

CALIFORNIA STUDENT AID COMMISSION

LEGAL AND AUDIT SERVICES DIVISION

March 3, 2017



Judith Greig
President
Notre Dame de Namur University
1500 Ralston Avenue
Belmont, CA 94002

RE: Program Compliance Review ID#81600117900

Dear Ms. Greig:

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. Chuck Walz, Director of Financial Aid
Program Review File



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

2013-14 Award Year

**Notre Dame de Namur University
Program Review ID#81600117900**

**1500 Ralston Avenue
Belmont, CA 94002-1908**

Program Review Dates: February 8-12, 2016 – February 12, 2016

Auditor: Paramjeet Singh

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

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AUDITOR'S REPORT

SUMMARY

We reviewed Notre Dame de Namur University'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
- Transfer Entitlement (E2) recipients ineligible
- Cal Grant recipient not eligible
- Verification performed incorrectly or not performed
- Incorrect Cal Grant disbursements due to enrollment status
- Tuition award exceeds actual tuition charges
- No published policy regarding application of Cal B access award
- 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 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, Non-profit Institution of Higher Education
- President: Judith Grieg
- Accrediting Body: Western Association of Schools & Colleges

B. Institutional Persons Contacted

- Chuck Walz: Director of Financial Aid
- Shahan Shahvekilian: Director of Planning and Budgeting

C. Financial Aid

- Date of Prior Commission Program Review: May 2007
- Branches: None
- Financial Aid Programs: Federal: Direct Loan Program, Perkins Loan, Work-Study, Pell, 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 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 40 students who received a total of 22 Cal Grant A and 18 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 275 recipients.
- Reviewing the records of 8 Cal Grant recipients who appeared on the Institution's roster but were not paid for the award year. The review sample was selected to include all unpaid students for the award year.

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.

February 11, 2016

Melanie Wong, Acting Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

GENERAL
ELIGIBILITY:

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

A review of Institution 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 be maintained and retained at the institution.

Commission, Institutional records, and discussion with Institution personnel revealed non-compliance with the WebGrants Information Security and Confidentiality Agreement as follows:

- The Institution does not have a training program on the requirements of the Information Security and Confidentiality agreement.

FINDINGS AND REQUIRED ACTIONS (continued)

- The SA failed to immediately disable the account of three employees who had ceased employment as of January 29, 2015, October 21, 2015, and November 25, 2015.
- During the field review the Institution failed to provide WebGrants User Access Forms for employees who were granted WebGrants access.

In order to meet its responsibilities to the Commission, an institution must be capable of adequately administering Cal Grant Program requirements. The Institution was previously cited for non-compliance with the WebGrants Information Security and Confidentiality Agreement in the May 2007 CSAC Audit Report for the 2005-06 award year. Thus, this finding is deemed as an area of continued noncompliance. An institution that fails to comply with applicable laws, policies, contracts and institutional participation agreements may lose its eligibility for participating in the Cal Grant Programs for failing to meet standards of administrative capability.

REFERENCES:

2012-16 Institutional Participation Agreement, Article VI
2015 Cal Grant Handbook, Chapter 2, pages 13-16, 2/11/2016
Commission Special Alert, GSA 2013-17, May 14, 2013
WebGrants Information Security and Confidentiality Agreement

REQUIRED ACTIONS:

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 provided signed copies of the “Grant Delivery System (GDS) WebGrants User Access Request Form” for all active employees and submitted acceptable policies and procedures. No further action is required.

APPLICANT
ELIGIBILITY:

FINDING 2: Transfer Entitlement (E2) recipients ineligible

A review of 10 E2 recipients disclosed 2 students that did not meet the eligibility requirements.

DISCUSSION:

Senate Bill 1644 (Chapter 403, Statutes of 2000) guarantees a Cal Grant Transfer Entitlement award to every student who meets the following requirements:

FINDINGS AND REQUIRED ACTIONS (continued)

- Graduated from a California High School (HS) or its equivalent after June 30, 2000
- Was a California resident at the time of high school graduation
- Attended a California Community College (CCC) in the academic year immediately preceding the award year in which the award was used
- Transferred to and attended a Bachelor's Degree granting institution (BDGI) in the academic year for which they were initially awarded a Cal Grant
- Is under the age of 28 at the time of the transfer
- Has financial need
- Is academically eligible

Students who attended a CCC in 2011-12 were allowed to use a new 2013-14 E2 award in the 2013-14 academic year regardless of their 2012-13 enrollment status as allowed by California Education Code Section 69436(b)(10)(B).

Student 36 received a new Cal Grant B E2 award for the 2013-14 award year. A review of the file for student 36 and discussion with Institution personnel revealed that the student transferred to Notre Dame de Namur University (NDNU) from San Francisco State University (BDGI) during Summer 2013 (2012-13 academic year). According to NDNU and San Francisco State University transcripts, the student also attended College of San Mateo (CCC). However, the Institution was unable to provide a copy of transcripts from College of San Mateo to determine if the student attended the CCC during the 2011-12 academic year. The student received \$9,238 for the 2013-14 academic year which is deemed ineligible. The student was not awarded for any subsequent years.

A review of the file for student 37 revealed that the student last attended a CCC in Fall 2011 (2011-12 academic year) and transferred to NDNU for the Spring 2012 term (2011-12 academic year). The student received a new Cal Grant B E2 award for the 2013-14 academic year. Since the student began attendance at NDNU (BDGI) during the 2011-12 academic year, the student was not entitled to receive a new E2 Cal Grant award for the 2013-14 academic year. The student received \$10,557 for the 2013-14 academic year which is deemed ineligible. The student was not awarded for any subsequent years.

Due to the high number of students who did not meet E2 eligibility requirements (2/10 = 20%), the Institution was required to perform a portfolio review of all remaining 2013-14 E2 recipients as well as all E2 students awarded during the 2014-15 and 2015-16 academic years. The portfolio review included a review of 31 additional students for the 2013-14 award year, 27 students for the 2014-15 award year and 19 students for the 2015-16 award year.

The portfolio review disclosed four additional ineligible students for 2013-14, five ineligible students for 2014-15 and three ineligible students for 2015-16 as indicated:

FINDINGS AND REQUIRED ACTIONS (continued)

2013-14 Portfolio Review Results		
No.	Reason	Ineligible
X1	Could not verify student graduated from California HS or attended a CCC (No HS or CCC transcripts available)	\$5,279.00
X2	Did not attend a CCC during 2011-12	\$10,557.00
X9	Could not verify student graduated from California HS (No transcripts available)	*\$19,953.00
X12	Could not verify student graduated from California HS (No transcripts available)	\$9,084.00
Total 2013-14 Ineligible		\$44,873.00

**Includes 2013-14, 2014-15 and 2015-16 disbursements*

2014-15 Portfolio Review Results		
No.	Reason	Ineligible
X4	Student attended NDNU from 2012-13 through 2014-15	\$2,683.00
X5	Did not attend a CCC during 2013-14	\$3,407.00
X6	Student attended a California HS, but did not graduate	*\$21,472.00
X7	Student attended NDNU from 2010-11 through 2014-15	\$5,366.00
X11	Student began attendance at NDNU 2013-14	*\$9,729.00
Total 2014-15 Ineligible		\$42,657.00

**Includes 2014-15 and 2015-16 disbursements*

2015-16 Portfolio Review Results		
No.	Reason	Ineligible
X3	Student began attendance at NDNU 2014-15	\$5,370.00
X8	Student graduated from a non-California HS	\$6,713.00
X10	Could not verify student graduated from California HS (No transcripts available)	\$2,685.00
Total 2015-16 Ineligible		\$14,768.00

REFERENCES:

California Education Code, section 69436
 2012-16 Institutional Participation Agreement, Article IV, B & C
 Cal Grant Manual, Chapter 8, Section 8.1, November 2005
 Cal Grant Handbook, Chapter 6, page 42, 2/11/2016
 Cal Grant Handbook, Chapter 8, pages 64-65, 2/11/2016
 Cal Grant Handbook, Chapter 10, page 81, 2/11/2016
 CSAC Operations Memo, GOM 2006-30, October 12, 2006
 CSAC Operations Memo, GOM 2013-18, June 18, 2013

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTIONS:

The Institution is required to return the ineligible funds of **\$9,238** for student 36; **\$10,557** for student 37; **\$44,873** for the 2013-14 portfolio; **\$42,657** for the 2014-15 portfolio; and **\$14,768** for the 2015-16 portfolio as directed in the general payment instructions located at the conclusion of this report.

Furthermore, the Institution is required to submit policies and procedures to ensure E2 students meet all eligibility requirements prior to receiving a Cal Grant payment.

COMMISSION REPLY:

The Institution returned the ineligible funds in the amount of \$122,093 (check No. 000307571, dated 10/20/2016) and provided acceptable policies and procedures. No further action is required.

APPLICANT ELIGIBILITY:

FINDING 3: Cal Grant recipient not eligible

A review of five Cal Grant recipients revealed one student did not meet all eligibility requirements for the award.

DISCUSSION:

California Education Code Section 69508.5 allows students who meet certain criteria to apply for and receive state-funded financial aid, including Cal Grants, while attending a participating Cal Grant qualifying institution. That criteria, found in subdivision (a) of California Education Code section 68130.5, establishes that to be eligible for state aid, the student must have:

- Attended a California high school for a minimum of three years,
- Graduated from a California high school or passed the California High School Proficiency Exam (CHSPE) or obtained a Certificate of General Equivalency Diploma (GED),
- Enrolled in an accredited and qualifying California college or university, and
- ***In the case of students without legal immigration status, completed an affidavit stating that they have filed or will file an application to legalize their immigration status as soon as they are eligible to do so.***

The verification of a student's eligibility for a Cal Grant award is the responsibility of the institution and must be performed prior to fund disbursement.

The files for students 1, 3, 4, 13 and 29 included documentation of attendance and graduation from California High Schools, however, the files did not contain verification of immigration status or completed affidavits as described above. However, during the onsite review the Institution was able to obtain documents from students 3, 4, 13, and 29 that verified their Cal Grant eligibility.

FINDINGS AND REQUIRED ACTIONS (continued)

The Institution was not able to obtain documents from student 1 that verified AB 540 eligibility. Hence, the Cal Grant payment the student received for the 2013-14 award year of \$9,084 is ineligible. The student was not awarded for subsequent years.

Due to the high number of students who did not meet AB540 eligibility requirements (2/10 = 20%), the Institution was required to perform a portfolio review of all AB540 students awarded during the 2014-15 and 2015-16 academic years. The portfolio review included a review of five students for the 2014-15 award year and six students for the 2015-16 award year.

The portfolio review disclosed no additional ineligible students.

REFERENCES:

California Education Code Section 68130.5
California Education Code Section 69508.5
California Student Aid Commission 2016 Cal Grant Handbook, Chapter 7
CSAC Operations Memo, GOM 2012-32, October 19, 2012

REQUIRED ACTIONS:

The Institution is required to return the ineligible funds of **\$9,084** for student 1 for the 2013-14 award year as directed in the general payment instructions located at the conclusion of this report and submit policies and procedures that will be implemented to ensure that Cal Grant students meet all eligibility requirements prior to disbursement of funds.

COMMISSION REPLY:

The Institution returned the ineligible funds in the amount of \$9,084 (check No. 000307571, dated 10/20/2016) and submitted acceptable policies and procedures. No further action is required.

APPLICANT
ELIGIBILITY:

FINDING 4: Verification performed incorrectly or not performed

A review of 21 students who were selected for verification disclosed one instance where verification was performed incorrectly and one instance where verification was not performed.

DISCUSSION:

All Cal Grant applicants must submit a completed official financial aid application, either the Free Application for Federal Student Aid (FAFSA) or the California Dream Act application (CADA) annually to determine eligibility. For FAFSA applicants, the Commission electronically draws down applicant information from the Central Processing System (CPS) contractor selected by the U.S. Department of Education. The CPS also provides institutions with the Institutional Student Information Record (ISIR) that contains all of the information provided on the FAFSA.

FINDINGS AND REQUIRED ACTIONS (continued)

Similarly, the Commission processes all CADA to calculate the Expected Family Contribution (EFC) which is then reported electronically to the institution via the California Institutional Student Information Record (Cal ISIR) and mailed in paper format to the student on the California Student Aid Report (Cal SAR).

Because students sometimes make errors on their applications, there is a process for verifying applications and making corrections. The CPS and the Commission selects which applications are to be verified. For each application the CPS or the Commission selects for verification, the applicant must submit documentation to verify or update information contained on the FAFSA or the CADA.

The institution must compare the verification documentation submitted by the student to the information provided on the FAFSA or CADA and recalculate the applicant's financial need, if necessary. Furthermore, a school must maintain the valid ISIR or Cal ISIR and verification documentation used to determine a student's eligibility for program funds.

Students who are selected for verification by the CPS will be placed in one of the five following groups that determines which FAFSA information must be verified for the student:

Group Number	Description
V1	Standard Verification
V2	SNAP Verification
V3	Child Support Verification
V4	Custom Verification
V5	Aggregate Verification

All students whose Cal ISIR is selected for verification by the Commission must submit V1 (Standard Verification) information to the Institution.

A review of the files of students 13 and 20 revealed that the students were identified as group V1 and were required to submit documentation to verify or update the following information:

- Adjusted gross income
- U.S. income tax paid
- Untaxed portions of IRA distributions
- Untaxed portions of pensions
- IRA deductions and payments
- Tax-exempt interest income
- Education credits
- Household Size
- Number in College
- Supplemental Nutrition Assistance Program (SNAP) benefits
- Child support paid

FINDINGS AND REQUIRED ACTIONS (continued)

The Institution failed to verify student 13's Cal ISIR information (transaction 12) which was selected for verification by the Commission. Since the Institution did not perform the required verification process, the student's financial eligibility cannot be determined. The student's Cal Grant payment of \$9,084 for the 2013-14 award year is deemed ineligible and must be returned to the Commission.

Student 20 submitted tax transcripts as required for verification that showed an adjusted gross income (AGI) of \$30,475. The verified ISIR, however, showed an increased AGI of \$33,792. AGI affects the student's total income which determines Cal Grant eligibility based on the Commission's income and asset ceilings, however, in this case the incorrect AGI reported by the Institution did not affect the student's Cal Grant eligibility.

REFERENCES:

2012-16 Institutional Participation Agreement, Article IV.B.
Cal Grant Handbook, Chapter 5, page 37, 2/11/2016
Cal Grant Handbook, Chapter 10, pages 77-79, 2/11/2016
2013-14 Student Financial Aid Handbook, Application and Verification Guide

REQUIRED ACTIONS:

In response to this finding, the Institution must return the ineligible amount of **\$9,084** on behalf of student 13 as directed in the payment instructions located at the conclusion of this report and submit written procedures and quality control measures that will be implemented to ensure that the verification process is fully completed and documented prior to the disbursement of Cal Grant funds.

COMMISSION REPLY:

The Institution returned the ineligible funds in the amount of \$9,084 (check No. 000307571, dated 10/20/2016) and provided acceptable policies and procedures. No further action is required.

FUND
DISBURSEMENT
AND REFUNDS:

FINDING 5: Incorrect Cal Grant disbursements due to enrollment status

A review of 40 student files disclosed one case where a student's Cal Grant award was not maximized and two cases where students received a disbursement in excess of their eligible amount due to 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.

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

NDNU allows students to enter into consortium agreements with other institutions. The agreements are student specific and courses indicated on the agreement are applied towards the degree requirements at NDNU. Credits attempted at both institutions are included to determine enrollment status for financial aid purposes.

For the Spring 2014 term, student 11 received a three-quarter time Cal Grant A tuition payment of \$3,458. According to enrollment records the student attempted 3 units at NDNU (less than half-time). Financial aid personnel indicated that the student also had attempted 6 units at Foothill Community College under a consortium agreement. The Institution, however, failed to provide the consortium agreement documents substantiating a three-quarter time payment. Based solely on NDNU units (3) the student was enrolled less than half-time and was not eligible for the Spring 2014 Cal Grant payment of \$3,458.

Student 40 received a three-quarter time Cal Grant B payment of \$3,959 (\$3,407 tuition and \$552 access) for the Summer 2014 term. According to enrollment records the student attempted 6 units at NDNU (half-time). Institution personnel indicated that the student had also attempted 4 units at Mission Community College under a consortium agreement. The Institution, however, failed to provide the consortium agreement documents to support a three-quarter time payment. Because the student was only enrolled half-time at NDNU the student was eligible for a half-time payment of \$2,639 (\$2,271 tuition + \$368). The difference of \$1,320 (\$3,959 - \$2,639) is deemed ineligible and must be returned to the Commission.

According to enrollment records, student 16 was enrolled half time (6 units) for the Fall 2013 and Spring 2014 terms and met all Cal Grant eligibility requirements. The student was eligible for half-time payments of \$2,639 (\$2,271 tuition + \$368 access) for both terms but received \$0; thus, the student's Cal Grant B award was not maximized.

REFERENCES:

California Education Code section 69432.7(f)
Institutional Participation Agreement, Article IV.B
Institutional Participation Agreement, Article IV.C.1.b
2016 Cal Grant Handbook, Chapter 10, page 80, 2/11/2016

REQUIRED ACTIONS:

In response to the finding above, the Institution must return the ineligible funds of **\$3,458** for student 11 and **\$1,320** for student 40 as directed in the payment instructions located at the conclusion of this report.

FINDINGS AND REQUIRED ACTIONS (continued)

Additionally, the Institution must provide written procedures and internal controls that will be put into place to ensure that enrollment status is verified prior to Cal Grant fund disbursement and the individual student consortium agreements are fully completed and maintained in the students' files.

COMMISSION REPLY:

The Institution returned ineligible funds in the amount of \$4,778 (check No. 000307571, dated 10/20/2016) and provided acceptable policies and procedures. No further action is required.

FUND
DISBURSEMENT
AND REFUNDS:

FINDING 6: Tuition award exceeds actual tuition charges

A review of 40 student files disclosed one case where the Cal Grant tuition award exceeded the actual tuition/fee charges.

DISCUSSION:

The California Education Code indicates that Cal Grant tuition awards shall be used only for tuition and student fees in a for-credit instructional program of not less than two academic years (Cal Grant A) or one academic year (Cal Grant B). Additionally, tuition and fee awards are to be disbursed in an amount not to exceed the maximized value of the tuition award for the term, or the maximum tuition and fee charged, whichever is less.

If the student is receiving benefits from another financial aid source that is also restricted to tuition and fees, the Cal Grant tuition/fee payment amount must be adjusted or the other tuition-paying award can be returned so as not to exceed, in total, the amount of tuition/fees charged. In the event of other tuition awards, attempts should be made to preserve Cal Grant eligibility.

For the Spring 2014 term, student 10 received a half time Cal Grant tuition/fee payment of \$2,306. The student attempted 3 units at NDNU and 5 units at Skyline College under a consortium agreement. According to the student's account ledger, the student incurred tuition/fee charges of \$1,733 at NDNU and fee charges of \$263 at Skyline College, of which \$230 was exempt through the Board of Governors fee waiver. The student incurred \$1,766 (\$1,733 + \$263 - \$230) in tuition/fee charges, therefore, the excess Cal Grant A tuition of \$540 (\$2,306 - \$1,766) is ineligible and must be returned to the Commission.

REFERENCES:

California Education Code 69434(a)
California Education Code 69435(a)(1)(2)
2012-2016 Institutional Participation Agreement, Article IV.C.1
2016 Cal Grant Handbook, Chapter 13, page 113, 2/11/2016

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTIONS:

The Institution **must** return the ineligible funds in the amount of **\$540** on behalf of student 10 as directed in the payment instructions located at the conclusion of this report. Furthermore, the Institution must provide written procedures and internal controls that will be put into place to ensure that the Cal Grant tuition/fee award does not exceed students' actual tuition/fee charges.

COMMISSION REPLY:

The Institution returned the ineligible funds in the amount of \$540 (check No. 000307571, dated 10/20/2016) and submitted acceptable policies and procedures. No further action is required.

FUND
DISBURSEMENT
AND REFUNDS:

FINDING 7: No published policy regarding application of Cal Grant B access

The Institution does not have a published policy that informs students of their options regarding receipt of Cal Grant B access funds.

DISCUSSION:

According to the Institutional Participation Agreement, institutions must establish and publish a policy that informs Cal Grant B recipients of their option to either apply the "Access" portion to outstanding balances on the student's account or request personal receipt of the funds prior to disbursement. Students have the right to rescind the option at any time up to the date the fund transaction occurs.

NDNU applies Cal Grant B access funds to the students' account to offset tuition, room and board charges. Students may receive the access directly by notifying the Business Office one week prior to the beginning of classes. However, discussions with financial aid personnel revealed that this policy is currently not published.

REFERENCES:

2012-16 Institutional Participation Agreement, Article IV.C.
Cal Grant Handbook, Chapter 13, page 108, 2/11/2016

REQUIRED ACTIONS:

The Institution is required to publish the policy that informs students of their options regarding receipt of Cal Grant B access funds.

COMMISSION REPLY:

The Institution has provided acceptable policies and procedures and provided a link to the appropriate page on the Institution's website. No further action is required.

FINDINGS AND REQUIRED ACTIONS (continued)

FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING 8: 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 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 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 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 bank statements and discussion with Institution personnel revealed that during the 2013-14 award year, NDNU deposited Cal Grant funds into a non-interest bearing account at Avidbank until July of 2014 (account number ending in 1883) and then at First Republic Bank from August 2014 to June 2015 (account number ending in 1985).

On July 24, 2015, NDNU opened a new interest-bearing account solely for Cal Grant funds with First Republic Bank (account number ending in 3634). Cal Grant funds were first electronically deposited to this account in December 2015. Verification of the account was submitted along with a copy of the bank statement.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

2012-16 Institutional Participation Agreement, Article III.D
Cal Grant Handbook, Chapter 14, page 127, 2/11/2016
Cal Grant Handbook, Chapter 16, pages 153-154, 2/11/2016
CSAC Operations Memo, GOM 2009-27, September 17, 2009
CSAC Special Alert, GSA 2010-36, December 8, 2010

REQUIRED ACTIONS:

The Institution must submit policies and procedures to ensure interest earned on Cal Grant funds is returned to the Commission as required.

COMMISSION REPLY:

The Institution has submitted acceptable policies and procedures. No further action is required.

GENERAL PAYMENT INSTRUCTIONS

Please submit payment of all ineligible Cal Grant funds (payable to the California Student Aid Commission) with the response to this report.

To ensure that funds are properly credited and individual accounts updated, please provide the following information with payment:

1. Institution name and USED number,
2. Student name and social security number,
3. Repayment amount,
4. Grant program (A, or B),
5. Grant type (tuition, subsistence),
6. Academic year and term to which repayment(s) should be credited, and a
7. Brief description indicating repayment reason.
8. If returning interest, please identify the calendar year that interest was earned.

In addition, each check must reference the Program Compliance Review #81600117900.