



---

June 27, 2019

Dr. David Andrews  
President  
National University  
11255 North Torrey Pines Road  
La Jolla, CA 92037-1011

UPS 2<sup>nd</sup> Day Air  
#: 1Z A87 964 02 9814 8230

RE: **Final Program Review Determination**  
OPE ID: 01146000  
PRCN: 201840922907

Dear Dr. Andrews:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a Program Review Report (PRR) on November 23, 2018, covering National University's (NU's) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2016-17 and 2017-18 award years. The Department received NU's responses on January 23, 2019 and June 14, 2019.

The San Francisco/Seattle School Participation Division has reviewed NU's response(s) to the PRR. Copies of the PRR and NU's responses are attached. The Department has retained any supporting documentation submitted with the response and will make it available to NU for inspection 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 may be provided to other oversight entities after this FPRD is issued.

NU's responses have resolved all findings. In particular, NU performed a full file review for Finding #2, identified 32 students whose late fees were never refunded, reversed those fees to the students, and eliminated any late fee charges effective October 2018. In addition, NU has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, NU may consider the program review closed with no further action required.

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

PII is any information about an individual that can be used to distinguish or trace an individual's identity (e.g., 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, Appendix A and any other attachment containing PII is encrypted and sent separately to the institution via e-mail.

**Federal Student Aid**

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

50 United Nations Plaza, Mailbox 1200, Suite 1273, San Francisco, CA 94102  
StudentAid.gov

**Record Retention:**

Program records relating to the period covered by the program review must be retained until the later of: the 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 Marisol Mendoza, Senior Institutional Review Specialist, at 415-486-5506.

Sincerely,



for *Marta* Martina Fernandez-Rosario  
Division Director  
San Francisco/Seattle School Participation Division

Enclosures: Appendix A: Student Sample  
Appendix B: Program Review Report  
Appendix C1: NU's PRR Response dated January 23, 2019  
Appendix C2: NU's PRR Response dated June 24, 2019

cc: Ms. Ashlie Greene, Financial Aid Director, Interim  
Ms. Veronica Garcia, Associate Vice President of Academic Affairs  
WASC Senior College and University Commission  
California Bureau for Private Postsecondary Education (Complaint Agreements)  
Department of Defense (via e-mail at [osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil](mailto:osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil))  
Department of Veterans Affairs (via e-mail at [INCOMING.VBAVACO@va.gov](mailto:INCOMING.VBAVACO@va.gov))  
Consumer Financial Protection Bureau (via e-mail at [CFPB\\_ENF\\_Students@cfpb.gov](mailto:CFPB_ENF_Students@cfpb.gov))



November 23, 2018

Dr. David Andrews  
President  
National University  
11255 North Torrey Pines Road  
La Jolla, CA 92037-1011

UPS 2<sup>nd</sup> Day Air  
#: 1Z A87 964 02 9747 8797

RE: **Program Review Report**  
OPE ID: 01146000  
PRCN: 201840922907

Dear Dr. Andrews:

From August 27, 2018 through August 31, 2018, Pilar Diaz, Kevin Roberts, and Marisol Mendoza conducted a review of National University's (NU's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs). The enclosed report presents the findings of that review.

The report references findings of noncompliance to the applicable statutes and regulations and specifies the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions NU has taken. The response should include a brief, written narrative for each finding that clearly states NU's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, NU must provide supporting documentation as required in each finding. Please note that pursuant to § 498A(b) of the HEA, the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to a preliminary program review report<sup>1</sup> and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
  - a. A written statement addressing the institution's response;
  - b. A written statement of the basis for such report or determination; and
  - c. A copy of the institution's response.

The Department considers the institution's response to be the written narrative (to include e-mail communication). The FPRD will not include any supporting documentation submitted with the institution's written response; however, the Department will retain the documentation and make it available to NU for inspection upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the

<sup>1</sup> A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

**Federal Student Aid**

An OFFICE of the U.S. DEPARTMENT of EDUCATION

50 United Nations Plaza, Mailbox 1200, Suite 1273, San Francisco, CA 94102

StudentAid.gov

National University  
OPE ID: 01146000  
PRCN: 201840922907  
Page 2

Freedom of Information Act (FOIA) and may be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Marisol Mendoza of this office within 60 calendar days of receipt of this letter.

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

PII is any information about an individual that can be used to distinguish or trace an individual's identity (e.g., name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers appear in Appendix A, Program Review Student Sample. The Department encrypted the appendix and sent it separately to the institution via e-mail. Please see the enclosure, *Protection of Personally Identifiable Information*, for instructions regarding submission to the Department of required data/documents containing PII.

**Record Retention:**

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the Program Review Control Number (PRCN) at the top of this letter in all correspondence relating to this report. If NU has any questions concerning this report, please contact Marisol Mendoza, Senior Institutional Review Specialist, at 415-486-5506 or at [Marisol.Mendoza@ed.gov](mailto:Marisol.Mendoza@ed.gov).

Sincerely,



Byon F. Toney  
Compliance Manager  
San Francisco/Seattle School Participation Division

Enclosures: Protection of Personally Identifiable Information  
Program Review Report

cc: Ms. Valerie Ryan, Financial Aid Director  
Ms. Veronica Garcia, Assistant Vice President of Academic Operations

## **PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION**

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual that can be used to distinguish or trace an individual's identity (e.g., name, social security number, date and place of birth).

PII being submitted electronically 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 Win Zip 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 and electronic files 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  
**National University**

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

PROUD SPONSOR of  
the AMERICAN MIND™

**OPE ID: 01146000**  
**PRCN: 201840922907**

Prepared by  
**U.S. Department of Education**  
**Federal Student Aid**  
**San Francisco/Seattle School Participation Division**

**Program Review Report**  
November 23, 2018

**Table of Contents**

<b>A. INSTITUTIONAL INFORMATION .....</b>	<b>3</b>
<b>B. SCOPE OF REVIEW .....</b>	<b>4</b>
<b>C. FINDINGS .....</b>	<b>4</b>
Finding #1. Discrepancies in Disbursement Amounts and Dates Between Student Ledgers and Common Origination and Disbursement (COD) System .....	5
Finding #2. Improper Charges/Late Fees.....	8
Finding #3. Inadequate Satisfactory Academic Progress (SAP) Policy and Monitoring .....	9
Finding #4. Improper Administration of FWS Program Funds.....	11
Finding #5. Late/Unpaid Credit Balances.....	12
Finding #6. Verification Violations .....	13
Finding #7. Inadequate Exit Counseling.....	14
Finding #8. Inadequate Costs of Attendance and Awarding Procedures.....	15
Finding #9. Inaccurate NSLDS Reporting.....	19
<b>D. RECOMMENDATION .....</b>	<b>19</b>
<b>E. APPENDICES AND ENCLOSURE.....</b>	<b>20</b>
Appendix A (Program Review Student Sample)	
Appendix B (Distance Education Course Sample)	
Enclosure A (Improper Charges/Late Fees File Review Template)	

National University  
 OPE ID: 01146000  
 PRCN: 201840922907  
 Page: 3

**A. Institutional Information**

National University  
 11255 North Torrey Pines Road  
 La Jolla, CA 92037-1011

Type: Private, Nonprofit

Highest Level of Offering: Master's Degree or Doctor's Degree

Accrediting Agency: Western Association of Schools and Colleges – Senior College and University Commission

Student Enrollment: 29,637 (2016-17 award year)

Percentage of Students Receiving Title IV: 40.69% (2016-17 award year)

Title IV Participation according to the National Student Loan Data System (NSLDS):

	<b>2016-17 Award Year</b>
Federal Pell Grant (Pell Grant) Program	\$ 14,672,298
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$ 332,665
Federal Perkins Loan Program	\$ 24,550
Federal Work Study (FWS) Program	\$ 189,202
William D. Ford Federal Direct Loan (Direct Loan) Program	\$170,949,716
Teacher Education Assistance for College and Higher Education (TEACH) Grant Program	\$ 5,448,877

Default Rate Direct Loans:	2015	5.5%
	2014	5.7%
	2013	5.3%
Default Rate Perkins Loans:	2017	6.8%
	2016	4.7%
	2015	6.0%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at National University (NU) from August 27, 2018 through August 30, 2018. The review was conducted by Pilar M. Diaz, Kevin Roberts, and Marisol Mendoza, Institutional Review Specialists.

The focus of the review was to determine NU's compliance with the statutes and federal regulations as they pertain to the institution's administration of the programs authorized under Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.*, (Title IV, HEA programs). The review consisted of, but was not limited to, an examination of NU's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and distance education policies, procedures, and systems.

The Department identified a sample of 30 files for review from the 2016-17 and 2017-18 award years. The Department selected the files 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 social security numbers of the students whose files were examined during the program review.

Additionally, the Department identified a sample of 10 distance education courses for review from the 2016-17 and 2017-18 award years. The courses were randomly selected from a statistical sample. Appendix B lists the courses that 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 NU's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, the review does not relieve NU 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 (FPRD) report.

## **C. Findings**

During the review, the Department noted several areas of noncompliance. This Program Review Report (PRR) references findings of noncompliance to the applicable statutes and regulations and specifies the actions that NU must take to bring operations of the financial aid programs into compliance with these statutes and regulations.

**Finding #1. Discrepancies in Disbursement Amounts and Dates Between Student Ledgers and Common Origination and Disbursement (COD) System**

**Noncompliance:** An institution must account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution must 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 must maintain records documenting each student's or parent borrower's eligibility for, and receipt of, Title IV, HEA program funds, including, but not limited to:

- The date and amount of each disbursement or delivery of grant or loan funds;
  - The amount, date, and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student, or the treatment of Title IV, HEA program funds when a student withdraws; and
  - The payment of any overpayment or the return of any Title IV, HEA program funds to the Title IV, HEA program fund, a lender, or the Secretary, as appropriate.
- 34 C.F.R. § 668.24(c).

An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution 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).

A school participating in the Direct Loan program must ensure that any information it provides to the Department in connection with loan origination is complete and accurate. A school must provide to the Department borrower information that includes but is not limited to:

- The borrower's eligibility for a loan, as determined in accordance with 34 C.F.R. §§ 685.200 and 685.203;
- 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).

An institution must submit a student's payment data (including disbursement dates) to the Department by the reporting deadlines published in the Federal Register. Institutions must submit Pell Grant and/or Direct Loan disbursement records to the COD system no later than 15 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. 34 C.F.R. § 690.83(b).

**Discrepancies in Disbursement Amounts**

The reviewers identified inconsistent postings in disbursement amount between several student account ledgers and COD records, as described below.

<b>Student #</b>	<b>Title IV Program</b>	<b>COD Disbursed Amount (Gross)</b>	<b>Date</b>	<b>Ledger Postings (Net)</b>	<b>Date</b>
2	Direct Unsub Loan	\$10,154	5/15/2017	\$4,365	5/15/2017
				\$593	5/15/2017
				\$65	5/15/2017
				\$2,215	5/15/2017
				\$2,808	5/15/2017
4	Direct Unsub Loan	\$10,250	10/25/2017	\$4,390	10/25/2017
				\$1,872	10/25/2017
				\$1,897	10/25/2017
				\$1,897	10/25/2017
				\$85	10/25/2017
8	Direct Unsub Loan	\$7,894	5/1/2017	\$4,041	5/1/2017
				\$1,872	5/1/2017
				\$1,897	5/1/2017
	Direct Unsub Loan	\$7,894	7/21/2017	\$5,838	7/21/2017
				\$1,872	7/21/2017
				\$100	7/21/2017
*14	Direct Unsub Loan	\$12,102	1/23/2017	\$5,479	1/23/2017
				\$6,397	1/23/2017
				\$1,872	1/23/2017
				\$1,872	1/23/2017
20	Direct Unsub Loan	\$10,000	1/26/2018	\$4,151	1/26/2018
				\$796	1/26/2018

				\$1,103	1/26/2018
				\$936	1/26/2018
				\$1,972	1/26/2018
				\$936	1/26/2018
21	Direct Sub Loan	\$2,750	3/20/2018	\$2,046	3/20/2018
				\$675	3/20/2018
	Direct Sub Loan	\$2,750	6/19/2018	\$364	6/19/2018
				\$2,357	6/19/2018
	Direct Unsub Loan	\$3,500	3/20/2018	\$1,576	3/20/2017
				\$1,887	3/20/2017
22	Direct Unsub Loan	\$2,276	1/17/2018	\$892	1/17/2018
				\$543	1/17/2018
				\$22	1/17/2018
				\$795	1/17/2018
		\$2,276	2/21/2018	\$1,432	2/21/2018
				\$25	2/21/2018
				\$795	2/21/2018
	Direct Unsub Loan	\$9,912	6/22/2018	\$6,818	6/22/2018
				\$1,935	6/22/2018
				\$1,054	6/22/2018
29	Direct Unsub Loan	\$10,250	9/18/2017	\$8,134	9/18/2017
				\$1,947	9/18/2017
				\$60	9/18/2017
	Direct Unsub Loan	\$10,250	5/23/2018	\$7,243	5/23/2018
				\$1,947	5/23/2018
				\$951	5/23/2018
* refund transaction not identified on the ledger					

**Discrepancies in Disbursement Dates**

NU failed to report accurate disbursement dates to COD. Specifically, the disbursement dates that NU reported to COD for Students #1, 13, and 22 were inconsistent with the disbursement dates per the students' account ledgers, as shown below.

<b>Stu. #</b>	<b>Title IV Program</b>	<b>Disbursement Date Per Student Ledger</b>	<b>Disbursement Date Reported to COD System</b>
1	Direct Unsub. Loan	7/15/17	6/30/17
13	Pell Grant	7/4/2017	7/15/2017
22	TEACH Grant	3/20/18	1/18/18

**Required Action:** NU must:

1. Revise its procedures to ensure that its COD records and student ledgers reflect an accurate, and consistent, accounting of the disbursement amounts and dates on a student's account. In particular, the revised procedures must include a process for periodically reconciling COD and ledger cards. NU must submit a copy of the revised procedures with its response to this PRR.
2. Revise the ledger cards and COD records for the students in the review sample, noted above, to include accurate disbursement dates and amounts applicable to the 2016-17 and 2017-18 award years and submit evidence of the corrections that have been made.

**Finding #2. Improper Charges/Late Fees**

**Noncompliance:** By entering into a Program Participation Agreement (PPA) with the Secretary of Education, an institution agrees that, among other factors, the institution will not impose any penalty, including, but not limited to, the assessment of late fees, the denial of access to classes, libraries, or other institutional facilities, or the requirement that the student borrow additional funds for which interest or other charges are assessed, on any student because of the student's inability to meet his or her financial obligations to the institution as a result of the delayed disbursement of the proceeds of a Title IV, HEA program loan due to compliance with statutory and regulatory requirements of or applicable to the Title IV, HEA programs, or delays attributable to the institution. 34 C.F.R. § 668.14(b)(21).

NU imposed late fees of \$25.00 on students who were awaiting Title IV disbursements even though institutions are not allowed to impose fines on Title IV recipients when the delay is attributable to the institution. Per officials in NU's fiscal department, NU applies late fee charges on a set date every month to the accounts of all students with unpaid tuition, regardless of the source of the student's funding. The reviewers identified late fee charges for the following Title IV recipients in the review sample:

- **Student #6:** NU improperly charged this student a \$25 late fee for the Spring 2017 term on January 1, 2017.

- **Student #9:** NU improperly charged this student a \$25 late fee for the Fall 2017 term on December 12, 2017.
- **Student #15:** NU improperly charged this student \$125 in late fees. NU charged the student the late fee three times for the Fall 2016 term, on August 8, 2016, September 9, 2016, and December 12, 2016, and two times for the Spring 2017 term, on January 1, 2017, and February 2, 2017.
- **Student #16:** NU improperly charged this student a \$25 late fee for the Fall 2018 term on August 8, 2018.
- **Student #27:** NU improperly charged this student \$50 in late fees. NU charged the student the late fee for the Spring 2018 term on June 6, 2018, and again for the Fall 2018 on August 8, 2018.

**Required Action:** NU must:

1. Due to the systemic nature of this finding, complete a full file review of all Title IV recipients during the 2016-17 and 2017-18 award years to identify students who were charged a late fee (or multiple late fees) due to delays in the processing of their Title IV aid attributable to the school or Title IV regulatory requirements. For each affected student, NU must remove the late fee charges from the student's account and pay any resulting credit balances.

NU must complete and submit the spreadsheet provided in Enclosure A in response to this PRR. The Department may request additional documentation to test the accuracy and completeness of this file review.

2. Revise its policies and procedures to clarify that it will not charge late fees to students who are unable to meet their financial obligations to the institution due to Title IV statutory and regulatory requirements or delays attributable to the institution, and must enhance its systems to reflect these changes. The response to this PRR must also include the revised policies and procedures.

**Finding #3. Inadequate Satisfactory Academic Progress (SAP) Policy and Monitoring**

**Noncompliance:** An institution must have a satisfactory academic progress (SAP) policy for purposes of determining student eligibility for assistance under a Title IV, HEA program. The institution must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining SAP in his or her educational program. 34 C.F.R. §§ 668.16(e) and 668.34.

The Secretary considers an institution's SAP policy to be reasonable if, among other criteria, it:

- Provides that a student's academic progress is evaluated at (1) the end of each payment period if the educational program is either one academic year in length or shorter than an academic year, or (2) the end of each payment period or at least annually to correspond with the end of a payment period if the educational program is longer than an academic year (34 C.F.R. § 668.34(a)(3));
- Specifies the grade point average (GPA) (or a comparable assessment measured against a norm) that a student must achieve at each evaluation (i.e., qualitative component) (34 C.F.R. § 668.34(a)(4)(i));
- Specifies the pace at which a student must progress through the educational program to ensure that the student will complete the program within the maximum timeframe and provides for measure of the student's progress at each evaluation (i.e., quantitative component) (34 C.F.R. § 668.34(a)(5)(i));
- Describes how a student's GPA and pace of completion are affected by course incompletes, withdrawals, repetitions, and transfers of credit from other institutions (34 C.F.R. § 668.34(a)(6));
- Provides that a student who has not achieved SAP is no longer eligible to receive assistance under the Title IV, HEA programs (34 C.F.R. § 668.34(a)(7)); and
- Describes how a student may reestablish her or her eligibility to receive assistance under the Title IV, HEA programs if the institution determines the student is not making SAP. 34 C.F.R. § 668.34(a)(9) and (10).

NU's SAP policy failed to include the consequences for students who are not meeting SAP and the requirements and the conditions to regain eligibility. NU's policy also omitted information about how a student's GPA and pace of completion are affected by course incompletes, withdrawals, repetitions, and transfers of credit from other institutions.

Moreover, NU's process for monitoring SAP for Title IV purposes is unclear. The institution's policy indicates that it measures students' progress at the end of each quarter; however, it does not specify how the financial aid SAP evaluation at the end of the payment period occurs.

Since NU's process to evaluate SAP is done manually, once the policy is updated to include the missing elements, it may be very difficult to evaluate and make timely and accurate SAP determinations, given the volume of students attending NU.

The review of the student files did not reveal systemic SAP issues because students largely earned high passing grades and progressed through their programs at a reasonable pace. However, the academic file for Student #26 had documentation indicating that this student was academically disqualified at the end of the Fall 2017 quarter. Despite this determination, the student was allowed to continue at NU and to continue receiving Title IV aid. The financial aid file had no information to indicate that SAP was evaluated or that the student was not meeting the SAP standards.

**Required Action:** NU must:

1. For Student #26, provide an explanation as to why the student was allowed to continue at NU after a determination that the student was academically disqualified. In addition, provide the SAP evaluation(s) used to determine Title IV aid eligibility for the entire 2017-18 academic year.
2. Revise its SAP policies and procedures to include the consequences for students not meeting SAP; the requirements and the conditions to regain eligibility; and the impact of course incompletes, withdrawals, repetitions, and transfers of credits in SAP evaluations.
3. Distribute the revised policy to all current students and staff.
4. Update its website and publications to reflect the revised SAP policy.

In response to this finding NU must provide the revised policies and procedures, documentation to support its distribution to students and staff, and evidence that those publications were updated.

#### **Finding #4. Improper Administration of FWS Program Funds**

**Noncompliance:** To participate in the FWS program, an institution of higher education must enter into a PPA with the Secretary. The PPA provides that, among other things, the institution will:

- 1) Administer the FWS program in accordance with the HEA, the provisions under 34 C.F.R. Part 675, and the Student Assistance General Provisions regulations in 34 C.F.R. Part 668;
- 2) Make employment under FWS reasonably available, to the extent of available funds, to all eligible students; and
- 3) Award FWS employment, to the maximum extent practicable, that will complement and reinforce each recipient's educational program or career goals. 34 C.F.R. § 675.8(b)-(d).

An institution must establish procedures for selecting FWS recipients from the pool of eligible students. Those procedures must be uniformly applied; in writing; and maintained in the institution's files. 34 C.F.R. § 675.10(b).

In administering its FWS program, an institution must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize payments and disburse funds to students. 34 C.F.R. § 675.19(a). The institution must also establish and maintain program and fiscal records that:

- Include a certification by the student's supervisor, an official of the institution or off-campus agency that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day;

- Include a payroll voucher containing sufficient information to support all payroll disbursements;
- Are reconciled at least monthly. 34 C.F.R. § 675.19(b).

The student's work must be governed by employment conditions, including pay, that are appropriate and reasonable in terms of the type of work; geographical region; employee proficiency; and any applicable federal, state, or local law. FWS employment may not displace employees. 34 C.F.R. § 675.20(c).

FWS students at NU are required to contact an official from NU's Placement Office who is responsible to identify jobs available and to assign students to those jobs. How and when students are notified of the availability of FWS funds and the role of the financial aid office in this process is unclear. There were no written policies or procedures on these matters or on the overall administration of the FWS Program, including the regulatory topics cited above.

**Required Action:** NU must establish policies and procedures for the administration of the FWS program that specifically address all the citations noted above. NU must provide a copy of its new policies and procedures with its response to this PRR.

#### **Finding #5. Late/Unpaid Credit Balances**

**Noncompliance:** A Title IV, HEA credit balance occurs whenever the amount of Title IV, HEA program funds credited to a student's ledger account for a payment period exceeds the amount assessed the student for allowable charges, as provided under 34 C.F.R. § 668.164(c), associated with that payment period. A Title IV, HEA credit balance must be paid directly to the student as soon as possible, but no later than:

- (i) 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (ii) 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. § 668.164(h).

If an institution obtains written authorization from a student or parent, as applicable, the institution may use the student's or parent's Title IV, HEA program funds to pay for allowable charges that are included in that authorization, and hold on behalf of the student or parent any Title IV, HEA program funds that would otherwise be paid directly to the student or parent as a credit balance. 34 C.F.R. § 668.165(b)(1). In obtaining the student's or parent's credit balance authorization, an institution—

- May not require or coerce the student or parent to provide that authorization;
- Must allow the student or parent to cancel or modify that authorization at any time; and
- Must clearly explain how it will carry out that activity. 34 C.F.R. § 668.165(b)(2).

NU did not disburse credit balance refunds within 14 days for students in the review sample as shown in the table below. These students had credit balance authorization forms on file;

however, the forms did not comply with the above requirements. The forms did not provide students with options for receipt of their credit balances or having NU hold the credit balances and did not provide students with information about rescinding their authorizations at any time.

Stu. #	Credit Balance Amount per Student's Ledger	Date Credit Balance Created	Title IV Funds Applied & Award Year	Date Credit Balance Paid
8	\$1,872	7/21/17	Direct Loan (16/17)	8/23/17*
15	\$1,245	2/22/17	Direct Loan (16/17)	3/14/17*
24	\$8,269	1/18/18	Direct Loan (17/18)	4/24/18*
28	\$8,269	1/18/18	Direct Loan (17/18)	7/7/18*

\*These credit balances were not paid directly to the students, but were applied to additional tuition charges added to the students' accounts on these dates. The credit amount posted on the ledger may not match the disbursement posted in COD, as discussed under Finding #1.

**Required Action:** NU must:

1. Enhance its procedures to ensure it pays credit balances within the 14-day timeframe, unless a student (or parent) has an adequate credit balance authorization form on file.
2. Revise its "Student Authorization for Title IV Credit Balance" form to clearly provide a student (or parent) with options to authorize NU to hold credit balances on the student's behalf or to receive his or her credit balances within 14 days. The form must explain that the student (or parent) may cancel or modify the authorization to hold credit balances at any time.

NU must provide the revised procedures for the issuance of credit balances and the revised "Student Authorization for Title IV Credit Balance" form with its response to this PRR.

**Finding #6. Verification Violations**

**Noncompliance:** An institution must require an applicant whose Free Application for Federal Student Aid (FAFSA) information is selected for verification by the Secretary to verify the information specified by the Secretary. In addition, if an institution has reason to believe that an applicant's FAFSA information is inaccurate, it must verify the accuracy of that information. An institution may require an applicant to verify any FAFSA information that it specifies. 34 C.F.R. § 668.54(a).

An institution must require applicants selected for verification to submit acceptable documentation that will verify or update any of the following information (from the applicable year in question) used to determine the applicant's Expected Family Contribution (EFC) and as determined in an annual Federal Register notice published by the Secretary: adjusted gross income; income earned from work; U.S. income tax paid; number of family members in the

household; number of household members enrolled in eligible postsecondary institutions; and other information specified in the annual Federal Register notice. 34 C.F.R. § 668.57.

The 2016-17 and 2017-18 Federal Student Aid Handbook *Application and Verification Guides* further explain the regulations that pertained to the verification process for the 2016-17 and 2017-18 award years. Supporting documentation collected from the student (and parents or spouse, if applicable) must be compared to the information reported on the student's Institutional Student Information Record (ISIR). Verification documentation collected must be retained in the student's file as evidence that the process was completed.

NU did not properly complete the verification process for **Student #12**. This student was chosen for verification in the V1 verification group for award year 2016-17. This student submitted a Verification Worksheet listing five household members; however, the student's ISIR indicated a household size of six. The financial aid staff failed to review the information provided by the student and to obtain clarification on the discrepant information.

**Required Action:** NU must ensure that verification policies and procedures are followed. NU must provide training or a reminder to financial aid office staff, as appropriate, to ensure any discrepant information in verification documentation is resolved and documented and describe the follow-up with staff and any other actions taken.

Note: The Department has not required further action with respect to Student #12 because resolving the discrepancy will have no impact on the student's EFC.

#### **Finding #7. Inadequate Exit Counseling**

**Noncompliance:** A school must ensure that exit counseling is conducted with each Direct Subsidized Loan, Direct Unsubsidized Loan, or PLUS Graduate Loan borrower shortly before the student borrower ceases at least half-time study at the school. In addition, if the student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling as required, the school must provide exit counseling within 30 days after the school learns that the student borrower has withdrawn. The exit counseling must be provided either through interactive electronic means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school. 34 C.F.R. § 685.304(b).

NU's practice, when a borrower graduates, withdraws, or drops below half-time enrollment is to send the student an e-mail notifying him/her of the exit loan counseling requirement. This e-mail includes a link to the Federal Student Aid website, wherein students can complete exit counseling. The letter directs the borrower to complete exit counseling online on the Department's website. Beyond sending this e-mail, however, NU does not take any further action to ensure that its borrowers actually complete exit counseling. As a result, students may not complete the exit counseling, depriving them of important information about anticipated monthly repayment amounts, available repayment plan options, consequences of default, how to find loan information in NSLDS, and other critical items.

The files for Student #s 1, 6, 8, and 20 did not include evidence that the students had completed exit counseling upon graduating or withdrawing.

**Required Action:** NU must:

1. Send exit counseling materials to Student #s 1, 6, 8, and 20.
2. Revise its exit loan counseling policies and procedures to include:
  - a) A process to confirm whether borrowers who have graduated or withdrawn completed exit counseling within 30 days; and
  - b) If the borrower has not completed exit counseling within 30 days, a process to provide exit counseling materials to the student by mail, or through an electronic means.

In response to this PRR, NU must provide documentation showing that it sent the Exit Counseling materials to the applicable students and its revised policies and procedures.

**Finding #8. Inadequate Costs of Attendance and Awarding Procedures**

**Noncompliance:** The term "cost of attendance" means—

- 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 for room and board costs incurred by the student;
- 4) For less than half-time students, tuition and fees and an allowance for only books, supplies, and transportation, dependent care expenses, and room and board costs;
- 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 each study;
- 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;
- 9) For a student with a disability, an allowance 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;
- 12) For a student who receives a loan under the HEA or any other federal loan, 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 Secretary, lender, or guaranty agency making or insuring such loan, as the case may be; and
- 13) At the option of the institution, for a student in a program requiring professional licensure or certification, the one-time cost of obtaining the first professional credentials. Section 472 (Part F) of the HEA.

An academic year for a program of study must include, for a program offered in credit hours, a minimum of 30 weeks of instructional time and, for an undergraduate educational program, an amount of instructional time whereby a full-time student is expected to complete at least 24 semester credit hours. 34 C.F.R. § 668.3(a). For a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (e.g., semesters), the payment period is the academic term. 34 C.F.R. § 668.4.

To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in the federal regulations. The Secretary considers an institution to have that administrative capability if, among other standards, the institution provides adequate financial aid counseling to eligible students who apply for Title IV, HEA assistance, including information about the source and amount of each type of aid offered, the method by which aid is determined and disbursed, delivered, or applied to a student's account, and the rights and responsibilities of the student with respect to enrollment at the institution and the receipt of financial aid. 34 C.F.R. § 668.16(h).

Institutions must provide student consumer information that includes, for all types of student aid, the criteria for determining the amount of a student's award. 34 C.F.R. § 668.42(b)(4). Institutional information that the institution must make readily available to enrolled and prospective students includes, but is not limited to,

The cost of attending the institution, including

- (i) Tuition and fees charged to full-time and part-time students;
- (ii) Estimates of costs for necessary books and supplies;
- (iii) Estimates of typical charges for room and board;
- (iv) Estimates of transportation costs for students; and
- (v) Any additional cost of a program in which a student is enrolled or expresses a specific interest. 34 C.F.R. § 668.43(a)(1).

A school must certify that the information it provides in connection with a loan application is complete and accurate. This information pertains, in part, to the borrower's eligibility for a loan and to the student's eligibility for interest benefits. 34 C.F.R. § 685.301.

A Pell Grant Payment Schedule is a table showing a full-time student's Scheduled Federal Pell Grant for an academic year. This table, published annually by the Secretary, is based on—

- 1) The student's EFC; and
- 2) The student's cost of attendance as defined in Part F of Title IV of the HEA.

The Department notes several findings at NU that fall into the categories of improper awarding of Title IV funds, failure to establish costs of attendance, and failure to provide students with complete information about their aid eligibility and the amounts of aid for which they may be eligible. Specifically,

- **Costs of Attendance inadequate:** NU did not have a process for establishing a Cost of Attendance (COA) for students who received Pell Grant or TEACH Grant funds and COAs for students receiving other types of aid (i.e. Direct Loans and campus-based funds) were inadequate. It appears that NU has not developed a COA for Pell Grant purposes that includes all COA elements of the HEA, as noted above. Instead, students are awarded and packaged on the basis of direct institutional costs without regard for indirect costs for which students are responsible. For Pell Grant purposes, on the basis of tuition only, students are eligible for the maximum Pell Grants on the Pell Grant schedule. Nevertheless, the institution must comply with the HEA in determining appropriate costs of attendance for an appropriate period of time.
- **Inadequate financial aid counseling and consumer information provided to students:** Consistent with the above, NU did not provide students with complete information about the COAs to attend NU. Tuition and fees costs are included in NU's catalog and NU's *Guide to Financial Aid 2018-19* provides additional costs but no information on room and board costs. Thus, complete COAs are not included in any student consumer information. As a result, students may have been, and likely were, unaware of their full eligibility for Title IV aid.
- **No award packaging process:** NU did not have a process whereby award letters were issued which, if carried out appropriately, would have included COAs and maximum Title IV aid for which a student was eligible for a term or an award year. Thus, there was no evidence a student was informed of his/her Title IV eligibility. In addition, NU's practices included awarding funds on the basis of the number of credits a student was taking at the beginning of a term. However, a term consists of 4 modules and it was entirely likely that students would enroll for additional credits for those upcoming modules. No adjustments to disbursements or awards were provided during a term. Due to this practice at NU, students may have been deprived of aid they were entitled to receive. Please note, however, the Department found no instances of underawards/underpayments in the sample of students reviewed.

The following examples demonstrate the noncompliance discussed in this finding:

- **Student #5:** NU disbursed \$2,908 in Pell Grant funds during the 2016-17 award year. There was no documentation indicating that the student was informed of his total COA or his maximum eligibility for aid, including eligibility for Direct Loan funds.
- **Student #10:** NU disbursed \$733 in Pell Grant funds during the 2016-17 award year. There was no documentation indicating that the student was informed of his total COA or his maximum eligibility for aid, including Direct Loan funds.
- **Student #18:** NU disbursed \$2,802 in TEACH Grant funds during the 2017-18 award year. There was no documentation indicating that the student was informed of his total COA or his maximum eligibility for aid.
- **Student #23:** NU provided a COA for this student that included monthly budgets for the student. There was no COA calculated for a full academic year. The documentation NU provided consisted of three computer printouts of a screen called "Student Budget Maintenance," one each for December 2017, November 2017, and October 2017. Without an adequate COA, the reviewers were unable to determine the student's eligibility for need-based Title IV aid or the student's total eligibility for Title IV funds.

**Required Action:** NU must develop written policies and procedures that will ensure that:

- A student's COA takes into account all of the statutory components of COAs and is prorated for periods of time that are less than the period for which the COA is established. Separate COAs for Pell Grants and Direct Loans/campus-based aid must be established, if appropriate, and standard COAs for the 2018-19 award year must be provided in response to this PRR, along with a copy of the policies and procedures that describe how costs are derived. These costs must be used in awarding aid beginning with the 2018-19 award year.
- Students are made aware of their total COAs; how awards are determined; maximum loan eligibility, based on their COAs and EFCs; and how to accept or decline Title IV awards, including making reductions in loan amounts when a student wishes to apply for an amount less than the maximum amount. This information must be provided in student consumer information and a copy of the consumer information must be provided in response to this PRR. In addition, NU must establish a financial aid counseling program that includes providing students with complete information on Title IV eligibility, including total COAs.
- Loan periods are consistent with the student's enrollment period and are originated appropriately, including full COAs.
- Packaging policies and procedures are established and provide students with complete information on COAs and amounts of aid for which students may be eligible depending on their enrollment statuses and other criteria. A copy of these policies and procedures must be submitted in response to this PRR, along with a sample award letter.

### **Finding #9. Inaccurate NSLDS Reporting**

**Noncompliance:** Institutions that participate in the Direct Loan program must report, confirm, and/or update the enrollment status of student loan recipients in the manner, format, and timeframe prescribed by the Secretary. See 34 C.F.R. § 685.309(b). NSLDS transmits electronic roster files containing student enrollment data to schools every 60 days, and schools have 15 days to return the completed roster file to the Department. This process is called Enrollment Reporting (formerly, the Student Status Confirmation Report (SSCR)). Accurate and timely reporting are critical, as the Department uses the enrollment data schools provide in NSLDS for a variety of purposes, including:

- Tracking interest subsidy payments;
- Ensuring the accuracy of loan repayment dates;
- Processing in-school deferments; and
- Evaluating the effectiveness of the Title IV programs, including completion data.

NU reported to NSLDS that for **Student #13** the last day of attendance was June 5, 2017. However, the actual last day of attendance for this student, as evidenced in the school's records, was June 25, 2017.

**Required Action:** Because this was an isolated incident and the school has updated the NSLDS record for Student #13, no further action is required in response to this finding. However, NU is reminded to ensure student NSLDS records are accurate. Reporting student enrollment data inaccurately may negatively impact students' repayment grace periods and Direct Subsidized Loan interest subsidies.

### **D. Recommendation**

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

### **Independent Study Courses**

The Department conducted a preliminary review of the Independent Study course materials and data that NU submitted. Based on that preliminary review, the Department determined that NU's Independent Study courses are correspondence courses. For Title IV purposes, a correspondence course is a course provided by an institution under which the institution provides instructional materials, by mail or electronic transmission, including examinations on the materials, to students who are separated from the instructor. Interaction between the instructor and student is limited, is not regular and substantive, and is primarily initiated by the student. Correspondence courses are typically self-paced. If a course is part correspondence and part residential training, the Secretary considers the course to be a correspondence course. A correspondence course is not distance education. 34 C.F.R. § 600.2.

NU stated, during a demonstration of the distance education platform in its Learning Management System (LMS), that it does not offer any correspondence courses; however, it enrolled 285 students and 193 students in Independent Study courses during the 2017-18 and 2018-19 award years, respectively. This is below the 50% correspondence student threshold (and below the correspondent course threshold) required by 34 C.F.R. § 600.7(a)(1), but if Independent Study course offerings or students increase, NU must ensure these courses have regular and substantive interaction (RSI) between faculty and students in order to not be considered correspondence courses. The Department provides the recommendations below:

- 1) Develop and implement policies and procedures that make regular and substantive interaction between students and faculty a required part of course design for all independent study courses.
  - a. Faculty should provide and document substantive feedback and guidance to students throughout the term (i.e., engaging in discussions with each student, commenting on written assignments, and providing comments on quizzes and tests throughout the term).
  - b. Feedback and guidance must be related to the academic content of the course (i.e., not limited to reminders about deadlines or other logistical matters) and should go beyond perfunctory comments such as “good job” or “great work.”
  - c. If rubrics are used for grading assignments, they should be enhanced by providing substantive feedback to students about how to improve their work if they received fewer than the maximum number of points.
  - d. Regular and substantive interaction must be initiated by the faculty, not only by students who have questions about the course materials.
- 2) Ensure that all instructors consistently include all of the information necessary for the successful completion of an independent study class, including information about interaction requirements, in their course syllabi.
- 3) Implement a periodic internal audit of independent study courses to ensure that they include regular and substantive interaction between faculty and students and that this interaction is documented. In addition, NU should share the findings of its internal audit with its faculty and provide training as needed.

#### **E. Appendices and Enclosure**

Appendix A (Program Review Student Sample) contains personally identifiable information. The Department will e-mail Appendix A to NU as an encrypted WinZip file using Advanced Encryption Standard, 256-bit and will send the password needed to open the encrypted WinZip file in a separate e-mail.

Appendix B (Distance Education Course Sample) lists the distance education courses the Department examined as part of the program review.

National University  
OPE ID: 01146000  
PRCN: 201840922907  
Page: 21

**Enclosure A (Improper Charges/Late Fees File Review Template) will be e-mailed to NU to assist the institution in completing the file review required in response to Finding #2.**

National University  
OPE ID: 01146000  
PRCN: 201840922907

## Appendix B

### Distance Education Course Sample

#### 2016-17 Award Year

<b>Course #</b>	<b>Class Name</b>	<b>Class Code</b>
1	Psychological Foundations of Education	40930
2	Quality Appraisal & Evaluation	25443
3	Culture and Change	55245
4	Principles of Sociology	25033
5	Equity and Diversity	11213

#### 2017-18 Award Year

<b>Course #</b>	<b>Class Name</b>	<b>Class Code</b>
6	Nursing Research	25684
7	Psychopathology	11373
8	Beginning Spanish I	55149
9	Play as Pedagogy	40037
10	Public Personnel Policy	35189