elements described in 34 C.F.R. § 668.46 (b). The ASR must be prepared and distributed as a single document. The only exception to this requirement is that the ASR may cross-reference information regarding the institution's alcohol and other drug abuse prevention programs required by § 120 (a)-(d) of the Higher Education Act. 34 C.F.R. § 668.46 (a)(10).

Federal regulations also require institutions to provide the ASR to all current students and employees through appropriate publications and mailing.

34 C.F.R. § 668.41(e)(1) of the Student Assistance General Provisions regulations require that by October 1 of each year, an institution must distribute to all enrolled students and current employees its annual security report described in 34 C.F.R. § 668.46(b), through appropriate publications and mailings, including:

- Direct mailing to each individual through the U.S. Postal Service, campus mail or electronic mail;
- A publication or publications provided directly to each individual; or
- Posting on an Internet website or Intranet website, subject to paragraphs (e)(2) and (3) of this section.

34 C.F.R. § 668.41(b) of the Student Assistance General Provisions regulations require institutions that elect to disclose its annual security report through Internet or Intranet websites, are subject to paragraphs (c)(2), (e)(2) through (4), or (g)(1)(ii) of this section, as appropriate, and such institution may satisfy any requirement to disclose information under paragraph (d), (e), or (g) of this section for enrolled students or current employees by posting the information on an Internet website or an Intranet website that is reasonably accessible to the individuals to whom the information must be disclosed; and prospective students or prospective employees by posting the information on an Internet website.

In addition, 34 C.F.R. § 668.41(c)(2) of the Student Assistance General Provisions regulations require that the information on an Internet website or an Intranet website must include in the notice described in paragraph (c)(1) of this section:

- the exact electronic address at which the information is posted; and
- a statement that the institution will provide a paper copy of the information on request

Noncompliance: O'Briens failed to properly distribute its annual security report to any of its enrolled students and current employees.

Although O'Briens' annual security report contained all the elements required in 34 C.F.R. § 668.46(b), O'Briens improperly posted the report to its website without sending a direct link to any of its enrolled students and current employees in accordance with 34 C.F.R. § 668.41(e).

O'Briens is reminded that the purpose, publication and dissemination of the annual security report is to enable current and prospective students and staff members to make educated decisions about the safety of the campus and surrounding area. An institution does not fulfill its responsibilities by merely publishing its annual security report. The dissemination of the report to current staff and enrolled students as well as prospective students and employees is imperative.

Required Action: O'Briens must revise its policies and procedures to include mechanisms to ensure its annual security report is actively distributed to enrolled students, current employees, prospective students and prospective employees as prescribed by the regulations as well as prospective students and prospective employees.

In its response to this report, O'Briens must submit a copy of its revised policies and procedures demonstrating that O'Briens is in compliance with the annual security report regulations. Additionally, O'Briens must ensure that its most recent annual security report has been actively distributed to enrolled students and current employees.

Based on an evaluation of all available information including O'Brien's response, the Department will determine if additional action will be required and will advise O'Briens accordingly in the Final Program Review Determination letter.

Finding 7: Failure to Properly Document Entrance Counseling

Citation: 34 C.F.R. § 685.304(a)(1) of the Federal Direct Student Loan Program regulations state, in part, that a school must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan.

34 C.F.R. § 685.304(a)(3) of the Federal Direct Student Loan Program regulations state, in part, that entrance counseling for Direct Subsidized Loan, Direct Unsubsidized Loan, and graduate or professional student Direct PLUS Loan borrowers must provide the borrower with comprehensive information on the terms and conditions of the loan and on the responsibilities of the borrower with respect to the loan.

Further, 34 C.F.R. 668.24(c)(1)(v) of the Student Assistance General Provisions regulations state that a participating institution must retain documentation of and information collected at any initial or exit loan counseling required by applicable program regulations.

Noncompliance: O'Briens failed to properly document that entrance counseling had been conducted for student #'s 1, 7, 8, 9, 10, 14, 15 and 16.

Required Action: With its response to this report, O'Briens must provide evidence that the required entrance loan counseling has been performed for the students identified in this finding. In addition, O'Briens must develop and implement procedures to ensure its entrance counseling practices meet regulatory requirements. Please provide a copy of your revised procedures and internal controls with your response to this report.

Finding 8: Failure to Properly Document Exit Counseling

Citation: 34 C.F.R. § 685.304(b)(1)(2)(3) of the Federal Direct Loan Program regulations state, in part, that a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized 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. In each case, the school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. 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 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.

Additionally, 34 C.F.R. § 685.304(b)(7) of the Federal Direct Student Loan Program regulations state the school must maintain documentation substantiating the school's compliance with this section for each student borrower.

Further, 34 C.F.R. 668.24(c)(1)(v) of the Student Assistance General Provisions regulations state that a participating institution must retain documentation of and information collected at any initial or exit loan counseling required by applicable program regulations.

Noncompliance: O'Briens failed to properly document that exit counseling had been conducted for student # 1 and 16.

Required Action: With its response to this report, O'Briens must provide proof that the required exit loan counseling has been performed for the students noted in this finding. In addition, O'Briens must develop and implement procedures to ensure its exit counseling practices meet regulatory requirements. Please provide a copy of your revised procedures and internal controls with your response to this report.

APPENDICES

Appendices will be sent via email in an encrypted WinZip file.