



April 28, 2021

Bruce Pileggi
Campus Director
California College San Diego
700 Bay Marina Drive
National City, CA 91950-7924

via UPS tracking #
IZ A87 964 02 9733 9875

Re: Transfer to HCM2 Method of Payment
OPE ID: 02110800
DUNS: 626397678

Dear Mr. Pileggi:

The Multi-Regional and Foreign Schools Participation Division (“MRFSPD”) has transferred California College San Diego (“CCSD”) from the HCM1 method of payment to the Heightened Cash Monitoring 2 (“HCM2”) method of payment on April 23, 2021. CCSD must immediately discontinue the requirements for Heightened Cash Monitoring 1 (“HCM1”) and follow the claim requirements for HCM2 described below.

Under the HCM2 method of payment, CCSD may continue to obligate funds under the federal student financial assistance programs authorized by Title IV of the Higher Education Act of 1965, as amended. CCSD may disburse institutional funds to eligible students. If CCSD disburses institutional funds, the U.S. Department of Education (Department) will reimburse it for properly documented expenditures. The Department reserves the right to offset any federal claims against funds due to CCSD.

This action is authorized by Section 415 of the General Education Provisions Act, 20 USC 1226a-1, and by the following program regulations: 34 C.F.R. § 668.162, Student Assistance General Provisions.

The Department has taken this action because the institution’s accreditor, the Accrediting Commission of Career Schools and Colleges (“ACCSC”), withdrew the accreditation of Stevens Henager College/Independence University (“SHC”), subject to appeal, in a letter dated April 22, 2021. SHC and CCSD are both owned by the Center for Excellence in Higher Education (“CEHE”). Because SHC’s loss of accreditation poses a financial risk to CEHE, it similarly poses a risk to CCSD.

In conjunction with the loss of accreditation and placement of HCM2 payment method:

1. CCSD must notify current and prospective students and the State of California about ACCSC's withdrawal of accreditation from Independence University/Stevens Henager College (part of the schools controlled by CEHE), that CCSD remains on probationary status with ACCSC, and the Department's placement of the schools on HCM2. CCSD must also update its website to reflect this. CCSD should take these actions immediately and complete them no later than April 30, 2021. CCSD must submit evidence and written confirmation of CCSD's completion of these required notifications and website updates to Michael E. Powers by April 30, 2021 by email at Michael.E.Powers@ed.gov. CCSD must also immediately update other documents, information, or statements that refer to accreditation and federal student aid funding that CCSD, and its agents publicize or make available such as institutional literature or other consumer disclosures. Failure to meet these requirements would be considered a misrepresentation by CCSD.
2. Please confirm in writing, to Michael E. Powers at Michael.E.Powers@ed.gov, that CCSD has ceased new enrollments as of July 21, 2020 and that teach out of the final program graduates will be completed by November 2022. Please also provide a copy of any written communications provided to students regarding the teach out.
3. Please provide a copy of the teach out plan submitted to ACCSC to Michael Powers, via e-mail at Michael.E.Powers@ed.gov

Enclosed are the detailed instructions for all HCM2 requests. Please address all inquiries about HCM2 requests to:

Robert Gelfand, Payment Analyst
Phone: (215) 656-8593
E-mail: robert.gelfand@ed.gov

Please note that the foregoing action does not preclude the Department from taking administrative action(s) against CCSD.

If you have questions or concerns, please contact Michael E. Powers at michael.e.powers@ed.gov.

Sincerely,

Michael J. Frola
Director
Multi-Regional and Foreign Schools Participation Division

MF/mp

Enclosures:

Instructions for Obtaining Funds under HCM2 Method of Payment

Student Data Spreadsheet required fields

Claims Processing for Schools – User Guide

cc: Bruce Pileggi, Campus Director CCSD, via bruce.pileggi@cc-sd.edu

Steven Gombos, Gombos Leyton, P.C., via SGombos@glpclaw.com

Dr. Michale McComis, Director, ACCSC, via mccomis@accsc.org

Leeza.Rifredi, Deputy Bureau Chief, CA Bureau for Private Postsecondary Education, via Leeza.Rifredi@dca.ca.gov.

Department of Defense, via osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil

Department of Veteran Affairs, via INCOMING.VBAVACO@va.gov

Consumer Financial Protection Bureau, via CFPB_ENF_Students@cfpb.gov

INSTRUCTIONS FOR OBTAINING FUNDS UNDER HEIGHTENED CASH MONITORING (HCM2) METHOD OF PAYMENT

The U.S. Department of Education (the Department) has developed these instructions to minimize the documentation the institution must submit, as well as to facilitate the School Participation Division's review of that documentation. The School Participation Division reviews this documentation to determine the accuracy and reliability of the information submitted. If necessary, the School Participation Division (SPD) may require the institution to submit additional documentation of proper expenditures before the Payment Analyst disburses funds to the institution and/or before approving program authorization requests.

For the Federal Pell (Pell) Grant, Federal Supplemental Education Opportunity Grant (FSEOG), and Federal William D. Ford Direct Loan (Direct Loan) programs, the institution must demonstrate that it properly determined, awarded, and used its own funds to make disbursements under these programs to eligible students who are enrolled in and are attending eligible programs. When the institution has demonstrated that it has expended these funds in accordance with the Title IV requirements, the Department will reimburse the institution (or credit the institution's account from its latest existing cash on hand balance), subject to any right of offset available.

The institution is required under 34 C.F.R. § 668.162(d) to credit students' accounts, or otherwise use its own funds to pay students, for the amount and type of Federal aid they are eligible to receive prior to requesting reimbursement of those funds from the Department. Pell and Direct Loan disbursement rosters must be in "review status" in the Common Origination and Disbursement (COD) system prior to the institution processing a claim to the Department within the COD system. All student names, social security numbers and amounts listed in the payment claim must match those in the COD system. All student records must be verified in COD. When verifying records in COD; do not select the "W" (Without Documentation) verification code.

Please note: Complying with HCM2 requirements does not relieve an institution of its obligation to continue reporting payment data to the Department.

I. TECHNICAL ASSISTANCE

Please read these instructions carefully, along with the Claims Processing for Schools – User Guide. These instructions have been written in a general manner in order to be used by all the various types of institutions that participate in the Title IV HEA student financial assistance programs. Since different institutions use different methods for recording, processing or storing information, or use different terminology for certain items, it is important to understand that it may be necessary to contact your Payment Analyst for clarification. If there are any doubts about the requested information, please clarify these issues with your Payment Analyst before submitting a request in order to avoid discrepancies and delays.

When ready, process the claim and upload the documentation below to the COD system according to the Claims Processing for Schools – User Guide.

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II. HCM2 CLAIM

Our office will accept and process only one new HCM2 request during any 30-day time period. The institution may submit funding requests for multiple award years together – this will be considered one claim. A separate Student Data Spreadsheet must be included for each award year

After a minimum of six (6) consecutive accurate and complete claim requests and demonstration that the institution's overall administrative/financial controls are in place, the Payment Analyst may allow the institution to submit its HCM2 requests without all of the student documentation identified in Section D. However, the institution must include, at a minimum, the Form 270 with original signatures (see Section B), and the Student Data Spreadsheet for each award year. (see Section C).

Documentation in the claim will not be returned. Therefore, the Department strongly recommends that the institution maintain a copy of the HCM2 claim.

A. PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). If submitting a payment request claim via COD Claims Processing module, PII will be protected and encrypted.

B. REQUIRED FORM/CERTIFICATIONS

The institution is required to submit a completed Form 270, Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2) with each HCM2 claim. This form is used to request Title IV funds under HCM2.

The President, Owner or CEO and the comptroller and/or third-party servicer is required to certify that the information submitted to receive funds while under the HCM2 payment method is accurate. **A false certification may result in civil or criminal action by the Department against the institution.**

With each HCM2 request submitted, the institution must include one Form 270 per award year for which funds are requested. All Title IV program funds requested must be indicated on the Form 270 and it must be completed according to the instructions provided with the form.

If the claim is processed through the COD Claims Processing Module, the system will pre-populate the Form 270 with data from the Action Queue.

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Cash On Hand (Downward Adjustments)

When completing the Form 270, if Title IV adjustments are due when a student ceases attending and your institution has previously claimed more than the "earned" amount, the institution must include the downward adjustments for the student for all programs-- Pell Grant, FSEOG, TEACH Grant, and Direct Loan Funds -- in the claim. This will be considered "Cash On Hand" on the 270 Form.

Campus-Based Requests

When submitting a claim via the COD Claims Processing module, at least 1 Pell, Direct Loan, or TEACH disbursement record must be included in order to request payment of Campus-based funds.

C. REQUIRED STUDENT INFORMATION

The information listed below must be provided for each student for whom the institution is requesting funds on the submitted claim for (hardcopy and/or electronic). The COD system will create a separate student data spreadsheet for each award year for which funds are requested. A sample spreadsheet is enclosed to see the fields that will be requested.

If CCSD has not released outstanding disbursements from G5 into the institution's federal bank account for students prior to its transfer to HCM2, CCSD must submit an HCM2 claim via the COD Claims Processing module and providing the required documentation identified in Section D. If these students are combined with other students in the claim, then the institution will need to provide the analyst a list of the students that are affected by this.

- Sequence Number
- Student Last Name
- Student First Name
- Social Security Number
- Address (street, city, state, zip)
- Telephone Number
- Instructional Program
- Enrollment status (full-time, $\frac{3}{4}$ time, $\frac{1}{2}$ time, $< \frac{1}{2}$ time)
- Admission criteria used for the student's enrollment (high school diploma, GED, ability to benefit test, college transcript)
- Number of Clock or Credit (specify) hours in the student's program of study
- Number of Clock or Credit (specify) hours in the institution's academic year
- Number of Clock or Credit (specify) hours in the payment period
- Number of Clock or Credit (specify) hours completed by the student to date of payment
- Start date/re-entry date (if applicable)/withdrawal date (if applicable)/last date of attendance (if applicable) and midpoint date of student's program. For distance education programs, the first date the student logged on AND engaged in educational activity

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- If student withdrew, the percentage of tuition retained
- Student's cost of attendance
- Direct education cost for enrollment period status
- Expected Family Contribution (EFC)
- Certification that student is making satisfactory academic progress (SAP) (qualitatively and quantitatively) – indicate yes or no
- Professional Judgment or Dependency Override adjustment – indicate yes or no
- Grade Point Average (GPA)
- Award amount currently requested for the student, by Title IV program for which authority to disburse is sought. **Title IV programs are: Pell Grant, FSEOG, Direct Loan.**
- Because the Institution is also a participant in the **Federal Direct Loan** program, it must also include:
 - Loan Period
 - Grade Level
 - Type of Loan

To reiterate, the institution must submit the above information in the format specified. If not submitted in this format, the Department reserves the right to reject the claim request for funds/authorization by the institution.

Do not mail or ship any documentation to a Department office. Please provide all materials electronically to COD or the Payment Analyst, as indicated.

D. REQUIRED STUDENT DOCUMENTATION

To support the request for funds, the institution must provide within 48 hours student records that demonstrate:

- The institution's students were eligible to receive their awards;
- The institution calculated student awards properly; and
- The institution has disbursed the award amounts to those students

Initial submission of student documentation will be capped at 15 or 30 students for each award year included in the claim. Institutions with 300 or fewer students in the claim must submit documentation for 15 students. Institutions with more than 300 students in the claim must submit documentation for 30 students. The COD Claims Processing module will provide a list of randomly flagged students for which to submit documentation. The Department reserves the right to collect documentation for any and all students included on an institution's payment claim at its discretion. If documentation is not provided within the required timeframe, the institution will be required to submit documentation for another group of either 15 or 30 students (for each award year included in the claim) within a 48-hour timeframe. If there are no other students to flag for review, the claim will be rejected.

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For each student for whom the institution is required to submit a student file for the institution will need to submit the most recent copies of the requested documentation, in the order listed below.

- **The ISIR upon which the disbursement is based, the ISIR prior to the one upon which the disbursement is based, and the most recent ISIR transaction if different.** The ISIR must have all pages, an EFC, and all comment codes with related text.
- **Documentation resolving conflicting and discrepant information**, (e.g., C- codes on the ISIR, name changes, gender ambiguity)
- **Enrollment Agreement/Contract**: For institutions that execute, include the fully completed enrollment agreement or contract, including program name, cost, start date, student signature and date.
- **Copies of official institutional student tuition account records**, documenting each completed transaction (including transaction date, description and debit or credit), by cash payment or credit, from the student's initial enrollment through the present. Records must be in chronological historical sequence. The records should demonstrate that the institution has properly credited the student's tuition account records with Title IV disbursements, return of Title IV funds, and paid credit balances.
- **Credit balance documentation**, demonstrating all student credit balances were liquidated. One of the options below must be provided:
 - Documentation of electronic transfer to the student bank account
 - Front and back copies of check to student
 - Receipt for cash disbursed, and
 - Return of credit balance to Title IV program

Any credit balances must be paid to students within 14 days of balance creation according to 34 C.F.R. § 668.164(h). The institution shall not obtain student or parent authorization to hold credit balances. Students are not to be included in the HCM2/Reimbursement claim until the institution can provide credit balance documentation showing credit balance paid to the student.

All credit balances must be paid prior to draw down of funds, even if the student/parent signed a credit balance authorization in the past. According to 34 C.F.R. § 668.165(b)(1)(ii), authorization forms used prior to July 1, 2016 are no longer valid. The use of credit balance authorization forms is prohibited.

- **Documentation to support any institutional intervention** in determining a student's eligibility, e.g., professional judgment, SAP appeals, dependency overrides, etc.
- **Award calculation**, by specific payment period and disbursement

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- **Proof of Satisfactory Academic Progress**, including:
 - Academic Transcript for entire academic history with the institution, including:
 - Grade Point Average (GPA)
 - Cumulative GPA
 - Hours/Credits attempted
 - Hours/Credits completed
 - Payment period
 - Transfer hours/credits accepted
 - Documentation of any student appeal of failure to make SAP
 - SAP measurement documentation in the student file, if any
- **Attendance Documentation:** Source documents or summary document determined in consultation with the SPD.
- **Additional relevant student file documents:** The Institution must submit any additional information relevant to determining the eligibility of students submitted for review. This must include documentation such as leave of absence documentation, an eligibility checklist, Financial Aid Director notations of changes to eligibility, counseling records pertinent to satisfactory academic and attendance progress, etc.
- **Documentation of Return to Title IV funds** for withdrawn students for whom the institution is requesting HCM2/adjustment, including:
 - R2T4 calculation worksheet
 - Student withdrawal form for official withdrawals
 - Documentation of return of funds to the lender / the Department (e.g., front and back copies of check to the lender / the Department, copies of electronic transaction confirmations, Form 270 form showing downward adjustment, copy of negative disbursement record from COD)
 - Documentation of Post Withdrawal Disbursement made to student
 - Screen print showing withdrawal information was reported to NSLDS
- **For Direct Loan recipients**, entrance counseling documentation, including student signature and date (unless confirmation can be found in COD).

E. REQUIRED INSTITUTION INFORMATION

The institution must email the Payment Analyst a copy of its most current:

- School Catalog
- Student Handbook
- Consumer Information handouts/addendums
- Satisfactory Academic Progress policy
- Attendance policy and description of method/system of documenting attendance, including how you determine whether the student withdraws, drops out or is expelled before his or her first day of class

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- Return to Title IV policy
- FSEOG student selection policy
- Procedures for determining a withdrawn student's last day of attendance (official and unofficial)
- Selection procedures for campus-based recipients
- Award formulas for each Title IV program and for each academic program
- Pell and Campus-Based/Direct Loan cost of attendance/budget for each academic program
- Key/legend for any submitted documentation, e.g., account ledger, academic transcript
- Independent test administrator's ATB certification
- Formula for calculating students' Grade Point Average (GPA) if not included in Student Handbook or catalog
- Method of disbursement of FWS wages (by check, EFT, credit to student account, or cash with signed receipt)
- For Campus-Based programs, method of matching federal share
- Information describing characteristics for each academic program to determine program type (term, non-term and non-standard term) and method of delivery (in-person, distance education, correspondence, or combination), Pell grant formula, disbursement schedule, academic year definition, minimum full time and borrower based vs. scheduled academic year

Subsequent claims do not require submission of these documents unless these documents are revised.

F. REQUEST FOR ADMINISTRATIVE COST ALLOWANCE

The institution will request Pell Administrative Cost Allowance (ACA) funds through the G5 system. If the institution is unable to receive ACA funds from G5, a letter on official letterhead with the amount/request must be emailed to the Payment Analyst. The Claim ID must be included on the letter. Do not indicate the ACA amount on the Form 270.

III. CLAIM PROCESSING

Normal processing time is thirty (30) days from the date the claim is received. However, the School Participation Division reserves the right to take the necessary time to review the request for reimbursement and to request and review additional documents before providing funds to the institution. If the Payment Analyst anticipates a delay in processing a request, our office will notify the institution and indicate the expected completion date.

After reviewing a claim, the Payment Analyst will initiate the release of the appropriate amount of funds to the institution. If the review results in only a partial approval, the request will be amended, and the reduced amount will be provided. The Payment Analyst will inform the institution by letter of the program funds and reasons for any rejected amounts. The institution may correct the errors and resubmit the rejected records as part of its next claim, which is the

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recommended approach. If the institution chooses to resubmit the rejected records as a separate claim, the institution must correct the errors and resubmit the records as a complete claim, including Form 270, Student Data Spreadsheet, etc. The institution may submit the claim without waiting for the original 30-day submission period to pass. The Claim ID and associated letter listing the rejected records must be emailed to the Payment Analyst. The resubmitted records must reflect the same information as the disbursement records that were rejected. It must have the same student names, amounts, award years, and programs per the letter received. Upon receipt of the resubmitted claim request, a new 30-day period will begin.

If an entire claim is rejected, the institution will receive a letter with specific information about the errors found. The institution may correct these errors and resubmit the complete package, including the corrected documentation. If a claim is rejected, the institution may resubmit that request without waiting for the original 30-day submission period to pass. Upon receipt of the resubmitted claim request, a new 30-day period will begin.

Depending upon findings resulting from processing of the institution's initial claims, the Department may require additional student data and/or documentation in subsequent claims. The Department will notify the institution in writing of any additional claim requirements.

The approval of a claim in no way limits the Department's right to later determine that these funds were improperly expended, and to recover these funds from the institution as the result of an audit or program review or in any other manner.

In order to verify the accuracy and completeness of any data submitted, all institutions on the HCM2 method of payment are subject to random unannounced documentation reviews.

If you have any questions regarding these procedures, please contact Robert Gelfand, Payment Analyst of the Multi-Regional and Foreign Schools Participation Division at (215) 656-8593.