CALIFORNIA STUDENT AID COMMISSION

Program Compliance Office
California Student Opportunity & Access Program
Review Report

2005-06 Award Year

Merced County Consortium
Program Review ID#60700000011

3600 M Street
Merced, CA 95348-2898

Program Review Date:	5/29/07- 5/31/07
Auditor:	Inez Villanueva (916) 526-8034
Report Approved by:	Charles Wood, Manager Program Compliance Office (916) 526-8912

TABLE OF CONTENTS

Page Number

AUDITOR'S REPORT

SUMMARY 3

BACKGROUND 3

OBJECTIVES, SCOPE AND METHODOLGY 4

CONCLUSION 5

VIEWS OF RESPONSIBLE OFFICIALS 5

FINDINGS AND REQUIRED ACTIONS 6

AUDITOR'S REPORT

SUMMARY

We reviewed Merced County Consortium's administration of California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2005-06 award year.

The consortium's records disclosed the following:

- Incomplete Cal-SOAP Procedures
- Non-compliance with the Memo of Understanding Between Consortium and the Fiscal Agent
- Peer Advisor/Tutor Eligibility Not Documented
- Actual In-kind Match Not Properly Documented
- The 30% Requirement for Student Hiring Not Accurate

BACKGROUND

Through consortium compliance reviews, the administration of the Cal-SOAP program is evaluated to ensure program integrity with applicable laws, policies, contracts and consortium agreements.

The following information, obtained from the consortium and Commission database, is provided as background on the consortium:

A. Consortium

- Type of Organization: Private, Non-profit
- Project Director: Regina Coletto
- 2005-06 Board Chair: Joe Perez
- Fiscal Agent: Merced Community College
- Governing Board: See Attachment B

B. Consortium Persons Contacted

- Regina Coletto Project Director
- Jenny Bega Accounting Technician

C. Project Information

- Date of Prior Commission Program Review: April 2002
- Branches: None
- Size of Student population in the service area: 13,391
- Number of Students Served
  General: 11,483
  Intensive: 1,028

BACKGROUND (continued)

- Schools Served: Atwater High School, Chowchilla Delphi High School, Dos Palos High School, Golden Valley High School, Henry Miller Elementary School, Le Grand High School, Livingston High School, Los Banos High School, Merced College, and Merced High School

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the consortium adequately administered the Cal-SOAP program and that they are in compliance with applicable laws, policies, contracts and consortium agreements.

The review focused on, but was not limited to, the following areas:

A. General Eligibility
B. Program Eligibility
C. Administrative and Accounting Controls

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that Cal-SOAP funds received by the consortium are secure.
- Administration systems have adequate controls to ensure that Cal-SOAP payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluation of the current administrative procedures through interviews and reviews of records, forms and procedures.
- Evaluation of the current payment procedures through interviews and reviews of records, forms and procedures.
- Reviewing of the records and payment transactions from a sample of Cal-SOAP student tutors within the review period. The program review sample was selected from the total population.
- Reviewing of the records and payment transactions from a sample of Cal-SOAP expenditures within the review period. The program review sample was selected from the total population.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Cal-SOAP funds were administered according to the applicable laws, policies, contracts and consortium agreements. Accordingly, transactions were examined on a test basis to determine whether Cal-SOAP funds were expended in an eligible manner. The auditor considered the consortium's management controls only to the extent necessary to plan the review.

OBJECTIVES, SCOPE AND METHODOLOGY (continued)

This report is written using the exception-reporting format, which excludes the positive aspects of the consortium's administration of the Cal-SOAP program.

The names and social security numbers of the sample of student tutors reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social

CONCLUSION

In conclusion, except for the issues described in the Findings and Required Actions section of this report, the consortium administrated the Commission Cal-SOAP program in accordance with the applicable laws, policies, contracts and consortium agreements as they pertain to the Commissions Cal-SOAP program.

VIEWS OF RESPONSIBLE OFFICIALS

The review was discussed with agency representatives in an exit conference held on May 31, 2007.

May 31, 2007

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

A. GENERAL ELIGIBILITY:

FINDING 1: <u>Incomplete Cal-SOAP Procedures</u>

Merced County Consortium (Consortium) written policies and procedures were incomplete.

DISCUSSION:

In order to measure the consortium's performance, it is necessary to evaluate and analyze the consortium's implemented internal controls (procedures) for safeguarding the operational and fiscal integrity of the Cal-SOAP program. A routine procedure of the compliance review is to examine the consortium's written procedures.

It is imperative that consortiums have written procedures so that in the event staff was to leave their positions, written procedures would be available to direct new staff to continue the proper administration of the Cal-SOAP program.

Consortium policies and procedures should include detail on how the revenues flow through the system, this should also include what controls are implemented (approvals – Cal-SOAP and Fiscal Agent, etc). The Consortium was not able to provide detailed procedures on the receipt and disbursement of Cal-SOAP funds.

The consortium was cited in an April 2002 program review for this issue; therefore, this finding is deemed continuing non-compliance.

REFERENCE:

Cal-SOAP Policies and Requirements Manual (Cal-SOAP Manual), page 47, August 2004

REQUIRED ACTION:

The Consortium **is required** to develop and submit written policies and procedures for the receipt and disbursement of Cal-SOAP program in order to safeguard the operational and fiscal integrity of the program.

CONSORTIUM RESPONSE:

Since our Compliance Review we have worked with our Business Services Department to develop several flow charts describing how the receipt and disbursement of Cal-SOAP funds through the system, including approval processes.

AUDITOR REPLY:

The consortium's action is deemed acceptable.

A. GENERAL ELIGIBILITY:

FINDING 2: Non-compliance with Memo of Understanding Between Consortium and the Fiscal Agent

A review of the consortium's Memo of Understanding (MOU) revealed that the fiscal agent did not perform the internal audit duty as required.

DISCUSSION:

The MOU between the consortium and fiscal agent must address the role and responsibilities of the fiscal agent and should address at a minimum the following areas as noted on the next page.

- Duties to be performed by the fiscal agent and consortium
- Reporting structure

The MOU with the fiscal agent stated that the fiscal agent will conduct internal audits. A discussion with the Project Director revealed that the internal audits had not performed by the fiscal agent as required.

REFERENCES:

Merced County Consortium MOU
California Education Code Section 69561(h)
Cal-SOAP Operations Handbook, page 9, August 2004

REQUIRED ACTION:

In response to this finding, please **submit** a draft of the updated MOU agreement.

CONSORTIUM RESPONSE:

The MOU between Merced County Cal-SOAP and Merced College has been updated to reflect that no internal audit is required by Merced College (fiscal agent) on the Cal-SOAP project.

AUDITOR REPLY:

The consortium's action is deemed acceptable.

B. PROGRAM ELIGIBILITY:

FINDING: **Peer Advisor/Tutor Eligibility Not Documented**

A review of student employee records revealed cases where there were discrepancies in student eligibility.

DISCUSSION:

The consortium hires eligible peer advisors/tutors and ensures that they have the training and background to provide the services for which they are hired to perform. In order to be eligible, a peer advisor/tutor must:

1) be a currently enrolled undergraduate or graduate student who is enrolled at least half-time at a postsecondary institution, and

2) demonstrate financial need in order to be eligible to receive stipends from the consortium. A student demonstrates financial need if the student receives or is eligible to receive benefits from any need-based financial aid program.

For student employees Nos. 1, 4, 6, and 7, there was no evidence in the consortium records that demonstrated that the peer advisor/tutors had financial need for the 2005-06 stipends.

Additionally, the student records did not support that these students were enrolled half-time at a postsecondary institution. For student No. 4, enrollment for the fall term could was not supported by academic records. In the case of student No. 6, the academic transcript revealed that he had graduated at the end of the fall term; however, he continued to be employed through the spring term.

REFERENCE:

Cal-SOAP Manual, pages 10 and 29, August 2004

REQUIRED ACTION:

The Merced County Consortium **must** submit the procedures that will be implemented to ensure peer advisor/tutors meet the Cal-SOAP program requirements.

CONSORTIUM RESPONSE:

Merced Cal-SOAP has since created several new forms to ensure all new student employees have the proper paperwork in their file prior to the start of employment.

AUDITOR REPLY:

The consortium's action is deemed acceptable.

C. ADMINISTRATIVE AND ACCOUNTING CONTROLS:

FINDING 1: Actual In-Kind Match Not Properly Documented

The consortium member's in-kind match contribution amounts were not documented.

DISCUSSION:

State law requires a matching contribution of local resources for each Cal-SOAP project at a 1:1 ratio. The goal, however, is for the projects to attain a 1:1.5 ratio. Each consortium, through its Project Director, is expected to systematically account for the receipt and expenditure of matching funds provided by supporting institutions. The expenditure of matching funds constitutes an integral part of each project's operation and its fiscal reporting to the Commission. "In-Kind" funds, which are not included in a project's expenditure budget, are to be accounted for in a reasonable manner and reported to the Commission.

Discussions with the Project Director revealed that the consortium members are aware of the requirement and have been notified of the specific details and retention of substantiating documentation needed when reporting the in-kind contribution amounts to the Commission.

For the 2005-06 award year the consortium did not have the members Form B or other documentation of the actual In-kind dollar match. For the 2006-07 award year, the project director showed us the new actual in-kind documentation that will be implemented to correct this finding. In our review of the new documentation, it appears to cover the actual in-kind documentation adequately.

REFERENCES:

California Education Code, Section 69564
Cal-SOAP Manual, pages 17–19, Chapter 3, August 2004

REQUIRED ACTION:

In response to this finding, please **provide** a current award year in-kind contribution form completed by an institution that includes the method in which the amount was determined.

CONSORTIUM RESPONSE:

During the compliance review process auditors were presented with the forms currently being utilized to document in-kind from our partners.

AUDITOR REPLY:

The consortium's action is deemed acceptable.

C. ADMINISTRATIVE AND ACCOUNTING CONTROLS:

FINDING 2: The 30% Requirement for Student Hiring Not Accurate

A review of the consortium's accounting documents and discussions with staff revealed that actual tutor cost was not accurate.

DISCUSSION

According to the California Education Code, the consortium must focus on the employment of postsecondary students to provide information and tutorial help for target secondary students in the various projects. At least 30% or the equivalent of each project grant in a given year must be allocated for stipends to peer advisers and tutors.

This figure can be a combination of state funds and matching funds and may include the institution's portion paid toward college Work-study students. The only line items that can be counted towards this amount are Student Staff, Work-study, Student Benefits, and Student Mileage. Compensation to peer advisors and tutors for work other than advising and tutoring to secondary school students may not be counted in the peer advisor and tutoring allocation portion of a project's budget.

Although student No. 8 performed some peer advisor/tutor duties, the student's clerk duties were also included in 30% total for peer/advisor/tutor allocation.

REFERENCES:

Education Code 69561, I
Cal-SOAP Manual, page 19-20, August 2004

REQUIRED ACTION:

The consortium **must** intensify its recruiting efforts and comprehensive training program in order to ensure that the 30% student hiring requirement is met. In addition, the consortium needs to **submit** written policies and procedures that will ensure that the 30% for student hiring will be met and only the student advisor/tutor duties are included.

CONSORTIUM RESPONSE:

Since the compliance review process Merced Cal-SOAP has sustained severe budget cuts requiring the elimination of the "Clerk" position in question for this finding. Merced Cal-SOAP does meet and has met since its inception the 30% student requirement and has included documentation above under Finding 3 (Attachment C) the procedures to be used when hiring new employees. If a new employee does not meet the requirements listed on the attached forms their salaries will be documented as Program Services Staff monies and not Student Staff monies.

AUDITOR REPLY:

The consortium's action is deemed acceptable.