

# CALIFORNIA STUDENT AID COMMISSION

LEGAL AND AUDIT SERVICES DIVISION



April 26, 2017

Jie Zhao  
President  
Mt. Sierra College  
800 Royal Oaks Drive, Suite 101  
Monrovia, CA 91016

RE: Program Compliance Review ID#91603128700

Dear Mr. Zhao:

The following is the final report of our program compliance review of your institution's participation in the California Student Aid Commission's (Commission) grant programs.

Thank you for the courtesy and cooperation extended to the Commission staff during the review. Your continued effort and consideration toward the Commission's programs will help produce an efficient and beneficial student financial assistance program.

If I, or any member of my staff, can be of further assistance to you, please feel free to call us.

Sincerely,

A handwritten signature in blue ink, appearing to read "Keith Yamanaka".

Keith Yamanaka, Chief Deputy Director

Enclosure

cc: Lida Castillo, Director of Student Finance  
John Persavich, Provost and Chief Academic Officer  
Program Review File



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***Program Compliance Office  
Cal Grant Program Review Report***

***2014-15 Award Year***

**Mt. Sierra College  
Program Review ID#91603128700**

**800 Royal Oaks Drive, Suite 101  
Monrovia, CA 91016**

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**Program Review Dates:**

May 2016

**Auditor:**

Nati Bugarin

**Report Approved by:**

Melanie Wong, Acting Manager  
Program Compliance Office

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## AUDITOR'S REPORT

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### SUMMARY

We reviewed Mt. Sierra College's administration of California Student Aid Commission (Commission) programs for the 2014-15 award year.

The Institution's records disclosed the following deficiencies:

- Education levels (EL) certified incorrectly
- Incorrect Cal Grant disbursement due to enrollment status
- Interest earned on Cal Grant funds not returned timely to the Commission

### BACKGROUND

The Commission performs institution compliance reviews to ensure program integrity and institution compliance with applicable laws, policies, contracts and institutional participation agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

A and B

The following information, obtained from the Institution and the Commission's database, is provided as background on the Institution:

#### A. Institution

- Type of Organization: For Profit Institution
- President: Jie Zhao
- Accrediting Body: Accrediting Commission of Career Schools/Colleges of Technology

#### B. Institutional Persons Contacted

- Lida Castillo: Director of Student Finance

#### C. Financial Aid

- Date of Prior Commission Program Review: August 2003
- Branches: None
- Financial Aid Programs: Federal: Direct Loan Program, SEOG, Pell, and Work-Study  
State: Cal Grant A and B
- Financial Aid Consultant: None

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## AUDITOR'S REPORT (continued)

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### OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the Institution adequately administered Commission programs and complied with applicable laws, policies, contracts and institutional participation agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. File Maintenance and Records Retention
- E. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the Institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 31 students who received a total of 3 Cal Grant A awards and 28 Cal Grant B awards within the review period. The program review sample was selected to include all students awarded.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the Institution's management controls only to the extent necessary to plan the review.

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## AUDITOR'S REPORT (continued)

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OBJECTIVES,  
SCOPE AND  
METHODOLOGY  
(continued)

This report is written using the exception-reporting format, which excludes the positive aspects of the Institution's administration of the Commission grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers.

CONCLUSION

In conclusion, this report records the findings from our review and identifies the required actions necessary to improve controls and ensure the adequate administration of the Commission's grant programs. The matters raised in this report are only those which have come to our attention during the course of the compliance review and do not necessarily represent a comprehensive record of all the matters.

May 17, 2016

Keith Yamanaka, Chief Deputy Director

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## FINDINGS AND REQUIRED ACTIONS

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APPLICANT  
ELIGIBILITY:

### **FINDING 1: Education levels (EL) certified incorrectly**

A review of 27 students selected for EL verification revealed six cases in which the EL was verified incorrectly.

#### **DISCUSSION:**

A new Cal Grant recipient who continues to meet all program eligibility requirements and who demonstrates financial need may have his or her Cal Grant award renewed up to the maximum of the equivalent of four years of full-time attendance. The total number of years of Cal Grant Program eligibility is based upon the student's EL in his or her course of study at the time of the initial Cal Grant award.

To ensure that new Cal Grant A and B recipients receive the correct amount of initial program eligibility, institutions must verify that Commission records reflect the recipient's correct EL for the term in which the first Cal Grant payment is made. The Commission recommends that schools verify the EL for new recipients prior to making the Fall term payment.

The education level policy at Mt. Sierra College is as follows:

Grade Level	Number of Units
1	0 – 45
2	46 – 90
3	91 – 135
4	136 - 180+

A review of the academic transcripts for students 1, 4, 18, 30 and 31 showed that the Institution incorrectly reported a lower EL which increased the students' initial amount of Cal Grant eligibility by 100%, while a higher EL was reported for student 26 which decreased the student's initial amount of Cal Grant eligibility by 100% as illustrated:

Student	Cal Grant Type	Education Level Reported	Units Completed	Correct Education Level
1	B	3	140	4
4	B	3	158	4
18	B	3	136	4
26	B	4	122	3
30	B	3	152	4
31	B	2	108	3

An institution's maintenance of accurate records and reporting of correct information is a fundamental aspect of Cal Grant Program administration. Failing to confirm and report a student's correct EL results in the student's Cal Grant Program eligibility being calculated in a manner that is inconsistent with statutory requirements. An institution that fails to comply with applicable laws, policies,

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## FINDINGS AND REQUIRED ACTIONS (continued)

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contracts and its Institutional Participation Agreement may lose its eligibility to participate in the Cal Grant Program for failing to meet standards of administrative capability.

### REFERENCES:

California Education Code section 69433.6  
2012-16 Institutional Participation Agreement, Article IV.B.  
Cal Grant Manual, Chapter 7, October 2005  
Cal Grant Manual, Chapter 8, November 2005  
Cal Grant Handbook, Chapter 6, page 44-45, 2/11/2016  
Cal Grant Handbook, Chapter 10, page 81, 02/11/2016  
Cal Grant Handbook, Chapter 15, page 142, 02/11/2016

### REQUIRED ACTION #1:

The Commission has increased the Cal Grant eligibility for student 26 by 100%. The Institution is required to submit policies and procedures that will be implemented to ensure that education levels are correctly determined and reported to the Commission prior to the initial Cal Grant payment.

The Institution is additionally required to conduct a portfolio review of all Cal Grant recipients selected for EL verification for the 2015-16 award year providing the following data elements:

- First Name
- Last Name
- SSN
- Cal Grant Type (A or B)
- Award Year
- EL per WebGrants Roster
- Correct EL

Academic transcripts for **all students included in the portfolio** and ineligible funds as a result of the portfolio review must be submitted in response to this finding.

### INSTITUTION RESPONSE #1:

“In this case the institution concurs. Due to misinterpretation of the process, the financial aid advisor incorrectly counted completed and transfer of credits. The department has reviewed and updated the process for the review of grade level for all new recipients. In addition, the department has designated an advisor to implement a second check before the end of each term. Conducted a portfolio review of all Cal Grant recipients selected for EL verification for the 2015-16 award year.”



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## FINDINGS AND REQUIRED ACTIONS (continued)

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### PORTFOLIO REVIEW RESULTS:

The portfolio review of 29 students selected for EL verification for the 2015-16 award year revealed the Institution incorrectly reported a lower EL for student X5 which increased the student's initial amount of Cal Grant eligibility by 100% and incorrectly reported a higher EL for student X26 which decreased the student's initial amount of Cal Grant eligibility by 100%.

Furthermore, the maximum award amount for the Cal Grant B program for first-year students covers living expenses, books, supplies and transportation, **but not tuition and fees**. The grant covers tuition and fee award amounts beyond the freshman year.

Academic transcripts disclosed student X26 began a new program of study (Business Administration) in the Fall 2015 term. Because of the change in program and the application of zero accepted transfer credits prior to Fall 2015 for the new program, student X26 was an EL1 (not an EL2 as reported by the Institution). Commission and Institutional records indicate that the student received \$4,667 in Cal Grant B Tuition/Fee awards and \$1,932 in Cal Grant B Access awards for the award year. The student was solely eligible to receive \$1,932 in Access awards based upon the student's grade level. Thus, the \$4,667 in Tuition/Fee awards is deemed ineligible.

### COMMISSION REPLY 1:

The Institution is reminded that a student's EL must reflect all transfer units accepted by the Institution as well as all completed units earned prior to the term in which the first Cal Grant payment is made (i.e. All accepted transfer units and completed units prior to Fall 2015 for new 2015-16 students selected for EL verification). Once EL has been correctly verified prior to the first payment, the Institution must not adjust a student's EL to include completed units from subsequent terms in the award year. For example, if a student has completed 45 units prior to Fall 2015 and is verified as an EL1 for the 2015-16 award year, the Institution must not adjust the EL to include Fall 2015 (12 units) or Spring 2016 (12 units) completed units.

### REQUIRED ACTION 2:

The Institution is required to return the ineligible funds in the amount of **\$4,667** for student X26. Additionally, the Institution is required to submit **written** policies and procedures that will be implemented to ensure that education levels are correctly determined (inclusion of acceptable transfer units and completed units prior to term of first Cal Grant payment) and reported to the Commission prior to the initial Cal Grant payment.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### INSTITUTION RESPONSE #2:

In this case the institution concurs. Institution will review CSAC report to ensure the records reflect recipient's correct EL for the term in which the first Cal Grant payment is made.

The institution's financial aid department has implemented updated process for the review of grade level for all new recipients. All new recipients' EL will be reviewed and verified prior to making the Fall term payment. In addition, a second check will be conducted to ensure any expected transfer credits are included.

A copy of the check in the amount of \$5607 has been attached to comply with the return of ineligible funds in the amount of \$4667.

### COMMISSION REPLY 2:

The policies and procedures and the return of the ineligible funds are deemed acceptable. No further action is necessary.

FUND  
DISBURSEMENT  
AND REFUNDS:

### FINDING 2: Incorrect Cal Grant disbursements due to enrollment status

A review of 31 student files disclosed one case where a student received a disbursement in excess of their eligible amount due to enrollment status.

### DISCUSSION:

Institutions are required to verify eligibility at the time that Cal Grant funds are disbursed to the student or credited to the student's account. The enrollment status must be determined according to the student's attendance at the time Cal Grant funds are paid to the student. Enrollment status directly correlates to the amount of the Cal Grant award and the percentage of eligibility used. Additionally, when reporting payments for a term that has ended, schools must base the attendance on the number of units **completed** for the term.

The Institution's enrollment status policy is as follows:

Full-time	12 units or more
Three-quarter-time	9-11 units
Half-time	6-8 units

A review of the file of student 15 revealed that the student attempted 12 units for the Fall 2014 term and subsequently withdrew from 4 units on 11/19/2014, resulting in 8 completed units. Institutional records indicate that the student was paid a full-time Cal Grant B payment in the amount of \$1,882 (\$1,333 tuition and \$549 access) on 06/22/2015, after the completion of the Fall 2014 term.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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Since the Institution disbursed Cal Grant funds to the student after the term ended, the student was only eligible to receive a half-time payment in the amount of \$942 (\$667 tuition and \$275 access) for the Fall 2014 term. As a result, the ineligible amount of **\$940** (\$1,882 - \$942) must be returned to the Commission.

*In order to meet its responsibilities to the Commission, an institution must be capable of adequately administering Cal Grant Program requirements. The Institution was previously cited for disbursing more than eligible due to enrollment status in the August 2003 CSAC Audit Report for the 2001-02 award year. Thus, this finding is deemed as an area of continued noncompliance. An institution that fails to comply with applicable laws, policies, contracts and institutional participation agreements may lose its eligibility for participating in the Cal Grant Programs for failing to meet standards of administrative capability.*

### REFERENCES:

California Education Code section 69432.7(f)  
Institutional Participation Agreement, Article IV.B  
Institutional Participation Agreement, Article IV.C.1.b  
Cal Grant Manual, Charter 8, November 2005  
Cal Grant Manual, Chapter 9, September 2003  
Cal Grant Handbook, Chapter 10, page 80, 2/11/2016  
Cal Grant Handbook, Chapter 13, page 113, 2/11/2016

### REQUIRED ACTIONS 1:

In response to the above finding, the Institution must return the ineligible funds of **\$940** for student 15. Furthermore, the Institution must provide written procedures and internal controls that will be put into place to ensure that enrollment status is verified prior to Cal Grant fund disbursement.

Furthermore, Institution staff must receive training pertaining to the finding above. Please contact Alessandra Morrison at (916) 464-7960 or via e-mail at [alessandra.morrison@csac.ca.gov](mailto:alessandra.morrison@csac.ca.gov). Certification of completion of all required training must be provided when responding to this finding.

### INSTITUTION RESPONSE 1:

"In this unique finding the institution **does not** concur. The institution believes this is incorrect. The institution followed policy and procedures outline (sic) by Cal Grant Handbook and Institution.

The institution is requesting review and elimination of this finding. Based on our policy I reported/paid based on status (attempted) which counterparts (sic) policy listed on Cal Grant Handbook page 113."

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### COMMISSION REPLY 1:

The Cal Grant Handbook (2/11/2016-Version 2.1), Chapter 13, page 113, does state that Cal Grant payments should be disbursed based on the recipient's enrollment status using the institution's add/drop date, financial aid census date, or its equivalent, however, Cal Grant Handbook (2/11/2016-Version 2.1), Chapter 10, page 80, states that when making payment for a term that has ended, the institution must base the attendance on the number of units successfully completed for the term.

Since the Institution disbursed Cal Grant funds to student 15 after the term ended, the student was only eligible to receive a half-time payment (8 completed units) in the amount of \$942 (\$667 tuition and \$275 access) for the Fall 2014 term. As a result, the ineligible amount of **\$940** (\$1,882 - \$942) must be returned to the Commission.

### REQUIRED ACTIONS 2:

The Institution must return the ineligible funds of **\$940** for student 15 as directed in the payment instructions located at the conclusion of this report. Furthermore, the Institution must provide **written** procedures and internal controls that will be put into place to ensure that enrollment status is verified prior to Cal Grant fund disbursement.

### INSTITUTION RESPONSE 2:

In this isolated case the institution concurs. As previously mentioned, the institution misinterpreted policy, stated in handbook chapter 13 compared to chapter 10 for which the Commission was contacted for guidance however, was misguided. The institution failed to get written guidance and relied on verbal information.

The institution has updated and reviewed policy with staff to avoid reoccurrence; in addition has reviewed mini training via CSAC website related to findings.

Furthermore, when in doubt, any needed guidance will be made in writing for reference purposes and avoid misunderstanding of question and/or responses.

The institution has corrected the matter immediately returned the amount of \$940 as requested by the Commission. (Copy of check attached)

In addition, the institution has contacted Alessandra regarding required training pertaining to the finding above.

### COMMISSION REPLY 2:

The policies and procedures and the return of the ineligible funds are deemed acceptable. No further action is necessary.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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FISCAL  
RESPONSIBILITY  
FOR PROGRAM  
FUNDS:

**FINDING 3: Interest earned on Cal Grant funds not returned timely to the Commission**

A review of documentation provided by the Institution revealed that interest earned on Cal Grant funds was not returned timely for the 2014 and 2015 calendar years.

**DISCUSSION:**

Annual interest earned on Cal Grant funds constitutes State funds and must be remitted to the Student Aid Commission on behalf of the State no later than March 1 following the calendar year for which the interest accrued (e.g. March 1, 2015, for calendar year 2014). Each year, the Commission issues a Special Alert to all institutions to remind them that the interest is due by March 1<sup>st</sup> of the year.

When returning interest, neither bank related fees associated with maintaining the account nor negative interest associated with an institution's use of non-state funds for Cal Grant students should be deducted from the accrued interest. Both these amounts reflect expenses that cannot be offset against the interest earned by the advance of State funds for the Cal Grant program.

In calculating the interest on the Cal Grant funds, an institution should utilize the same methodology as was used by its financial institution or investment pool to calculate interest on the account in which the Cal Grant funds were deposited.

A review of Cal Grant interest documentation revealed that the Institution returned interest for the 2014 and 2015 calendar years on May 5, 2016 to the Commission.

**REFERENCES:**

Institutional Participation Agreement, Article III.D  
Cal Grant Handbook, Chapter 14, page 128, 02/11/2016  
Cal Grant Handbook, Chapter 16, pages 154-155, 02/11/2016  
CSAC Operations Memo, GOM 2009-27, September 17, 2009  
CSAC Special Alert, GSA 2010-36, December 8, 2010

**REQUIRED ACTION:**

The Institution must submit policies and procedures to ensure that interest earned on Cal Grant funds is returned timely.

**INSTITUTION RESPONSE:**

"In this specific case the institution concurs; Business office did not return interest earned in a timely manner.

The institution has corrected this matter immediately. In addition, the institution has added this item to the compliance calendar to ensure timely process and avoid future findings."

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**FINDINGS AND REQUIRED ACTIONS (continued)**

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**COMMISSION REPLY:**

The Institution's response is deemed acceptable. No further action is required.