



FYI

June 4, 2014

Dr. Ty J. Handy  
President  
Northwest Florida State College  
100 College Boulevard  
Niceville, FL 32578-1295

UPS Tracking Number 1ZA879640294815329

Re: **Final Program Review Determination**  
OPE ID: 00151000  
PRCN: 2013-4-04-28426

Dear Dr. Handy:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on March 13, 2014 covering Northwest Florida State College's (NWFSC) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2011-2012 and 2012-2013 award years. The institution's final response was received on *May 21, 2014*.

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

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

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

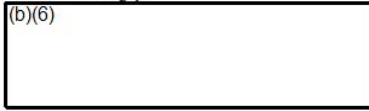
**Federal Student Aid**  
AN OFFICE of the U.S. DEPARTMENT of EDUCATION

Federal Student Aid, Atlanta School Participation Division  
61 Forsyth Street, Suite 18T40  
Atlanta, Georgia 30303-8918

If you have any questions please call David Smittick at 404-974-9301.

Sincerely,

(b)(6)



Chris Miller  
Division Director

Enclosure: Program Review Report (with attachments)  
NWFSC's Response to Program Review Report  
Protection of Personally Identifiable Information

cc: Patricia A. Bennett, Financial Aid Administrator  
Florida Florida State Department of Education Division of Vocational and Adult  
Education Southern Association of Colleges and Schools Commission on Colleges

## **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.

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Final Program Review Determination  
PRCN #: 2013-4-04-28426

Appendix A

Institution's Response to Program Review Report

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# NORTHWEST FLORIDA STATE COLLEGE

100 College Boulevard • Niceville, FL 32578-1295 • (850) 678-5111 • www.nwfsc.edu

May 15, 2014

Mr. David Smittick  
U.S. Department of Education  
Federal Student Aid  
School Participation Division – Atlanta  
61 Forsyth Street SW, Suite 18T40  
Atlanta, Georgia 30303-8918

RE: Program Review Report  
OPEID: 00151000  
PRCN: 2013-4-04-28426

Dear Mr. Smittick:

The following is Northwest Florida State College's response to the five findings from the September 23, through September 27, 2013 Federal Program Review.

## **Finding 1: Unofficial Withdrawal Policy Not Fully Developed**

The Northwest Florida State College (NWFSC) unofficial withdrawal policy stated:

A student with excessive absences under NWFSC attendance policy may be withdrawn from class for non-attendance. Withdrawal for non-attendance prior to the established withdrawal deadline will appear as "W" on the student's transcript. If the student incurs excessive absences beyond that date, he or she will be withdrawn from the class and the grade appearing on the transcript will be determined by the instructor according to the grading policies of the course; normally the grade will be "F". Withdrawals under these circumstances will be counted as "attempts" for purposes of full cost and repeat course rules.

**Required Action:** If a student who began attendance and did not officially withdraw fails to earn a passing grade in at least one course offered over an entire period, the school must assume, for Title IV purposes, that the student has unofficially withdrawn (unless the school can document that the student completed the period).

On October 18, 2013, the Department provided NWFSC examples of unofficial withdrawal policies for its review and to assist, if necessary with the development of its policy.

In response to this finding, NWFSC is required to revise and submit to the Department its unofficial withdrawal policy. Furthermore, the revised policy must include language that addresses the consequences specific to Title IV recipients. For example, when an institution completes a refund (R2T4) calculation as a result of a student's withdrawal, the institution may determine that a student must return Title IV aid back to the Department.

**Response:** After consultation between the Director of Financial Aid/VA and the Dean of Students, NWFSC included a more detailed policy on how these students will be treated with respect to their Title IV funds. The Unofficial Withdrawals Policy was immediately incorporated into the NWFSC 2013-2014 Catalog. (See Attachment 1).

**Finding 2: Satisfactory Academic Progress (SAP) Not Adequately Monitored**

The review found that, although the school does provide appeal procedures that allow for the death of a relative, medical occurrences, or mitigating circumstances, the appeal of SAP for financial aid eligibility was granted to one student for non-mitigating circumstances. Student #2 had prior attendance at NWFSC. The student re-entered the institution in the Spring of 2011-2012. At the time of re-entry, it does not appear to the reviewers that the student was in good standing academically. At the time the student was accepted for re-enrollment, his cumulative grade point average (GPA) was 1.87, and he had attempted 50 credit hours. The student's cumulative GPA should have been 2.00 at a minimum according to the school's SAP standards.

NWFSC admitted the student based on his appeal which stated the student's desires to complete what he started and because he now owns his own home, manages a business and has three children.

The Department did not find these circumstances to be mitigating or in any way unusual from any other adult students. This student completed the one term and did not return according to the NSLDS and the student's transcript. This student received \$600 in FPELL grant funds during the 2011-2012 award year.

**Required Action:** NWFSC must improve its appeal approval process so that it only allows for mitigating circumstances such as those outlined in the opening paragraph of this finding. A copy of the revised process must be sent to the Department. Additionally, concerning student #2, the institution must provide a reasonable explanation why it approved the appeal based on the submitted circumstances. If the institution cannot demonstrate that the appeal, or if it does not have other documentation to support guidance provided participating institutions for appeals, NWFSC may have to repay the \$600 in FPELL grant funds disbursed on the student's behalf.

**Response:** Northwest Florida State College has a financial aid committee that reviews SAP appeal requests. Our mission is to make education available to all students, so the financial aid committee approved Student #2's appeal based on his academic record showing that he had a life change from his earlier attempt at college. While his circumstances don't fit into the listed mitigating circumstances, he showed that his life turned around with his new responsibilities. The committee felt that his academic record was his documentation.

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With each change in federal regulations, NWFSC has strengthened its scrutiny of SAP appeals, and the percentage of students who submit documented mitigating circumstances and can benefit from an academic plan is low. NWFSC no longer allows an approved SAP appeal based solely on a change in life. Students must account for their entire academic record even if the semesters are extremely old and date back to the time that the student first entered college after high school graduation. This will, of course, result in students who were not ready for college when they were 18 years old and therefore did poorly, seeking to return a decade or more later when they are much more mature and recognize the value of an education being denied that opportunity. The costs to society of carrying these unfortunate citizens on welfare programs will likely exceed the dollar value of financial aid denied, in my opinion.

A copy of the revised process is provided as Attachment 2.

### **Finding 3: Verification Violations**

The review found that, for Student #9, the institution failed to accurately capture both taxes paid and untaxed income, or make corrections in its verification of the student's income. For instance, the total federal taxes paid per the student's 2010 Federal tax return are \$336. However, the student's Institutional Student Information Report (ISIR) indicates \$0 in Federal taxes paid. Additionally, the institution failed to correctly capture untaxed child support income. The ISIR indicates, \$4,676, while the Verification Worksheet indicates \$3,676.

**Required Action:** NWFSC must improve its processes as it relates to the verification process. If the differences occur between income (taxed or untaxed), the institution must make the required corrections.

In its response to this report, NWFSC must provide assurances to the Department that it has revised or reviewed its current Verification process and make the required revisions, if necessary.

**Response:** NWFSC reviewed the verification materials for student #9, and stands by the verification. The student listed \$3,676 as BAS not Child Support; additionally, during the 2011-2012 academic year the U.S. Department of Education notified colleges of the requirement to include the line item "making work pay credit" as other untaxed income. As to the U.S. Income Tax paid, the ISIR instructions clearly indicate that the amount to be used on the FAFSA is found on line 55 of IRS Form 1040. The student's ISIR and verification were processed correctly.

No revision to the verification process is necessary. (See Attachment 3).

### **Finding 4: Return to Title IV (R2T4) Not Made**

The review found one instance where it appeared the institution did not perform an R2T4 calculation for a student who failed to earn a passing grade in any classes attempted. Student# 17's transcript indicates she attempted 12 credit hours for the fall 2012-2013 term. The student failed to earn a passing grade in any courses attempted.

Nothing in the student's file indicated teacher confirmation was received or that the student earned each non passing grade and/or completed the term. Student #17 received \$2,100 in FPELL grant funds during the 2012-2013 award year.

**Required Action:** In response to this report, NWFSC must provide the Department with the R2T4 calculation that it used to determine the correct amount of unearned funds, which should have been returned to the appropriate Title IV program. If NWFSC did not or was not required to perform a refund calculation, the institution must provide documentation to support that no refund calculation was required for this student, i.e. teacher confirmation or an academically related activity. If additional funds are due back as a result of the R2T4 calculation, the institution must provide that documentation in its response. The data should include:

1. Student Name
2. Award year
3. Correct amount due (if any by program, i.e. FPELL, FDL, subsidized, unsubsidized).

**Response:** NWFSC reviewed the academic record and R2T4 calculations for the fall 2012 semester. Student #17 failed to earn a passing grade in any class attempted, and an R2T4 calculation for this student was processed based on her last date of attendance provided by her instructors. The student earned 100% of her aid so no return was required.

The R2T4 calculation and last date of attendance are included. (See Attachment 4).

#### **Finding 5: Exit Counseling Missing**

The review found two instances in which students apparently failed to receive the required exit counseling.

Student #15 did not return after the fall 2011-2012 term. The student received FOL subsidized loan during the 2011-2012 award year. Nothing in the file indicated that the institution conducted in person, online exit counseling or mailed the student exit counseling as required.

Student #30 graduated August 5, 2013 with a Bachelor of Science degree. This student received FOL subsidized loans for the 2012-2013 award year. Nothing in the file indicated that the institution conducted in person, online exit counseling or mailed the student exit counseling as required.

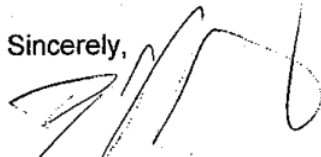
**Required Action:** For the two students cited in this finding, the institution must conduct exit counseling as required. If exit counseling has already been completed, the institution must provide supporting documentation that it has provided exit counseling to the two students. Additionally, NWFSC must provide a copy of its policies and procedures on its processes regarding exit and entrance counseling as part of its response to this report.

**Response:** NWFSC adheres to the requirement that students who were loan borrowers must go through exit counseling. NWFSC notifies this student population of the requirement and maintains a record of notifications. The circumstances of these two students' departures prevented the College from conducting in person counseling, however, letters were sent to the students informing them of their obligations and advising them how to obtain additional information.

A copy of the correspondence to the students is included. (See Attachments 5 and 6). A copy of the policies and procedures on our processes regarding exit and entrance counseling is included as Attachment 7.

In conclusion, I would like to thank the Department for the ongoing assistance it provides to institutions to assist them in making higher education available to some of our most needy students. We believe this review supports our assessment that the College's Financial Aid Office does a commendable job of administering Title IV, HEA programs.

Sincerely,



Ty J. Handy  
President



Final Program Review Determination  
PRCN #: 2013-4-04-28426

Appendix B  
Program Review Report

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FY1

March 13, 2014

Dr. Ty J. Handy  
President  
Northwest Florida State College  
100 College Boulevard  
Niceville, FL 32578-1295

UPS Tracking Number:  
1ZA879640290310014

RE: **Program Review Report**  
OPE ID: 00151000  
PRCN: 2013-4-04-28426

Dear Dr. Handy:

From September 23, 2013 through September 27, 2014, David Smittick and Lonnie Seal, as representatives of the U.S. Department of Education conducted a review of Northwest Florida State College's (NWFSC) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by NWFSC. The response should include a brief, written narrative for each finding that clearly states NWFSC's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, NWFSC must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review 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). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for

<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).

inspection by NWFSC upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to David Smittick of this office within 30 calendar days of receipt of this letter.

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

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

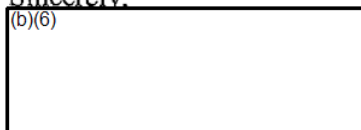
**Record Retention:**

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

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact David Smittick at 404-974-9301 or david.smittick@ed.gov.

Sincerely,

(b)(6)



Chris Miller  
Compliance Manager

cc: Patricia A. Bennett, Financial Aid Administrator

Enclosure:

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

## PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

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PII data cannot be sent via fax.

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Prepared for  
Northwest Florida State College

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

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OPE ID: 00151000  
PRCN 2013-4-04-28426

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

## Program Review Report

March 13, 2014

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Federal Student Aid, Atlanta School Participation Division  
61 Forsyth Street SW, Suite 18T40  
Atlanta, Georgia 30303-8930  
StudentAid.gov

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**A. Institutional Information**

Northwest Florida State College  
100 College Boulevard  
Niceville, FL 32578-1295

Type: Public

Highest Level of Offering: Bachelor's Degree

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

Current Student Enrollment: 11,568 (2012-2013 Award Year)

% of Students Receiving Title IV: 26% (2012-2013 Award Year)

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

2012-2013 Award Year

Federal Pell Grant (FPELL)	\$8,862,204
Federal Direct Loan (FDL)	\$2,113,121
Federal Supplemental Education Opportunity Grant (FSEOG)	\$ 99,495
Federal Work Study (FWS)	\$ 69,655

Default Rate FFEL/DL:	2011	10.8%
	2010	11.4%
	2009	11.2%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Northwest Florida State College (NWFSC) from September 23, 2013 to September 27, 2013. The review was conducted by David Smittick and Lonnie Seal.

The focus of the review was to review all Title IV recipients with a high percentage of FPELL Lifetime Eligibility Used (LEU) that had not progressed past the second and third academic year level according to NSLDS. The review consisted of an examination of NWFSC's student financial aid 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 NWFSC'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 NWFSC 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 NWFSC to bring operations of the financial aid programs into compliance with the statutes and regulations.

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### **Finding 1: Unofficial Withdrawal Policy Not Fully Developed**

**Citation:** When a recipient of Title IV grant or loan funds withdraws from a school (officially or unofficially) after beginning attendance, the amount of Title IV funds earned by the student must be determined. R2T4 calculations are based on a statutory formula developed by the Department and must be used on all recipients of FSA funds. The formula is based, in part, on the amount of time a student actually spent in attendance at the school. If the amount disbursed to the student is *greater* than the amount the student earned, unearned funds must be returned no later than 45



days after the date the institution determined that the student withdrew. If the amount disbursed to the student is *less* than the amount the student earned, and for which the student is otherwise eligible, the student may be eligible to receive a post-withdrawal disbursement of the earned aid not received. See 34 § C.F.R. 668.22

With respect to unofficial withdrawals, DCL GEN-04-03 dated November 2004 states that schools must have a procedure for determining whether a Title IV recipient who began attendance during the period actually completed the period, or if the recipient should be treated as a withdrawal. If a student earns a passing grade in one or more of his/her classes during the period for that class, the school can presume that the student completed the course, and thus the period. However, if a student who began attendance and did not officially withdraw fails to earn a passing grade in at least one course offered over an entire period, the school *must* assume, for Title IV purposes, that the student has unofficially withdrawn (unless the school can document that the student completed the period).

In addition, schools have two options for determining the last date of attendance of an unofficial withdrawal: 1) use the midpoint of the payment period or period of enrollment, or 2) if the school is not required to take attendance, determine the last documented academically related activity (e.g., exam, quiz, tutorial, computer-assisted instruction, academic advising/counseling, academic conference, completion of an academic assignment, paper, or project, and/or attending a study group required by the school where attendance was taken). See 2012-2013 *Federal Student Aid Handbook, Volume Five, Pages 5-56 to 58.*

**Noncompliance:** NWFSC's unofficial withdrawal policy states:

A student with excessive absences under NWFSC attendance policy may be withdrawn from class for non-attendance. Withdrawal for non-attendance prior to the established withdrawal deadline will appear as "W" on the student's transcript. If the student incurs excessive absences beyond that date, he or she will be withdrawn from the class and the grade appearing on the transcript will be determined by the instructor according to the grading policies of the course; normally the grade will be "F". Withdrawals under these circumstances will be counted as "attempts" for purposes of full cost and repeat course rules.

**Required Action:** If a student who began attendance and did not officially withdraw fails to earn a passing grade in at least one course offered over an entire period, the school *must* assume, for Title IV purposes, that the student has unofficially withdrawn (unless the school can document that the student completed the period).

On October 18, 2013, the Department provided NWFSC examples of unofficial withdrawal policies for its review and to assist, if necessary with the development of its policy.

In response to this finding, NWFSC is required to revise and submit to the Department its unofficial withdrawal policy. Furthermore, the revised policy must include language that addresses the consequences specific to Title IV recipients. For example, when an institution

completes a refund (R2T4) calculation as a result of a student's withdrawal, the institution may determine that a student must return Title IV aid back to the Department.

**Finding 2: Satisfactory Academic Progress (SAP) Not Adequately Monitored**

**Citation:** 34 C.F.R 668.32(f) states that in order to be eligible for Title IV aid, a student must maintain satisfactory progress in his/her course of study according to the school's published standards.

For schools that review SAP annually, *Volume One, Chapter One, page 1-8 of the 2012-2013 Federal Student Aid Handbook* states that when a student loses FSA eligibility due to failure to make SAP, the student may appeal that result on the basis of injury or illness, the death of a relative, or other special circumstances. The appeal must explain why the student failed to make SAP, and what has changed in the student's situation that will enable him to make SAP at the next evaluation.

If the school approves the appeal, and determines that it will take more than one payment period for the student to meet SAP standards, the school may place the student on probation for one payment period and develop an academic plan for the student. At the end of the payment period, the school must check the student's progress to determine if he or she is meeting the requirements of the academic plan. As long as the student meets the requirements of the academic plan, and his or her progress is reviewed according to the plan requirements, he or she is eligible to receive FSA funds. *See 2012-2013 Federal Student Aid Handbook, Volume One, page 1-10.*

**Noncompliance:** Although the school does provide appeal procedures that allow for the death of a relative, medical occurrences, or, mitigating circumstances, our review indicated that the appeal of SAP for financial aid eligibility was granted to one student for non-mitigating circumstances as follows:

Student #2. This student had prior attendance at NWFSC. The student re-entered the institution in the Spring of 2011-2012. At the time of re-entry, it does not appear that the student was in good standing academically. At the time the student was accepted for re-enrollment, his cumulative grade point average (GPA) was 1.87, and had attempted 50 credit hours. The student's cumulative GPA should have been 2.00 at a minimum according to the schools SAP standards.

NWFSC admitted the student based on his appeal which stated the student's desires to complete what he started and because he now owns his own home, manages a business and has three children.

The Department does not find these circumstances to be mitigating or in anyway unusual from any other adult students. This student completed the one term and did not return according to the

NSLDS and the student's transcript. This student received \$600 in FPELL grant funds during the 2011-2012 award year.

**Required Action:** NWFSC must improve its appeal approval process so that it only allows for mitigating circumstances such as those outlined in the opening paragraph of this finding. A copy of the revised process must be sent to the Department. Additionally, concerning student #2, the institution must provide a reasonable explanation why it approved the appeal based on the submitted circumstances. If the institution cannot demonstrate that the appeal, or if it does not have other documentation to support guidance provided participating institutions for appeals, NWFSC may have to repay the \$600 in FPELL grant funds disbursed on the student's behalf.

Repayment instructions, if any, will be included in the Department's Final Program Review Determination.

### **Finding 3: Verification Violations**

**Citation:** 34 C.F.R. § 668.56 states an institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for student financial assistance. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided.

Federal regulations 34 C.F.R. § 668.16(f) also requires an institution to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV programs.

**Noncompliance:** Student #9. For this student, the institution failed to accurately capture both taxes paid and untaxed income, or make corrections in its verification of the student's income. For instance, the total federal taxes paid per the student's 2010 Federal tax return are \$336. However, the student's Institutional Student Information Report (ISIR) indicates \$0 in Federal taxes paid. Additionally, the institution failed to correctly capture untaxed child support income. The ISIR indicates, \$4,676, while the Verification Worksheet indicates \$3,676.

**Required Action:** NWFSC must improve its processes as it relates to the verification process. If the differences occur between income (taxed or untaxed), the institution must make the required corrections.

In its response to this report, NWFSC must provide assurances to the Department that it has revised or reviewed its current Verification process and make the required revisions, if necessary.

#### **Finding 4: Return To Title IV (R2T4) Not Made**

**Citation:** When a recipient of Title IV grant or loan funds withdraws from a school after beginning attendance, the amount of Title IV grant or loan assistance earned by the student must be determined. If the amount disbursed to the student is greater than the amount the student earned, unearned funds must be returned. See 34 C.F.R. § 668.22(a).

If a student earns a passing grade in one or more of his classes offered over an entire period for that class, an institution may presume that the student completed the course and thus completed the period. If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution *must* assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

Furthermore, DCL GEN-04-03, dated February 2004, specifically indicates that an institution must have a procedure for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal. Additionally, 34 C.F.R. § 668.22(c), General Requirements indicate that for a student who ceases attendance at the institution that is not required to take attendance, the student's withdrawal date is either the mid-point of the payment period (or period of enrollment), or a date the school determines that most accurately reflects when the student ceased academic attendance due to circumstances beyond the student's control.

**Noncompliance:** In one instance, for a student who failed to earn a passing grade in any classes attempted, the institution did not perform an R2T4 calculation. Student #17's transcript indicates she attempted 12 credit hours for the fall 2012-2013 term. The student failed to earn a passing grade in any courses attempted.

Nothing in the student's file indicates teacher confirmation was received or that the student earned each non passing grade and/or completed the term. Student #17 received \$2,100 in FPELL grant funds during the 2012-2013 award year.

**Required Action:** In response to this report, NWFSC must provide the Department with the R2T4 calculation that it used to determine the correct amount of unearned funds, which should have been returned to the appropriate Title IV program. If NWFSC did not or was not required to perform a refund calculation, the institution must provide documentation to support that no refund calculation was required for this student, i.e. teacher confirmation or an academically related activity. If additional funds are due back as a result of the R2T4 calculation, the institution must provide that documentation in its response. The data should include:

1. Student Name
2. Award year
3. Correct amount due (if any by program, i.e. FPELL, FDL, subsidized, unsubsidized)

Repayment instructions, if any, will be provided in the Department's Final Program Review Determination Letter.

**Finding 5: Exit Counseling Missing**

**Citation:** Federal regulations 34 C.F.R. § 685.304(b) indicates a school must ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means, unless the borrower has received a prior Federal Family Education Loan (FFEL) or Federal Direct Loan (FDL).

In each case, a school must ensure that counseling is conducted shortly before the borrower ceases half-time study at the school, and that an individual with experience in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions.

Similarly, if a student borrower withdraws from the school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure exit counseling is provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the borrower's last known address within 30 days after learning that the student borrower has withdrawn from the school or failed to complete the exit counseling as required.

**Noncompliance:** Student #15. This student did not return after the fall 2011-2012 term. The student received FDL subsidized loan during the 2011-2012 award year. Nothing in the file indicates that the institution conducted in person, online exit counseling or mailed the student exit counseling as required.

Student #30. This student graduated August 5, 2013 with a Bachelor of Science degree. This student received FDL subsidized loans for the 2012-2013 award year. Nothing in the file indicates that the institution conducted in person, online exit counseling or mailed the student exit counseling as required.

**Required Action:** For the two students cited in this finding, the institution must conduct exit counseling as required. If exit counseling has already been completed, the institution must provide supporting documentation that it has provided exit counseling to the two students.

Additionally, NWFSC must provide a copy of its policies and procedures on it processes regarding exit and entrance counseling as part of its response to this report.

## 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.