



March 2, 2015

Mr. Richard Sanchez
President
Navarro College
3200 West 7th Avenue
Corsicana, TX 75110-4818

Certified Mail
Return Receipt Requested
7013 2630 0001 8220 7947

RE: **Final Program Review Determination**
OPE ID: 00359300
PRCN: 201330628315

Dear Mr. Sanchez:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on May 5, 2014 covering Navarro College's (Navarro's) 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 2011-2012 and 2012-2013 award years. The institution's final response was received on December 18, 2014.

The Dallas School Participation Division has reviewed Navarro's response to the Program Review Report. A copy of the program review report (and related attachments) and Navarro's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Navarro 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.

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

Appendix A, Student Sample, contains personally identifiable information and was previously sent to the institution in a separate e-mail.

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)].

Federal Student Aid

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

Dallas School Participation Division

1999 Bryan Street, Suite 1410, Dallas, TX 75201

StudentAid.gov

If you have any questions please call Brittany Stubblefield at (214) 661-9481.

Sincerely,

(b)(6)

Cynthia Thornton, Director
Dallas School Participation Division

Enclosure: Program Review Report (with attachments)
Navarro's Response to the Program Review Report

cc: Kristal Nicholson, Financial Aid Administrator
Texas Higher Education Coordinating Board
Southern Association of Colleges and Schools Commission on Colleges
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau



May 5, 2014

Mr. Richard Sanchez
President
Navarro College
3200 West 7th Avenue
Corsicana, TX 75110-4818

Certified Mail
Return Receipt Requested
7012 3460 0000 9049 4362

RE: **Program Review Report**
OPE ID: 00359300
PRCN: 201330628315

Dear Mr. Sanchez:

From June 24, 2013 through June 28, 2013, Ms. Brittny Stubblefield and Ms. Sheree Porter conducted a review of Navarro College's (Navarro's) 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 Navarro. The response should include a brief, written narrative for each finding that clearly states Navarro's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Navarro 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 –
 - a. A written statement addressing the 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 Navarro upon request. Copies of the program review report, the institution's

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).

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 Brittany Stubblefield of this office 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 Brittany Stubblefield at 214-661-9481 or brittany.stubblefield@ed.gov.

Sincerely,

(b)(6)

Kim Peeler
Compliance Manager

cc: Ms. Kristal Nicholson, Financial Aid Administrator

Enclosures:

Program Review Report
Protection of Personally Identifiable Information

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. 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).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip and are encrypted with AES encryption.

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for
Navarro College

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

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OPE ID 00359300
PRCN 201330628315

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

Program Review Report

May 5, 2014

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A. Institutional Information

Navarro College
3200 West 7th Avenue
Corsicana, TX 75110-4818

Type: Public

Highest Level of Offering: Associate

Accrediting Agency: Southern Association of Colleges and Schools Commission on Colleges

Current Student Enrollment: 10,098 (2012)

% of Students Receiving Title IV: 87% (2012)

Title IV Participation (PEPS):

	2011-2012
Federal Direct Loan	\$32,079,005
Federal Pell Grant	\$22,488,764

Default Rate DL:	2011	16.2%
	2010	21.7%
	2009	16.3%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Navarro College (Navarro) from June 24, 2013 to June 28, 2013. The review was conducted by Brittany Stubblefield and Sheree Porter.

The focus of the review was to determine Navarro's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Navarro'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 2011-2012 and 2012-2013 (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 lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Navarro'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 Navarro 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 Navarro to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1 Federal Pell Grant Not Made In Multi/Equal Payments

Citation: An institution must determine the length of its payment periods for each academic program and compare that to its defined academic year. Once the institution determines the length of the payment periods, it must calculate the student's Federal Pell Grant using those payment periods by multiplying the Scheduled Award by hours in the payment period divided by the hours in the academic year. For programs shorter than an academic year, the institution must

use the product of the calculation and multiply that by the number of weeks in the program and divide that by the number of weeks in the academic year.

To determine the disbursement for a student enrolled in a program that uses standard terms with at least 30 weeks of instructional time in two semesters or trimesters or in three quarters, the payment for each payment period is calculated based on the student's enrollment status for the term. The student's scheduled award for his/her enrollment status is divided by two at institutions that use semesters or trimesters or three at institutions that use quarters.

An institution must disburse Title IV, HEA program funds once each payment period unless an institution chooses to make more than one disbursement in each payment period. In each payment period, an institution may pay a student at such times and in such installments as it determines will best meet the student's needs. *34 C.F.R. §§ 668.4, 668.164, 690.63, 690.76*

Noncompliance: Navarro improperly disbursed Federal Pell Grant funds to all students in the sample who received Federal Pell Grant funds in the 2011-2012 and 2012-2013 award years. Specifically, Navarro only disbursed the amount of Federal Pell Grant funds students would need to pay tuition and fees and other institutional costs. Any funds beyond the student's direct costs were held until after the student had completed 60% of the payment period. According to information provided by institutional officials during an interview, this method of disbursement was intended to ease the administrative burden of having to perform a Return of Title IV funds calculation in the event the student withdrew or ceased attendance. It was also intended to prevent the student from having to return funds upon withdrawal.

For example, student #9 was eligible to receive \$2,775 in Federal Pell Grant funds. The payment was processed in COD on 1/19/12 and disbursed, according to COD, on 4/3/12; however, the student's ledger shows Federal Pell Grant disbursements of \$175.37 on 1/11/12, \$1,414.63 on 2/06/12, and \$1,742 on 4/03/12. The first two disbursements posted to the ledger were only enough to satisfy the tuition and fee charges posted to the student's account.

Required Action: Navarro must develop and implement policies and procedures to ensure that Federal Pell Grants are disbursed properly. The policy must address how Federal Pell Grant funds will be disbursed to ensure students can meet both the institutional and non-institutional costs of attending school. A copy of this policy must be submitted in response to this report.

Finding 2 Student Status – Inaccurate/Untimely Reporting

Citation: All institutions participating in the Title IV programs *must* have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS). Student enrollment information is extremely important, because it is used to determine if the student is still considered in-school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out-of-school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. Changes in enrollment to less than half-time, graduated, or withdrawn must be reported

within 30 days unless a student status confirmation report is expected within 60 days. 34 C.F.R. § 685.309(b)

Noncompliance: During the 2011-2012 and 2012-2013 award years, enrollment status reporting was inaccurate and/or untimely for the following students:

Student # 1: Student's last date of attendance (LDA) was 12/17/11; however, NSLDS shows a certification date of 05/03/12.

Student # 2: Student began attendance half-time on 08/27/12; however, the certification date was 05/01/13.

Student # 5: Student's LDA was 05/08/12; however, the certification date was 10/22/12.

Student # 7: Student began attendance 06/05/12 and received Federal Direct loans for the 2011-2012 award year but NSLDS does not show this student's enrollment status.

Student # 10: Student's LDA was 01/31/12; however, NSLDS shows a withdrawal date of 01/31/11 and a certification date of 11/01/12.

Student # 13: Student began attendance on 08/29/11; however, the certification date was 12/21/11.

Student # 14: Student's LDA was 04/14/12; however, the certification date was 11/01/12.

Student # 15: Student's LDA was 05/08/12; however, the certification date was 10/22/12.

Student # 16: Student began attendance on 08/27/12; however, the certification date was 11/27/12.

Student # 18: Student began attendance on 08/27/12; however, the certification date was 11/27/12.

Student # 20: Student began attendance on 01/14/13; however, the certification date was 05/01/13.

Student # 22: Student began attendance on 01/17/12; however, the certification date was 11/27/12.

Student # 28: Student began attendance on 01/14/13; however, the certification date was 05/01/13.

Student # 22: Student began attendance on 01/17/12; however, the certification date is 11/27/12.

Student # 29: Student began attendance on 01/17/12; however, the certification date was 05/23/13. Additionally, the student began attendance less than half-time on 05/09/12; however, the certification date was 09/21/12. Finally, the student began half-time attendance on 01/14/13; however, the certification date was 05/01/13.

Student #30: Student began attendance on 08/27/12; however, the certification date was 11/27/12.

Required Action: Navarro must develop a policy and procedure to ensure timely and accurate student enrollment data reporting. A copy of the policy must be submitted with the institution's response to the program review report.

Finding 3 Bank Account Not Properly Identified

Citation: Institutions are required to maintain at least one bank account into which the Department transfers, or the institution deposits, Title IV program funds. For each bank account that contains Title IV program funds, an institution must identify that federal 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 and, except for public institutions, 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.

The institution must keep a copy of any notice to banks or investment companies as well as any UCC-1 in its records. *34 C.F.R. § 668.163*

Noncompliance: Navarro did not properly identify the bank account into which it deposited Federal Direct Loan funds as an account that contains federal funds.

Institutional Action Taken to Resolve Noncompliance: During the course of the review, Navarro provided documentation that the phrase "federal funds" had been included in the name of the Federal Direct Loan bank account. Navarro has taken the corrective actions necessary to resolve this finding. Therefore, Navarro may consider this finding closed, with no further action required.

Finding 4 Direct Loan Delayed Delivery Requirement Not Met

Citation: An institution may not disburse the proceeds of a Direct Subsidized or Direct Unsubsidized Loan until 30 days after the first day of the student's program of study for students enrolled in the first year of an undergraduate program of study and has not previously received a Federal Stafford, Federal Supplemental Loans for Students, Direct Subsidized, or Direct

Unsubsidized Loan; unless, the school has a cohort default rate of less than 10 percent for each of the three most recent fiscal years. 34 C.F.R. § 685.303(b)

Noncompliance: Navarro failed to apply the 30 day delayed delivery requirement, which resulted in the early disbursement of Direct Loan program funds for the following students:

Student #	Begin Date	DL Disbursement Date
4	08/29/2011	09/27/2011
6	08/29/2011	09/27/2011
11	08/29/2011	09/27/2011
26	08/27/2012	09/25/2012
30	08/27/2012	09/25/2012

Required Action: Navarro must develop and implement policies and procedures to ensure the enforcement of the 30 day delayed delivery of Direct Loan disbursements, required for first time loan borrowers. A copy of this policy must be submitted in response to this report.

Finding 5 Federal Work Study – Ineligible Employment

Citation: An institution must establish and maintain program and fiscal records that include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; include a payroll voucher containing sufficient information to support all payroll disbursements; include a noncash contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment; and reconciled at least monthly.

Although regulations do not specifically state that students may not work during scheduled class hours; in order for a student to continue to participate in the Federal work study (FWS) program, he or she must make satisfactory academic progress as established by the institution. As such, when students are allowed to work during scheduled class hours, their ability to satisfy academic requirements may be compromised. Moreover, the work hours of students must be monitored and certified by supervisors to ensure that students are not working when they should be in class. 34 C.F.R. § 675.19(b)

Noncompliance: For one student in the sample, Navarro failed to adequately monitor and ensure that the student was not working during the published class times on multiple occasions during the Fall and Spring semester of the 2012-2013 award year.

Student #30 - During the Fall 2012 semester, the student was scheduled to attend ARTS-1305-05 on Wednesday, November 17, 2012 from 2:00-3:20 pm. However, based on the recorded time sheet, the student began work on this date at 3:00 pm.

Also, during the Spring 2013 semester, the student was scheduled to attend SPCH 1315-03 on Wednesday, January 23, 2013 from 2:00-3:20 pm, yet the student began work on this date at 3:00 pm.

Required Action: Navarro must develop and implement policies and procedures regarding the certification of hours within the FWS program (supervisor and student) to ensure that students are not working during scheduled class times. A copy of this policy must be submitted in response to this report.

Finding 6 Return of Title IV Funds Not Made

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 payment period or period of enrollment basis. *34 C.F.R. § 668.22(a)*

An institution is required to return funds to the applicable Title IV, HEA program when a recipient withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. Beginning July 1, 2006, a return must be paid to the applicable Title IV, HEA program within 45 days after the date of determination that the student withdrew. *34 C.F.R. § 668.22(g)*

If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement.

Noncompliance: Navarro did not return funds to the Title IV, HEA programs for any students who withdrew or ceased attendance in the reviewer's sample. Specifically, Navarro did not complete R2T4 calculations for the following students:

- Student # 1: Student's last day of attendance (LDA) was 12/17/2011.
- Student # 5: Student's LDA was 05/08/2012.
- Student # 7: Student's LDA was 12/17/2011.
- Student # 10: Student's LDA was 12/17/2011.
- Student # 12: Student's LDA was 12/15/2012.
- Student # 13: Student's LDA was 12/15/2012.
- Student # 14: Student's LDA was 05/08/2012.
- Student # 15: Student's LDA was 05/08/2012.
- Student #22: Student's LDA was 12/15/2012.

Required Action: Navarro must review the records for all students enrolled in the 2011-2012 and 2012-2013 award years who withdrew or otherwise ceased attendance before completing their program of study. Navarro must electronically submit an Excel spreadsheet with the results of the file review in the following format for each withdrawn student identified:

1. Student's Name (Last/First)
2. Social Security Number (Last 4 digits)
3. Withdrawal Date
4. Institution's Determination Date
5. Calculation results, by amount and Title IV program
6. Date the return was due to be paid
7. Date the return was made

Navarro must provide copies of the R2T4 calculations performed, and include the Attendance History reports for each student.

Additionally, Navarro must review its internal procedures to ensure that future R2T4 calculations are performed on a timely basis, and that its policy incorporates the requirements governing post-withdrawal disbursements. Instructions for repayment of returns not previously paid will be provided in the Final Program Review Determination (FPRD) letter.

Finding 7 Unauthorized Retention of Student Credit Balances

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but-

- No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

34 C.F.R. § 668.164(e)

An institution may hold credit balances if it obtains a written authorization from the student (or parent, in the case of a PLUS loan). Title IV funds are awarded to students to pay current year charges, notwithstanding any authorization from the student or parent; therefore, the institution must pay any remaining balance on Title IV loan funds by the end of the loan period, and any other remaining Title IV program funds by the end of the last payment period in the award year for which they were awarded. *34 C.F.R. § 668.165(b)*

Noncompliance: Navarro failed to pay a credit balance timely for Student #16. Specifically, the student's account was credited with an unsubsidized Direct Loan for \$2,723 on August 17, 2012. After the student's educational costs were paid, a credit balance of \$148.87 remained on

the account effective September 1, 2012. Navarro issued the credit balance to the student on September 17, 2012 – 16 days after the credit balance was created.

Required Action: Navarro must develop and implement policies and procedures to ensure that credit balances are paid to the student or parent within the required timeframes or that Navarro will maintain the proper authorization in the students' files to retain credit balance funds. A copy of this policy must be submitted in response to this report.

D. Recommendation

The following is a recommendation based upon observations made by the review team during the program review. Navarro is not required to provide a response to, nor is Navarro required to act upon, this recommendation. However, the review team believes that adoption of this recommendation will assist the institution in its administration of Title IV, HEA program funds.

Navarro must ensure that it is fully documenting professional judgment decisions, including updating the student's ISIR to indicate that a professional judgment has been processed.

E. Appendix

Appendix A (Student Sample) contains personally identifiable information and will be emailed to Navarro 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.