



March 25, 2013

Mr. Steve Mares, President
Northwest Educational Center
2910 Antoine Drive
Houston, TX 77092

Certified Mail
Return Receipt Requested
7012 1010 0002 6534 2356

RE: **Final Program Review Determination**
OPE ID: 03303300
PRCN: 201120627475

Dear Mr. Mares:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on May 27, 2011 covering the Northwest Educational Center's (NEC) 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 period of June 1, 2009 through June 30, 2011. NEC's final response was received on July 28, 2011. A copy of the program review report (and related attachments) and NEC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by NEC 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 \$6,761.95.

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

Federal Student

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 finding in the attached report does not contain any student PII. Instead, the finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A - Student Sample, Appendix B – Cost of Funds Late Returns, Appendix C - Cost of Funds-Ineligible Disbursements and Appendix F- Student Sample – Additional Students Identified in Sample. 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 May 27, 2011 program review report. If NEC wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date NEC receives this FPRD. An original and four copies of the information NEC 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

NEC'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 UCA'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 Michael Williams at 214-661-9517. 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)

Cynthia Thornton, Director
Dallas School Participation Division

Enclosure:
Protection of Personally Identifiable Information

cc: Edna Ryan, Financial Aid Administrator
Council on Occupational Education
Texas Work Force Commission

Prepared for:
Northwest Educational Center

Federal Student
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OPE ID: 03303300
PRCN: 201120627475

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Team - Dallas

Final Program Review Determination

March 25, 2013

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

1999 Bryan Street, Suite 1410, Dallas, TX 75201-6817

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OPE ID: 03303300
PRCN: 201120627475
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A. Institutional Information

Northwest Educational Center
2910 Antoine Dr.
Suite B-100
Houston, TX 77092

Type: Proprietary

Highest Level of Offering: Non Degree – 1 year

Accrediting Agency: Council on Occupational Education

Current Student Enrollment: 220

% of Students Receiving Title IV: 96%

Title IV Participation (PEPS Funding):

	<u>2009-2010</u>
Federal Pell Grant Program	\$ 1,482,707
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$ 16,011

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Northwest Educational Center (NEC) from March 21, 2011, to March 25, 2011. The review was conducted by Mr. A. Michael Wade and Mr. Michael G. Williams.

The focus of the review was to determine NEC'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 NEC'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 2009-2010 and 2010-2011 (year to date) 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, which lists the names and partial social security numbers of the students whose files were examined during the program review, was provided to institutional officials while on site.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning NEC'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 NEC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determination

Resolved Findings

NEC has taken the corrective actions necessary to resolve findings # 4, 5, 6, 7 and 8 of the program review report. Therefore, these findings are closed. NEC's written response to the program review report is included as Appendix E. Findings requiring further action by NEC are discussed below.

Findings with Final Determinations

The program review report findings requiring further actions are summarized below. At the conclusion of each finding is a summary of NEC's response to the finding and ED's final determination for that finding. A copy of the program review report issued on May 27, 2011, is attached as Appendix D.

Finding 1. Return of Title IV Funds Made Late

Citation: *An institution is required to return funds to the applicable Title IV program when a recipient withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. Returns of funds are required to be made as soon as possible but no later than 45 days after the date of determination that the student withdrew. 34 C.F.R. § 668.22(j)*

In addition, the Secretary considers that an institution has sufficient cash reserves if the institution returns, in a timely manner, unearned Title IV program funds that it is responsible for returning. If an institution fails to return funds in a timely manner for 5% or more of the students identified in an audit or program review sample, the institution must satisfy the reserve standard by submitting an irrevocable letter of credit (LOC) of 25% of the total amount of unearned Title IV program funds that the institution was required to return during the most recently completed fiscal year. 34 C.F.R. § 668.173

Noncompliance: *NEC provided a Recipient Data Spreadsheet (RDS) for 2009-2010 and 2010-2011 award years. The RDSs identified a total of 97 students for whom returns were not made within the required timeframe.*

Required Action: *NEC must review its internal procedures to ensure that all returns are made within 45 days of the date of determination.*

NEC's Response: NEC has reviewed its internal procedures to ensure that all returns are made within 45 days of the date of determination of withdrawal from the program. NEC has strengthened existing procedures to ensure that refunds are made within the required time frame. NEC has also implemented additional procedures to better track, prepare, and budget funds for refunds.

Specifically, NEC now requires the registrar to begin processing withdrawal paperwork on Monday of each week for drops which occurred during the previous week. NEC's staff completes a Weekly Activity Report on Monday of each week which details all student activity that occurred during the previous week. Various examples of student activity which might be included on the activity report are drops, graduates, start leave of absences, end leave of absences, and re-enters. The registrar will use the list of dropped students contained on the Weekly Activity Report as a list of students who need to be processed during that week. The registrar will complete the first portion of the dropped student process which includes mailing drop surveys, updating student spreadsheets including the Master Registration List, and completing the required withdrawal worksheets. In the case of a student receiving Title IV Federal Student Aid, the registrar will complete both the Texas Workforce Commission Refund Calculation and the Return to Title IV Return Calculation. Effective May 1, 2011, the registrar is required to complete all areas of this portion of the drop process by Friday of the same week when the student is listed on the Activity Report as a drop.

In addition to the process outlined above, NEC's management conducted a training session with the registrar, drop coordinator, school counselor, and student services coordinator to stress the importance of the timely processing of drops. During the training session, the mandatory steps for processing drops, including the time lines listed above, were discussed. NEC will monitor the drop process along with the return calculations and the timing of the returns to be certain that the returns are being finalized within the required time period.

Final Determination: The RDS identified 39 students as having late returns during the two award years reviewed. The late returns were made to Federal Pell Grant program and totaled \$51,109.46. A calculation has been computed on the late return amount to determine the amount of interest, known as the Cost of Funds, due to the Department. The amount of interest due is \$65.77. Appendix A lists the names and partial social security numbers of the students identified.

A Letter of Credit (LOC) of \$140,000 for late returns was on file with the Department.

Finding 2. Return of Title IV (R2T4) Calculation Errors

Citation: *Federal regulations require that an institution determine the amount of Title IV, HEA assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV, HEA assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV, HEA programs. The treatment of Title IV, HEA funds may be determined on either a payment period basis or a period of enrollment basis for a student enrolled in a nonstandard, term-based educational program. An institution must consistently use either a payment period or period of enrollment for all students who withdraw from a nonstandard, term-based program and who have attended from the beginning of that payment period or period of enrollment. 34 C.F.R. § 668.22*

Noncompliance: *NEC failed to accurately calculate the R2T4 funds for student #21 who withdrew from the institution. NEC used the incorrect "hours scheduled to complete."*

Required Action: *NEC recalculated the R2T4 for student #21 while the reviewers were on site. The revised R2T4 calculation resulted in a return due of \$1,259.85 to the Federal Pell Grant program.*

NEC must review its internal procedures to ensure that all future R2T4 calculations are properly calculated. Instructions for the repayment for student #21 will be provided in the Department's Final Program Review Determination (FPRD) Letter.

NEC's Response: NEC concurs with the finding that the R2T4 calculation for student #21 was not accurately calculated. Upon recalculation, NEC determined that a return in the amount of \$1,259.85 was owed to the Federal Pell Grant program.

NEC has reviewed its internal procedures to ensure that future R2T4 calculations are properly calculated. NEC has implemented a checks and balance system of verifying the accuracy of all return calculations. As indicated in the Response to finding #1, NEC's management conducted a training session with the registrar, drop coordinator, and other appropriate staff members to ensure that each staff member was aware of the proper method for completing both the R2T4 calculation and the Texas Workforce Commission refund calculation.

Final Determination: NEC must repay the \$1,259.85 in Federal Pell Grant funds for student #21. Interest owed on this finding is \$3.11. The total liability due on the unpaid return is \$1,262.96. The cost of funds spreadsheet is included as Appendix B.

Finding 3. Pell – Overpayment

Citation: *The Federal Pell Grant Program regulation states that the amount of a student's Federal Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year. 34 C.F.R. § 690.62*

Noncompliance: *NEC disbursed a total of \$995.00 during the 2009-2010 award year in Federal Pell Grant funds to student #13. The student initially enrolled in the Computer Office Specialist program for a total of 900 clock hours. The student changed to the Office Software program which is 600 clock hours in length. NEC continued to pay the student for the 900 clock hour program which resulted in an overpayment.*

Required Action: *NEC recalculated the student's Federal Pell Grant award during the program review and determined that the student received a Federal Pell Grant overpayment of \$103.*

NEC's Response: NEC concurs that the Federal Pell Grant award was miscalculated when the student transferred from the 900 hour program to the 600 hour program. With guidance from the program review staff, NEC recalculated the award and determined that an overpayment amount of \$103.00 in Federal Pell Grant funds should be returned.

Final Determination: NEC must pay the \$103.00 in Federal Pell Grant funds for student #13. The interest amount is \$1.50. The total liability for this finding is \$104.50. The Cost of Funds calculation is included in Appendix C.

Finding 4. Inconsistent Information in Student File

Citation: *The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. Institutions are required to develop an adequate system to ensure the consistency of information related to a student's application for Title IV assistance, regardless of the*

source of that information. The institution is responsible for reconciling all information received. 34 C.F.R. § 668.16(f)

Noncompliance: *The institution disbursed Title IV, HEA program funds prior to resolving conflicting information for the following student.*

Student #11 – This student received Title IV, HEA program funds during the 2009-2010 award year. The 2009-2010 FAFSA and ISIR indicates the students' marital status as "separated" as of June 2008. The student submitted 2008 W-2 statements for her and her spouse as well as a 2008 1040 tax return that indicated the student filed as "married filing jointly" with a combined adjusted gross income (AGI) of \$60,829. The 2008-2009 AGI on the ISIR shows \$26,784.

The student also received Title IV, HEA program funds during the 2009-2010 award year. The 2009-2010 FAFSA and ISIR indicates the students' marital status as "separated" as of June 2008. The student submitted her 2008 W-2 statement and a 2008 1040 tax return that indicated the student filed as "married filing jointly" with a combined AGI of \$63,760. The 2008-2009 AGI on the ISIR shows \$25,826. There was no explanation in the student's file to explain the difference in the income amounts reported.

Required Action: *In response to this report, the institution must develop and submit written procedures and control mechanisms to ensure that, in the future, inconsistent information will be identified and resolved prior to the disbursement of Title IV funds.*

In addition, NEC must resolve the inconsistent deficiency by providing adequate documentation that resolves the inconsistent information for student #11. If applicable, NEC must provide a copy of the student's recalculated ISIR. If the student's EFC, scheduled award or expected disbursement changes as a result of this recalculation, NEC is liable for the difference between the correct disbursement and actual disbursement. If NEC cannot complete this process, NEC will be liable for the actual disbursement.

Instructions for the repayment of any identified liability will be provided in the FPRD letter.

Institution Response: NEC is unable to resolve the conflicting data for student #11. NEC is also unable to submit a copy of the student's recalculated ISIR since corrections cannot be made.

Final Determination: NEC must pay the \$5,041.00 in Federal Pell Grant funds disbursed to student #11. The interest amount is \$287.72. The total liability for this finding is \$5,328.72. The Cost of Funds calculation is included in Appendix C.

D. Summary of Liabilities

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

Established Liabilities	Pell (Closed Award Year)	Interest Amount
Finding 1	*\$0.00	\$65.77
Finding 2	\$1,259.85	\$3.11
Finding 3	\$103.00	\$1.50
Finding 4	\$5,041.00	\$287.72
Subtotal 1	\$6,403.85	\$358.10
		Total
Payable To:	The Department	\$6,761.95

* The late returns were paid prior to the issuance of this letter.

E. Payment Instructions

NEC owes to the Department \$6,761.95. 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 GAPS/G5 will not be accepted as payment of this liability.**

The following identification data must be provided with the payment:

Amount: \$6,761.95
 DUNS: 160804639
 TIN: 760304195
 PRCN: 201120627475

Terms of Payment

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

Pell – Closed Award Year

Findings: 1, 2, 3 and 4
 Appendices: B, C, and F

NEC must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$5,144.00	\$354.99	Pell	2009-2010
\$1,259.85	\$ 3.11	Pell	2010-2011
Total Principal	Total Interest		
\$6,403.85	\$358.10		

The disbursement record for each student identified in the appendices to the applicable findings must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendices.

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 Michael Williams within **45 days of the date of this letter.**

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. NEC 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 NEC'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 6111
Washington, DC 20202-4461

If within 45 days of the date of this letter, NEC 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 NEC from the Federal Government. **NEC may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, NEC 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.

F. Appendices

Appendix A (Student Sample) contains personally identifiable information and was provided to NEC during the Exit conference conducted on March 25, 2011. Appendices B (Cost of Funds-Late Returns), C (Cost of Funds-Ineligible Disbursements) and F (Additional Students found in sample) contain personally identifiable information and will be emailed to NEC 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.

Appendices D and E are attached to this report.

Appendix A: Student Sample (provided to school during Exit Conference)

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Appendix B: Cost of Funds-Late Returns

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Appendix C: Cost of Funds-Ineligible Disbursements

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Appendix D: Program Review Report

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Prepared for
Northwest Educational Center



START HERE
GO FURTHER
FEDERAL STUDENT AID

OPE ID: 03303300
PRCN: 201120627475

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Team - Dallas

Program Review Report

May 27, 2011

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A. Institutional Information

Northwest Educational Center
2910 Antione Dr.
Suite B-100
Houston, TX 77092

Type: Proprietary

Highest Level of Offering: Non Degree

Accrediting Agency: Council on Occupational Education

Current Student Enrollment: 220

% of Students Receiving Title IV: 96%

Title IV Participation (PEPS Funding):

	<u>2009-2010</u>
Federal Pell Grant Program	\$ 1,482,707
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$ 16,011

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Northwest Educational Center (NEC) from March 21, 2011, to March 25, 2011. The review was conducted by Mr. A. Michael Wade and Mr. Michael G. Williams.

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A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 (year to date) 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, which lists the names and partial social security numbers of the students whose files were examined during the program review 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 NEC'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 NEC 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 NEC to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Return of Title IV Funds Made Late

Citation: An institution is required to return funds to the applicable Title IV program when a recipient withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. Returns of funds are required to be made as soon as possible but no later than 45 days after the date of determination that the student withdrew. *34 C.F.R. § 668.22(j)*

In addition, the Secretary considers that an institution has sufficient cash reserves if the institution returns, in a timely manner, unearned Title IV program funds that it is responsible for returning. If an institution fails to return funds in a timely manner for 5% or more of the students identified in an audit or program review sample, the institution must satisfy the reserve standard by submitting an irrevocable letter of credit (LOC) of 25% of the total amount of unearned Title IV program funds that the institution was required to return during the most recently completed fiscal year. *34 C.F.R. § 668.173*

Noncompliance: NEC provided a Recipient Data Spreadsheet (RDS) for 2009-2010 and 2010-2011 award years. The RDSs identified a total of 97 students for whom returns were not made within the required timeframe.

Required Action: NEC must review its internal procedures to ensure that all returns are made within 45 days of the date of determination.

Finding 2. Return To Title IV (R2T4) Calculation Errors

Citation: Federal regulations require that an institution determine the amount of Title IV, HEA assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV, HEA assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV, HEA programs. The treatment of Title IV, HEA funds may be determined on either a payment period basis or a period of enrollment basis for a student enrolled in a nonstandard, term-based educational program. An institution must consistently use either a payment period or period of enrollment for all students who withdraw from a nonstandard, term-based program and who have attended from the beginning of that payment period or period of enrollment. *34 C.F.R. § 668.22*

Noncompliance: NEC failed to accurately calculate the R2T4 funds for student #21 who withdrew from the institution. NEC used the incorrect "hours scheduled to complete."

Required Action: NEC recalculated the R2T4 for student #21 while the reviewers were on site. The revised R2T4 calculation resulted in a return due of \$1,259.85 to the Federal Pell Grant program.

NEC must review its internal procedures to ensure that all future R2T4 calculations are properly calculated. Instructions for the repayment for student #21 will be provided in the Department's Final Program Review Determination (FPRD) Letter.

Finding 3. Pell – Overpayment

Citation: The Federal Pell Grant Program regulation, states, the amount of a student's Federal Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year. *34 C.F.R. § 690.62*

Noncompliance: NEC disbursed a total of \$995.00 during the 2009-2010 award year in Federal Pell Grant funds to student #13. The student initially enrolled in the Computer Office Specialist program for a total of 900 clock hours. The student changed to the Office Software program which is 600 clock hours in length. NEC continued to pay the student for the 900 clock hour program which resulted in an overpayment.

Required Action: NEC recalculated the students' Federal Pell Grant award during the program review and determined that the student received a Federal Pell Grant overpayment of \$103. Instructions for the repayment liability will be provided in the FPRD letter.

Finding 4. Inconsistent Information in Student File

Citation: The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. Institutions are required to develop an adequate system to ensure the consistency of information related to a student's application for Title IV assistance, regardless of the source of that information. The institution is responsible for reconciling all information received. *34 C.F.R. § 668.16(f)*

Noncompliance: The institution disbursed Title IV, HEA program funds prior to resolving conflicting information for the following student.

Student #11 – This student received Title IV, HEA program funds during the 2008-2009 award year. The 2008-2009 FAFSA and ISIR indicates the students' marital status as "separated" as of June 2008. The student submitted 2007 W-2 statements for her and her spouse as well as a 2007 1040 tax return that indicated the student filed as "married filing jointly" with a combined adjusted gross income (AGI) of \$60,829. The 2008-2009 AGI on the ISIR shows \$26,784.

The student also received Title IV, HEA program funds during the 2009-2010 award year. The 2009-2010 FAFSA and ISIR indicates the students' marital status as "separated" as of June 2008. The student submitted her 2008 W-2 statement and a 2008 1040 tax return that indicated the student filed as "married filing jointly" with a combined AGI of \$63,760. The 2008-2009 AGI on the ISIR shows \$25,826. There was no explanation in the student's file to explain the difference in the income amounts reported.

Required Action: In response to this report, the institution must develop and submit written procedures and control mechanisms to ensure that, in the future, inconsistent information will be identified and resolved prior to the disbursement of Title IV funds.

In addition, NEC must resolve the inconsistent deficiency by providing adequate documentation that resolves the inconsistent information for student #11. If applicable, NEC must provide a copy of the student's recalculated ISIR. If the student's EFC, scheduled award or expected disbursement changes as a result of this recalculation, NEC is liable for the difference between the correct disbursement and actual disbursement. If NEC cannot complete this process, NEC will be liable for the actual disbursement.

Instructions for the repayment of any identified liability will be provided in the FPRD letter.

Finding 5. FSEOG – No Written Selection Policy

Citation: The FSEOG program awards grants to financially needy students to assist them in paying educational costs. An institution must have written procedures to ensure that FSEOG recipients are selected on the basis of the lowest Expected Family Contribution (EFC) and Federal Pell Grant priority requirements over the entire award year. *34 CFR §§ 668.16(b), 676.1, 676.2, 676.10*

In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest EFCs who also receive Federal Pell Grant funds in that year. If an institution has remaining FSEOG funds after awarding FSEOG funds to all Federal Pell Grant recipients, it must award FSEOG funds to students with the lowest EFCs who did not receive Federal Pell Grants. In addition, if an institution's allocation of FSEOG funds is directly or indirectly based in part on the financial need demonstrated by students attending the institution as less-than-full-time or independent students, a reasonable portion of the allocation must be offered to those students. *34 CFR §§ 676.9, 676.10*

Noncompliance: NEC does not have a written policy regarding FSEOG selection criteria and awarding.

Required Action: NEC must develop, implement, and submit to this office a written FSEOG selection policy that ensures FSEOG funds are awarded in accordance with federal regulations. This includes giving priority to students with low EFCs who are also Federal Pell Grant recipients, and ensuring that FSEOG funds are reasonably available throughout the entire award year.

Finding 6. Unequal FSEOG Disbursements

Citation: Institutions are required to disburse FSEOG funds in equal disbursements across the payment periods in an academic year for which an FSEOG is awarded, unless a student incurs uneven costs during an academic year and needs additional funds. *34 CFR § 676.16*

Noncompliance: Student #4 received a single disbursement (\$900) of FSEOG funds. In addition, the FSEOG awards are not disclosed on the student's award notification letter.

Required Action: NEC must develop, implement, and submit to this office a written FSEOG disbursing policy that ensures FSEOG awards are accurately reflected on the Financial Aid award notification letter and that funds are disbursed in equal amounts.

Finding 7. Bank Charges Made To Federal Account

Citation: All Title IV, HEA program funds received by an institution, except for funds received as an administrative cost allowance and funds used for the Job Location and Development Program under the FWS programs, are intended solely for the use of student beneficiaries. All other funds are held in trust by the school for the students and the Department of Education. Title IV program funds cannot be used as collateral or for any other purpose. *34 C.F.R. § 668.161*

Noncompliance: A review of the federal funds bank statements disclosed that unauthorized charges were made to the bank accounts in which federal funds were deposited. Specifically, federal funds on deposit were used to pay bank charges incurred by NEC (see below).

<u>Date</u>	<u>Description</u>	<u>Amount</u>
07/13/2009	Monthly Service Fee	\$ 14.00
07/28/2009	Harland Clarke Checks	64.73
08/04/2009	Legal Order Payment & Bank Fee	16,221.21
09/03/2009	Check Card Rewards Origination Fee	25.00
12/01/2009	Harland Clark Checks	64.73
03/08/2010	Online Dep Detail & Images	3.00
03/23/2010	Harland Clark Checks	102.21
07/13/2010	Harland Clark Checks	84.76
09/03/2010	Check Card Rewards Annual Fee	25.00
11/01/2010	POS Purchase – Chevron	30.00
11/02/2010	POS Purchased – Academy LTD	64.94
11/02/2010	Check Card Purchase – Hot On The Bayou	21.65
11/02/2010	POS Purchase – Fuel Expo	20.03

11/03/2010	POS Purchase – Fiesta Mart	14.28
11/04/2010	POS Purchase – Lewis Foodtown	49.00
11/04/2010	POS Purchase – Chevron	30.00
11/05/2010	Check Card Purchase – Ninfa’s	46.00
12/27/2010	Legal Order Payment & Bank Fee	9,004.18
01/28/2011	Legal Order Payment & Bank Fee	22,379.80
02/08/2011	IRS Notice of Levy	21,817.30
02/08/2011	Legal Order Processing Fee	100.00

Required Action: NEC must review its Federal bank account and determine the total amount of Federal funds used to pay bank charges. NEC must reimburse the bank account and provide proof of the deposit.

Finding 8. Bank Account – Federal Funds Not Identified

Citation: Program regulations require that for each bank account that contains Title IV program funds, an institution must identify that Title IV program funds are maintained in the account by including the phrase ‘federal funds’ in the name of the account; or notifying the bank or investment company that the account contains Title IV program funds by filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds. A copy of the UCC-1 statement must be retained. *34 CFR §668.163(a)*

Noncompliance: The phrase “Federal Funds” is not included in the name of the bank account into which Federal funds are deposited for NEC students. The account is named “The First Educators, Inc.”

Required Action: NEC must either add the phrase “Federal Funds” to the name of the bank account or file a UCC-1 statement. Documentation regarding the resolution must be submitted in response to this report.

D. Appendix

Appendix A (Student Sample) contains personally identifiable information and was provided to NEC during the Exit Conference conducted on March 25, 2011.

Appendix E: Institutional Response

Finding 1. Return of Title IV Funds Made Late

Response: Northwest Educational Center has reviewed its internal procedures to ensure that all returns are made within 45 days of the date of determination of withdrawal from the program. The Center has strengthened existing procedures to ensure that refunds are made within the required time frame. The Center has also implemented additional procedures to better track, prepare, and budget funds for refunds.

Specifically, Northwest Educational Center now requires the registrar to begin processing withdrawal paperwork on Monday of each week for drops which occurred during the previous week. Northwest Educational Center's staff completes a Weekly Activity Report on Monday of each week which details all student activity that occurred during the previous week. Various examples of student activity which might be included on the activity report are drops, graduates, start leave of absences, end leave of absences, and re-enters. The registrar will use the list of dropped students contained on the Weekly Activity Report as a list of students who need to be processed during that week. The registrar will complete the first portion of the dropped student process which includes mailing drop surveys, updating student spreadsheets including the Master Registration List, and completing the required withdrawal worksheets. In the case of a student receiving Title IV Federal Student Aid, the registrar will complete both the Texas Workforce Commission Refund Calculation and the Return to Title IV Refund Calculation. Effective May 1, 2011, the registrar is required to complete all areas of this portion of the drop process by Friday of the same week when the student is listed on the Activity Report as a drop.

Once the registrar has completed this portion of the drop process, the drop files along with the required refund worksheets will be forwarded to the drop coordinator who is responsible for scheduling and finalizing refunds. As a precautionary measure, the drop coordinator will review the refund worksheets for accuracy and completeness. Various areas to be reviewed by the drop coordinator include drop date, last date attended, hours scheduled, funds received, type of funds received, and the refund amount. By requiring two staff members in separate departments to verify the accuracy of the refund worksheets, Northwest Educational Center maintains a checks and balance system to avoid miscalculations. The drop coordinator will enter the student's information including name, withdrawal date, refund amount, and refund due date into a refund spreadsheet. On Friday of each week, the drop coordinator will review the refund worksheet and set aside the files for the refunds due during the upcoming week. As the refunds are paid and finalized, the drop coordinator will turn the files over to the file clerk for filing in the file room.

In addition to the process outlined above, Northwest Educational Center's management conducted a training session with the registrar, drop coordinator, school counselor, and

student services coordinator to stress the importance of the timely processing of drops. During the training session, the mandatory steps for processing drops including the time lines listed above were discussed. Northwest Educational Centers management also discussed the possible repercussions on the school and its ability to continue to participate in Title IV funding if refunds were not finalized within the required 45 day time line.

During this training session, Northwest Educational Centers management incorporated a practice session to demonstrate and practice the proper completion of both the Texas Workforce Commission Refund Worksheet and the Return to Title IV Refund Worksheet. These practice calculations covered various types of student case studies including drop calculations with refunds, drop calculations without refunds, drop calculations with no Title IV aid, drop calculations with both Pell and FSEOG funds, and drop calculations from failure to return from leave of absences.

Northwest Educational Center will monitor the drop process along with the refund calculations and the timing of the refunds to be certain that the refunds are being finalized within the required time period.

Finding 2. Return to Title IV (R2T4) Calculation Errors

Response: Northwest Educational Center concurs with the finding that the Return to Title IV calculation for student #21 was not accurately calculated. Upon recalculation, the Center determined that a refund in the amount of \$1,259.85 was owed to the Federal Pell Grant program. Northwest Educational Center will refund the amount of \$1,259.85 to the Federal Pell Grant Program upon instructions from the Department in the FPRD Letter.

Northwest Educational Center has reviewed its internal procedures to ensure that future Return to Title IV calculations are properly calculated. Northwest Educational Center has implemented a checks and balance system of verifying the accuracy of all refund calculations. As indicated in the Response to Finding #1, Northwest Educational Centers policy now requires that the registrar completes the refund calculation worksheets and the drop coordinator verifies the accuracy of the information on the worksheet. Northwest Educational Centers management conducted a training session with the registrar, drop coordinator, and other appropriate staff members to ensure that each staff member was knowledgeable of the proper method of completing both the Return to Title IV Calculation and the TWC Refund Calculation. During this training session, detailed directions on the proper completion of the worksheets were discussed. Staff members also completed practice worksheets using various scenarios to ensure understanding of the proper methods of determining data to be included in the calculations.

Finding 3. Pell - Overpayment

Response: Northwest Educational Center concurs with this finding. The Center miscalculated the Pell Grant award when the student transferred from the 900 hour program to the 600 hour program. With guidance from the program review staff, the Center recalculated the award and determined that an overpayment was made in the amount of \$103.00. The Center will repay the overpayment amount of \$103.00 to the Federal Pell Grant program upon instructions from the Department in the FPRD letter. Northwest Educational Centers staff members are now aware of the proper method of calculating the grant award in this type of transfer situation and will use the proper calculation method for future awards.

Finding 4. Inconsistent Information in Student File

Response: Northwest Educational Center has developed and implemented written procedures and control mechanisms to ensure that inconsistent information will be identified and resolved prior to the disbursement of Title IV funds in the future. A copy of the written Procedures and Control Mechanisms for Identifying Inconsistent Information for Financial Aid Applicants is included in this Institutional Response Report as Appendix A.

Northwest Educational Center has distributed this written policy to the appropriate staff members. Northwest Educational Center has provided instructions to the Financial Aid office along with other staff on the proper steps to take in the event of conflicting or inconsistent data. The Center has also stressed that all departments must notify the aid administrator of any information which might have an impact on an aid applicants eligibility.

Northwest Educational Center made a diligent effort to resolve the conflicting data contained in the file of student # 11. Unfortunately, the Center was unable to obtain clarification on the student's marital status during the time she was receiving Federal Student Aid at Northwest Educational Center. Her applications for federal aid during 2008-2009 and 2009-2010 listed her marital status as separated as of June 2008. Northwest Educational Center's financial aid office completed both 08/09 and 09/10 FAFSAs using only the student's income due to her statement of being separated. However, the federal tax returns submitted for 2007 and 2008 show a filing status of married filing a joint return. Since the 2008 tax return would have been filed at the beginning of calendar year 2009, the statement of her separated marital status on June 2008 conflicts with her filing status as married filing a joint tax return.

Since Northwest Educational Center was unable to clarify the student's marital status during her enrollment, the Center attempted to correct her financial aid data. The proposed corrections included changing her marital status to married, adding her husband to her household size, and including his income as part of the AGI. However, the EDExpress software would not allow a correction to be made on either 2008/2009 or 2009/2010 award years. The Center then contacted the SAIG Help Desk for assistance in

making these corrections. The SAIG Help Desk informed Northwest Educational Center staff that it is not possible to make corrections on either one of these award years due to the length of time since the award years closed.

The Center then attempted to manually calculate the EFC using the Federal Needs Analysis Methodology. Unfortunately, the Center's staff members are not trained in the proper procedures to manually calculate an EFC using this method.

Therefore, Northwest Educational Center is unable to resolve the conflicting data located in the file of student #11. The Center is also unable to submit a copy of the students recalculated ISIR since corrections cannot be made. Since the Center is unable to complete this process, the Center will be liable for the actual disbursement of Pell Grant funds for student #11. The Center will reimburse these funds upon instructions from the Department in the FPRD letter.

Finding 5. FSEOG - No Written Selection Policy

Response: Northwest Educational Center developed and implemented a written FSEOG policy which includes the selection of recipients for FSEOG awards. This written policy titled Procedures for Selecting and Disbursing Federal Supplemental Educational Opportunity Grant (FSEOG) Funds is included with this institutional response as Appendix B.

In this written policy, Northwest Educational Center describes the procedures for the selection of FSEOG recipients. These procedures include awarding FSEOG funds to those students with the lowest EFCs who are also Pell Grant recipients. These procedures also explain how, if funds are still available, the Center will then award FSEOG to students who have low EFCs but who did not receive Pell Grants. The procedures describe how Northwest Educational Center will attempt to make a reasonable portion of the FSEOG allocation available to various categories of students including those attending on a less than full time basis and independent students. The procedures detail how the Center will make a reasonable effort to make FSEOG funds available over the entire award year.

Finding 6. Unequal FSEOG Disbursements

Response: Northwest Educational Center developed and implemented a written FSEOG policy which includes the procedures for disbursing FSEOG awards. This written policy titled Procedures for Selecting and Disbursing Federal Supplemental Educational Opportunity Grant (FSEOG) Funds is included with this institutional response as Appendix B.

In this written policy, Northwest Educational Center describes the procedures for

disbursing FSEOG funds. These procedures include disbursing FSEOG funds in equal disbursements across the payment periods in an academic year unless a student incurs uneven costs during an academic year and needs additional funds. These procedures also describe the process of notifying students of their FSEOG award through the use of an award letter.

Finding 7. Bank Charges Made to Federal Account

Response: Northwest Educational Center reviewed the Federal bank account dating back to the month of July 2009. The Center carefully tracked each transaction which occurred during this time period to determine if any Federal funds were used for bank charges which were not properly reimbursed. The review process included, but was not limited to, a comparison of all GAPS drawdowns to Pell Grant awards, a comparison of all refund deposits to draw downs and refund transactions, and a comparison of all administrative cost allowance deposits and transfers to various bank charges.

Upon completion of the Federal bank account review, Northwest Educational Center determined that all funds used for the bank charges listed in the Department=s Program Review Report were properly reimbursed back to the Federal bank account. The Center found that there are no funds that need to be reimbursed back to the Federal bank account.

Finding 8. Bank Account - Federal Funds Not Identified

Response: Northwest Educational Center has requested that Wells Fargo Bank add the phrase AFederal Funds@ to the name of the bank account where Federal funds are deposited. The Center originally made this request to Wells Fargo Bank during June. However, the name change request was not properly processed by Wells Fargo Bank. Upon receipt of the bank statement in mid-July, the Center realized that the name change had not been processed by Wells Fargo Bank. Northwest Educational Center then made a second request to Well Fargo Bank to add the phrase AFederal Funds@ to the account. A copy of the Customer/Account Information Change Request is included in this response as Appendix C. Unfortunately, the Customer/Account Information Change Request form is not very detailed in the description of the specific change to be made. Wells Fargo Bank issues bank statements for the Federal bank account on approximately the 15th of each month. Northwest Educational Center will submit proof of the name change upon receipt of the August bank statement.

Appendix F: Student Sample – Additional Students Identified in Sample

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UNITED STATES POSTAL SERVICE

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

- Sender: Please print your name, address, and ZIP+4 in this box •

Williams M - FPRD - 03303300 - ljp
Northwest Educational Center
Dallas School Participation Division
1999 Bryan St Ste 1410
Dallas, TX 75201-6817

RECEIVED
JUN 10 2003
DALLAS, TX

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Steve Mares, President
 Northwest Educational Center
 2910 Antoine Dr Ste B100
 Houston, TX 77092-7063

2. Article Number

(Transfer from service label)

7012 1010 0002 6534 2356

COMPLETE THIS SECTION ON DELIVERY

A. Signature

 Steve Mares
 Agent AddresseeB. Received by *(Printed Name)*

C. Date of Delivery

 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.4. Restricted Delivery? *(Extra Fee)* Yes