

## **Independent Student Commitment Review – 2020**

January 21, 2021

### **INTRODUCTION**

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This report details Berkeley Research Group’s (“BRG”) findings relating to the 2020 review of Adtalem Global Education’s (“Adtalem”) compliance with the twenty voluntary Student Commitments (together, the “Student Commitments”). Adtalem’s stated purpose when creating the voluntary commitments was to provide transparency into student services, student outcomes, and financial stewardship beyond any regulatory requirements.<sup>1</sup> The commitment implementation required significant technological investments as well as time and resources of staff at Adtalem headquarters and individual schools. As detailed below, the Student Commitments were originally ratified in 2016 and BRG has conducted reviews of Adtalem’s compliance with those commitments annually since 2017.

2020 brought new challenges to educational institutions as they were forced to adapt to the global Covid-19 pandemic. Schools gained an increased reliance on IT infrastructure around virtual learning and electronic communications as campuses were subject to government mandated restrictions and social distancing measures. The 2020 review included the examination of financial, academic, and compliance information systems used by Adtalem administration and its individual schools, inspection of hundreds of documents, and interviews with key staff. Meetings and interviews that may have previously occurred in person were conducted virtually to maintain social distancing protocols. A description of BRG’s review methodology and detailed information relating to its findings are set forth below.

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<sup>1</sup><http://www.businesswire.com/news/home/20161031005846/en/DeVry-Education-Group-Expands-Student-Commitments>

## BACKGROUND

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As part of the Student Commitments, Adtalem pledged to have a third party review its compliance with the Commitments and to update and improve its practices as needed. In 2017, Adtalem retained BRG as the independent third party. BRG then conducted an exhaustive review of Adtalem and its relevant academic institutions' activities relating to the commitments. BRG publicly published its findings in November 2017. BRG conducted additional reviews in 2018 and 2019 and published its findings. In 2018, Adtalem updated and revised some of the Student Commitments while maintaining commitments in the existing six key areas of student interest. No changes were made to the Student Commitments in 2019 and in 2020 a minor revision was made to the language of one commitment.

The entities subject to the Student Commitments at the time of BRG's 2020 review (the "Institutions") are as follows:<sup>2</sup>

- American University of the Caribbean ("AUC")
- Chamberlain University ("CU")
- Ross University School of Medicine ("RUSM")
- Ross University School of Veterinary Medicine ("RUSVM")

The voluntary Student Commitments are grouped in six areas of student interest:

- Informed Student Choice
- Responsible Recruitment and Enrollment
- Responsible Participation in the Federal Loan Process
- Financial Literacy and Academic Transparency
- Improved Student Satisfaction
- Successful Student Outcomes and Accountability

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<sup>2</sup> Adtalem provides various services to the Institutions at a corporate level, such as recording admissions conversations and compiling data for consumer disclosures. Adtalem was therefore responsible for the Institutions' compliance with certain commitments. DeVry University and Carrington College were previously subject to the Student Commitments and part of the annual review process. Adtalem transferred ownership of DeVry University and Carrington College in 2018, therefore those institutions were part of the 2017 and 2018 reviews, but they are not part of the 2020 review.

## **ASSESSMENT METHODOLOGY**

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BRG commenced work in August 2020. BRG reviewed relevant documentation, conducted interviews of key employees, reviewed the websites associated with the Institutions, and analyzed relevant computer systems/databases used by the Institutions associated with student services such as admissions, financial and academic counseling, marketing and complaint resolution. BRG then determined what additional testing and information was required, if any, to assess compliance with respect to the Student Commitments.

As part of the 2017 Commitment Review, BRG conducted interviews with over 40 knowledgeable individuals across all the Institutions. Because of this extensive examination and testing of systems in 2017, BRG relied upon the affirmations of personnel at Adtalem and the Institutions with respect to whether processes remained the same for the 2018, 2019, and 2020 Commitment Reviews. BRG requested and reviewed relevant materials related to any identified procedural changes.

In the interest of efficiency, BRG relied upon PwC's December 8, 2020 review of Adtalem Global Education Inc.'s Supplemental Consolidating Statement of Income and Balance Sheet Information for the year ended June 30, 2020 (with corresponding footnotes) as confirmation that financial data used in several commitments was accurately reported. This differs from the methodology BRG employed in 2017-2019 for the review of the 85/15 and Revenue Transparency Commitments.<sup>3</sup>

In addition, in 2020, BRG reviewed and confirmed the metrics reported by Adtalem for the Know Before You Go, 85/15 and Revenue Transparency Commitments described below before their publication, whereas in prior years BRG confirmed the accuracy of published metrics after publication by Adtalem. While this approach has been used since 2018 for the Know Before You Go and 85/15 Commitments, in 2020 BRG implemented this process for the Revenue Transparency Commitment.

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<sup>3</sup> Reliance upon PwC's review allowed BRG to forego using a sampling methodology established in BRG's past Commitment reviews. This sampling methodology was meant to validate the financial information Adtalem relied upon for their financial Commitments, which is now validated by PwC.

BRG’s work was conducted based on agreed-upon procedures and does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with the standards established by the American Institute of Certified Public Accountants (“AICPA”). Accordingly, BRG does not express an opinion or any other form of assurance on the financial statements or on the operating effectiveness of internal controls of the entities referenced in this report. BRG’s particularized findings with respect to each of the Student Commitments is included in Appendix A at the end of this report.

## **SYSTEMS REVIEWED**

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BRG reviewed relevant computer systems/databases in connection with its review. These included both student facing interfaces as well as systems used exclusively by Atdalem or third-party staff, including systems that record admissions conversations. These information systems provide, among other things, data relating to student financial aid, academic completion, and program preparedness.

## **DOCUMENTS REVIEWED**

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As part of the 2020 review, BRG analyzed hundreds of documents relating to the Student Commitments. These documents included academic catalogs, student handbooks, enrollment agreements, orientation documentation and other related financial documentation, admissions files, compliance reports, third party contracts and agreements, statistical calculators and information, internal policy documents, marketing materials, emails, internal training files, video presentations, student surveys and complaints, organizational charts, borrowing advisory notices, letter templates, as well as other relevant materials. The purpose of the document review was to obtain information relating to the Institutions’ compliance with the Commitments and to validate statements and representations made to BRG during the 2020 review.

## **FINDINGS**

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BRG’s individualized findings relating to each Student Commitment are set forth in Appendix A.

## CONCLUSION

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Adtalem's introduction of and continued compliance with the voluntary Student Commitments has required substantial effort of organizational time and resources. Adtalem's documentation has been reviewed annually since 2017 and updated as needed. Some of BRG's key findings relating to Adtalem's compliance with the Student Commitments in this 2020 review are as follows:

- BRG confirmed the Institutions derived no more than 85% of revenue from federal funds for the fourth consecutive year.
- Student satisfaction surveys that would normally be conducted in the spring were delayed until Summer 2020 due to the impact of Covid-19.
- All undergraduate students are provided an orientation process to assist students in navigating their educational experience. In person on-campus and virtual orientation events are provided and recordings of the virtual orientation are also available. The orientation details relevant on-line learning platforms amongst other topics such as student support services.
- As of January 1, 2020, no Adtalem Title IV eligible institution is utilizing third-party lead aggregators.
- Adtalem institutions provide students with access to the online platform Manage My Loans ("MML"). MML details students' academic program progression and current loan balances while also offering repayment and budget modeling tools. Federal loan information is automatically populated in the tool. MML allows students to input any additional private or institutional loans that they hold along with living expenses and income information to build a financial roadmap. Adtalem does not remove access to the MML tool upon cessation of enrollment, so students and alumni can continue to use MML even after graduation.
- BRG reviewed Adtalem's Know Before You Go ("KBYG") fact sheets and confirmed that all metrics were reported accurately. The KBYG fact sheets provide program performance metrics, such as total program costs, debt and default rates, completion rates, earnings data, and licensure data.

## APPENDIX A: SUMMARY OF FINDINGS

Description	Findings
<b>Informed Student Choice</b>	
<p>A one-page disclosure that includes information about program or institutional performance metrics, such as total program costs, debt and default rates, completion and graduation rates and earnings and licensure data.<sup>4</sup></p>	<p>All applicable institutions complied with this commitment. The one-page disclosures (Know Before You Go fact sheets) were made publicly available on or before January 19, 2021.</p>
<p>An orientation process for all undergraduate students, which provides an overview of information to assist a student in the successful navigation of their college experience. This will include, for example, a review of student support services, our on- line learning platforms, academic policies and key points of contact within the institution.</p>	<p>All applicable institutions complied with this commitment.</p>

<sup>4</sup> In this report, BRG refers to this Commitment as the “Know Before You Go” Commitment.

Description	Findings
<b>Responsible Recruitment and Enrollment</b>	
<p>We provide individualized financial and academic information prior to students making a financial commitment. Financial and academic advisors are available to personally respond to any questions prospective students may have.</p>	<p>All institutions complied with this commitment.</p>
<p>We provide prospective students with clear information regarding any required transitional studies courses, including costs, availability and time for completion.</p>	<p>All institutions complied with this commitment.</p>
<p>Admissions conversations are recorded and evaluated to validate compliance and clear student communications. Admissions professionals' performance and compensation are monitored and assessed to ensure responsible student recruitment and compliance with Adtalem's standards.</p>	<p>All applicable institutions complied with this commitment.</p>
<p>We commit to transparency in our use of revenues for marketing, recruitment, instruction and academic support, student services and scholarships.<sup>5</sup></p>	<p>All institutions complied with this commitment.<sup>6</sup> Adtalem published these metrics to their website on January 11, 2021.</p>
<p>We have best practices in place to assure responsible marketing practices all third- party lead generators (where utilized), including monitoring of all activities by an independent firm, and clear remediation and contract termination procedures.</p>	<p>All applicable institutions complied with this commitment. As of January 1, 2020, no Adtalem Title IV eligible institution is utilizing lead aggregators.</p>

<sup>5</sup> In this report, BRG refers to this Commitment as the "Revenue Transparency" Commitment.

<sup>6</sup> BRG understands that these statistics will be publicly published simultaneously with this report. In 2017, 2018, and 2019 Adtalem publicly published the statistics prior to the completion of BRG's review.

Description	Findings										
<b>Responsible Participation in the Federal Loan Process</b>											
<p>Adtalem’s institutions will lower limits on federal funding, deriving no more than 85% of revenue from federal funds, including military and Veterans Administration financial assistance programs.<sup>7</sup></p>	<p>All institutions complied with this commitment.<sup>8</sup> BRG’s review of this Commitment relies upon an external audit completed by third party PricewaterhouseCooper (“PwC”) on December 8, 2020. PwC’s audit of Adtalem’s financial statements with regard to the Higher Education Act of 1965’s 90/10 rule resulted in the provision of metrics that BRG used as a foundation to check Adtalem’s adherence to the 85/15 Commitment.</p> <p>According to the financial data relied upon by PwC, the following institutions derived the following percentages of revenue from federal funds (including Military/VA funding), all below 85%:</p> <table border="1" data-bbox="861 506 1780 662"> <thead> <tr> <th>Institution</th> <th>Percentage of Revenue from Federal Funding Sources</th> </tr> </thead> <tbody> <tr> <td>AUC</td> <td>81%</td> </tr> <tr> <td>CU</td> <td>65.1%</td> </tr> <tr> <td>RUSM</td> <td>84.8%</td> </tr> <tr> <td>RUSVM</td> <td>83.5%</td> </tr> </tbody> </table> <p>Adtalem published these metrics to their website on January 11, 2021.</p>	Institution	Percentage of Revenue from Federal Funding Sources	AUC	81%	CU	65.1%	RUSM	84.8%	RUSVM	83.5%
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AUC	81%										
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<p>Before implementing new academic programs, we review the program’s pricing and career outcomes to ensure alignment with the student’s ability to repay debt upon successful completion of the program.</p>	<p>All institutions complied with this commitment. No new academic programs were offered during the 2020 review period.</p>										
<p>We are committed to providing students with a variety of ways to manage tuition costs. Availability of these options vary by institution and program of study, and may include, for example, transfer of credit policies that enable block transfer, academically responsible and individualized credit evaluation processes, work study and institutional scholarship assistance considerate of program of study, eligibility and need.</p>	<p>All institutions complied with this commitment.<sup>9</sup></p>										

<sup>7</sup> In this report, BRG refers to this Commitment as the “85/15” Commitment.

<sup>8</sup> BRG’s work was conducted based upon agreed-upon procedures and reliance upon PwC’s work product. BRG’s work does not constitute an independent audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with the standards established by the American Institute of Certified Public Accountants (“AICPA”). Accordingly, we do not express an opinion or any other form of assurance on the financial statements or on the operating effectiveness of internal controls of the entities referenced in this report.

<sup>9</sup> Tuition management resources and programs vary by academic institution and program of study. In certain cases, particularly in graduate professional programs, block transfer credit or work study programs are not available.

Description	Findings
<b>Financial Literacy and Academic Transparency</b>	
<p>We will provide students with access to Manage My Loans, a dynamic online tool that gives students ongoing visibility into overall program progression, outstanding loan balance (including estimated repayment obligations), financial position as compared to academic progress and credits required to graduate. Students who enter the Medical Education Readiness Program (MERP), a non-Title IV program that offers a 100% refund if students are unsuccessful in completion, will be provided with access to MyMERP, a student portal that provides information on the student's tuition account balance as well as any private student funding they receive.</p>	<p>All institutions complied with this commitment.</p>
<p>We offer students, proactively and upon request, academic and financial counseling. This counseling may include information on the student's progress toward his or her degree, incurred costs, student loan financing, overall financial position and academic progress.</p>	<p>All institutions complied with this commitment.</p>
<p>We will provide students with an annual Borrowing Advisory Notice. The notice will provide information on loan amounts and percentage of program completed, and disclosure indicating the potential implications of incurring student loan debt on future education loan and financing options.</p>	<p>All institutions complied with this commitment.</p>

Description	Findings
<b>Improving Student Satisfaction</b>	
<p>To ensure we are meeting the expectations of our students and graduates, we use an independent third-party tool to conduct student surveys, and we actively respond to results and feedback.</p>	<p>All institutions complied with this commitment. Student satisfaction surveys that would normally be conducted in the spring were delayed until Summer 2020 due to the impact of Covid-19. Those student surveys were conducted by AUC in June 2020, CU in May 2020, RUSM in July 2020, and RUSVM in July 2020.</p>
<p>We prohibit the practice of mandatory arbitration for student disputes, and our enrollment agreements do not prohibit students from participating in or seeking class action remedies.</p>	<p>All institutions complied with this commitment.</p>
<p>We maintain clear and transparent institutional student complaint resolution policies, readily available to students via each institution's website and academic catalog or student handbook. We also provide students with an escalation pathway and contact information to state oversight bodies with jurisdiction over student consumer complaints.</p>	<p>All institutions complied with this commitment.</p>

Description	Findings
<b>Successful Student Outcomes and Accountability</b>	
<p>To further demonstrate our commitment to quality academics, Adtalem will maintain an Academic Council, led by the academic leader of one of our institutions. The council will report to the Adtalem Board of Director's Academic Quality Committee Chair, and will report to the CEO on quality trends and steps taken to improve academic programs and student learning. This action-oriented and results driven council will enable all institutions to share their respective Academic Quality Scorecards with each other and with the Adtalem Board of Directors Academic Quality Committee.</p>	<p>Adtalem complied with this commitment.<sup>10</sup> The commitment language was updated in 2020.<sup>11</sup></p>
<p>Quality of academics is a component of our compensation package for institutional leaders.</p>	<p>All institutions complied with this commitment.</p> <p>The 2020 institutional leaders include Heidi Chumley (AUC), Karen Cox (CU), Jim Record (RUSM), and Sean Callanan (RUSVM). Academic quality goals may include metrics such as pass rates, retention, and/or specific initiatives designed to improve one or more of those metrics including implementation of learning management software systems designed to improve the academic experience.</p>
<p>We identify and proactively engage with students who may be at risk for program completion.</p>	<p>All institutions complied with this commitment.</p>
<p>Annually, we will have a third party review our Student Commitments, and will update and improve our practices and student protections as needed.</p>	<p>All institutions complied with this commitment.</p>

<sup>10</sup> The Academic Council is led by Dr. Heidi Chumley, Provost of AUC. Additional FY 2020 members include: Christen Bollig (Adtalem - VP Regulatory Affairs), Angeline Brown (Becker - Sr. Dir Product Management), Heidi Chumley (AUC - Dean AUC), Rich Crowley (Adtalem - Director, Academic Technology Solutions and Services), Jeff Kelly (OnCourse Learning - Dir, Product Mgmt), Julian Morris (Adtalem - VP Enterprise Innovation), Robert Owen Gilbert (Ross Vet - Associate Dean Academic Affairs), Steven Oxman (ACAMS - Dr. Product Management), Pradeep Pandey (EduPristine - Sr. Product Manager), Rajesh Puri (EduPristine - CEO), Mark Quirk (AUC - Sr. Assoc Dean Medical Ed), Gannady Raskin (Ross Med (Medical Education Readiness Program) - Executive Director, Medical Education Readiness Program), Jim Record (RUSM - Chief Academic Officer), and Carla Sanderson (Chamberlain - Provost).

<sup>11</sup> The commitment previously stated that the Academic Council was to be “led by the executive Dean of one of [Adtalem’s] institutions.” This commitment was updated in 2020 to state that the Academic Council would be “led by the academic leader of one of [Adtalem’s] institutions.”