



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

2006-07 Award Year

**ITT Technical Institute - San Diego
Program Review ID#80802291600**

**9680 Granite Ridge Drive
San Diego, CA 92123**

Program Review Dates: November 3, 2008 to November 5, 2008

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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 the Commission programs and their compliance with applicable laws, policies, contracts and institutional 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 40 students who received a total of 8 Cal Grant A awards, 19 Cal Grant B awards and 13 Cal Grant awards within the review period. The program review sample was randomly selected from the total population of 127 recipients.

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.

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

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY (continued)	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, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commission's grant programs.
VIEWS OF RESPONSIBLE OFFICIALS	The review was discussed with agency representatives in an exit conference held on November 5, 2008.

November 5, 2008

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT
ELIGIBILITY:

FINDING 1: Cal Grant Funds Overawarded Due to Insufficient Need

A review of 40 student files disclosed two students were overawarded.

DISCUSSION:

Financial need is simply defined as the difference between the student's cost of attendance (COA), the family's ability to pay these costs (EFC) and other aid the student receives, known as *resources* under the Campus-based programs or as *estimated financial assistance (EFA)* under the Stafford programs.

For Cal Grant purposes and Campus-based aid (excluding Pell) all resources must be taken into account when awarding. The total of the student's EFC, resources and Campus-based aid cannot exceed the student's cost of attendance. If this occurs, aid must be reduced to prevent an overaward. Unsubsidized Stafford, PLUS, and state and private education loans are not considered to be resources to the extent that they finance (or replace) the EFC. Thus, students may borrow under these programs **up to the amount of the EFC** without affecting eligibility for Campus-based aid or a subsidized Stafford Loan.

Resources include Pell eligibility (even if student doesn't apply for Pell), Direct and FFEL loans, other education loans, veterans benefits, grants, tuition and fee waivers, scholarships, fellowships, assistantships, and net earnings from need-based employment that will be received during the award year.

Student No. 4 appears to be overawarded as follows:

Need Analysis Student No. 4	
COA (Fall only)	\$8,352
Less EFC	<\$ 0>
Less Pell	<\$ 1,350>
Less Subsidized Loan	<\$ 1,833>
Less Unsubsidized Loan	<\$ 1,666>
Total Cal Grant Unmet Need	\$ 3,503
Less Cal Grant Award	<\$ 3,753>
Overaward	\$ 250

FINDINGS AND REQUIRED ACTIONS (continued)

Student 25 appears to be overawarded as follows:

Need Analysis Student No. 25	
COA (Fall and Winter)	\$16,674
Less EFC (6 months)	<\$ 1,176>
Less Pell	<\$ 1,151>
Less Subsidized Loan	<\$ 3,667>
Less Unsubsidized Loan	<\$ 3,334>
Less SMART Grant	<\$ 2,668>
Total Unmet Need	\$ 4,678
Add Unsubsidized Loan to Replace EFC	\$ 1,176
Total Cal Grant Need	\$ 5,584
Less Cal Grant Award	<\$ 6,582>
Overaward	\$ 728

REFERENCES:

Institutional Participation Agreement, Article IV
Cal Grant Manual, Chapter 8, November 2005
2006-07 Federal Student Aid Handbook, Volume 3, Calculating Awards & Packaging, Chapter 6

REQUIRED ACTION:

The institution **must** return \$250 for student No. 4 and \$728 for student No. 25. Additionally, the institution **must** submit policies and procedures to ensure all students have sufficient need for Cal grant awards.

INSTITUTION RESPONSE #1:

The institution returned \$978 on check # 773779 dated June 15, 2009.

AUDITOR REPLY #1:

The institution **must** submit policies and procedures to ensure all students have sufficient need for Cal grant awards.

INSTITUTION RESPONSE #2:

A conference call with all California Director of Finance (DOF) was conducted on July 9, 2009 to review all finding from this San Diego compliance review. We reviewed how to properly calculate the need for a student so overawards do not occur. We also went over the written Cal Grant procedures that ITT has established for the California colleges to follow. This mentions that a need calculation must be done on all Cal Grant recipients to ensure that no students are overawarded during the quarter or academic year. It was also mentioned that a Cal Grant checklist has been provided to the colleges for

FINDINGS AND REQUIRED ACTIONS (continued)

ensuring that certain eligibility requirements are checked on each Cal Grant recipient. (See Attachment I)

The refunds were done on both students listed in Finding 1

AUDITOR REPLY #2:

This action is deemed acceptable and no further action is required.

B. APPLICANT ELIGIBILITY:

FINDING 2: New Recipient Income Ceiling Level Exceeded

A review of 21 new Cal Grant recipients revealed one student's income level exceeded the income ceiling for the 2006-07 award year.

DISCUSSION:

To be eligible for and receive payment for any Cal Grant award, a student must have family income and assets below the ceilings. The family income for a dependent student is the parent's total income (TI) as calculated by the Federal Processor. TI is the sum of the taxable and untaxed income, minus amounts reported in the income but excluded from the formula (Parents' Adjusted Gross Income or Parents' Total Income Earned from Work + Total from Worksheet A + Total from Worksheet B – Total from Worksheet C). Initial eligibility for a Cal Grant award is based on information from the student's Free Application for Federal Student Aid (FAFSA). Schools are responsible for verifying that students who appear on the Grant Roster meet program requirements, as required by the school's Institutional Participation Agreement, Article IV A.

Income and asset ceilings are set by the Commission in accordance with the provisions of *C.E.C. 69432.7 (k)* and are adjusted annually. The following show the Income Ceilings for the 2006-07 award year:

	Cal Grant A and C	Cal Grant B
Dependent students and Independent students with dependents other than a spouse:		
Family Size:		
Six or more	\$83,600	\$45,900
Five	\$77,500	\$42,500
Four	\$72,300	\$38,000
Three	\$66,500	\$34,200
Two	\$65,000	\$30,300
Independent students		
Single, no dependents	\$26,500	\$26,500
Married, no dependents	\$30,300	\$30,300

FINDINGS AND REQUIRED ACTIONS (continued)

Student No. 15 initially had an income level of \$36,800 for a family of 4, however, after verification the student's income increased to \$38,385. The income ceiling for a family size of 4 was \$38,000. The student was awarded as a new Cal Grant B recipient and received \$7,506 for the 2006-07 award year. Because the student's income exceeded the ceiling the student was not eligible for any funds.

Income ceiling exceeded is a recurring issue as this finding was also noted in the institution's April 2000 Cal Grant Program Review.

REFERENCES:

California Education Code 69535(a)
California Education Code 69538
Institutional Agreement, Article IV.A., IV.B.
Cal Grant Manual, September 2004, Chapter 3, pages 1, 3
Cal Grant Manual, February 2005, Chapter 5, page 3
CSAC Operations Memo, GOM 2004-14, November 2004

REQUIRED ACTION:

The institution **must** return \$7,506 for the 2006-07 for student No. 15. Furthermore, the institution **must** submit policies and procedures to ensure students meet all eligibility requirements prior to disbursement of funds.

INSTITUTION RESPONSE #1:

The institution returned \$7,506 on check # 773779 dated June 15, 2009.

AUDITOR REPLY #1:

The institution **must** submit policies and procedures to ensure students meet all eligibility requirements prior to disbursement of funds.

INSTITUTION RESPONSE #2:

As stated in Finding 1, a conference call was held to discuss all findings including review of income and asset ceilings set each year by CSAC. The colleges were reminded that if corrections are done to ISIRS after verification that include EFC changes, these changes must be reported to CSAC to ensure that student's income has not exceeded ceilings established by CSAC for Cal Grant A, B, and C eligibility. The colleges were also reminded "that the checklist also indicates that income and asset ceilings must be checked to ensure Cal Grant eligibility.

The refund was submitted for the one student in Finding 2.

FINDINGS AND REQUIRED ACTIONS (continued)

AUDITOR REPLY:

This action is deemed acceptable and no further action is required.

B. APPLICANT ELIGIBILITY:

FINDING 3: Education Level (EL) Verification Incorrect

A review of 21 new student files disclosed one instance where the student's EL was incorrect.

DISCUSSION:

A recipient's EL determines the number of years a student will be eligible to receive Cal Grant benefits. Institutions verify each selected recipient's EL based on the recipient's EL at the time the student receives the initial payment. The verification should not be based on the EL of the recipient at the time the report is received and/or completed.

The institution verified student No. 22's education level (EL) as a 2 on December 22, 2006. Transcripts however, show the student completed only 32 units prior to Fall 2006 (EL1 as defined by the institution). The institution disbursed tuition awards in the amount of \$9,708 to the student which the student was not eligible to receive (first year Cal Grant B students only allowed Access). Subsequently, the institution reversed the tuition payments on the student's account ledgers on October 29, 2008 and has initiated return of these funds to the Commission.

REFERENCES:

Cal Grant Manual, October 2005, Chapter 7, page 3
Cal Grant Manual, November 2005, Chapter 8, page 5

REQUIRED ACTION:

The institution **must** provide documentation of return of the \$9,708 ineligible funds for student No. 22 and **submit** policies and procedures to ensure correct calculation and reporting of student education levels to the Commission.

INSTITUTION RESPONSE #1:

None

AUDITOR REPLY #1:

The institution **must provide documentation of return of the \$9,708** ineligible funds for student No. 22 and **submit** policies and procedures to ensure correct calculation and reporting of student education levels to the Commission.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE #2:

As stated previously concerning the conference call, Education Level was also discussed on making sure the students have advanced properly to a new grade level. This is also on the worksheet and a new paragraph will be written for our internal Cal Grant procedures to explain further the calculation of the proper Education Levels. This is the same procedure used for establishing grade levels for student loans so all ITT finance staff are well versed in ensuring proper grade levels are achieved by students.

AUDITOR REPLY #2:

This action is deemed acceptable and no further action is required.

**B. APPLICANT
ELIGIBILITY:****FINDING 4: Unmet Need Calculated Incorrectly or Could Not Be Reconstructed**

A review of 19 renewal Cal Grant student files disclosed one student's unmet need could not be reconstructed and three students' unmet need was calculated incorrectly

DISCUSSION:

For renewal students, schools must calculate a student's annual unmet need as a full-time student and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. The school must report the resulting net unmet need amount on the Grant Roster or the Commission G-21 letter. Net unmet need is defined as a student's Cost of Attendance (COA) minus the Expected Family Contribution (EFC) and Pell grant.

Student No. 6's unmet need was reported as \$25,591 however, this amount could not be reconstructed from documents in the student's file.

For student's No. 8, 10 and 24, the institution calculated unmet need using a 12-month COA minus a 9-month EFC minus Pell. The correct calculation must use a 12-month EFC as follows:

ID	12 mo COA	12 mo EFC	9 mo EFC	Pell	Reported Need	Correct Need
8	\$29,664	\$10,618	\$10,384	\$ 0	\$19,280	\$19,046
10	\$33,888	\$ 2,301	\$ 2,190	\$1,900	\$29,798	\$29,687
24	\$29,580	\$ 1,605	\$ 1,386	\$2,700	\$25,494	\$25,275

FINDINGS AND REQUIRED ACTIONS (continued)

Unmet need calculated incorrectly is a recurring issue as this finding was also noted in the institution's April 2000 Cal Grant Program Review.

REFERENCES:

Higher Education Act, Part F – Need Analysis
Cal Grant Manual, November 2003, Chapter 6, pages 3-4

REQUIRED ACTION:

The institution **must** submit the procedures to ensure reported unmet need reflects recipient's annual need as a full-time student for the award year.

INSTITUTION RESPONSE #1:

None

AUDITOR REPLY #1:

The institution **must** submit the procedures to ensure reported unmet need reflects recipient's annual need as a full-time student for the award year.

INSTITUTION RESPONSE #2:

Again these procedures were received on the conference call. The ITT internal Cal Grant procedures and the checklist both show that a 12 month need calculation must be done on Cal Grant students. This calculation will be kept in the file to ensure that the calculation can be reconstructed at a later date if necessary for audit purposes.

AUDITOR REPLY #2:

This action is deemed acceptable and no further action is required.

C. FUND DISBURSEMENT AND REFUNDS:

FINDING: Disbursement in Excess of Eligible Amounts Due to Enrollment

A review of 40 student files disclosed three students received disbursements in excess of eligible amounts due to enrollment status.

DISCUSSION:

Institutions are required to verify student eligibility at the time funds are processed to the recipient or the recipient's account. The institution must verify the enrollment status for each recipient listed on the grant roster in accordance with the established institutional policies.

FINDINGS AND REQUIRED ACTIONS (continued)

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

Student No. 22 was paid a full-time Cal Grant B Access award of \$517 for Fall 2006 on December 20, 2006. According to the student's Final Grade Report, the student dropped GE192 (4 units) on October 24, 2006. At time of disbursement, the student was enrolled in 8 units which is half time. The student was only eligible for a half time Cal B Access award of \$259. The ineligible amount of \$258 must be returned to the Commission.

Student No. 24 was paid a full-time Cal Grant B Access award of \$517 and a full time Cal Grant B Tuition award of \$2,774 for Winter 2006 on January 5, 2007. According to the student's Final Grade Report, the student dropped IT312 (4 units) on November 30, 2006. At time of disbursement, the student was enrolled in 8 units which is half time. The student was only eligible for a half time Cal B Access award of \$259 and a half time Cal B Tuition award of \$1,387. The ineligible amount of \$1,645 must be returned to the Commission.

Student No. 27 was paid a full-time Cal Grant C Book & Supply award of \$192 and a full time Cal Grant C Tuition award of \$864 for Winter 2006 on August 10, 2007. According to the student's Final Grade Report, the student dropped ET255 (4 units) on December 13, 2006. At time of disbursement, the student was enrolled in 8 units which is half time. The student was only eligible for a half time Cal C Book & Supply award of \$96 and a half time Cal C Tuition award of \$432. The institution must return the \$528 ineligible amount.

REFERENCES:

Institutional Participation Agreement, Article IV.C.3 & Article IV.C.4 eff. 2/2003
Cal Grant Manual, Chapter 8, November 2005, page 3

REQUIRED ACTION:

The institution **must** return the ineligible funds of \$258 for student No. 22; \$1,645 for student No. 24 and \$528 for student No. 27. Also, the institution **must** submit the policies and procedures that ensure enrollment status verification prior to fund disbursement.

INSTITUTION RESPONSE #1:

The institution returned \$2,431 on check # 773779 dated June 15, 2009.

FINDINGS AND REQUIRED ACTIONS (continued)

AUDITOR REPLY #1:

The institution **must** provide documentation of return of the \$9,450 (9,708 – 258) ineligible funds for student No. 22 and **submit** policies and procedures to ensure correct calculation and reporting of student education levels to the Commission.

INSTITUTION RESPONSE #2:

Again this finding was stressed on the conference call. The California colleges were reminded that the calculation for Full-time vs. Part-time funding for Cal Grant must be done at the time of disbursement. In all three cases cited, the student started with 12 hours but dropped to 8 hours or ½ time prior to the Cal Grant disbursement being placed on the student's account

AUDITOR REPLY #2:

This action is deemed acceptable and no further action is required.