



February 23, 2015

Mr. Michael Zawisky  
President  
South Texas Vocational Technical Institute  
2419 East Haggard Avenue  
Weslaco, TX 78596-5036

Certified Mail  
Return Receipt Requested  
7014 3490 0000 3103 7466

RE: **Final Program Review Determination**  
OPE ID: 02548800  
PRCN: 201440628816

Dear Mr. Zawisky:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on October 30, 2014, covering South Texas Vocational Technical Institute's (STVTI's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the Title IV, HEA disbursements made to students after the expiration of the Temporary Program Participation Agreement, which expired on September 30, 2013, through March 13, 2014. STVTI's final response was received on November 30, 2014. A copy of the program review report (and related attachments) and STVTI's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by STVTI upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

**Purpose:**

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

The total liabilities due from the institution from this program review are \$602,668.

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

**Protection of Personally Identifiable Information (PII):**

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the finding in the attached report does not contain any student PII. Appendix A lists the names and social security numbers of the students who were examined during the program review. The appendix was encrypted and sent separately to the institution via e-mail.

**Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the October 30, 2014 program review report. If STVTI wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date STVTI receives this FPRD. An original and four copies of the information STVTI submits must be attached to the request. The request for an appeal must be sent to:

Director  
Administrative Actions and Appeals Service Group  
U.S. Department of Education  
Federal Student Aid/PC  
830 First Street, NE - UCP3, Room 84F2  
Washington, DC 20002-8019

STVTI's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to STVIT's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

**Record Retention:**

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Brittany Stubblefield at 214-661-9481. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Cynthia Thornton, Director  
Dallas School Participation Division

Enclosure:

Protection of Personally Identifiable Information  
Program Review Report (and appendices)  
Final Program Review Determination Report (and appendices)

cc: America Sanchez, Financial Aid Administrator  
Texas Workforce Commission-Division of Proprietary School & Veterans Education  
Texas Department of State Health Services  
Department of Defense  
Department of Veterans Affairs  
Consumer Financial Protection Bureau

Prepared for

South Texas Vocational Technical  
Institute

Federal Student  
AID PROGRAMS U.S. DEPARTMENT OF EDUCATION

PROUD SPONSOR of  
the AMERICAN MIND

OPE ID 02548800  
PRCN 201440628816

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

# Final Program Review Determination

## February 23, 2015

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**A. Institutional Information**

South Texas Vocational Technical Institute  
2419 East Haggard Avenue  
Weslaco, TX 78596-5036

Type: Proprietary

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

Accrediting Agency: Council on Occupational Education

Current Student Enrollment: 489

% of Students Receiving Title IV: 95% (2012-2013)

Title IV Participation School Funding Report: PEPS

2012-2013

Federal Pell Grant Program	\$2,620,373
William D. Ford Federal Direct Loan Program (Direct Loan or DL)	\$4,607,159

Default Rate DL:	2011	34.0%
	2010	21.0%
	2009	17.4%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted an off-site program review at South Texas Vocational Technical Institute (STVTI) from September 22, 2014 through September 26, 2014. The review was conducted by Ms. Brittany Stubblefield.

The focus of the review was to address Title IV, HEA disbursements made to students during the time period commencing upon the September 30, 2013 expiration of STVTI's Temporary Program Participation Agreement, and lasting until March 13, 2014, the date a Program Participation Agreement was executed. STVTI previously provided a list of students, including the Title IV, HEA funds disbursed, during this period.

Appendix A lists the names and social security numbers of the students who were examined during the program review. A program review report was issued on October 30, 2014.

### **Disclaimer:**

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

## **C. Findings and Final Determinations**

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of STVTI's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on October 30, 2014 is attached as Appendix D.

### **Finding 1 Ineligible Pell Disbursements**

**Citation Summary:** After a change in ownership that results in a change in control, the Secretary may continue the institution's participation in the Title IV, HEA programs on a provisional basis. *34 C.F.R. § 600.31(a)(2)*.

If the institution's materially complete application is approved, the Secretary provides the institution with a provisional Program Participation Agreement (PPA) that expires the last day of the month following the month in which the change of ownership occurred unless the institution submits required approvals from its state agency and accrediting agency. *34 C.F.R. § 600.21(h)*

**Noncompliance Summary:** STVTI improperly disbursed \$596,231 in 2013-2014 Federal Pell Grants to 348 students after its Temporary Program Participation Agreement expired and before a new PPA was executed.

**Required Action Summary:** STVTI was required to submit documentation to demonstrate the students were eligible for the Title IV disbursements received.

**STVTI's Response:** In a letter dated November 30, 2014 from Michael Zawiski, President & CEO of Ancora Education, STVTI concurred with the Department's finding and accepted liability for the ineligible Pell disbursements of \$596,231 in 2013-2014.

**Final Determination:** STVTI is liable for the Pell grants disbursed during the period of ineligibility in the 2013-2014 award year:

Award Year	Pell Grants
2013-2014	\$596,231

The interest due on the Federal Pell Grant funds disbursed, known as the Cost of Funds (COF), is identified below for the award year. This amount is added to the funds disbursed during the year, which results in the total Federal Pell Grant liability that must be repaid. A copy of the results of the COF calculations is included as Appendix C.

Award Year	Funds Disbursed	Cost of Funds	Total Liability
2013-2014	\$596,231	\$6,436.67	\$602,667.67 (rounded to \$602,668)

**D. Summary of Liabilities**

<b>Liabilities</b>	<b>Pell (Closed Award Year)</b>
Finding 1	\$596,231
Interest	\$ 6,437
<b>TOTAL</b>	<b>\$602,668</b>
Payable To:	The Department

## **E. Payment Instructions**

### **1. Liabilities Owed to the Department**

#### **Liabilities Owed to the Department \$100,000 or More**

STVTI owes to the Department \$602,668, and may satisfy that liability in one of two ways.

This liability may be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. STVTI must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If STVTI's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

In the alternative, the Department currently holds \$20,323,790.23 in obligated and unobligated funds in an escrow account Escrow0157 ("escrowed funds") on behalf of the institutions previously owned by ATI Enterprises, Inc., ATI Enterprises of Florida, Inc., and ATI Acquisition Company (collectively, "ATI"). These letters of credit were provided on behalf of ATI by Ability Holdings, Inc. and ATI's lenders ("LOC Sponsors").

In the November 30, 2014 letter from Michael Zawisky, Ancora Education requested that the liability be recovered by the Department from the escrowed funds. On January 15, 2015, the Department requested documentation that ATI agreed that the escrowed funds could be used to settle the liabilities. As of the date of this letter, Ancora has not provided evidence that ATI consents to the use of the escrowed funds for this purpose.

Should STVTI wish to use an unobligated portion of the escrowed funds to satisfy this liability, STVTI must provide sufficient written authorization to do so from ATI and the LOC sponsors within 45 days of the date of this letter. Should STVTI proceed in this manner, it does so with the full understanding that the Department will be accessing the escrowed funds in reliance on the representations made, and documents submitted, by STVTI. Accordingly, STVTI agrees to indemnify and hold harmless the Department for any claims made to the escrowed funds.

**Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding and the instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).**

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form.

### **Terms of Payment**

As a result of this final determination, the Department has created a receivable for this liability and payment, or sufficient authorization to use the escrowed funds to satisfy this liability, must be received by the Department within **45 days of the date of this letter**. If payment or such authorization is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. STVTI is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to STVTI's account representative.

If STVTI neither makes a full payment nor provides sufficient authorization for the Department to use the escrowed funds to satisfied the liability described above within **45** days of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education  
OCFO Financial Management Operations  
Accounts Receivable Group  
550 12th Street, S.W., Room 6114  
Washington, DC 20202-4461

If within 45 days of the date of this letter, STVTI has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due STVTI from the Federal Government. **STVTI may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, STVTI must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

## 2. Liabilities Owed to the Department in the case of Title IV Grants

### Pell – Closed Award Year

Finding: 1  
Appendices: C

STVTI must repay:

<b>Pell Closed Award Year</b>			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$596,231	\$6,437	Pell Grant	2013-2014
<b>Total Principal</b>	<b>Total Interest</b>		
\$596,231	\$6,437		

The disbursement record for each student identified in the Appendix A to the applicable finding(s) must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the Appendix C.

**Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.**

A copy of the adjustment to each student's COD record must be sent to Brittany Stubblefield **within 45 days of the date of this letter.**

### **F. Appendices**

Appendix A. Student List, contains personally identifiable information and will be emailed to STVTI as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendices B, C, and D are attached to this report.

**Appendix A: Student List**

Sent via email

South Texas Vocational Technical Institute  
OPE ID 02548800  
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**Appendix B: Institution's Written Response to the PRR**

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## **Appendix C: Cost of Funds**



**Appendix D: FEDWIRE Instructions**

DEPARTMENT OF EDUCATION FED-WIRE EFT MESSAGE FORMAT & INSTRUCTIONS		
ABA Number 021030004	Type/Sub-Type	
Sender No	Sender Ref. No.	Amount <b>①</b>
Sender Name (Automatically inserted by the Federal Reserve Bank)		
Treasury Department Name/CTR/ TREAS NYC / CTR /		
BNF=ED / AC - 91020001 ORI=		
Name / City / State <b>②</b>		
DUNS / TIN <b>③</b>		
FOR <b>④</b>		
<b>INSTRUCTIONS</b>		
A Complete circled items 1-4 above as follows		
<b>①</b> Indicate amount including cents digits.		
<b>②</b> Indicate Name, City, and State		
<b>③</b> Indicate DUNS Number and Taxpayer Identification Number (TIN).		
<b>④</b> Enter the reason for the remittance: Bill Number / Document Number / Other		
B. Provide the sending bank with a copy of the completed form. This form contains other information the bank will need to transmit the FEDWIRE message.		

**Appendix E: Program Review Report**