

# CALIFORNIA STUDENT AID COMMISSION

LEGAL AND AUDIT SERVICES DIVISION

August 14, 2017



Greg Ball  
Assistant Vice Chancellor  
Brandman University  
One University Drive  
Orange, CA 92866-1031

RE: Program Compliance Review ID#91604161800

Dear Mr. Ball:

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'. The signature is fluid and cursive.

Keith Yamanaka, Chief Deputy Director

KY: am

Enclosure

- c. Catalina Mistler, Deputy Director, Program Administration and Services Division  
Program Review File



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

***2014-15 Award Year***

**Brandman University  
Program Review ID# 91604161800**

**16355 Laguna Canyon Road  
Irvine, CA 92618-3801**

---

**Program Review Dates:**

March 2016

**Auditor:**

Del Pyles

**Report Approved by:**

Keith Yamanaka, Chief Deputy Director

---

## TABLE OF CONTENTS

---

	<u>Page Number</u>
AUDITOR'S REPORT	
SUMMARY.....	3
BACKGROUND.....	3
OBJECTIVES, .....	4
SCOPE AND METHODOLOGY.....	4
CONCLUSION.....	5
FINDINGS AND REQUIRED ACTIONS .....	6



---

## AUDITOR'S REPORT (continued)

---

### 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 40 students who received a total of 11 Cal Grant A awards and 29 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 307 recipients.
- Reviewing the records of unpaid Cal Grant recipients from a sample of 10 students who appeared on the Institution's roster but were not paid for the award year. The program review sample was selected to include all unpaid students.

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.

---

## AUDITOR'S REPORT (continued)

---

**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.

**VIEWS OF  
RESPONSIBLE  
OFFICIALS**

The findings were discussed with Institution representatives in an exit conference on May 13, 2016. The Institution staff concurred with all findings.

We appreciate the cooperation and assistance of the management and staff during the course of this review.

Keith Yamanaka, Chief Deputy Director

---

**FINDINGS AND REQUIRED ACTIONS (continued)**

---

**APPLICANT  
ELIGIBILITY:****FINDING 1: Education level (EL) verified incorrectly**

A review of 18 students selected for EL verification revealed two 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. Students in an institutionally-prescribed five year undergraduate program may be eligible to receive an additional year of Cal Grant program eligibility. 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. To ensure that the student's program eligibility is correct, the Commission recommends that schools verify the EL for new recipients prior to making the Fall term payment.

The grade level policy at Brandman University is as follows:

Grade Level	Number of Units
1	0 – 29
2	30 – 59
3	60 – 89
4	90-119
5	120+

A review of the academic transcript for student 18 showed the Institution accepted student 57 transfer units from other institutions and the student completed an additional 36 units prior to the Fall 2014 term which totals 93 units. The Institution verified the student as an EL 3; however, according to the Institution's policy, the student should have been reported as an EL 4.

Student 21's academic transcript showed the student transferred 42 units from other institutions and completed an additional 51 units prior to the Fall 2014 term totaling 93 units. The Institution verified the student as an EL 3; however, according to the Institution's policy, the student should have been reported as an EL 4.

As a result of the Institution's incorrect reporting of a lower education level, the students' initial amount of Cal Grant eligibility was increased by 100%.

---

## **FINDINGS AND REQUIRED ACTIONS (continued)**

---

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, 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 10, page 81 - 82, 2/11/206 – Version 2.1  
Cal Grant Handbook, Chapter 15, page 142, 2/11/206 – Version 2.1

### **REQUIRED ACTIONS:**

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.

### **INSTITUTION RESPONSE:**

The University has implemented a new procedure for verifying education level as described below:

- At the beginning of fall trimester, all new Cal Grant recipients will be identified through a WebGrants report.
- Each recipient will be reviewed to determine the correct grade level.
- Students with discrepancies will have their education level reported to CSAC via the roster or through a grant record change form if the roster process is not available.
- The report results will be documented and retained for audit purposes.
- After the fall census, the list will be reviewed again to determine if there have been any changes due to grade changes prior to fall or receipt of additional transcripts from other institutions.
- The process will be repeated in spring and summer for new Cal Grant recipients who did not attend Brandman University in the fall.



---

## FINDINGS AND REQUIRED ACTIONS (continued)

---

### COMMISSION REPLY:

The Institution submitted policy and procedure that are deemed acceptable. No further action is required.

### APPLICANT ELIGIBILITY:

### FINDING 2: Transfer Entitlement (E2) recipient not eligible

A review of 10 E2 recipients disclosed 1 student that did not meet the eligibility requirements.

### DISCUSSION:

To be eligible for a California Community College Transfer Entitlement Award (E2) a student must meet all program eligibility requirements:

- Graduated from a California High School (HS) or its equivalent after June 30, 2000
- Was a California resident at the time of high school graduation
- Attended a California Community College (CCC) in the academic year immediately preceding the award year in which the award was used
- Transferred to and attended a Bachelor's Degree granting institution (BDGI) in the academic year for which they were initially awarded a Cal Grant
- Is under the age of 28 at the time of the transfer
- Has financial need
- Is academically eligible

A review of the file for student 25 revealed that the student simultaneously attended a CCC and Brandman University during the 2013-14 academic year. However, the student received a new E2 award for the 2014-15 academic year. Since the student was enrolled at Brandman University during the 2013-14 academic year, the student was not entitled to receive the new E2 Cal Grant B award for the 2014-15 academic year. The student received payments of \$2,683 for the 2014-15 academic year which are deemed ineligible. The student was not awarded for any subsequent academic years.

### REFERENCES:

California Education Code, section 69436  
Institutional Participation Agreement, Article IV, B & C  
Cal Grant Manual, Chapter 8, Section 8.1, November 2005  
Cal Grant Handbook, Chapter 6, page 42, 2/11/2016 – Version 2.1  
Cal Grant Handbook, Chapter 8, pages 64-65, 2/11/2016 – Version 2.1  
Cal Grant Handbook, Chapter 10, page 81, 2/11/2016 – Version 2.1  
CSAC Operations Memo, GOM 2006-30, October 12, 2006  
CSAC Operations Memo, GOM 2014-14, May 22, 2014

---

**FINDINGS AND REQUIRED ACTIONS (continued)**

---

**REQUIRED ACTIONS:**

The Institution is required to return the ineligible funds of \$2,683 for student 25 for the 2014-15 academic year as directed in the general payment instructions located at the conclusion of this report.

Furthermore, the Institution is required to submit policies to ensure E2 students meet all eligibility requirements prior to receiving a Cal Grant payment.

**INSTITUTION RESPONSE:**

"The University has implemented a new procedure for verifying program eligibility requirements. Upon discussion with CSAC staff regarding the Interpretation of the regulation, we have agreed to change our practice to the following:

- Prior to awarding, each E2 student will be reviewed to determine not only if they have attended a community college in the prior year, but also if they attended Brandman University. Those who have attended both institutions will be excluded from eligibility.
- The report results will be documented and retained for audit purposes."

**COMMISSION REPLY:**

The Institution's return of funds and submission of revised policies are deemed acceptable. No further action is required.

**FUND  
DISBURSEMENT  
AND REFUNDS:****FINDING 3: Incorrect Cal Grant disbursement due to enrollment status**

A review of 40 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.

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

---

## FINDINGS AND REQUIRED ACTIONS (continued)

---

For the Fall 2014 term, student 3 attempted 9 units and was only eligible for a three-quarter time Cal Grant A award in the amount of \$3,407. The Institution, however, disbursed a full-time payment of \$4,542. As a result, the ineligible amount of **\$1,135** (\$4,542-\$3,407) must be returned to the Commission.

### 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 13, pages 113-115, 2/11/2016-Version 2.1

### REQUIRED ACTIONS:

In response to the above finding, the Institution must return the ineligible funds of **\$1,135** for student 3 as directed in the payment instructions located at the conclusion of this report.

The Institution must also 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:

The University has acquired a new financial aid management system, Regent 8 provided by Regent Education, which will ensure compliance with this requirement as follows:

- Cal Grant awards are made initially by a staff member taking into consideration the number of units the student is planning to take during the award year. This information is recorded in the Regent 8 software.
- At the appropriate time, the Regent 8 software will process Cal Grant disbursements for all eligible students. The software will not disburse Cal Grant funds. If the number of units in which the student is enrolled are incongruent with the number of units for which the student had been awarded. Instead, the system will trigger a task and send it to a staff member for review. The Cal Grant award will be revised, and the funds will then disburse.

---

## FINDINGS AND REQUIRED ACTIONS (continued)

---

- As a follow-up to ensure accuracy, after each trimester census date, all Cal Grant awards made for the trimester will be reviewed by our compliance officer to verify that the enrollment level directly correlates to the amount of the Cal Grant funds paid to the student and the percentage of eligibility used.
- Any corrections will be reported to WebGrants.
- The report results will be documented and retained for audit purposes.

### COMMISSION REPLY:

The Institution's return of funds and submission of revised policies are deemed acceptable. No further action is required.

FISCAL  
RESPONSIBILITY  
FOR PROGRAM  
FUNDS:

**FINDING 4: Funds not properly maintained in an interest-bearing account, interest returned could not be recalculated (2014) and interest earned on Cal Grant funds not returned (2013)**

A review of documentation provided by the Institution's accounting office revealed Cal Grant funds were not properly maintained in an interest-bearing account, the interest returned for calendar year 2014 did not match the amount on bank statements and calendar year 2013 interest earned was not returned.

### DISCUSSION:

As indicated in the 2012-2016 Institutional Participation Agreement signed by the institution's President, institutions must **maintain** Cal Grant funds in an interest-bearing account or an investment account at a financial institution with a presence in California whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or secured by collateral of value reasonably equivalent to the amount of Cal Grant Program funds in the account. Furthermore, these funds must be identified as "State" funds.

Annual interest earned on Cal Grant funds constitute 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.

---

## FINDINGS AND REQUIRED ACTIONS (continued)

---

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 the January 2014 bank statement from the "Wells Fargo Commercial Checking Acct W Interest" account (account number ending in 1106) revealed \$10.83 in interest was earned on Cal Grant funds for the 2013 calendar year. The Institution confirmed that interest for the 2013 calendar year was not remitted to the Commission.

The bank statements from the same account for the month of December 2014 showed \$11.45 in earned interest for the calendar year 2014. A different bank statement from US Bank (account number ending in 3634) revealed an additional \$0.15 in interest earned for the month of December 2014. However, the Institution returned a total of \$16.40 in earned interest for the 2014 calendar year. Documentation explaining the discrepancy was not provided.

The Institution also returned \$3.74 in earned interest for the 2015 calendar year. This amount coincides with the US Bank statement (account number ending in 3634).

Banks statements indicate that Cal Grant funds are initially deposited into an interest-bearing account, then transferred to a non-interest bearing account (not maintained in an interest-bearing account). For example, the first advance to the Institution by the Commission was deposited into the "Wells Fargo Commercial Checking Acct W Interest" account (account number ending in 1106) on August 21, 2014. That same amount was transferred to a secondary Wells Fargo account on August 22, 2014. However, the first disbursement to students, according to the Institution's "Cal Grant Student Award Data-Excel" spreadsheet, was made on September 2, 2014 in the amount of \$391,536. Therefore, there should have been interest earned on the Cal Grant funds in both accounts until they were disbursed to students.

The Institution's Assistant Controller stated that the Cal Grant account through Wells Fargo was created as a zero-balance or sweep account and the funds were automatically transferred to a non-interest bearing account. They also stated that they had changed banking institutions and the account had been changed to an interest-bearing account.

---

## FINDINGS AND REQUIRED ACTIONS (continued)

---

The bank statements from US Bank (account number ending in 3634) also indicate that the Cal Grant funds are transferred out within a few days to the US Bank General Operating Account (account number ending in 3600). However, bank statements from the secondary accounts for both the Wells Fargo and US Bank transfers have not been provided.

### REFERENCES:

Institutional Participation Agreement, Article III  
Cal Grant Manual, Chapter 2, July 2004  
Cal Grant Manual, Chapter 9, September 2003  
Cal Grant Handbook, Chapter 16, pages 154-155, 2/11/2016 – Version 2.1  
CSAC Special Alert, GSA 2012-41, December 14, 2012  
CSAC Special Alert, GSA 2013-30, November 6, 2013  
CSAC Special Alert, GSA 2014-34, November 10, 2014  
CSAC Special Alert, GSA 2015-38, September 25, 2015

### REQUIRED ACTIONS:

The Institution **must** return the **\$10.83** in interest earned for the 2013 calendar year and **must** also provide supporting documentation explaining the discrepancy of the amount of interest returned for the 2014 calendar year.

Furthermore, the Institution **must** provide the dates that all bank accounts maintaining Cal Grant funds were changed to interest bearing accounts accompanied with supporting documentation. Statements from the Wells Fargo and US Bank secondary bank accounts that show the transfer of Cal Grant funds must also be provided. The methodology used to calculate the interest, if the Cal Grant funds are comingled with other funds must also be provided. Additional interest payments may be required following the Commission's review of the requested documentation.

Additionally, the Institution is required to submit policy and procedures that will be implemented to ensure that all interest earned on Cal Grant funds is returned to the Commission as outlined in the Institutional Participation Agreement.

### INSTITUTION RESPONSE:

"Brandman University concurs with the finding that Cal Grant funds were not returned in 2013, and we are prepared to do so now. Funds totaling \$10.83 will be returned along with the 2014 adjusted interest earnings upon review from CSAC of the additional information provided.

---

**FINDINGS AND REQUIRED ACTIONS (continued)**

---

Brandman University also concurs with the finding that Cal Grant funds were initially deposited into an interest-bearing account, then transferred to a non-interest bearing account for 2014. In November 2014, Brandman changed financial institutions from Wells Fargo to US Bank. The Cal Grant account at Wells Fargo was inadvertently operating as a ZBA account, which transfers funds out nightly to a General Operating account. However, the Cal Grant account was indeed interest-bearing as is required. To retroactively calculate the interest that should have been earned on Cal Grant funds, the same calculation method was used internally as was used by both financial institutions. Included as an attachment to this management response is a worksheet that shows daily interest calculations on funds as it should have been calculated. As stated in a previous response to the auditor's questions, the missed interest opportunity was calculated and Brandman University is prepared to return these funds upon further review by CSAC."

**COMMISSION REPLY:**

The Institution's return of interest and submission of revised policies are deemed acceptable. No further action is required.

**FINDING 5: Clarification required on general ledgers**

Supporting documentation for the Institution's general ledgers was not provided.

**DISCUSSION:**

The Institutional Participation Agreement requires institutions to make available at the time of a program compliance review, or at any time at the request of the Commission staff, any records related to the administration of the Commission's Cal Grant programs. Clarification that was requested regarding several items from the Institution's general ledger has not been received. Additional review of the ledgers requires detailed supporting documentation and explanation of the following entries on the "Cal Grant-Disbursement Summary 7/1/2014-6/30/2015":

Transaction Date	Description	Amount
30-Nov-14	Rclss Cal Grnt Disb fr 13/14 to 14/15	(19,894.00)
30-Sep-14	Rclss Cal Grnt Disb fr 13/14 to 14/15	(658,823.00)
31-Aug-15	Rclss Cal Grnt Disb fr 14/15 to 15/16	(286,869.50)

In addition, the engagement materials provided to the Institution prior to the compliance review requested general ledgers with beginning and ending balances. A general ledger showing the ending balance of the Cal Grant account for the 2014-15 academic year has not been provided.

FISCAL  
RESPONSIBILITY  
FOR PROGRAM  
FUNDS:

---

## FINDINGS AND REQUIRED ACTIONS (continued)

---

### REFERENCES:

Institutional Participation Agreement, Article II.H  
Institutional Participation Agreement, Article III.C  
Cal Grant Manual, Chapter 9.3, September 2003  
Cal Grant Manual, Chapter 10.1, October 2003  
Cal Grant Handbook, Chapter 16, 2/11/2016 – Version 2.1

### REQUIRED ACTION:

The Institution must provide detailed supporting documents for the amounts in the referenced ledger to include social security numbers, names, dates and transaction amounts. The Institution is also required to provide a general ledger showing an ending balance of the Cal Grant account for the 2014-15 academic year.

### INSTITUTION RESPONSE:

“In the Banner Financial Aid system, only one award code for Cal Grant exists, and so, only one general ledger account can be assigned to that award code. At that particular point in the year where we are still closing out awards for one year, new awards are beginning for the next. **For disbursements of aid that hit the old aid year account, but are intended for the new aid year, a journal entry is performed to transfer appropriate new aid year activity to the correct general ledger account.** Once the old aid year is officially closed, the general ledger account reflected on the award code is updated.

The entries shown above represent the reclassifying of new aid year disbursements from the old general ledger account to the new general ledger account.

In response to the request made in Finding 5 regarding general ledgers with beginning and ending balances, it is important to note that Brandman University has a fiscal year that does not coincide with aid year. Therefore, in any one particular fiscal year, we will have activity for two aid years. In order to maintain activity appropriately for each aid year, dedicated accounts are set up for each aid year.

As requested, a general ledger with beginning and ending balances, in both Excel and Word format, has been provided along with this management response.”

### COMMISSION REPLY:

The Institution provided the detailed accounting documents required and revised policy and procedure that are deemed acceptable. No further action is required.