

# CALIFORNIA STUDENT AID COMMISSION

PROGRAM ADMINISTRATION AND SERVICES DIVISION

February 20, 2018



Margot Dovcette  
President  
Design Institute of San Diego  
8555 Commerce Avenue  
San Diego, CA 92121

RE: Program Compliance Review ID#81702298000

Dear Ms. Dovcette:

This letter is in reference to the Program Compliance Review of your institution conducted on 6/20/2017. All required actions were addressed satisfactorily prior to issuance of a draft report. A copy of the final report is attached and the institution may now consider the program review closed, with no further action required.

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 that reads "Catalina Mistler".

Catalina Mistler, Deputy Director  
Program Administration and Services Division

Enclosure

- c. Jackie Gloria, Financial Aid Director, Design Institute of San Diego  
Program Review File



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

***2015-16 Award Year***

**Design Institute of San Diego  
Program Review ID#81702298000**

**8555 Commerce Avenue  
San Diego, CA 92121**

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**Program Review Dates:**

June 20 – 22, 2017

**Auditor:**

Nati Bugarin

**Report Approved by:**

Catalina Mistler, Deputy Director  
Program Administration and Services Division

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## AUDITOR'S REPORT

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### SUMMARY

We reviewed Design Institute of San Diego's administration of California Student Aid Commission (Commission) programs for the 2015-16 award year.

The Institution's records disclosed the following deficiencies:

- Education level (EL) verified incorrectly
- Incorrect Cal Grant disbursement due to enrollment status

### 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: For Profit Institution of Higher Education
- President/CEO: Margot Dovcette
- Accrediting Body: Accrediting Council for Independent Colleges and Schools

#### B. Institutional Persons Contacted

- Jackie Gloria: Financial Aid Director
- Cindy Gregory: Business Officer

#### C. Financial Aid

- Date of Prior Commission Program Review: June 2005
- Branches: None
- Financial Aid Programs: Federal: Direct Loan Program, SEOG, Pell, and Work-Study  
State: Cal Grants 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. 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 19 students who received a total of 19 Cal Grant A awards and 9 Cal Grant B awards within the review period. The program review sample included all Cal Grant 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 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.

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**AUDITOR'S REPORT (continued)**

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**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 June 22, 2017. The Institution staff concurred with the findings.

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

Catalina Mistler, Deputy Director  
Program Administration and Services Division

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## FINDINGS AND REQUIRED ACTIONS

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APPLICANT  
ELIGIBILITY:

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

A review of four students selected for EL verification revealed one case in which the student's 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. 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 Design Institute of San Diego is as follows:

Grade Level	Number of Units
1	0 – 30
2	31 - 60
3	61 - 90
4	91 - 132

A review of the academic transcripts for student 12 revealed that the new Cal Grant A recipient had completed 30.0 units prior to the Fall 2015 term. However, the Institution verified the student as an EL 2. Based on the Institution's grade level policy, the student should have been verified as an EL 1.

During the Exit Conference, the Institution was inform that due to the error ratio rate, the Design Institute of San Diego would be required to submit a portfolio review of all new Cal Grant recipients' selected for grade level verification for the 2016-17 award year.

On July 20, 2017, the Institution submitted the portfolio review of 5 students selected for EL verification for the 2016-17 award year which disclosed the EL for 2 students were reported incorrectly as indicated in the table on the next page:

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**FINDINGS AND REQUIRED ACTIONS (continue)**

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2016-17 Award Year			
No.	EL Reported	# of units prior to Fall 16'	Correct EL
E1	2	63	3
E5	1	55	1

Since the 2016-17 award year was still open, the Institution was able to report the correct EL on WebGrants.

Additionally, Design Institute of San Diego Design submitted revised Cal Grant procedures that state:

“New and continuing students

- Student grade levels are verified for all new applicants in WebGrants; 0 - 30 first year, 31 - 60 second year, 61 – 90 third year and 91 – 132 fourth year.”

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
- Institutional Participation Agreement, Article IV.B.
- Cal Grant Manual, Chapter 7, October 2005
- Cal Grant Manual, Chapter 8, November 2005
- Cal Grant Handbook, Chapter 6, page 44-45, 2/11/2016 – Version 2.1
- Cal Grant Handbook, Chapter 10, page 81, 2/11/2016 – Version 2.1
- Cal Grant Handbook, Chapter 15, page 141-142, 2/11/2016 – Version 2.1

**REQUIRED ACTION:**

No further action is required since the Institution submitted policies and procedures that are deemed acceptable and the Commission has increased the Cal Grant eligibility for student 12 by 100%.

FUND  
DISBURSEMENT  
AND REFUNDS:

**FINDING 2: Incorrect Cal Grant disbursement due to enrollment status**

A review of 19 student files disclosed one case in which an incorrect Cal Grant term payment was made by the Institution.



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## FINDINGS AND REQUIRED ACTIONS (continue)

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### 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. *When making payment for a term that has ended, the Institution must base the attendance status on the number of units successfully completed for the term.* 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

A review of the academic transcripts for student 10 indicated that the student attempted 9.0 units but withdrew from 3.0 units on 10/12/2015 for the Fall 2015 semester. The student was paid a three-quarter time payment in the amount of \$1,500 on 01/25/2016, after the end of semester. The Institution should have disbursed a half-time payment in the amount of \$1,000 based on the units successfully completed. Thus, \$500 is ineligible and must be returned to the Commission.

Subsequent to the on-site audit, the Institution returned the ineligible amount of \$500 via check number 42930, dated 8/1/2017 on behalf of student 10. In addition, Design Institute of San Diego submitted Cal Grant Procedures that state:

"New and continuing students

- If a student's [sic] receives a Cal Grant payment before withdrawing or failing a class, the student remains eligible for the payment. If the award is paid after a student withdraws from a class or classes, the student award is reduce [sic] to the units the student completed even if a class is failed."

### REFERENCES:

California Education Code section 69432.7(f)  
Institutional Participation Agreement, Article IV.B and C  
Cal Grant Manual, Charter 8, November 2005  
Cal Grant Manual, Chapter 9, September 2003  
Cal Grant Handbook, Chapter 10, page 80, 2/11/2016 – Version 2.1  
Cal Grant Handbook, Chapter 13, pages 113-117, 2/11/2016 – Version 2.1

### REQUIRED ACTION:

No further action is required for this finding as the Institution returned the ineligible funds and submitted policies and procedures that are deemed acceptable.