



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

2006-07 Award Year

**Life Pacific College
Program Review ID#80902270600**

**1100 West Covina Boulevard
San Dimas, CA 91773**

Program Review Dates:	February 2009
Auditor:	Anadelia Marquez (916) 464-8035
Report Approved by:	Charles Wood, Manager Program Compliance Office (916) 464-8912

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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 the Commission programs and their compliance with applicable laws, policies, contracts and institutional 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 40 students who received a total of 25 Cal Grant A awards and 15 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 49 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 California grant programs.

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY (continued)	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, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commission's grant programs.
VIEWS OF RESPONSIBLE OFFICIALS	The review was discussed with agency representatives in an exit conference held on February 26, 2009.

February 26, 2009

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT
ELIGIBILITY:

FINDING 1: New Cal Grant Recipient Not Eligible Due to Income Ceilings

A review of 40 files disclosed 1 student who was not eligible because the total family income exceeded the Commission's income ceiling.

DISCUSSION:

To be eligible for and receive payment for a new Cal Grant award, a student must have family income and assets below the ceilings. Initial eligibility for a Cal Grant award is based on information from the student's Free Application for Federal Student Aid (FAFSA). Institutions are responsible for verifying that students who appear on the Grant Roster meet program requirements, as required by the school's Institutional Participation Agreement, Article IV. A and IV. B.

Income and asset ceilings are set by the Commission in accordance with the provisions of *C.E.C. 69432.7 (k)* and are adjusted annually. The following table shows the Income Ceilings for the 2006-07 award year:

	Cal Grant A and C	Cal Grant B
Dependent students and Independent students with dependents other than a spouse:		
Family Size:		
Six or more	\$83,600	\$45,900
Five	\$77,500	\$42,500
Four	\$72,300	\$38,000
Three	\$66,500	\$34,200
Two	\$65,000	\$30,300
Independent students		
Single, no dependents	\$26,500	\$26,500
Married, no dependents	\$30,300	\$30,300

Student No. 30 was verified as a new Cal Grant A recipient for the 2006-07 award year based on the initial income of \$58,000 as reported on the FAFSA with family size of 4. After verification, the student's family total income increased to \$75,359, which is above the income ceiling making the student ineligible for all funds. The student received \$9,708 for the 2006-07 award year and \$9,708 for the 2007-08 award year that must be returned to the Commission. For fall 2008, the institution has reversed the payment of \$4,854.

Note: this is a repeat finding; it was also noted in our last review conducted in February 2000.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

California Education Code 69432.7(k)
Institutional Participation Agreement, Article IV A, IV B
Cal Grant Manual, Chapter 3, pages 1 & 3, September 2004
CSAC Operations Memo, GOM 2003-11, October 2003

REQUIRED ACTION:

The institution **must** repay a total **\$19,416** (\$9,708 + 9,708) for student No. 30. The student will be withdrawn from the program. Life Pacific College **must** submit policies and procedures to ensure students meet all eligibility requirements prior to disbursement of funds.

INSTITUTION RESPONSE:

1. See the ELIGIBILITY SECTION of the enclosed policies for disbursement of Cal Grant Programs.
2. See the PROCEDURES A ... Once a student shows up on the Cal Grant Roster.
The following has been added to A (3).
Students who have been selected for verification by the Dept. of Education: Once the verification process has been completed, confirm continued eligibility based upon changes made to the Student Aid Report including but not limited family income and asset ceiling for the academic year in which they could receive a disbursement.
3. Enclosed is a copy of the check sent to California Student Aid Commission which includes payment of \$19,416 for student No. 30.

AUDITOR REPLY:

The institution returned \$19,416 on check # 23625 dated June 23, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.

B. APPLICANT
ELIGIBILITY:

FINDING 2: Renewal Unmet Need Could Not Be Reconstructed or Calculated Incorrectly

A review of 23 renewals Cal Grant student files disclosed that 18 students unmet need could not be reconstructed or was calculated incorrectly.

DISCUSSION:

For renewal students, schools must calculate a student's annual unmet need as a full-time student and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the

FINDINGS AND REQUIRED ACTIONS (continued)

Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. Net unmet need is defined as a student's budget minus the Expected Family Contribution (EFC) and Pell Grant.

In the case for student No. 18 the institution reported a renewal unmet need that could not be reconstructed from documentation within the students' file.

For student Nos. 2, 3, 4, 5, 9, 10, 11, 12, 15, 16, 21, 24, 31, 34, 35, 39, and 40 the institution did not include the PELL award in the calculation.

Note: this is a repeat finding; it was also noted in our last review conducted in February 2000.

REFERENCES:

Cal Grant Manual, Chapter 6, pages 3-4, November 2003

Cal Grant Manual, Chapter 8, pages 1-2, November 2005

REQUIRED ACTION:

During the review the institution provided policies and procedures that are currently in place which ensures renewal unmet need amount is correctly calculated and reported to the Commission and documented within the student's file. No further action is required.

C. FUND DISBURSEMENT AND REFUNDS:

FINDING 1: Cal Grant Recipients Overawarded Due to Insufficient Unmet Need

A review of 40 student files disclosed 4 students who were overawarded due to insufficient need.

DISCUSSION:

Financial need is simply defined as the difference between the student's cost of attendance (COA), the family's ability to pay these costs (EFC) and other aid the student receives, known as *resources* under the Campus-based programs or as *estimated financial assistance (EFA)* under the Stafford programs.

For Cal Grant purposes and Campus-based aid (excluding Pell) all resources must be taken into account when awarding. The total of the student's EFC, resources and Campus-based aid **cannot exceed the student's COA**. If this occurs, aid must be reduced to prevent an overaward. Unsubsidized Stafford, PLUS, and state and private education loans are not considered to be resources to the extent that they finance (or replace) the EFC. Thus, students may borrow under these programs **up to the amount of the EFC** without affecting eligibility for Campus-based aid or a subsidized Stafford Loan.

FINDINGS AND REQUIRED ACTIONS (continued)

Resources include Pell eligibility (even if student doesn't apply for Pell), Direct and FFEL loans, other education loans, veterans benefits, grants, tuition and fee waivers, scholarships, fellowships, assistantships, and net earnings from need-based employment that will be received during the award year.

A review of the file of student Nos. 12, 18, 26, and 27 revealed that the student received Cal Grant funds for which they were not eligible to receive for the 2006-07 award year as illustrated below:

Need Analysis Student No. 12	
COA	\$19,276
Less: EFC	<\$ 3,817>
Less: Pell	<\$ 400>
Less: Subsidized Loan	<\$ 3,583>
Less: Unsubsidized Loan	<\$ 1,917>
Less: Federal Workstudy	<\$ 3,967>
Less: Life Grant	<\$ 1,603>
Unmet Need	\$ 7,041

Need Analysis Student No. 12 (continued)	
Unmet Need	\$ 7,041
Add: Unsubsidized Loan to replace EFC	\$ 1,917
Total Cal Grant Unmet Need	<\$ 8,958>
Less: Cal Grant Award	<\$ 9,873>
Overaward	\$ 915

Need Analysis Student No. 18	
COA	\$ 9,638
Less: EFC	<\$ 3,376>
Less: Subsidized Loan	<\$ 2,401>
Less: Unsubsidized Loan	<\$ 1,099>
Unmet Need	\$ 2,762
Add: Unsubsidized Loan to replace EFC	\$ 1,099
Total Cal Grant Unmet Need	<\$ 3,861>
Less: Cal Grant Award	<\$ 4,166>
Overaward	\$ 300

Need Analysis Student No. 26	
COA	\$19,276
Less: EFC	<\$ 5,929>
Less: Unsubsidized Loan	<\$ 4,797>
Total Cal Grant Unmet Need	<\$ 8,550>
Less: Cal Grant Award	<\$ 8,800>
Overaward	\$ 250

FINDINGS AND REQUIRED ACTIONS (continued)

Need Analysis Student No. 27	
COA	\$19,276
Less: EFC	<\$ 6,270>
Less: Unsubsidized Loan	<\$ 5,000>
Total Cal Grant Unmet Need	<\$ 8,006>
Less: Cal Grant Award	<\$ 8,236>
Overaward	\$ 230

Note: this is a repeat finding; it was also noted in our last review conducted in February 2000.

REFERENCES:

Institutional Participation Agreement, Article IV
Cal Grant Manual, Chapter 8, November 2005
2006-07 Federal Student Aid Handbook, Volume 3, Calculating Awards & Packaging, Chapter 6

REQUIRED ACTION:

The institution must return **\$915** for student No. 12 and **\$300** for student No. 18 or repay any existing loan balances for these students. If the institution chooses to repay loans, it must provide documentation that the funds have been returned.

The institution must also return the **\$250** for student No. 26 and **\$230** for student No. 27.

Moreover, the institution **must** provide the written policies and procedures to ensure that all Cal Grant recipients have sufficient need prior to disbursement.

INSTITUTION RESPONSE:

1. Enclosed is a copy of the check sent to the California Student Aid Commission which includes payments of \$915 for student No. 12, \$300 for student No. 18, \$250 for student No. 26, and \$230 for student No. 27.
2. Enclosed please see copies of Cal Grant Policies and Procedures.
NOTE: Under procedures D...Refunds and Repayment it states, "During each term if a Cal Grant recipient receives additional scholarship or grant funds or if their enrollment status changes, the student is repackaged to determine continued eligibility."

In each situation for student's No. 12, No. 18, No. 26 and No. 27 extra grant and/or work study monies were awarded, however the previous

FINDINGS AND REQUIRED ACTIONS (continued)

Director who was responsible for 2006-07 year, did not go back and repackage as policies and procedures state; this was an oversight on his part and he is no longer employed here at Life Pacific College.

AUDITOR REPLY:

The institution returned \$1,695 on check # 23625 dated June 23, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.

C. FUND
DISBURSEMENT
AND REFUNDS:

FINDING 2: Written Authorization to Apply Cal Grant B Access Award Towards Other Institution Charges Was Obtained Late

A review of 15 Cal Grant B recipient files disclosed 4 cases in which the institution authorization to apply access payments to institutional charges prior to disbursing the award for all of the students late.

DISCUSSION:

Prior to July 1, 2003, institutions were permitted to disburse Cal Grant B Access and Cal Grant C Book and Supplies payments to a recipient's account only if the recipient provides a written authorization at least once during the academic year and prior to disbursement. The institution must retain this written authorization in the recipient's file and should provide the recipient with the option to rescind the authorization before payment is made.

As of July 1, 2003, the Institutional Participation Agreement Article IV(C)(7) was amended to state, "Establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time."

This policy should include the following items:

- Access or Books & Supplies payments are disbursed in accordance with school policy unless the student requests another action. For example, if the school normally applies Access funds directly to tuition, the student may request that the term amount be delivered direct to them
- The student may make this request at any time; however, any cancellation only affects future payments
- Access or Books & Supplies payments cannot be delivered to a third person

An examination of student Nos. 2, 23, 31 and 33 disclosed that the institution obtained written authorization to apply the Access payment after the funds were applied to the student's account.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Institutional Participation Agreement, IV.C.7
Cal Grant Manual, Chapter 9, Section 9.4, September 2003

REQUIRED ACTION:

The institution **is required** to submit written policies and procedures that will be implemented to ensure that student's are aware of their options regarding the receipt of Cal Grant funds.

INSTITUTION RESPONSE:

See the enclosed policies and procedures.

- a. NOTE: Under B...AWARD IS MADE 2. (c) this has been added, "Cal Grant B Access: This statement must be included on all financial aid award letters informing the Cal Grant B recipient of his or her options regarding the receipt of Cal Grant Funds. *"If you are a Cal B recipient, please note that your access funds will be applied to your student account. You may rescind this in writing or indicate this in the Student Financial Aid Certification Form, Section B."*

AUDITOR REPLY:

The institution returned revised policies and procedures. This action is deemed acceptable and no further action is required.