

# CALIFORNIA STUDENT AID COMMISSION

LEGAL AND AUDIT SERVICES DIVISION

June 1, 2016



Sonia Été  
President  
Academy of Couture Art  
8484 Wilshire Blvd., Suite 730  
Beverly Hills, CA 90211

RE: Program Compliance Review ID#91604185500

Dear Ms. Été:

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. Program Review File



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

***2013-14 Award Year***

**Academy of Couture Art  
Program Review ID#91604185500**

**8484 Wilshire Blvd., Suite 730  
Beverly Hills, CA 90211**

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**Program Review Dates:**

January 21-25, 2016

**Auditor:**

Paramjeet Singh

**Report Approved by:**

Melanie Wong, Acting Manager  
Program Compliance Office

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## AUDITOR'S REPORT

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**SUMMARY** We reviewed Academy of Couture Art's administration of California Student Aid Commission (Commission) programs for the 2013-14 award year.

The Institution's records disclosed the following deficiencies:

- Non-compliance with WebGrants Information Security and Confidentiality Agreement
- Interest earned on Cal Grant funds not remitted 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, For-Profit Institution of Higher Education
- President: Sonia Été
- Accrediting Body: Accrediting Council for Independent Colleges and Schools

B. Institutional Persons Contacted

- Robert M. Rice II: Director of Financial Aid
- Thierry Été: Chief Operating Officer

C. Financial Aid

- Date of Prior Commission Program Review: None
- Branches: None
- Financial Aid Programs: Federal: Direct Loan Program, Pell, Work-Study, Pell, and SEOG  
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. 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 of four students who received a total of two Cal Grant A awards and two Cal Grant B awards within the review period. The program review sample was selected to include all students awarded.
- Reviewing the records of five unpaid Cal Grant awardees who appeared on the Institution's roster. The 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.

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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.

VIEWS OF  
RESPONSIBLE  
OFFICIALS

The findings were discussed with Institution representatives in an exit conference on January 25, 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 25, 2016

Melanie Wong, Acting Manager  
Program Compliance Office

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## FINDINGS AND REQUIRED ACTIONS

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GENERAL  
ELIGIBILITY:

**FINDING 1: Non-compliance with WebGrants Information Security and Confidentiality Agreement**

A review of institutional records revealed that the institution failed to comply with the Commission's WebGrants Information Security and Confidentiality Agreement.

**DISCUSSION:**

As indicated in the 2012-16 Institutional Participation Agreement signed by the Institution's President, institutions must comply with all applicable federal, state and local information security, confidentiality and privacy laws and regulations, Commission policies and requirements pertaining to the proper access, creation, modification, handling, storage, transfer, transmission, dissemination, sharing or destruction of confidential information maintained on the Commission's Grant Delivery System (GDS), WebGrants system and/or pertaining to the Commission, its programs, and its program applicants and/or recipients.

Participating institutions must designate a single individual as the Authorized Official (AO), who will then designate a maximum of two other individuals as the institution's System Administrator(s) (SA). The institution's SA will ensure that all institution employees or agents who require WebGrants (GDS) access will sign a "Grant Delivery System (GDS) WebGrants User Access Request Form" prior to being granted access to the GDS/WebGrants System. Such access will be granted for a period of time not to exceed one (1) year, and shall be renewed upon completion of either an annual Commission-supplied or institutional supplied training in areas of information security, privacy and confidentiality. The SA will immediately disable the password and ID of any employee whose change in employment status or duties no longer requires access to the GDS/WebGrants System.

The AO and SA(s) are required to submit an accurate and complete "Information Security and Confidentiality Agreement" and "System Administrator's Access Request Form" to the Commission before access to the Commission's network and data is granted. These forms must be renewed annually to ensure continued access.

Copies of all documents mentioned above must remain at the institution.

Commission and institutional records revealed non-compliance with the WebGrants Information Security and Confidentiality Agreement as follows:

- The SA failed to renew the "Information Security and Confidentiality Agreement" and "System Administrator's Access Request Form" and access was disabled on August 1, 2015. New forms were submitted and access was regained January 19, 2016.
- The WebGrants User Access Form for the authorized user was not completed and retained at the institution.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### REFERENCES:

Institutional Participation Agreement, Article VI.  
2015 Cal Grant Handbook, Chapter 2, pages 13-16, 11/19/2015  
Commission Special Alert, GSA 2013-17, May 14, 2013  
WebGrants Information Security and Confidentiality Agreement

### REQUIRED ACTION:

The Institution is required to submit signed copies of the "Grant Delivery System (GDS) WebGrants User Access Request Form" for all active employees. Additionally, the Institution must provide administrative policies and controls to ensure compliance as outlined on the WebGrants Information Security and Confidentiality Agreement.

### COMMISSION REPLY:

The institution's submission of signed "Grant Delivery System (GDS) WebGrants User Access Request Forms" and an updated policy are deemed acceptable. No further action is required.

FISCAL  
RESPONSIBILITY  
FOR PROGRAM  
FUNDS:

### **FINDING 2: Interest earned on Cal Grant funds not remitted to the Commission**

A review of the Institution's bank statements revealed that interest was earned on Cal Grant funds for the 2013 calendar year but was not remitted 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.

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

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Academy of Couture Arts deposits Cal Grant funds into an interest bearing account at Bank of America (Account No. 1641 0933 7248). A review of the bank statements and discussions with Institution staff revealed that \$.02 of interest was earned on Cal Grant funds for the 2013 calendar year but was not returned to the Commission.

Furthermore, for the 2014 calendar year, the institution remitted the interest earned on June 18, 2015, which was after the March 1 deadline.

### **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  
Cal Grant Manual, Chapter 2, July 2004  
Cal Grant Manual, Chapter 9, September 2003  
CSAC Special Alert 2013-30, November 6, 2013  
CSAC Special Alert 2014-34, November 10, 2014

### **REQUIRED ACTIONS:**

The institution must remit interest earned for the 2013 calendar year in the amount of **\$.02**.

Furthermore, the institution must submit policy and procedures to ensure that interest earned on Cal Grant funds is returned to the Commission as outlined in the Institutional Participation Agreement.

### **COMMISSION REPLY:**

The institution's return of earned interest for Calendar Years 2013 and provision of updated policy are deemed acceptable. No further action is required.