



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

2007-08 Award Year

**Vanguard University of Southern California
Program Review ID#80900129300**

**55 Fair Drive
Costa Mesa, CA 92626**

Program Review Dates: April 20 – 23, 2009

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AUDITOR'S REPORT

SUMMARY We reviewed Vanguard University of Southern California's administration of California Student Aid Commission (Commission) programs for the 2007-08 award year.

The institution's records disclosed the following deficiency:

- Cal Grant Funds Not Reconciled

BACKGROUND Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional 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: Non-Profit Institution of Higher Education
- President: Dr. Carol Taylor
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 2,444

B. Institutional Persons Contacted

- Robyn Fournier: Director of Financial Aid
- Katy Neric: Assistant Director of Financial Aid
- Mark Todhunter: Chief Accountant
- Gayle Mueller: Senior Staff Accountant

C. Financial Aid

- Date of Prior Commission Program Review: February 2003
- Additional Locations: None
- Financial Aid Programs: Federal: Family Education Loan Program, Pell, Work-Study, Perkins and SEOG
State: Cal Grants A and B
- Financial Aid Consultant: None

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 23 Cal Grant A awards and 17 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 325 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.

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.

AUDITOR'S REPORT (continued)

CONCLUSION In conclusion, except for the deficiency cited in the Finding and Required Action 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 April 23, 2009.

April 23, 2009

Charles Wood, Manager
Program Compliance Office

FINDING AND REQUIRED ACTION

F. FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING: Cal Grant Funds Not Reconciled

A review of institution's accounting records revealed that Cal Grant funds were not reconciled for the 2007-08 award year.

DISCUSSION:

Institutions participating in the Cal Grant program are required to reconcile their accounts with the funds received from the Commission for each award year. Reconciliation is the process of comparing transactions reported by the school with transactions accepted and reconciled by the Commission, and arriving at an exact match. ***The Commission strongly recommends that schools reconcile Cal Grant payments on a monthly basis.*** Furthermore, institutions must make all disbursements by September 30 following the end of the award year (for example, September 30, 2008, for the 2007-08 award year). Institutions may not apply excess Cal Grant funds to any other student's account or any prior year accounts.

Should the institution's records of individual payments to eligible students be less than what the Commission paid, the institution must return the difference to the Commission. Thus, the institution will bear the liability for payments not reported to the Commission prior to the required reconciliation date.

Commission records indicate that the institution received Cal Grant funds in the amount of \$2,668,776 for the 2007-08 award year. However, institutional records revealed that the institution disbursed \$2,662,465 in Cal Grant payments of which \$3,540 was not reported to the Commission prior to the 2007-08 year-end reconciliation. The unreported payment is unable to be reimbursed and is detailed below:

Student ID	CSAC Paid	School Paid	Unreported Payments
Y1	\$ 3,703	\$ 3,852	\$ 149
Y2	\$ 4,065	\$ 4,161	\$ 96
17	\$12,545	\$13,993	\$1,448
Y3	\$ 0	\$ 388	\$ 388
Y4	\$ 3,395	\$ 4,854	\$1,459
TOTAL UNREPORTED PAYMENTS			\$3,540

The total disbursements to be reimbursed by the Commission for the 2007-08 award year equaled \$2,658,925 (disbursed amount of \$2,662,465 less unreported payments of \$3,540). Therefore, the institution disbursed \$9,851 less than the amount reconciled by the Commission (CSAC reconciled amount \$2,668,776 less reimbursed payments of \$2,658,925) as illustrated on the next page:

FINDING AND REQUIRED ACTION (continued)

Student ID	CSAC Paid	School Paid	Undisbursed Funds
X1	\$11,259	\$5,630	\$5,629
X2	\$13,993	\$9,771	\$4,222
TOTAL UNDISBURSED FUNDS			\$9,851

The institution was previously cited for not reconciling its Cal Grant account during the 2001-02 award year as indicated in the CSAC February 2003 Review Report. Thus, this Finding is deemed as an area of continued noncompliance.

REFERENCES:

California Education Code, 69535.5
Institutional Participation Agreement, Article II, III and IV
Cal Grant Manual, Chapter 10, October 2003

REQUIRED ACTIONS:

In response to this Finding, the institution **must** remit the undisbursed funds in the amount of **\$9,851** for the 2007-08 award year to the Commission as directed in the general payment instructions at the conclusion of this Report.

Additionally, the institution **must** provide written procedures and internal control measures that will be implemented to ensure that the institution reconciles its records as required by the Institutional Participation Agreement and the Cal Grant Manual. The procedures must include time frames, staff titles, and specific areas of responsibilities as it relates to the Cal Grant reconciliation.

INSTITUTION RESPONSE:

The Business Office receives the State of California's Cal Grant Payment Activity Report from the Financial Aid Office. The Accounting Department within the Business Office then compares the Cal Grant amounts received per the Cal Grant Payment Activity Report to the University's online bank account and corresponding bank statement noting description, date of direct deposit, and amount received. Direct deposits are posted to the University's Cal Grant general ledger account usually within one day of receiving an email notification from the California Student Aid Commission. The account is reconciled on a monthly basis to all supporting documentation.

The Accounting Department receives various batch transfers with amounts that are allocated for the recipients of the Cal Grant awards from the Financial Aid Office. The batch transfers are posted by the Accounting Department to the University's general ledger and individual student accounts according to the amounts designated for each recipient by the Financial Aid Office. The Financial

FINDING AND REQUIRED ACTION (continued)

Aid Office then verifies the account postings prepared by the Accounting Department by comparing the selected individual student accounts with the Financial Aid Office records of allocated amounts per Cal Grant recipient.

This process will occur once per month within the Accounting Department. At year end, June 30th, it will be determined by the Accounting Department if there are any excess funds. If so, they will then be returned by the Accounting Department to the Commission.

In regards to the \$9,851.00 reconciliation error for the 2007/2008 year, please find a check enclosed.

AUDITOR REPLY:

The institution returned \$9,851 on check # 1121 dated August 5, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.