

CALIFORNIA STUDENT AID COMMISSION

LEGAL AND AUDIT SERVICES DIVISION

October 24, 2016



Daniel Flores
CEO
Cambridge Junior College
990-A Klamath Lane
Yuba City, CA 95993

RE: Program Compliance Review ID#91603874300

Dear Mr. Flores:

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. Theresa Navarro, Chief Financial Aid Administrator
Program Review File



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

2013-14 Award Year

**Cambridge Junior College
Program Review ID#91603874300**

**990-A Klamath Lane
Yuba City, CA 95993-8978**

Program Review Dates: January – February, 2016

Auditor: Del Pyles

Report Approved by: Melanie Wong, Acting Manager
Program Compliance Office

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AUDITOR'S REPORT

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

The Institution's records disclosed the following deficiencies:

- Satisfactory Academic Progress (SAP) policy does not meet state requirements
- Incorrect disbursement due to enrollment status
- Eligible Cal Grant awardees not paid
- Cal Grant funds not deposited and maintained in an interest-bearing account

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, B and C
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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
- Chief Executive Officer: Daniel Flores
- Accrediting Body: Accrediting Council for Independent Colleges and Schools

B. Institutional Persons Contacted

- Theresa Navarro: Chief Financial Aid Administrator
- Sandy Fowler: Director of Institutional Effectiveness and Education

C. Financial Aid

- Date of Prior Commission Program Review: None
- Branches: Cambridge Junior College, Woodland, CA
- Financial Aid Programs: Federal: Pell, SEOG, Direct Loans, and Work-Study
State: Cal Grant A, B and C
- Financial Aid Consultant: Educational Compliance Management

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 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 44 students who received a total of 5 Cal Grant B awards and 39 Cal Grant C awards within the review period. The program review sample was selected to include all students awarded.
- Reviewing the records of unpaid Cal Grant recipients from a sample of 23 students who appeared on the Institution's roster but were not paid for the award year. The program review sample was selected to include all 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.

AUDITOR'S REPORT (continued)

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 February 24, 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.

February 24, 2016

Melanie Wong, Acting Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

GENERAL
ELIGIBILITY:

FINDING 1: Satisfactory Academic Progress (SAP) policy does not meet state requirements

An examination of the Institution's current Satisfactory Academic Progress (SAP) policy revealed that the policy does not apply federal requirements to Cal Grant students.

DISCUSSION:

The California Education Code (CEC) defines satisfactory academic progress for the Cal Grant Programs as "those criteria required by applicable federal standards published in Title 34 of the Code of Federal Regulations (CFR)." It further states that the Commission may adopt regulations defining satisfactory academic progress in a manner that is consistent with federal standards.

Federal standards require institutions to establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining SAP in his or her educational program. An institution's standards are said to be reasonable if the standards are the same as, or stricter than, the institution's standards for a student enrolled in the same educational program who is not receiving assistance under Title IV programs. Additionally, the SAP policy should be clear, concise and self-explanatory.

The institution's SAP policy must include all periods of the student's enrollment including periods in which the student did not receive Title IV funds, and transfer credits that are applicable to the student's educational program. An institution's SAP policy must include the following elements:

- A qualitative component
- A quantitative components
- A maximum time-frame (150% of the normal program length)
- An incremental measurement
- A designated amount of work that must be completed per increment
- A determination at the end of each increment regarding the student's progress
- An appeal process
- Procedures for re-establishing SAP eligibility

If a satisfactory progress check shows that the student does not have the required grade point average (GPA) or is not maintaining the required pace, they become ineligible for federal funds unless they are placed on financial aid warning or probation.

A financial aid warning status lasts for only one payment period, during which the student may continue to receive federal funds. Students who fail to make satisfactory progress after the warning period lose aid eligibility unless an appeal is approved and the student is placed on probation.

FINDINGS AND REQUIRED ACTIONS (continued)

Cambridge Junior College has both clock hour programs and an associate degree program. The Institution's SAP policy allows students to receive federal financial aid while on a financial aid warning status while Cal Grant students are denied Cal Grant awards when placed on this status.

Because SAP for Cal Grant students **must** be consistent with federal regulations, students should also be eligible for Cal Grant disbursements when placed on a financial aid warning status.

The following students were placed on financial aid warning for not making satisfactory academic progress and received federal financial aid, but were deemed ineligible for Cal Grant C awards:

Student 10 was in half-time attendance and was placed on financial aid warning for the Spring 2014 term. The student received federal grants and loans but was denied Cal Grant funds in the amount of \$502.

Student 18 was in full-time attendance and was placed on financial aid warning for the Fall 2013 term. The student received a Pell grant but was denied Cal Grant funds in the amount of \$1,003.

Student 24 was in three-quarter time attendance and was placed on financial aid warning for the Summer 2013 term (manual summer award). The student was disbursed \$752 in Cal Grant awards, however, the funds were refunded to the Commission.

Student U4 was placed on a financial aid warning status during the Winter 2013 term. The student was in half-time attendance and was denied a Cal Grant C award of \$502 by the Institution. Furthermore, the student was withdrawn from the Cal Grant program as discussed in Finding 3 of this report.

Because the 2013-14 academic year has closed, the Institution cannot process Cal Grant payments for the unpaid awards. However, according to the National Student Loan Data System, the students have outstanding loan balances. Although the Commission cannot currently require the Institution to reimburse the students for the Cal Grant awards that were not paid, the Institution's failure to properly verify SAP may have increased the amount of student loan debt undertaken by the student. As a result, the Institution may choose to reimburse the students' loans from its own funds in the amount that could have been awarded were it not for the error.

REFERENCES:

- 34 CFR 668.16(e)
- 34 CFR 668.34
- 2013-14 Federal Student Aid Handbook, Volume 1, Chapter 1
- 2013-14 Federal Student Aid Handbook, Volume 2, Chapter 3
- California Education Code sections 69432.7(m) and 69433.5(a)

FINDINGS AND REQUIRED ACTIONS (continued)

Institutional Participation Agreement, Article IV.B.
Cal Grant Manual, Chapter 3, September 2004
Cal Grant Manual, Chapter 6, November 2003
Cal Grant Manual, Chapter 8, November 2005
Cal Grant Handbook, Chapter 4, Page 29, 2/11/2016, Version 2.1
Cambridge Junior College's Satisfactory Academic Progress Policy

REQUIRED ACTIONS:

The Institution must submit revised SAP policies to ensure that Cal Grant students receive the same considerations as students that receive federal financial aid.

The Institution is additionally required to conduct a portfolio review of all Cal Grant students that had an adjustment code of NP (not meeting SAP) on the Cal Grant roster for the 2014-15 and 2015-16 award years. A spreadsheet has been uploaded to WebGrants that contains the following data elements:

- Social Security Number (SSN)
- Last Name
- First Name
- Program (A, B, C)
- Term NP was reported

AR Student Ledgers, Student Transcripts, Individual SAP Clock Hour documents and Attendance Summary documents for all students contained in the provided spreadsheet must be submitted in response to this finding.

PORTFOLIO REVIEW RESULTS:

The portfolio review of six students reported as NP for the 2014-15 award year and three students reported as NP for the 2015-16 award year revealed the following incorrect reporting by the Institution:

No.	Program	Award Year	SAP Status	CG Eligible
X1	A	2014-15	Warning	No*
X2	C	2014-15	Warning	Yes
X3	C	2015-16	Warning	No**
X5	C	2014-15	Warning	Yes
X7	B	2014-15	Warning	Yes
X8	C	2014-15	Warning	Yes
X9	B	2014-15	Warning	Yes

* *Student was not enrolled in an eligible Cal Grant A program (Institution should have reported IG – Ineligible for Grant)*

** *Student was enrolled in less than half time (Institution should have reported LH – Less Than Half Time)*

FINDINGS AND REQUIRED ACTIONS (continued)

COMMISSION REPLY:

The Institution submitted revised SAP policies and procedures that are deemed acceptable. No further action is required.

FUND
DISBURSEMENTS
AND REFUNDS:

FINDING 2: Incorrect disbursement due to enrollment status

A review of 44 student files identified one student where the school disbursed incorrect Cal Grant funds due to the student's enrollment status.

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. Enrollment status directly correlates to the amount of the Cal Grant award and the percentage of eligibility used.

Cambridge Junior College has an associate degree program and clock-hour programs each of which have different requirements. Clock hour programs are determined using the federal calculation for conversion of clock hours to credit hours (clock hours earned/25 quarter hours= credit hours).

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

For the Winter 2013 term, student 7 attempted a total of 195 clock hours (195/25 = 7.8 credits) and therefore was only eligible for a half-time Cal Grant C award of \$502. The student, however, was awarded a three-quarter time Cal Grant C award of \$753. As a result, the ineligible amount of \$251 (\$753-\$502) must be returned to the Commission.

REFERENCES:

California Education Code section 69432.7(f)
Institutional Participation Agreement, Article IV.B
Institutional Participation Agreement, Article IV.C.1.b
Cal Grant Manual, Charter 8, November 2005
Cal Grant Manual, Chapter 9, September 2003
Cal Grant Handbook, Chapter 10, page 80, 02/11/2016 – Version 2.1
Cal Grant Handbook, Chapter 13, pages 113-114, 02/11/2016 – Version 2.1

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTIONS:

The Institution must return **\$251** in ineligible funds on behalf of student 7 and provide the written policies and procedures to ensure that enrollment status is correctly determined prior to disbursing Cal Grant funds.

COMMISSION REPLY:

The Institution returned the ineligible funds of \$251 on June 24, 2016 (check No. 21343) and provided acceptable policies and procedures. No further action is required.

FUND DISBURSEMENTS AND REFUNDS:

FINDING 3: Eligible Cal Grant awardees not paid

A review of 23 students listed on the Unpaid Student Sample list identified two students where the student was eligible for Cal Grant funds and did not receive payment.

DISCUSSION:

The Commission provides reports such as the Unable to Determine Report, the Automatic Leave Report and the Unclaimed Awards Report to assist institutions in determining which students have potential Cal Grant Eligibility.

A Cal Grant award must be activated to establish the awardee as a participant. Activation means that the Cal Grant recipient has taken all necessary steps to establish their eligibility. Without activation, a student offered a Cal Grant award remains a non-participant and will have their award offer withdrawn.

Students whose award has not been activated by the end of the academic year will appear on the Unclaimed Awards report. If the student was in attendance, the institution must verify eligibility and, if the student is eligible for payment, update the Cal Grant roster accordingly. If no action is taken for a student, their award will be withdrawn.

The roster allows schools to report Cal Grant payments on a student-by-student basis. Institutions are required to notify the Commission continuously during the academic/award year of payments that are disbursed to students. Payments may be either posted directly or uploaded to the roster in WebGrants.

Student U4 attended the Medical Assistant program at the Institution during the Fall and Winter 2013 terms and withdrew during the Spring 2014 term. The student was eligible for half-time Cal Grant C awards of \$502 for both Fall and Winter 2013 terms. The Institution incorrectly placed the student on financial aid warning for Winter 2013 (Finding 1) and attempted to report the student's status on the Cal Grant roster on January 31, 2014. The transaction failed, however, because the Institution did not report the half-time award for the Fall 2013 term initially. The Institution was unaware that it could report a transaction for a previous term and

FINDINGS AND REQUIRED ACTIONS (continued)

therefore, the student was withdrawn from the program at the end of the 2013-14 academic year due to no reporting of transactions.

Student U13 was also enrolled in the Medical Assistant program and completed 150 clock hours during the Fall 2013 term which calculated to a half-time enrollment status ($150/25 = 6$ credits). The student was not awarded a Cal Grant C award in the amount of \$502 by the Institution.

Because the 2013-14 academic year has closed, the Institution cannot process Cal Grant payments for the unpaid awards. However, according to the National Student Loan Data System, the students have outstanding loan balances. Although the Commission cannot currently require the Institution to reimburse the students for the Cal Grant awards that were not paid, the Institution's failure to process the award may have increased the amount of student loan debt undertaken by the student. As a result, the Institution may choose to reimburse the students' loans from its own funds in the amount that could have been awarded were it not for the error.

REFERENCES:

California Education Code 69436
Institutional Participation Agreement, Section IV.C.
Cal Grant Manual, Chapter 7, October 2005
Cal Grant Handbook, Chapter 13, 2/11/2016, Version 2.1

REQUIRED ACTION:

The Institution is required to submit policies and procedures to ensure all potential Cal Grant recipients are awarded and all transactions are accurately reported on the roster.

COMMISSION REPLY:

The Institution's revised Cal Grant awarding policies and procedures are deemed acceptable. No further action is required.

FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING 4: Cal Grant funds not deposited and maintained in an interest-bearing account

A review of documentation provided by the Institution revealed that the Cal Grant funds advanced by the Commission have not been deposited and maintained in an interest-bearing account.

DISCUSSION:

As indicated in the 2012-16 Institutional Participation Agreement signed by the institution's Chief Executive Officer, institutions must maintain Cal Grant funds in an interest-bearing account or an investment account at a financial institution with a presence in California whose accounts are insured by the Federal Deposit

FINDINGS AND REQUIRED ACTIONS (continued)

Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or secured by collateral of value reasonably equivalent to the amount of Cal Grant Program funds in the account. Furthermore, these funds must be identified as "State" funds.

Annual interest earned on Cal Grant funds constitute State funds and must be remitted to the 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 1st 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.

A review of the bank statements from Tri Counties Bank (account number 100017520) and discussions with institutional staff revealed that the aforementioned account is a non-interest bearing account for which Cal Grant funds are deposited and maintained. The Institution entered the Cal Grant program in 2012, therefore, interest has not been earned and subsequently not returned for the 2012, 2013 and 2014 calendar years.

On February 23, 2016, the Institution provided a letter from Tri Counties Bank verifying that the Cal Grant account is now an interest-bearing account.

REFERENCES:

Institutional Participation Agreement, Article III.D
Cal Grant Manual, Chapter 2, July 2004
Cal Grant Manual, Chapter 9, September 2003
Cal Grant Handbook, Chapter 14, page 128, 2/11/2016, Version 2.1
Cal Grant Handbook, Chapter 16, pages 154-155, 2/11/2016, Version 2.1
CSAC Operations Memo, GOM 2009-27, September 17, 2009
CSAC Special Alert, GSA 2013-30, November 6, 2013
CSAC Special Alert, GSA 2014-34, November 10, 2014
CSAC Special Alert, GSA 2015-38, September 25, 2015

REQUIRED ACTION:

The Institution must submit policies and procedures for the calculation and return of interest earned on Cal Grant funds.

FINDINGS AND REQUIRED ACTIONS (continued)

COMMISSION REPLY:

The Institution's policies and procedures regarding the calculation and return of interest earned on Cal Grant funds are deemed acceptable. No further action is required.