

CALIFORNIA STUDENT AID COMMISSION

PROGRAM ADMINISTRATION AND SERVICES DIVISION

January 11, 2018



Jonathan Veitch
President
Occidental College
1600 Campus Road
Los Angeles, CA 90041

RE: Program Compliance Review ID#81600124900

Dear Mr. Veitch:

The following is the final report of our program compliance review of your institution's participation in the California Student Aid Commission's (Commission) Cal Grant programs. In addition, enclosed is an invoice reflecting the ineligible funds due to the Commission as a result of the review.

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: Final Report
Invoice

- c. Gina Becerril, Director of Financial Aid, Occidental College
Barbara Valiente, Associate Vice President of Finance/Controller, Occidental College
James Herr, Interim Registrar, Occidental College
Program Review File



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

2014-15 Award Year

**Occidental College
Program Review ID#81600124900**

**1600 Campus Road
Los Angeles, CA 90041**

Program Review Dates:

October 24 – 27, 2016

Auditor:

Nati Bugarin

Report Approved by:

Catalina Mistler, Deputy Director
Program Administration and Services Division

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AUDITOR'S REPORT

SUMMARY

We reviewed Occidental College's administration of California Student Aid Commission (Commission) programs for the 2014-15 award year.

The institution's records disclosed the following deficiencies:

- Noncompliance with the Commission's Information Security and Confidentiality Agreement
- Satisfactory Academic Progress (SAP) not implemented
- Asset ceiling level exceeded
- Earned interest on Cal Grant funds not returned 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 Institution of Higher Education
- President: Jonathan Veitch
- Accrediting Body: Western Association of Schools & Colleges

B. Institutional Persons Contacted

- Gina Becerril: Director of Financial Aid
- Barbara Valiente: Vice President of Finance/Controller

C. Financial Aid

- Date of Prior Commission Program Review: August 2002
- Branches: None
- Financial Aid Programs: Federal: Direct Loan Program, SEOG, Pell, Perkins and Work-Study
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 38 Cal Grant A awards and 2 Cal Grant B awards within the review period. The program review sample was selected from the total population of 1,635 recipients.
- Reviewing the records of unpaid Cal Grant recipients from a sample of 3 students who appeared on the institution's roster. The program 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.

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 October 27, 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.

Catalina Mistler, Deputy Director
Program Administration and Services Division

FINDINGS AND REQUIRED ACTIONS

GENERAL
ELIGIBILITY:

FINDING 1: Non-compliance with the Commission's Information Security and Confidentiality Agreement

A review of Commission and 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.

Commission and institutional records revealed that the institution failed to immediately disable the account of an employee who had ceased employment on September 30, 2016.

During the on-site visit, October 24 – 27, 2016, the SA disabled the account of the employee who is no longer employed at the institution. This change was noted on the Commission's WebGrants System.

REFERENCES:

Institutional Participation Agreement, Article VI.
Cal Grant Handbook, Chapter 2, pages 13-16, 2/11/2016 – Version 2.1
Cal Grant Manuel, Chapter 2, July 2004
WebGrants Information Security and Confidentiality Agreement

REQUIRED ACTION:

The institution must provide administrative policies and controls to ensure compliance as outlined on the WebGrants Information Security and Confidentiality Agreement.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

“The System Administrator (SA) has been added to the institution’s daily listserv to receive notification from Human Resources of any employees that have ceased to be employed by the College. This will alert and serve as a reminder to the SA to check if any of those employees need to be disabled from any of the Financial Aid Office’s system portals immediately.”

COMMISSION REPLY:

The Institution’s response and revised policies are deemed acceptable. No further action is required.

APPLICANT
ELIGIBILITY:

FINDING 2: Satisfactory Academic Progress (SAP) policy not implemented

A review of 40 students revealed one case in which the institution failed to implement their SAP policy.

DISCUSSION:

Institutions are required 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.

At Occidental College, students who do not earn at least a 2.0 cumulative GPA and/or fail to earn the required minimum units, will receive a warning notification from the Financial Aid Office that they are at risk of losing eligibility for financial aid. Students who do not meet the SAP requirements during their warning semester will no longer be eligible for institutional, state, or federal financial aid. Students who lose their eligibility at the end of the warning semester have the right to appeal for an additional semester of aid.

In addition, the institution’s Student Progress Committee (Committee) reviews the records of all students whose semester or cumulative GPA is below 2.0 or who have received at least one grade of F for the semester. Additionally, students who are not making progress towards meeting graduation requirements (through withdrawals, Incompletes, dropped courses, etc) will be placed on academic probation for the following semester.

FINDINGS AND REQUIRED ACTIONS (continued)

A review of student 16's academic transcripts revealed that at the end of Fall 2014 semester, the student obtained a 1.15 cumulative GPA and completed the following courses:

Course	Units	Grade
BIO 114	4.0	F
CSP 22	4.0	C
CSP 98	1.0	CR
CSP 99	1.0	CR
MUSA 102	1.0	NC
MUSA 102	1.0	CR
Total	12.0	

Since the student failed to meet SAP requirements, the student should have received a "warning" notification from the Financial Aid Office for the Spring 2015 semester. There was no documentation in the student's file indicating that a warning letter was sent to the student. Although the student was not meeting the SAP requirements, the student was eligible to have received financial aid while attending Occidental College during the Spring 2015 semester.

However, the Committee made the decision to suspend the student for one semester. Discussions with the Financial Aid Director revealed that the Committee based their decision on the student's overall performance for the Fall 2014 semester. Although the Financial Aid Office failed to apply its own SAP policies, no ineligible funds were assessed. During the on-site visit, October 24 – 27, 2016, the institution was reminded that an institution's academic standards may not be not stricter than the standard for financial aid.

REFERENCES:

34 CFR 668.16(e)
34 CFR 668.34
2014-15 Federal Student Aid Handbook, Volume 1, Chapter 1
2014-15 Federal Student Aid Handbook, Volume 2, Chapter 3
California Education Code sections 69432.7(m) and 69433.5(a)
Institutional Participation Agreement, Article IV.B.
Cal Grant Manual, Chapter 3, September 2004
Cal Grant Manual, Chapter 6, November 2003
Cal Grant Handbook, Chapter 4, page 29, 02/11/2016 – Version 2.1

REQUIRED ACTION:

The institution is required to submit revised financial aid SAP policies and procedures to ensure that the standards are the same as, or stricter than the institution's academic standards.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

“Since the visit of the CSAC Auditor, we have revised the institution’s SAP policies and procedures to ensure that the standards are the same as, or stricter than the institution’s academic standards. Attached please find our 2017-19 Financial Aid Guide and reference pages 16-19.”

COMMISSION REPLY:

The revised SAP policy as referenced above is deemed acceptable. No further action is required.

APPLICANT
ELIGIBILITY:

FINDING 3: Asset ceiling level exceeded

A review of the files for 40 Cal Grant recipients revealed one case in which the student’s assets exceeded the Commission’s asset level for the 2014-15 award year.

DISCUSSION:

Initial and renewal Cal Grant applicants with financial need whose income does not exceed the income and asset ceiling levels and who meet other selection criteria are eligible for a Cal Grant award. All Cal Grant applicants must submit a completed official financial aid application known as the Free Application for Federal Student Aid (FAFSA) or the California Dream Act Application annually to determine eligibility. For the FAFSA, 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.

The family assets for a dependent student is the parent’s Total Assets (TA) as calculated by the Federal Processor. Cal Grant asset ceilings are set by the Commission in accordance with the provisions of California Education Code 69432.7(k) and are adjusted annually.

Prior to disbursing any Cal Grant funds, a qualifying institution is obligated, under the terms of its Institutional Participation Agreement with the Commission, to resolve any conflicts that may exist in the data the institution possesses relating to that individual.

FINDINGS AND REQUIRED ACTIONS (continued)

The following table indicates the assets levels for new and renewal Cal Grant recipients who are either dependent students or independent students with dependents other than a spouse, for the 2014-15 award year:

ASSET CEILINGS	
Dependent students ¹	\$67,600
Independent students	\$32,300

A review of the file of student 19 revealed that the Commission awarded the dependent student using ISIR transaction 02 which disclosed a TA amount under the Commission's asset ceiling levels. However, the updated ISIR transaction 04 indicated a TA amount of \$126,050 which exceeds the Commission asset ceiling level. Commission and institution records show that the student received Cal Grant funds in the amount of \$9,084. These funds are deemed ineligible and must be returned to the Commission.

REFERENCES:

California Education Code, section 69432.7(k)
California Education Code, section 69432.9
Institutional Participation Agreement, Article IV.B
Cal Grant Manual, Chapter 3, September 2004
Cal Grant Handbook, Chapter 5, page 34-36, 2/11/2016 – Version 2.1
Cal Grant Handbook, Chapter 9, page 71-72, 2/11/2016 – Version 2.1
CSAC Operations Memo, GOM 2013-31, November 18, 2013

REQUIRED ACTIONS:

The institution will be required to return the ineligible funds in the amount of **\$9,084** on behalf of student 19.

Additionally, the institution must submit policies and procedures that will be implemented to ensure that Cal Grant recipients meet all program eligibility requirements prior to the disbursement of Cal Grant funds.

INSTITUTION RESPONSE:

"This was a human error during our review process. Since the occurrence of 2014-15, our Cal Grant Program supervisor does a thorough review of the any requirements for Cal Grant before any funds of the program are disbursed. We will return the ineligible funds in the amount of \$9,084 on behalf of the student.

¹This ceiling also applies to independent student with dependents other than a spouse.

FINDINGS AND REQUIRED ACTIONS (continued)

COMMISSION REPLY:

The Institution's response and revised policies are deemed acceptable. The Commission has enclosed an invoice for the return of ineligible funds. No further action is required.

FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING 4: Interest earned on Cal Grant funds not returned to the Commission

A review of the institution's bank statements and discussions with institutional staff revealed that interest earned on Cal Grant funds have not been returned to the Commission as required.

DISCUSSION:

As indicated in the 2012-2016 Institutional Participation Agreement signed by the institution's President, 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 the institution's bank statements from Community Bank (Acct. ending 0839) revealed that Cal Grant funds are deposited and maintained in an interest-bearing account; however, interest earned on Cal Grant funds have not been returned to the Commission. Discussions with institution staff disclosed that since the institution uses its own funds to disburse payments to students, none too little interest would be due.

FINDINGS AND REQUIRED ACTIONS (continued)

During the on-site visit, October 24 – 27, 2016, the institution was informed that regardless of the dollar amount, the institution is required to return the interest. It was also explained that when assessing interest, the institution may not deduct bank fees, unearned interest on institutional funds (i.e. “negative interest”), or other cost shall be deducted nor offset against the interest earned by the advance of State funds.

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

REQUIRED ACTIONS:

In response to this finding, the institution must submit interest documentation for the 2013, 2014 and 2015 calendar years. Any earned interest will be required to be remitted to the Commission.

INSTITUTION REPLY:

“Please find attached amended interest calculation for the 2013, 2014 and 2015 calendar years. If any additional documentation is needed, please let us know, and we would be happy to provide anything further.”

COMMISSION REPLY:

The interest documentation submitted for the 2013, 2014 and 2015 calendar years is deemed acceptable. The Commission has enclosed an invoice for the interest amounts of \$44.85, \$32.76 and \$7.09 for the 2013, 2014, and 2015 calendar years, respectively. No further action is required.