



June 17, 2014

Carla Sunberg
President
Nazarene Theological Seminary
1700 East Meyer Boulevard
Kansas City, MO 64131-1246

UPS # 1ZA879640191860939

RE: **Final Program Review Determination**
OPE ID: 00249400
PRCN: 201310728123

Dear Ms. Sunberg:

The U.S. Department of Education's (Department's) School Participation Team – Kansas City issued a program review report on May 21, 2013, covering Nazarene Theological Seminary's (NTS) 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, HIEA programs), for the 2011-2012 and 2012-2013. NTS's final response was received on July 10, 2013. A copy of the program review report (and related attachments) and NTS's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by NTS 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 notify NTS of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of the application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

This FPRD contains one or more findings regarding NTS's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41 and 668.46. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed. If an adverse administrative action is initiated, additional information about NTS's appeal rights will be provided under separate cover.

Federal Student Aid
AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION
School Participation Division – Kansas City
1010 Walnut, Suite 336, Kansas City, MO 64106
StudentAid.gov

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, findings reference students only by a student number created by Federal Student Aid in the program review report included in Appendix A.

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(c)(1), (c)(2), and (c)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. NTS has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, NTS may consider the program review closed with no further action required. If the institution has any questions regarding this letter, please contact Bridget Johnston at 816-268-0417.

Sincerely,

(b)(6); (b)(7)(C)

Ralph LoBosco
Division Director

Enclosure:
Protection of Personally Identifiable Information

cc: Jeremy Shunk, Financial Aid Administrator
Association of Theological Schools In the USA and Canada
MO Coordinating Board for Higher Education

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 (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

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

Nazarene Theological Seminary

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

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID: 00249400
PRCN: 201310728123

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

Final Program Review Determination

June 17, 2014

Table of Contents

A. Institutional Information.....	3
B. Scope of Review	4
C. Findings and Final Determinations	5
Findings with Final Determinations.....	5
Finding 12: Crime Awareness Requirements Not Met – Improper Disclosure of Crime Statistics and Required Campus Security Policies Omitted/Inadquate.....	5
Finding 13: Failure to Comply with Drug and Alcohol Abuse Education and Prevention Program Requirements.....	11
D. Appendices.....	15
Appendix A: Program Review Report.....	16
Appendix B: NTS’s Response to the Program Review Report.....	42

A. Institutional Information

Nazarene Theological Seminary
1700 East Meyer Boulevard
Kansas City, MO 64131-1246

Type:	Private nonprofit
Highest Level of Offering:	Doctor's Degree
Accrediting Agency:	Association of Theological Schools In the USA and Canada
Current Student Enrollment:	207 (2012-2013)
% of Students Receiving Title IV:	36% (2012-2013)
Title IV Participation (PC Net):	2010-2011
William D. Ford Federal Direct Loan Program (Direct Loan)	\$688,215
Default Rate FFEJ/DL:	2010- 8.3% 2009- 0.0% 2008- 1.6%
Default Rate Perkins: Programs	Institution did not participate in Campus-Based

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Nazarene Theological Seminary (NTS) from December 10, 2012 to December 13, 2012. The review was conducted by Mrs. Lisa Hoskins, Mrs. Holly Wolfe-Walkenbach, and Ms. Bridget Johnston.

The focus of the review was to determine NTS'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 NTS'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. A program review report was issued on May 21, 2013.

Disclaimer:

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

C. Findings and Final Determinations

Resolved Findings

NTS has taken the corrective actions necessary to resolve findings 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 14 of the program review report. Therefore, these findings may be considered closed. NTS's response to the PRR resolving these issues can be found in Appendix B. Findings requiring further action by NTS are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of NTS's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on May 21, 2013, is attached as Appendix A.

Finding 12: Crime Awareness Requirements Not Met – Improper Disclosure of Crime Statistics and Required Campus Security Policies Omitted/Inadequate

Citation: *The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) and the Department's regulations require that all institutions that receive Title IV, HEA funds must publish a materially-complete Annual Security Report (ASR). To be materially-complete, an ASR must contain all of the statistical and policy disclosures described in 34 C.F.R. § 668.46(b). By October 1st of each year, the ASR must be actively distributed to current students and employees.*

The Clery Act and the Department's regulations require institutions to include statistics for the most serious incidents of crime that were reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assaults, burglary, motor vehicle theft, and arson. Statistics for certain hate crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs; illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2) on-campus student residential facilities; 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property. 34 C.F.R. § 668.46(c)(1).

Several policy statements must be included in the ASR. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of programs and resources as well as channels for victims of crime to seek recourse. In general, these policies include topics such as the law enforcement

authority and practices of campus police and security forces, incident reporting procedures for students and employees, and policies that govern the preparation of the report itself. Institutions are also required to disclose alcohol and drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies regarding the issuance of timely warnings and emergency notifications. An institution's evacuation procedures and missing students' response protocol also must be disclosed. All required statistics and policies must be included in a single comprehensive document, known as an ASR. With the exception of certain drug and alcohol program information, cross-referencing to other publications is not sufficient to meet the publication and distribution requirements of the Act. § 485(f) of the HFA; 34 C.F.R. § 668.46(b).

The ASR must be actively distributed as a single document. Acceptable means of active delivery include U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. § 668.41(e)(1). The Department's regulations also require participating institutions to provide a notice to all prospective students and employees that includes a statement about the ASR's availability, its contents, and its exact electronic address if posted to a website. This notice must also advise interested parties of their right to request a paper copy of the ASR and to have it furnished upon request. 34 C.F.R. § 668.41(e)(4)

Finally, each institution must also submit its crime statistics to the Department for inclusion in the Office of Postsecondary Education's "Campus Safety and Security Data Analysis Cutting Tool." 34 C.F.R. § 668.41(e)(5).

Noncompliance Summary: *Nazarene failed to publish and distribute an accurate and complete 2012 ASR as a comprehensive document that included all required statistical and policy disclosures. The Department's finding that the ASR was not properly distributed to current students and employees is based on the significant number of required disclosures that were not included in the ASR. Moreover, the review team noted discrepancies between the crime statistics published in the ASR and the statistical information submitted to the Secretary for inclusion in the "Campus Safety and Security Data Analysis Cutting Tool (CSSDACT)." For example, Nazarene's ASR disclosed no burglaries during 2010; however, the information submitted to the CSSDACT indicated that one burglary offense was reported during this period.*

In addition, Nazarene's 2012 ASR failed to include the following required policy statements:

- *A statement of current policies concerning campus law enforcement that describes procedures, if any that encourage pastoral counselors and professional counselors, if and when they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.*
- *A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.*
- *A description of programs designed to inform students and employees about the prevention of crimes.*
- *A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities.*
- *A description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses.*
 - *Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that institutional personnel will assist the student in notifying these authorities, if the student requests the assistance of these personnel; and,*
 - *Notification to students of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses.*
- *Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that—the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding.*
 - *Identification of the sanctions that the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.*
- *A statement of policy regarding its emergency response and evacuation procedures in the annual campus safety report. The statement must include:*
 - *Plans to conduct a test of the emergency response and evacuation procedures on at least an annual basis; and,*

- *An institution must document each test, including the date, time, and whether it was announced or unannounced.*
- *A statement of policy for missing student notification. In the ASR, the institution tried to place the responsibility on the student's spouse to provide this information. The institution cannot remove its responsibility to provide this information and specifically cannot place this responsibility with the student's spouse.*

Required Action Summary: *As a result of this finding, NTS is required to review and revise its existing internal policies and procedures for preparing, publishing, and distributing its ASRs and develop and implement any new policies and procedures as needed to ensure that these violations do not recur and that all campus security operations are carried out in accordance with the Clery Act going forward.*

NTS is also required to prepare and publish an accurate and complete ASR that included all of the statistical disclosures and policy, procedure and programmatic information required under 34 C.F.R. § 668.46(b). A copy of the new and revised policies and draft ASR must accompany the institution's response to the program review report. Once the new ASR is evaluated by the review team for accuracy and completeness, the institution will be required to actively distribute the ASR to all current students and employees in accordance with 34 C.F.R. § 668.41(e).

Finally, Nazarene will be required to provide documentation to the Department evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed in accordance with the Clery Act. This certification must also affirm that NTS understands its Clery Act obligations and that it has taken all necessary corrective actions to ensure that this violation do not recur.

NTS Response: In its response, NTS stated its concurrence with the finding. The response asserts that the responsible institutional officials "read the Handbook for Campus Safety and Security Reporting and made all additions and changes to the current policies and procedures for collecting, publishing, and distributing all required information." In addition, NTS asserted that all crime statistics were reevaluated and the 2012 ASR was updated to reflect the accurate numbers that were reported to the CSSDACT.

Final Determination: Finding #12 of the program review report cited NTS for multiple *Clery Act* violations. NTS failed to distribute a materially-complete ASR. Specifically, NTS failed to develop and implement required campus safety and crime prevention policies and publish them in the 2012 ASR. NTS also failed to publish accurate and complete campus crime statistics in the 2012 ASR. As a result of these violations, NTS was required to review and revise its *Clery Act* policies and procedures and make all

necessary additions and revisions to the 2012 ASR and then actively distribute the revised report to all enrolled students and current employees. In its response, NTS concurred with the finding and stated that adequate corrective action was taken. However, NTS did not provide any evidence that the revised 2012 ASR was redistributed, as required by the program review report.

The Department carefully reviewed all available information including NTS's initial response to the program review report and NTS's revised 2012 ASR. Based on that review, the Department has determined that each of the violations noted in the finding are sustained, including the conclusion that NTS failed to include eight required policy statements in the 2012 ASR; and failed to properly disclose a 2010 burglary in the campus crime statistics that were published in the 2012 ASR. In addition, the Department's analysis shows that NTS continues to violate the *Clery Act* as a result of its failure to adequately address certain deficiencies noted in the program review report.

The Department acknowledges that NTS has made improvements to some campus safety policies and has included those updated disclosures in subsequent ASRs. However, NTS still is not in compliance with a number of *Clery Act* requirements. For example, NTS failed to specifically include information about the type and frequency of its crime prevention programs as required by the *Clery Act*. In addition, NTS continued to fail to adequately inform students about counseling resources that are available to victims of sexual assault and merely referenced that students can go to the Kansas City Police Department to find resources. Moreover, NTS's timely warning policy is inadequate. The current policy indicates that NTS will issue warnings within 24 hours, if necessary. Timely warnings must be issued in any case where a *Clery*-reportable crime may pose an ongoing threat to the safety of students and employees and must be transmitted in a manner that will help to prevent similar crimes from occurring. NTS has also failed to include a clear emergency notification policy.

The Kansas City School Participation Division has made a concerted, good-faith effort to assist NTS toward full compliance with the *Clery Act*; however, the record demonstrates that these efforts were not successful. For these reasons, the Department has determined that this program review finding will be closed and this matter will be referred to the Department's *Clery Act* Compliance Division (CACD) for additional action. In connection with that referral NTS is required to take action to finally and fully address these violations and must submit the material requested below to document its efforts.

To facilitate the CACD's evaluation, NTS must review and further enhance its policies and procedures regarding the preparation, publication, and distribution of the ASR. In addition, NTS must also develop and implement policies and procedures that will govern the preparation, publication, and distribution of a 2014 Annual Fire Safety Report (AFSR) in accordance with *Clery Act* requirements. These enhanced policies and procedures must specifically articulate how the 2014 ASR and AFSR and all future

reports will be published and actively distributed to enrolled students and current employees as well as how prospective students and employees will be notified of the availability of these reports.

Using its new policies and procedures as a guide, NTS must publish and distribute an accurate and complete 2014 ASR and AFSR that include all of the statistical disclosures and policy, procedure and programmatic information required by *34 C.F.R. § 668.46(b)* and *34 C.F.R. § 668.49(b)*, respectively and must also ensure that NTS is in full compliance with all *Clery Act* requirements no later than October 1, 2014. Both reports must be actively distributed to all perspective and enrolled students and all perspective and current employees in accordance with *34 C.F.R. § 668.41*. A copy of NTS's new and revised policies and procedures, its 2013 ASR, and 2012 and 2013 AFSRs, and documentation showing that each of these reports were distributed in the required manner and copies of the notifications that were provided to prospective students and employees in 2012 and 2013 (if any) also must be provided must be submitted to the CACD within 15 days of NTS's receipt of this FPRD. Furthermore, NTS must submit its 2014 ASR and AFSR along with proof of active distribution and notification to the CACD by October 15, 2014. If any of the requested documents are not available or do not exist as of the applicable due date, NTS must clearly state that fact and to the extent possible explain with particularity the circumstances related to the failure to produce these records. In this context, NTS is specifically advised that it must not produce or reproduce any new documents for past periods for the purpose of complying with this document production.

NTS must submit all materials specified above to the CACD at: clery@cd.gov. NTS's submission must reference the Program Review Control Number (PRCN) that appears on the cover letter of this report in the subject line of its e-mail message. Please note that this referral will not be closed unless and until NTS submits the requested materials and the CACD reviews the material. NTS is further advised that any failure to respond to the CACD's request for production may result in a referral for the imposition of adverse administrative actions in addition to any such referral that may be made to address the original violations identified in Finding #12 of the program review report.

Although this finding is now closed for purposes of the program review, NTS is reminded that the exceptions identified above constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" a violation of the *Clery Act* once it occurs. Moreover, NTS's failure to adequately address these violations after they were brought to the attention of institutional officials constitutes a significant administrative impairment that may indicate that NTS is unable and/or unwilling to adhere to the terms and conditions of its Program Participation Agreement (PPA). Although adequate remedial measures are not currently in place, NTS' response asserted that NTS understands its obligations to comply and that it intends to bring its overall campus security program into compliance with the *Clery Act*. Nevertheless,

NTS's persistent failures to comply have deprived students and employees of important campus security information to which they were entitled and in doing so, the institution has effectively negated the intent of the Act. For these reasons, NTS is advised that any remedial actions that have been taken or that are planned for the future cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective actions as a result.

The Department strongly recommends that NTS re-examine its campus security, drug and alcohol, and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with Federal regulations. As part of these periodic reviews, NTS officials are encouraged to consult the Department's "Handbook for Campus Safety and Security Reporting" (2011) as a reference guide on *Clery Act* compliance. The Handbook is online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The Department also provides a number of other *Clery Act* training resources. NTS can access these materials at: www2.ed.gov/admins/lead/safety/campus.html. The regulations governing the *Clery Act* can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

Finding 13. Failure to Comply with Drug and Alcohol Abuse Education and Prevention Program Requirements

Citation Summary: *The Drug-Free Schools and Communities Act and Part 86 of the Department's General Administrative Regulations requires each participating institution of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.*

On an annual basis, the IHE must distribute written information about its drug and alcohol abuse prevention program (DAAPP) to all students, faculty, and staff. The distribution plan must make provisions for providing the material to students who enroll at a date after the initial distribution, and for employees who are hired at different times throughout the year. The information must include:

- 1) A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;*
- 2) A written description of legal sanctions imposed under Federal, state and local laws for unlawful possession or distribution of illicit drugs and alcohol;*
- 3) A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;*

- 4) *A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to students and employees; and,*
- 5) *A statement that the IHE will impose disciplinary sanctions on students and employees for violations of the institution's codes of conduct and a description of such sanctions.*

In addition, each IHE must conduct a biennial review in order to measure the effectiveness of its drug prevention program, and to ensure consistent treatment in its enforcement of its disciplinary sanctions. The IHE must prepare a report of findings and maintain its biennial review report and supporting materials and make them available to the Department upon request.

34 C.F.R. §§ 86.3 and 86.100.

Noncompliance Summary: *NTS failed to develop and implement a DAAPP that complied with the requirements of the Department's regulations and did not produce documentation that it distributed its DAAPP to all employees and all students enrolled for academic credit.*

Nazarene's DAAPP did not contain the following required components:

1. *A written description of legal sanctions imposed under Federal, state, and local laws and ordinances for unlawful possession or distribution of illicit drug and alcohol; and,*
2. *A description of the health risks associated with the use of illicit drugs and the abuse of alcohol.*

Regarding the distribution aspects of this violation, NTS chose to publish its DAAPP in its Student Handbook; however, the institution was not able to provide any evidence that the Handbook was actively distributed to all current students on an annual basis, especially to returning students and employees.

Moreover, the institution was also unable to explain and document how the DAAPP was actively distributed to students who enroll at points in the academic year other than the point at which the DAAPP may be made available in some form. The review team identified the same concern regarding employees who were not on the payroll at the time that the Handbook was made generally available.

Finally, NTS failed to conduct a biennial review of the effectiveness of its DAAPP and of the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct and therefore, also failed to prepare a biennial review report of findings. In fact, the institution was unable to produce suitable records to show that a biennial review was ever conducted.

Required Action: *NTS was required to take all necessary corrective actions to resolve the violations. NTS was specifically required to do the following:*

- *Develop and implement a comprehensive DAAPP that included all of the required elements found in the DFSCA and the Department's regulations at 34 CFR Part 86;*
- *Develop procedures for ensuring that the DAAPP program materials were distributed to every student enrolled for academic credit and all employees (including part-time, intermittent, and as-needed personnel). When the new program materials were complete, NTS was also required to submit a copy of its draft DAAPP and new distribution policy with its response to the program review report. Once the materials were approved by the Department, the NTS would be required to distribute them in accordance with the Department's regulations, and provide documentation evidencing the distribution as well as a certification statement attesting to the fact that the materials were distributed in accordance with the DFSCA;*
- *Conduct a biennial review to measure the effectiveness of its DAAPP. The institution was directed to describe the research methods and data analysis tools used to determine the effectiveness of the program and identify the responsible official(s) and office(s) that conducted the biennial review. Finally, we requested that NTS's biennial review report be approved by the institution's chief executive and/or its Board. The biennial review was required to be completed by June 30, 2013 and the institution's reports of findings were to be submitted to the Department by July 15, 2013.*
- *Nazarene was also required to establish policies and procedures to ensure that all subsequent biennial reviews are conducted in a timely manner and are fully documented and to take all other necessary action to ensure that this violation does not recur.*

NTS Response: In its response, NTS disputed most of the Department's finding of noncompliance with the exception of the biennial review components. Specifically, NTS officials asserted that they "believe NTS has met all of the requirements outlined for the DAAPP, except for the biennial review." Nevertheless, these officials stated that they have revised and enhanced NTS's drug and alcohol abuse prevention policies and procedures as a result of this finding.

Final Determination: Finding #13 cited NTS for multiple violations of the Drug-Free Schools and Communities Act (DFSCA) and 34 CFR Part 86. Specifically, the review team found that NTS failed to develop and implement a substantive drug and alcohol

abuse prevention program (DAAPP). In addition, the review team found that NTS did not prepare an annual program disclosure and distribute it in the required manner. Finally, NTS failed to conduct a biennial review of the DAAPP's effectiveness at any point prior to the on-site program review. As a result of these violations, NTS was required to review and revise its DAAPP and to also develop new content as needed. In addition, the institution was required to develop an accurate and complete DAAPP disclosure and to distribute it to all enrolled students and current employees. Finally, NTS was also required to conduct a biennial review, prepare a report of findings, and submit the report and supporting documents to the review team.

The Department carefully reviewed NTS's narrative response and supporting documents. Based on that review, the Department has determined that the violations identified in the finding are sustained with two exceptions: NTS's response does indicate that a partial DAAPP was in place during the review period and that DAAPP information was distributed to students in 2012. Although NTS demonstrated that the DAAPP was distributed to students in 2012, it did not demonstrate that the DAAPP was distributed to employees. In addition, although NTS asserted that its DAAPP was complete, the materials submitted did not include required information about legal sanctions and health risks. In addition, NTS conceded that no biennial reviews were conducted even though the text of NTS's DAAPP text indicated that reviews are conducted on the required schedule.

The Kansas City School Participation Division has made a concerted, good-faith effort to assist NTS toward full compliance with the *DFSCA*; however, the record demonstrates that these efforts were not successful. For these reasons, the Department has determined that this program review finding will be closed and this matter will be referred to the CACD for additional action. As part of that referral, NTS is required to take immediate action to finally and fully address these violations and must submit the material requested below to document its remedial efforts.

At this time, NTS must immediately conduct a substantive biennial review to evaluate the effectiveness of its DAAPP, the consistency of its sanctioning processes and to determine the need for program changes and improvements. As noted in the initial program review report, NTS's biennial review report must specifically describe the research methods and data analysis tools that were used in the conduct of the review. The report must also identify the official(s) who conducted the review. The biennial review report must also address how NTS analyzed whether or not its disciplinary standards and codes of conduct regarding illegal drug use and alcohol abuse were consistently enforced. Finally, the biennial review report must indicate that it was approved by NTS's President and/or its board. NTS's biennial review must be completed by September 1, 2014 and the biennial review report must be submitted to the CACD's clery@ed.gov e-mail box by September 15, 2014. If any of the requested documents are not available or do not exist as of the due date, NTS must clearly state that fact and to the extent possible explain with

particularly the circumstances related to the failure to produce these records. In this context, NTS is specifically advised to not create any new documents for past periods for the purpose of complying with this document production. NTS is further advised that any failure to respond to the CACD's request for production may result in a referral for the imposition of adverse administrative actions in addition to any such referral that may be made to address the original violations identified in Finding #13 of the program review report.

If the Department determines that the institution's report is minimally adequate, this finding will be closed. Nevertheless, NTS is reminded that the exceptions identified above constitute very serious and persistent violations of the *DFSCA* that by their nature cannot be cured. NTS will be required to finally initiate substantive corrective actions and in so doing, will start to remediate the conditions that led to these violations. NTS has stated its intention to finally comply with the *DFSCA* as required by its PPA. While this is an important first step, NTS officials must understand that compliance with the *DFSCA* and the *Clery Act* are essential to maintaining a safe and healthy learning environment, especially in light of the fact that more than 90% of all violent campus crimes are drug and alcohol-related.

The compliance failures documented above deprive students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use. NTS's failure to conduct a comprehensive biennial review has also deprived the institution of important information about the effectiveness of any drug and alcohol programs that were in place during the review period. The extent and persistence of these violations calls NTS's ability and/or willingness to properly administer the Title IV, FSA Programs into serious question. For these reasons, NTS is advised that any remedial measures, whether already completed or planned for the future, cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or additional corrective measures as a result.

In light of the serious consequences associated with compliance failures of this type, the Department strongly recommends that NTS re-examine its drug and alcohol policies, procedures, and programs on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with the *DFSCA*. Please be advised that the Department may request information on a periodic basis to test the effectiveness of NTS's new drug and alcohol policies and procedures.

D. Appendices

Appendices A and B are attached to this report.

Prepared for
Nazarene Theological Seminary

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

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID 00249400
PRCN 201310728123

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

Program Review Report

May 21, 2013

A. Institutional Information	3
B. Scope of Review	4
C. Findings	4
Finding 1. Failure to Award Loans to Eligible Students	4
Finding 2. Improper Return of Title IV Funds Policy.....	5
Finding 3. Improper Return of Title IV Funds Calculation.....	6
Finding 4. Satisfactory Academic Progress Policy Not Adequately Monitored	7
Finding 5. Failure to Update Application	8
Finding 6. Federal Funds Not Identified on Bank Accounts	8
Finding 7: Inadequate Recordkeeping- General Ledger & Student Accounts, Inaccurate Audit Trail	9
Finding 8. Verification Violations.....	10
Finding 9. Cost of Attendance Not Developed.....	12
Finding 10. Inaccurate NSLDS Reporting	14
Finding 11. Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement (COD) System	15
Finding 12: Crime Awareness Requirements Not Met – Improper Disclosure of Crime	16
Statistics and Required Campus Security Policies Omitted/Inadequate	16
Finding 13: Failure to Comply with Required Drug and Alcohol Abuse Prevention Program Requirements	19
Finding 14. Consumer Information Requirements Not Met.....	22
D. Recommendations	24
E. Appendices	24

A. Institutional Information

Nazarene Theological Seminary
1700 East Meyer Boulevard
Kansas City, MO 64131-1246

Type:	Private nonprofit
Highest Level of Offering:	Doctor's Degree
Accrediting Agency:	Association of Theological Schools In the USA and Canada
Current Student Enrollment:	207 (2012-2013)
% of Students Receiving Title IV:	36% (2012-2013)
Title IV Participation (PC Nct):	2010-2011
William D. Ford Federal Direct Loan Program (Direct Loan)	\$688,215
Default Rate FFEL/DL:	2010- 8.3% 2009- 0.0% 2008- 1.6%
Default Rate Perkins:	Institution did not participate in Campus-Based Programs

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Nazarene Theological Seminary (NTS) from December 10, 2012 to December 13, 2012. The review was conducted by Mrs. Lisa Hoskins, Mrs. Holly Wolfe-Walkenbach, and Ms. Bridget Johnston.

The focus of the review was to determine NTS'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 NTS'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 NTS'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 NTS 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 NTS to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Failure to Award Loans to Eligible Students

Citation: Federal regulations state that an institution may refuse to originate a Federal Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan or may reduce the borrower's determination of need for the loan if the reason for that action is documented and provided to the borrower in writing, and if

- The determination is made on a case-by-case basis;
- The documentation supporting the determination is retained in the student's file; and
- The school does not engage in any pattern or practice that results in a denial of a borrower's access to Direct Loans because of the borrower's race, gender, color, religion, national origin, age, disability status, or income. 34 CFR §685.301(a)(8)

Noncompliance: NTS awards and disburses Federal Direct Loans to all eligible degree-seeking students who enroll in courses during the fall and spring terms. During interviews, NTS officials indicated that students may also enroll for a summer term, and could potentially enroll in enough credit hours to become eligible for Direct Loans. NTS's current institutional policy is to not award or disburse Federal Direct Loans to any student during the summer term, regardless of the student's eligibility. While federal regulations allow institutions to refuse originating and disbursing loans on a case-by-case basis, it does not allow institutions to maintain policies that restrict all eligible borrowers access to Direct Loans.

Required Action: Effective for the 2012-2013 award year, NTS must allow eligible borrowers access to Direct Loans for all terms in which they are eligible. NTS must review and update its policies and procedures for awarding aid to include awarding and disbursing Direct Loans to eligible students during the summer term. NTS must research and develop cost of attendance budgets for the summer term that are appropriate for students based upon their enrollment status, the location they are attending, and if they are studying abroad. NTS must also make information available to students on the procedures for applying for loans during the summer term and the cost of attendance budgets. A discussion of measures taken to resolve this finding, including copies of the updated policies and procedures and copies of the information that will be provided to students, must accompany NTS's response to this report.

Finding 2. Improper Return of Title IV Funds Policy

Citation: All institutions participating in Title IV, HEA student financial aid programs must make available to prospective and enrolled students, through appropriate publications, mailings, or electronic media, information about:

- The institution's refund policy;
- Requirements and procedures for official withdrawal; and
- Requirements for return of Title IV, HEA grant or loan aid.

HEA Sec. 485(a)(1)-(2); 34 C.F.R. §668.41(a)-(d); 34 C.F.R. §668.43(a)(2)-(4)

Noncompliance: NTS failed to adequately inform prospective and enrolled students of Return of Title IV Funds requirements. Specifically, NTS must inform prospective and enrolled students that federal funds may not cover all unpaid institutional charges due to the institution upon the student's withdrawal. The institution must also provide an estimate of the amount of aid the student may earn and an estimate of the amount the student may have to return. NTS has also failed to indicate in its internal procedures, the process for determining the student's withdrawal date.

Required Action: In response to this report, NTS must revise its Return of Title IV Funds policy to include the missing or incomplete policy statements noted above. It must also revise its internal procedures to correct the deficiency noted above. A copy of the revised policy and procedures should accompany NTS's response to this report.

Finding 3. Improper Return of Title IV Funds Calculation

Citation: Federal regulations state that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance 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 returned to the Title IV programs. If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount 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. 34 C.F.R. § 668.22(a)(4)-(5)

For the purpose of the Return of Title IV Funds (R2T4) calculation, in each payment period or period of enrollment a pro rata schedule is used, up through the 60 percent point, to determine the amount of Title IV funds the student has earned at the time of withdrawal. After the 60 percent point in the payment period or period of enrollment, a student has earned 100 percent of the Title IV funds he or she was scheduled to receive during the period. For a student who withdraws after the 60 percent point-in-time, there are no unearned funds. However, an institution must still complete an R2T4 calculation in order to determine whether the student is eligible for a post-withdrawal disbursement. 34 C.F.R. § 668.22(e)

Noncompliance: In one instance, NTS failed to accurately calculate the percentage of the period of enrollment the student completed. On Student #11's Return of Title IV Funds calculation, NTS utilized the day the student began classes rather than the first day of the semester. This resulted in NTS returning too much funds to the Department.

Required Action: A revised Return of Title IV Funds calculation worksheet must be completed for the student. NTS must also provide written assurances that return calculations will be calculated correctly in the future. A copy of the revised worksheet and written assurances must accompany NTS' response to this report.

Finding 4. Satisfactory Academic Progress Policy Not Adequately Monitored

Citation: For purposes of determining student eligibility for assistance under a Title IV, HEA program, federal regulations require that an institution establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program. The Department considers an institution's standards to be reasonable if the standards are in accordance with 34 C.F.R. § 668.34

In order to be eligible to receive Title IV, HEA program aid, a student must maintain satisfactory academic progress (SAP) in accordance with the institution's published standards of satisfactory progress, 34 C.F.R. § 668.32(f). The policy must have both a qualitative component, such as grades, that are measurable against a norm and a quantitative component that consists of a maximum timeframe in which the student must complete the educational program. For an undergraduate program, the maximum timeframe must be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, etc., as appropriate. In addition, the quantitative component must be divided into increments not to exceed one academic year and must include a schedule designating the amount of work that a student must successfully complete at the end of each increment to complete the educational program within the maximum timeframe. Also, the policy must define the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on SAP. 34 C.F.R. § 668.34

Other than when an appeal is granted for special circumstances, a student can regain eligibility only by taking action that brings the student into compliance with the qualitative and quantitative components of a school's academic progress standard.

Noncompliance: NTS failed to adequately oversee the submission of grades by its faculty and therefore was unable to properly monitor SAP for its financial aid recipients. During the file review several student files had grades missing on transcripts from courses taken during previous semesters. NTS officials indicated during interviews they were aware of instructors who had failed to report grades. The following students in the sample were impacted:

Student #1 The student's transcript showed a missing grade from Spring 2012.

Student #13 The student's transcript showed a missing grade from Spring 2010.

Student #14 The student's transcript showed a missing grade from Fall 2011.

Student #18 The student's transcript showed a missing grade from Spring 2012.

Student #22 The student's transcript showed a missing grade from Spring 2012.

Student #23 The student's transcript showed a missing grade from Summer 2012.

Student #24 The student's transcript showed a missing grade from Spring 2010.

Student #29 The student's transcript showed a missing grade from Fall 2011.

Required Action: In response to this program review report, NTS must develop a policy to ensure that grades are posted for all courses within an appropriate amount of time. NTS must add additional language to its SAP policy that describes how the Financial Aid Office will handle missing grades should future incidents occur. In addition, NTS must also update the above mentioned students' transcripts with all outstanding grades corrected. A copy of these policies and procedures, along with the above mentioned students' transcripts, must accompany NTS's response to this report.

Finding 5. Failure to Update Application

Citation: An eligible institution must report to the Department, in the prescribed manner, no later than 10 days after the change occurs, its establishment of an accredited and licensed additional location at which it offers or will offer 50 percent or more of an educational program if the institution wants to disburse title IV, HEA program funds to students enrolled at that location. 34 C.F.R. § 600.21(a)(3)

Noncompliance: At the time of the review, the Eligibility and Certification Approval Report did not list the institution's additional location at Southern Nazarene University in Bethany, Oklahoma. NTS is currently offering courses at the location while awaiting state authorization. NTS has not disbursed any financial aid to students at this location.

Required Action: NTS must update its ECAR to include the additional location, and submit the information to the Department through the electronic eligibility application (e-app), using the Department's institutional eligibility website (www.efigcert.ed.gov). NTS must also provide written assurances that it will timely and accurately provide the Department with all required eligibility information. A copy of the submitted application and the written assurances must accompany NTS's response to this report.

Finding 6. Federal Funds Not Identified on Bank Accounts

Citation: Federal regulations require that an institution maintain Title IV, HEA program funds in a bank or investment account that is federally insured or secured by collateral of value reasonably equivalent to the amount of those funds. For each bank or investment account that includes Title IV, HEA program funds, an institution must clearly identify that Title IV, HEA program funds are maintained in that account by:

- Including in the name of each account the phrase "Federal Funds", or

- Notifying the bank or investment company of the accounts that contain Title IV, HEA program funds and retaining a record of that notice; and a UCC- 1 statement disclosing that the account contains Federal funds and maintaining a copy of that statement. 34 CFR § 668.163(a)

Noncompliance: NTS's EFT account into which it deposits all Title IV, HEA funds (excluding Federal Perkins Loan funds) does not include the exact phrase "Federal Funds" in the name of the account. NTS was also unable to establish that it maintains with its bank, a notice identifying the funds in the Federal account as "Federal Funds."

Required Action: NTS must either revise the name of its Federal bank account to include the exact phrase "Federal Funds," or make the appropriate notifications to the bank holding the account. A discussion of the measures taken to resolve this finding, including a copy of the revised bank account statement or pertinent notification, must accompany NTS's response to this report.

Finding 7: Inadequate Recordkeeping- General Ledger & Student Accounts, Inaccurate Audit Trail

Citation: By entering into a Program Participation Agreement, an institution agrees that, among other factors, it will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Department or from students under the Title IV, HEA programs, together with assurances that the institution will provide, upon request and in a timely manner, information relating to the administrative capability and financial responsibility of the institution to the Department, U.S. Department of Education. 34 C.F.R. § 668.14(b)

Federal regulations require that an institution exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Title IV, HEA program funds. 34 C.F.R. § 668.163(e)

Federal regulations stipulate that an institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis financial records that reflect each Title IV, HEA program transaction, and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. 34 C.F.R. §668.24(b)

An institution shall maintain required records in a systematically organized manner and shall make its records readily available for review by the Department or the Department's authorized representative at an institutional location designated by the Department or the Department's authorized representative. 34 C.F.R. §668.24(d)(1)-(2)

Noncompliance: Federal funds are labeled in the bank account as “Ed Treas 310.” Once in the general ledger account, the funds are referred to as “Federal Direct Loan EFT” or “NTS Students-EFT.” Title IV, HEA program funds then are posted to the sub-ledger for each Title IV recipient as “GSL Disbursement.”

Required Action: In response to this finding, NTS must immediately identify federal funds by name, and type of Title IV, HEA program fund, as applicable, in its general ledger and sub-ledger for each Title IV recipient. NTS must also create policies and procedures to ensure a clear audit trail, in compliance with the federal regulations, is maintained. A discussion of the measures taken as well as documentation of the updates, must accompany NTS’s response to this report.

Finding 8. Verification Violations

Citation: The purpose of verification is to ensure accuracy in determining a student’s eligibility for Title IV, HEA program funds. If a student is selected for verification, an institution is responsible for confirming information reported on the student’s application for Federal student aid, as well as resolving any conflicting information that presents itself regarding the application. Prior to July 1, 2012, the five required data elements that must be verified are: (1) household size; (2) number enrolled in college; (3) adjusted gross income (AGI); (4) U.S. income tax paid; and (5) other untaxed income and benefits. Supporting documentation collected from the student or parents is compared to the information that was reported on the student’s ISIR. An institution must retain in the student’s file any verification documentation it collects to serve as evidence that it completed the verification process. 34 C.F.R. §668.16 (f); 34 C.F.R. §668.56; 34 C.F.R. §668.57

Effective July 1, 2012, a notice will be published in the Federal Register for each award year regarding the FAFSA information that an institution may be required to verify. For each applicant whose FAFSA information is selected for verification by the Department, the specific information that the applicant must verify will be published in 34 C.F.R. § 668.56. Section 34 C.F.R. § 668.57 in the regulations names documentation acceptable to satisfy the requirements of verification.

An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information in accordance with regulations. These policies and procedures must include—

1. The time period within which an applicant must provide any documentation requested by the institution;
2. The consequences of an applicant's failure to provide the requested documentation within the specified time period;
3. The method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's EFC changes and results in a change in the amount of the applicant's assistance under the Title IV, HEA programs;

4. The procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and
5. The procedures for making referrals to the Office of Inspector General of the Department of Education under 34 C.F.R. § 668.16(g).

An institution's procedures must provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of—

- The documentation needed to satisfy the verification requirements; and
- The applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing any actions required under this subpart and the consequences of failing to complete any required action. 34 C.F.R. § 668.53

An institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under section 479A(a) of the HEA to make changes to the applicant's cost of attendance or to the values of the data items required to calculate the EFC. 34 C.F.R. § 668.53

Noncompliance: In nine instances, NTS failed to review untaxed income during the verification process. The students impacted in the 2011-2012 year include student #s 1, 2, 3, 5, 8, 11, 13, 14, and 15. All students were institutionally selected for verification. Interviews with staff indicated that starting in 2012-2013 NTS would no longer institutionally select students for verification.

Student #1 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item had a minimal impact on the student's EFC and no impact on his/her eligibility for the Title IV funds he received.

Student #2 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item did not impact the student's EFC or award amounts.

Student #3 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item had a minimal impact on the student's EFC and no impact on his/her eligibility for the Title IV funds he received.

Student #5 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item had a minimal impact on the student's EFC and no impact on his/her eligibility for the Title IV funds he received.

- Student #8 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item did not impact the student's EFC or award amounts.
- Student #11 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item did not impact the student's EFC or award amounts.
- Student #13 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item did not impact the student's EFC or award amounts.
- Student #14 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item had a minimal impact on the student's EFC and no impact on his eligibility for the Title IV funds he received.
- Student #15 The Making Work Pay tax credit was not included on this student's 2011-2012 verification as untaxed income. The omission of this verification item had a minimal impact on the student's EFC and no impact on his eligibility for the Title IV funds he/she received.

In one instance, NTS failed to complete verification.

- Student #4 The student was selected for institutional verification, but due to extenuating circumstances was unable to provide a signed copy of their 2010 tax return. NTS noted in the student's file it was waiting on a tax transcript to document AGI but there was no record of it in the student's file. It does not appear that NTS utilized any alternative method to complete this verification item.

Required Action: NTS must review its verification policy and procedures to ensure all required data elements are verified in accordance with federal regulations. In its policy and procedures NTS must also include a statement regarding the adequate resolution of conflicting information. A copy of the policy and procedures must accompany NTS's response to this report.

Finding 9. Cost of Attendance Not Developed

Citation: Federal regulations defines the term "cost of attendance" as—
(1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study;

- (2) an allowance for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, for a student attending the institution on at least a half-time basis, as determined by the institution;
- (3) an allowance (as determined by the institution) for room and board costs incurred by the student which—
 - (a) shall be an allowance determined by the institution for a student without dependents residing at home with parents;
 - (b) for students without dependents residing in institutionally owned or operated housing, shall be a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board; and
 - (c) for all other students shall be an allowance based on the expenses reasonably incurred by such students for room and board;
- (4) for less than half-time students (as determined by the institution) tuition and fees and an allowance for only books, supplies, and transportation (as determined by the institution) and dependent care expenses;
- (5) for a student engaged in a program of study by correspondence, only tuition and fees and, if required, books and supplies, travel, and room and board costs incurred specifically in fulfilling a required period of residential training;
- (6) for incarcerated students only tuition and fees and, if required, books and supplies;
- (7) for a student enrolled in an academic program in a program of study abroad approved for credit by the student's home institution, reasonable costs associated with such study (as determined by the institution at which such student is enrolled);
- (8) for a student with one or more dependents, an allowance based on the estimated actual expenses incurred for such dependent care, based on the number and age of such dependents, except that—
 - (a) such allowance shall not exceed the reasonable cost in the community in which such student resides for the kind of care provided; and
 - (b) the period for which dependent care is required includes, but is not limited to, class-time, study-time, field work, internships, and commuting time;
- (9) for a student with a disability, an allowance (as determined by the institution) for those expenses related to the student's disability, including special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided for by other assisting agencies;
- (10) for a student receiving all or part of the student's instruction by means of telecommunications technology, no distinction shall be made with respect to the mode of instruction in determining costs;
- (11) for a student engaged in a work experience under a cooperative education program, an allowance for reasonable costs associated with such employment (as determined by the institution); and
- (12) for a student who receives a loan under this or any other Federal law, or, at the option of the institution, a conventional student loan incurred by the student to cover a student's cost of attendance at the institution, an allowance for the actual cost of any loan fee, origination fee, or insurance premium charged to such student or such parent on such loan, or the average cost of

any such fee or premium charged by the Department, lender, or guaranty agency making or insuring such loan, as the case may be. SEC. 472, 20 U.S.C. 1087

Federal regulations state that an institution shall establish and maintain, on a current basis, all documentation relating to its administration of the Title IV programs in accordance with all applicable requirements. 34 C.F.R. § 668.24

In addition, all institutions participating in Title IV, IIEA student financial aid programs must make available to prospective and enrolled students, through appropriate publications, mailings, or electronic media, information about the price of attendance, including tuition and fees, books and supplies, room and board, transportation costs, and any additional costs for a program in which the student is enrolled or expresses an interest. HEA Sec. 485(a)(1)-(2); 34 C.F.R. §668.41(a)-(d); 34 C.F.R. §668.43

Noncompliance: NTS currently maintains a nine month cost of attendance for full-time and part-time NTS students and non-students who enroll in courses during the fall and spring terms. These budgets are utilized when awarding all students at the institution, regardless of which campus the student is attending. NTS was unable to produce any documentation that it had analyzed the cost of attendance components for each of its additional locations, and for students who study abroad, to ensure that the cost of attendance budgets utilized by the institution are also applicable to those students. NTS also failed to compile a cost of attendance budget for students attending during its summer term.

Required Action: NTS must review all components of its cost of attendance budgets to determine if they are appropriate for students at each additional location, as well as for students who study abroad. NTS must also research and compile a cost of attendance budget for its summer term as discussed in Finding 1. Copies of NTS's analysis, and documentation supporting the budgets, should accompany NTS's response to this report.

Finding 10. Inaccurate NSLDS Reporting

Citation: Federal regulations state that an institution must--

Upon receipt of a student status confirmation report from the Department, complete and return that report to the Department within 30 days of receipt; and unless it expects to submit its next student status confirmation report to the Department within the next 60 days, notify the Department within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who--

- Enrolled at that school but has ceased to be enrolled on at least a half-time basis;
- Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- Has changed his or her permanent address. 34 C.F.R. §685.309(b)

Noncompliance: In one instance, Nazarene failed to properly update student status information. Student #21's enrollment status was not updated during the Fall 2012 semester to indicate that the student was attending NTS full time.

Required Action: NTS must review its policy and procedures to ensure timely and accurate enrollment status is provided. NTS must also update the enrollment status for Student #21 to reflect current enrollment. A copy of NTS's policy and procedures, as well as documentation showing the updated enrollment status for Student #21, must accompany NTS's response to this report.

Finding II. Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement (COD) System

Citation: An institution makes a disbursement of Title IV, HEA program funds on the date that it credits a student's account or pays a student or parent directly with:

- Funds received from the Department; or
- Institutional funds used in advance of receiving Title IV, HEA program funds. 34 C.F.R. § 668.164(a)

An institution participating in the Direct Loan Program shall ensure that any information it provides to the Department in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements of 34 C.F.R. § 685.200. A school shall provide to the Department borrower information that includes but is not limited to:

- The borrower's eligibility for a loan;
- The student's loan amount; and
- The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds. 34 C.F.R. § 685.301(a)

Institutions are required to submit Federal Direct Loan disbursement records to the COD system no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement information. The disbursement date to be reported to COD is the date that the institution credits funds to a student's account or pays funds to a student or parent directly. *COD Technical Reference, 2012-2013, Volume II*

Noncompliance: The disbursement date in COD must match the date that Title IV, HEA funds are posted to a student's account. In one instance, NTS did not accurately report disbursement dates to COD. Student #12's ledger card indicates 10/11/2011 as the disbursement date for the student's Direct Subsidized Loan while COD lists 10/10/2011.

Required Action: NTS must review and revise its policy and procedures to ensure that the institution accurately reports to COD the date that the institution disburses Title IV, HEA funds to each student's account. Additionally, NTS must update the disbursement date for Student

#12's Direct Subsidized loan. A copy of the updated policy and procedures, as well as documentation that the disbursement date for Student #12 has been updated, must accompany NTS's response to this report.

Finding 12: Crime Awareness Requirements Not Met – Improper Disclosure of Crime Statistics and Required Campus Security Policies Omitted/Inadequate

Citation:

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the *Clery Act*) and the Department's regulations require that all institutions that receive Title IV, HEA funds must publish a materially-complete Annual Security Report (ASR). To be materially-complete, an ASR must contain all of the statistical and policy disclosures described in 34 C.F.R. § 668.46(b). By October 1st of each year, the ASR must be actively distributed to current students and employees.

The *Clery Act* and the Department's regulations require institutions to include statistics for the most serious incidents of crime that were reported during the three most recent calendar years. The covered categories include criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assaults, burglary, motor vehicle theft, and arson. Statistics for certain hate crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to illegal drugs, illegal usage of controlled substances, liquor, and weapons also must be disclosed in the ASR. These crime statistics must be published for the following geographical categories: 1) on campus; 2) on-campus student residential facilities; 3) certain non-campus buildings and property; and, 4) certain adjacent and accessible public property. 34 C.F.R. § 668.46(c)(1).

Several policy statements must be included in the ASR. These disclosures are intended to inform the campus community about the institution's security policies, procedures, and the availability of programs and resources as well as channels for victims of crime to seek recourse. In general, these policies include topics such as the law enforcement authority and practices of campus police and security forces, incident reporting procedures for students and employees, and policies that govern the preparation of the report itself. Institutions are also required to disclose alcohol and drug policies and educational programs. Policies pertaining to sexual assault education, prevention, and adjudication must also be disclosed. Institutions also must provide detailed policies regarding the issuance of timely warnings and emergency notifications. An institution's evacuation procedures and missing students response protocol also must be disclosed. All required statistics and policies must be included in a single comprehensive document, known as an ASR. With the exception of certain drug and alcohol program information, cross-referencing to other publications is not sufficient to meet the publication and distribution requirements of the Act. § 485(f) of the HEA; 34 C.F.R. § 668.46(b).

The ASR must be actively distributed as a single document. Acceptable means of active delivery include U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. *34 C.F.R. § 668.41(e)(1)*. The Department's regulations also require participating institutions to provide a notice to all prospective students and employees that includes a statement about the ASR's availability, its contents, and its exact electronic address if posted to a website. This notice must also advise interested parties of their right to request a paper copy of the ASR and to have it furnished upon request. *34 C.F.R. § 668.41(e)(4)*

Finally, each institution must also submit its crime statistics to the Department for inclusion in the Office of Postsecondary Education's "Campus Safety and Security Data Analysis Cutting Tool." *34 C.F.R. § 668.41(e)(5)*.

Noncompliance:

NTS failed to publish and distribute an accurate and complete 2012 ASR as a comprehensive document that included all required statistical and policy disclosures. The Department's finding that the ASR was not properly distributed to current students and employees is based on the significant number of required disclosures that were not included in the ASR. Moreover, the review team noted discrepancies between the crime statistics published in the ASR and the statistical information submitted to the Secretary for inclusion in the "Campus Safety and Security Data Analysis Cutting Tool (CSSDACT)." For example, NTS's ASR disclosed no burglaries during 2010; however, the information submitted to the CSSDACT indicated that one burglary offense was reported during this period.

In addition, NTS's ASR failed to include the following required policy statements:

- A statement of current policies concerning campus law enforcement that describes procedures, if any that encourage pastoral counselors and professional counselors, if and when they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.
- A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.
- A description of programs designed to inform students and employees about the prevention of crimes.
- A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of

student organizations officially recognized by the institution, including student organizations with off-campus housing facilities.

- A description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses.
 - Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that institutional personnel will assist the student in notifying these authorities, if the student requests the assistance of these personnel; and,
 - Notification to students of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses.
- Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that—the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding.
 - Identification of the sanctions that the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.
- A statement of policy regarding its emergency response and evacuation procedures in the annual campus safety report. The statement must include:
 - Plans to conduct a test of the emergency response and evacuation procedures on at least an annual basis; and,
 - An institution must document each test, including the date, time, and whether it was announced or unannounced.
- A statement of policy for missing student. In the ASR, the institution tried to place the responsibility on the student's spouse to provide this information. The institution cannot remove its responsibility to provide this information and specifically cannot place this responsibility with the student's spouse.

Failure to publish an accurate and complete ASR and to actively distribute it in accordance with Federal regulations deprives the campus community of important security information that can empower its members to be informed and play an active role in their own safety and security.

Required Action:

As a result of this finding, NTS must review and revise its existing internal policies and procedures for preparing, publishing, and distributing its ASRs and develop and implement any new policies and procedures as needed to ensure that these violations do not recur and that all campus security operations are carried out in accordance with the *Clery Act* going forward.

Using its new and revised policies and procedures as a guide, NTS must prepare and publish an accurate and complete ASR that includes all of the statistical disclosures and policy, procedure and programmatic information required under 34 C.F.R. § 668.46(b). A copy of the institution's new and revised policies and draft ASR must accompany the institution's response to this program review report. Once the new ASR is evaluated by the review team for accuracy and completeness, the institution will be required to actively distribute the ASR to all current students and employees in accordance with 34 C.F.R. § 668.41(e). Finally, NTS will be required to provide documentation to the Department evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed in accordance with the *Clery Act*. This certification must also affirm that the institution understands its *Clery Act* obligations and that it has taken all necessary corrective actions to ensure that this violation does not recur.

As noted above, the exceptions identified in this finding constitute serious violations of the *Clery Act* that by their nature cannot be cured. NTS will be given an opportunity to bring its campus security operations into compliance with the *Clery Act* as required by its Program Participation Agreement (PPA). However, the institution is advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective measures as a result.

Based on an evaluation of all available information including NTS's response, the Department will determine if additional actions will be required and will advise the institution accordingly in the FPRD.

NTS officials may wish to review the Department's "Handbook for Campus Safety and Security Reporting" (2011) during the preparation of its response and for detailed guidance on complying with the *Clery Act*. The Department recommends that officials pay special attention to the material in the Handbook regarding the *Clery Act*'s fire safety requirements. As of October 1, 2010, all institutions that maintain any on-campus student housing facility must comply with the *Clery Act*'s fire safety requirements including but not limited to the publication and active distribution of an Annual Fire Safety Report. The handbook is available online at: <http://www2.ed.gov/admins/lead/safety/handbook.pdf>. The regulations governing the *Clery Act* can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

Finding 13: Failure to Comply with Required Drug and Alcohol Abuse Prevention Program Requirements

Citation:

The Drug-Free Schools and Communities Act and Part 86 of the Department's General Administrative Regulations requires each participating institution of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse education and prevention

program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.

On an annual basis, the IHE must distribute written information about its drug and alcohol abuse prevention program (DAAPP) to all students, faculty, and staff. The distribution plan must make provisions for providing the material to students who enroll at a date after the initial distribution, and for employees who are hired at different times throughout the year. The information must include:

- 1) A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;
- 2) A written description of legal sanctions imposed under Federal, state and local laws for unlawful possession or distribution of illicit drugs and alcohol;
- 3) A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;
- 4) A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to students and employees; and,
- 5) A statement that the IHE will impose disciplinary sanctions on students and employees for violations of the institution's codes of conduct and a description of such sanctions.

In addition, each IHE must conduct a biennial review in order to measure the effectiveness of its drug prevention program, and to ensure consistent treatment in its enforcement of its disciplinary sanctions. The IHE must prepare a report of findings and maintain its biennial review report and supporting materials and make them available to the Department upon request.

34 C.F.R. §§ 86.3 and 86.100.

Noncompliance:

NTS violated multiple provisions of the *DFSCA* and the Department's Part 86 regulations. Specifically, the institution failed to develop and implement a compliant DAAPP and was also unable to produce documentation that it distributed its DAAPP disclosure to all employees and all students enrolled for academic credit.

NTS's DAAPP does not contain the following required components:

1. A written description of legal sanctions imposed under Federal, state, and local laws and ordinances for unlawful possession or distribution of illicit drug and alcohol; and,
2. A description of the health risks associated with the use of illicit drugs and the abuse of alcohol.

Regarding the distribution aspects of this violation, the institution chose to publish its DAAPP in its Student Handbook; however, the institution was not able to provide any evidence that the Handbook was actively distributed to all current students on an annual basis, especially to returning students and employees.

Moreover, the institution was also unable to explain and document how the DAAPP was actively distributed to students who enroll at points in the academic year other than the point at which the DAAPP may be made available in some form. The review team identified the same concern regarding employees who were not on the payroll at the time that the Handbook was made generally available.

Finally, NTS failed to conduct a biennial review of the effectiveness of its DAAPP and of the consistency of sanctions imposed for violations of its disciplinary standards and codes of conduct and therefore, also failed to prepare a biennial review report of findings. In fact, the institution was unable to produce suitable records to show that a biennial review was ever conducted at NTS.

Failure to comply with the *DFSCA*'s DAAPP requirements deprives students and employees of important information regarding the educational, disciplinary, health, and legal consequences of illegal drug use and alcohol abuse. Failure to comply with the BR requirements also deprives the institution of important information about the effectiveness of its own drug and alcohol programs. Such failures may contribute to increased drug and alcohol abuse as well as an increase in drug and alcohol-related violent crime.

Required Action:

NTS is required to take all necessary corrective actions to resolve these violations. At a minimum, the Institution must do the following:

- Develop and implement a comprehensive DAAPP that includes all of the required elements found in the *DFSCA* and the Department's Part 86 regulations;
- Develop procedures for ensuring that the DAAPP program materials are distributed to every student who is currently enrolled for academic credit and all employees (including part-time, intermittent, and as-needed personnel). When the new program materials are complete, NTS must submit a copy of its draft DAAPP and new distribution policy with its response to this program review report. Once the materials are approved by the Department, the institution must distribute them in accordance with the Part 86 regulations, and provide documentation evidencing the distribution as well as a certification statement attesting to the fact that the materials were distributed in accordance with the *DFSCA*;
- Conduct a biennial review to measure the effectiveness of its DAAPP. The institution must describe the research methods and data analysis tools that will be used to determine the effectiveness of the program and identify the responsible official(s) and office(s) that conducted the biennial review. Finally, the institution's biennial review report must be approved by the institution's chief executive and/or its Board. The biennial review must

be completed by June 30, 2013 and the institution's report of findings must be submitted to the Department by July 15, 2013.

- NTS must also establish policies and procedures to ensure that all subsequent biennial reviews are conducted in a timely manner and are fully documented and to take all other necessary action to ensure that this violation does not recur.

As noted above, the exceptions identified in this finding constitute serious violations of the *DFSCA* that by their nature cannot be cured. NTS will be given an opportunity to develop and distribute an accurate and complete DAAPP disclosure and to finally bring its drug and alcohol programs into compliance with the *DFSCA* as required by its PPA. However, the institution is advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose additional corrective or administrative actions.

Based on an evaluation of all available information including NTS's response, the Department will determine if additional actions will be required and will advise the institution accordingly in the FPRD.

Finding 14. Consumer Information Requirements Not Met

Citation: The Higher Education Act of 1965 (HEA), as amended by the Higher Education Opportunity Act of 2008 (HEOA), includes many disclosure and reporting requirements. A disclosure requirement is information that a postsecondary education institution is required to distribute or make available to another party, such as students or employees. Additionally, the Code of Federal Regulations outlines required consumer disclosures in multiple areas, including 34 C.F.R. § 668 and others.

Noncompliance: The following required disclosure components are incomplete or missing at NTS:

Placement in Employment

All institutions participating in Title IV, HEA student financial aid programs must make available to prospective and enrolled students, through appropriate publications, mailings, or electronic media, information regarding the placement in employment of, and types of employment obtained by, graduates of the institution's degree or certificate programs. Institutions must identify the source of the placement information, and any timeframes and methodology associated with it.

Under this provision, institutions are not required to calculate placement rates, but an institution must disclose any placement rates it calculates for the institution or any program. HEOA Sec. 488(a)(1)(E) amended HEA Sec. 485(a)(1); Added HEA Sec. 485(a)(1)(R); 34 C.F.R. §668.41(d)(5)

Facilities and Services Available to Students with Disabilities

All institutions participating in Title IV, HEA student financial aid programs must make available to prospective and enrolled students, through appropriate publications, mailings, or electronic media, information about facilities and services available to students with disabilities, including students with intellectual disabilities.

HEA Sec. 485(a)(1)-(2); 34 C.F.R. §668.43(a)(7); 34 C.F.R. §668.231

Net Price Calculator

All institutions participating in Title IV, HEA student financial aid programs must make a net price calculator available to the public on their website. The institution may use the template provided by the Department of Education or may develop a customized version that must include, at a minimum, the same elements as the Department's version.

HEOA Sec. 111; amended HEA Title I, Part C; Added HEA 132(a), Sec. 132(h)

Voter Registration Forms

All institutions participating in Title IV, HEA student financial aid programs must:

- make a good faith effort to distribute a mail voter registration form (for federal elections and state elections for governor or other State chief executive) to each student enrolled in a degree or certificate program and physically in attendance at the institution;
- make the voter registration form widely available to students at the institution; and
- request the forms from the state 120 days prior to the deadline for registering to vote within the state.

This requirement does not apply to institutions in states that do not have a voter registration requirement or that allow voters to register at the time of voting.

The HEOA (Sec. 493(a)(1)) added the provision that an institution will be considered to be in compliance with the distribution requirement if the institution electronically distributes the voter registration form or an Internet address where such a form can be downloaded. The information must be in an electronic message devoted exclusively to voter registration.

HEOA Sec. 493(a)(1); amended HEA Sec. 487(a)(23); Added HEA Sec. 487(a)(23)(D)

Gainful Employment Disclosures

All institutions participating in Title IV, HEA student financial aid programs that offer non-degree programs (not leading to an associate, bachelor, master, or doctoral degree) must make available to prospective student at or before the time the student applies for enrollment, as well as, publish in promotional materials, and post on the institution's website; the program's website; and link to the following information from any other page about the program:

- Occupation (with names and SOC codes) that the program prepares students to enter;
- On-time graduation rate for students who complete;

- Tuition and fees and typical costs for books, supplies, and room and board charged to students who complete the program within a normal time frame;
- Placement rate for students completing the program;
- Median loan debt incurred by students who complete. 34 C.F.R. §668.6(b)

Noncompliance: In reviewing NTS's consumer information the above consumer information requirements were missing, and not made available to students.

Required Action: NTS must immediately make missing information available to students and employees online. Copies of revised consumer information dissemination policies and procedures, plus evidence of all updates in NTS publications, should accompany its response to this report.

D. Recommendations

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

During the program review, NTS officials discussed with reviewers that the institution has plans to expand its educational offerings to offer additional distance education or alternatively formatted programs. In view of this, reviewers recommend that officials include the Financial Aid Director in any discussions about implementing any changes to, or starting new, programs to ensure that federal regulations are followed. NTS may need to administer financial aid following nonstandard or nonterm rules if the academic year is altered from the standard academic year that NTS currently follows. Prior to any changes to the academic calendar, the Financial Aid Director should review the definition of an academic year for federal aid purposes at 34 C.F.R. §668.6(a)-(b), and payment periods at 34 C.F.R. §668.4. The Department has additionally published guidance in the 2012-2013 FSA Handbook, Volume 3, Chapter 1.

E. Appendices

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

AUDIT REPORT RESPONSES

Finding 1:

Response: After this was mentioned in the December exit interview, the Financial Aid Director and Registrar began discussing the necessary actions for awarding eligible students enrolled in the summer semester. We took the necessary steps to ensure that the summer semester met the requirements for disbursing aid, including changing its duration from 12 to 14 weeks. No students requested federal loans for this semester as a majority of students were below half-time and the remainder were continuing from the spring and using their spring disbursements to pay off their summer balance. I have attached a new Cost of Attendance for the 2013-2014 academic year that includes a 12-month budget and is broken down into fall, spring, and summer. This COA along with the instructions for prospective students has been published on the NTS website.

Documentation: Policy and Procedures Manual; 2013-2014 Cost of Attendance – KC, MVNU, SNU, TNU; Webpage describing the process of applying for summer aid (<http://nts-edu.squarespace.com/how-to-apply-for-financial-aid/>).

Finding 2:

Response: An updated document including all of the necessary information was composed. This information will be dispersed by email each semester along with the annual security report by to all current and prospective students.

Documentation: R2T4 Consumer Information (attached).

Finding 3:

Response: The Department of Education has the assurance of NTS that return of title IV fund calculations will be calculated accurately in the future. There was miscommunication about the inclusion of Reading and Research week with our internal auditor as well as the payment period length including the two week module. This understanding has been clarified for future calculations.

Documentation: Santel R2T4 Calculation Revised.

Finding 4:

Response: The Dean of Academics and the registrar met to discuss this issue and developed a policy to address this issue. The SAP policy was updated to address how missing grades would be evaluated. All missing grades for the audit files were turned in by the professors.

Documentation: Late Grade Policy (attached); Policy and Procedures Manual (attached); transcripts for students 1, 13, 14, 18, 22, 23, 24, 29 (attached).

Finding 5:

Response: Because we do not yet have state authorization and we are not yet awarding students at that site, the application had not been updated. The application has not been updated because, without state authorization it would not be approved.

Documentation: None.

Finding 6:

Response: Upon receiving notice in December by the auditors that we were deficient in this regard, the bank was contacted and asked to add "Federal Funds" to the title of the checking account in which federal dollars are deposited. The bank responded quickly to our request and made the addition to the account title effective with the December 31, 2012 bank statement.

Documentation: April bank statement (attached).

Finding 7:

Response: All institutional documentation on the general ledger and sub-ledger has been changed to read "Federal Direct Unsubsidized Funds".

Documentation: Because we have not awarded any loans since the change, there are no supporting documents. As soon as the first disbursement for the fall is made in August, I will forward the documentation. However, I have included a copy of the email (Audit Response Finding 7 Email) sent to our accountant, accounts payable clerk, and CAMS system manager.

Finding 8:

Response: NTS acknowledges the conflicting information in the files listed. These discrepancies will be resolved and the files updated. Because NTS no longer verifies students, conflicting information will no longer be an issue. However, should the situation arise in which NTS must begin or decides to begin verifying students again, an adequate policy to resolve conflicting information will be developed and implemented.

Documentation: Policy and Procedures Manual (attached).

Finding 9:

Response: The COA was analyzed for each of NTS's additional sites. According to the cost of living analysis on professionals.collegeboard.com, the cost of living in Kansas City, Oklahoma City, Mount Vernon, OH, and Murfreesboro, TN are all the same. Thus, the COA for the main campus will serve as the COA for these additional sites. A separate COA was developed for the ENC campus in Quincy, MA to account for the difference in cost of living. NTS uses a separate COA for each of our 365M study abroad sites. These COA's are developed through information provided by the Admissions Office in contact with regional coordinators. A summer budget was developed for each COA. NTS will also closely monitor online, video conference, and on-site students to ensure that transportation costs are not included for those that do not travel for classes.

Documentation: COA for KC, MVNU, SNU, and TNU; COA for ENC; COA's for 365M sites with email documentation.

Finding 10:

Response: The information for Student 21 was updated, and the accuracy of reporting was addressed and emphasized.

Documentation: Policy and Procedures Manual; NSLDS Student 21 Update.

Finding 11:

Response: A statement was added to the Policy and Procedures Manual to ensure that disbursement dates are accurately reported and in agreement with the date that the disbursement is posted to the students account. Student 12's account was also updated to match the date of the disbursement in COD.

Documentation: Policy and Procedures Manual; Student 12 Account Ledger.

Finding 12:

Response: Upon receiving the audit report, I read the "Handbook for Campus Safety and Security Reporting" and made all additions and changes to the current policies and procedures for collecting, publishing, and distributing all required information. The DoE's Clery Act Policy will be used as a checklist each year before the report is published and distributed. Using this document, all missing statements and disclosures were added and all existing statements were evaluated for accuracy. A spreadsheet was developed to track crime statistics.

All statistics were re-evaluated and updated to reflect the numbers reported to the CSSDACT. I am unclear as to why the "Criminal Offenses – Non-Campus" section is blank for 2009 and 2010 on the OPE website.

Documentation: Annual Security Report 2012 REVISED.

Finding 13:

Response: The Drug and Alcohol Abuse Prevention Program information is outlined in the Annual Security report, which is distributed to students annually and is published on the NTS website. I am not sure how this was missed. I may have neglected to write this on the required disclosures form. However, I believe NTS has met all of the requirements outlined for the DAAPP, except for the biennial review. In response to this, NTS added to its Student and Community Life Committee's annual meeting agenda the review of the DAAPP.

Documentation: Annual Security Report 2012 REVISED.

Finding 14:

Response:

Placement in Employment: All statistics gathered by NTS were published to the website.

Facilities and Services Available to Students with Disabilities: All facilities and services were published to the website.

Net Price Calculator: As an IHE that does not enroll undergraduate students, NTS is not required to provide a Net Price Calculator on its website.

Voter Registration Form: Forms were ordered and an email regarding their availability was sent to all students.

Gainful Employment Disclosures: NTS does not offer federal loan funds to students enrolled in its non-degree programs.

Documentation: <http://www.nts.edu/nts-resources/nts-organizational-documents/>