

# CALIFORNIA STUDENT AID COMMISSION

LEGAL AND AUDIT SERVICES DIVISION

June 2, 2016



Dr. James Belcher  
President  
Providence Christian College  
1539 East Howard Street  
Pasadena, CA 91104

RE: Program Compliance Review ID#91604153900

Dear Dr. Belcher:

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 "Melanie Wong".

Melanie Wong, Acting Manager  
Program Compliance Office

Enclosure

- c. Dawn Dirksen, Vice President , Finance & Operations  
Tina Bos, Financial Aid Advisor  
Program Review File



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

***2013-14 Award Year***

**Providence Christian College  
Program Review ID#91604153900**

**1539 E. Howard Street  
Pasadena, CA 91104**

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**Program Review Dates:**

January 2016

**Auditor:**

Nati Bugarin

**Report Approved by:**

Melanie Wong, Acting Manager  
Program Compliance Office

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## TABLE OF CONTENTS

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	<u>Page Number</u>
AUDITOR'S REPORT	
SUMMARY.....	3
BACKGROUND.....	3
OBJECTIVES, SCOPE AND METHODOLOGY.....	4
CONCLUSION.....	5
VIEWS OF RESPONSIBLE OFFICIALS.....	5
FINDINGS AND REQUIRED ACTIONS.....	6
EXHIBIT 1.....	8

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## AUDITOR'S REPORT

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**SUMMARY** We reviewed Providence Christian College's administration of California Student Aid Commission (Commission) programs for the 2013-14 award year.

The institution's records disclosed the following deficiency:

- Interest earned on Cal Grant funds not returned 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: Private, Non Profit
- President: Dr. James Belcher
- Accrediting Body: Western Association of Schools & Colleges

B. Institutional Persons Contacted

- Tina Bos: Financial Aid Advisor

C. Financial Aid

- Date of Prior Commission Program Review: None
- Branches: None
- Financial Aid Programs: Federal: Direct Loan Program, SEOG, Pell, and Work-Study  
State: Cal Grant A and B
- Financial Aid Consultant: Weber and Associates, Inc.  
PO Box 17709  
Greenville, SC 29606

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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. Roster and Reports
- E. File Maintenance and Records Retention
- F. 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 five students who received a total of four Cal Grant A awards and one Cal Grant B award 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 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 January 26, 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.

January 26, 2016

Melanie Wong, Acting Manager  
Program Compliance Office

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## FINDINGS AND REQUIRED ACTIONS

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FISCAL  
RESPONSIBILITY  
FOR PROGRAM  
FUNDS:

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

A review of documentation provided by the Institution and discussions with Institution staff revealed that interest earned on Cal Grant funds has not been returned to the Commission.

**DISCUSSION:**

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.

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.

Institutions do not receive Cal Grant advances in their initial year of participation, thus interest is not typically earned until the institution begins receiving advances. Providence Christian College entered the Cal Grant Program at the start of the 2013-14 award year (review period). However, a review of the bank statements from Citizen Business Bank revealed that interest earned in February 2014 has not been returned to the Commission (\$.05).

Additionally, for the 2014-15 award year Cal Grant funds were deposited into the interest bearing account and transferred into Account No. 231171525 the same day funds were received. If funds were properly maintained in the interest bearing account, additional interest would have accrued for Calendar year 2014 as follows (see Exhibit 1 for details):

Calendar Year 2014 Additional Interest Earned			
Month	ADB	Interest Rate	Earned Interest
August	3,354.29	.10%	\$ 0.28
September	8,025.20	.10%	.66
October	2,104.26	.10%	.18
November	1,524.52	.10%	.13
<b>TOTAL INTEREST EARNED</b>			<b>\$ 1.32</b>

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### REFERENCES:

Institutional Participation Agreement, Article III.D  
2015 Cal Grant Handbook, Chapter 14, page 127, 11/19/2015  
2015 Cal Grant Handbook, Chapter 16, pages 153-154, 11/19/2015  
CSAC Operations Memo, GOM 2009-27, 09/2009  
CSAC Special Alert, GSA 2010-36, 12/2010

### REQUIRED ACTIONS:

The Institution has remitted the \$.05 earned interest for February 2014. The Institution must remit the earned interest as of July 2014 through December 2015 using actual dates of disbursements and dates of deposits.

In addition, Providence Christian College must submit policies and procedures that will be implemented to ensure Cal Grant funds remain in the interest bearing account until disbursed and that interest earned on Cal Grant funds is calculated as outlined in the Institutional Participation Agreement.

### INSTITUTION RESPONSE:

“Enclosed are copies of the two checks submitted to return additional interest earned on Cal Grant funds from 2014 and 2015. After a compliance review it was discovered that not enough interest was returned.

Check #17130 in the amount of \$1.32 is additional interest for 2014  
Check #17131 in the amount of \$2.82 is additional interest for 2015

Also enclosed are our policies and procedures that have been implemented to ensure the interest that occurs will be correctly calculated and returned in the manner and timeframe outlined in the IPA. The policy and procedures also outline that funds are not to be moved from the Cal Grant interest bearing account until students are ready to be disbursed.”

### COMMISSION REPLY:

The return of interest earned and revised policy and procedures are deemed acceptable. No further action is required.



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**EXHIBIT 1 DAILY BALANCES PER INSTITUTION**

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<b>DATE</b>	<b>TRANS</b>	<b>AMOUNT</b>	<b>BALANCE</b>
7/1/2014	BEG BAL	0.00	0.00
8/21/2014	FL1 ADV	9,453.00	9,453.00
9/19/2014	FL2 ADV	14,081.00	23,534.00
9/22/2014	DISB	-23,534.00	0.00
10/17/2014	FL3 ADV	9,978.00	9,978.00
10/17/2014	DISB	-4,542.00	5,436.00
10/29/2014	DISB	-5,436.00	0.00
10/31/2014	FL4 ADV	5,366.00	5,366.00
10/31/2014	DISB	-5,366.00	0.00
12/19/2014	FL5 ADV	5,366.00	5,366.00
12/19/2014	DISB	-5,366.00	0.00
1/22/2015	SP1 ADV	4,726.00	4,726.00
2/6/2015	SP2 ADV	34,151.00	38,877.00
2/6/2015	DISB	-38,877.00	0.00
3/9/2015	SP3 ADV	5,366.00	5,366.00
3/9/2015	DISB	-5,366.00	0.00