CALIFORNIA STUDENT AID COMMISSION

Program Compliance Office
California Student Opportunity & Access Program
Review Report

2000-01 Award Year

Santa Barbara Consortium
Program Review ID#60200200003

721 East Cota Street
Santa Barbara, CA 93103

Program Review Dates:	January 28 to February 6, 2002
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REVIEW REPORT

SUMMARY

We reviewed the Santa Barbara Consortium's administration of the California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2000-01 award year.

The consortium records disclosed the following:

- The Consortium Board meeting minutes do not reflect formal governing decision making
- The Consortium Board is not approving expenditures
- There is no written agreement between the Consortium and the Fiscal Agent
- Equipment not properly identified as property of the State of California
- Cal-SOAP Travel reimbursements exceed the Cal-SOAP Agreement allowances
- Actual in-kind matching funds were not properly documented

BACKGROUND

Through 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: Sue Bracco Gleason
- Board Chairperson: Colette Hadley
- Fiscal Agent: Santa Barbara City College
- Membership
  Westmont College
  Santa Barbara City College
  Santa Barbara Foundation
  Bishop Garcia Diego High School
  Endowment for Youth Committee
  Carpenteria Unified School District
  Santa Barbara High School District
  University of California, Santa Barbara
  Scholarship Foundation of Santa Barbara
  California State University, San Luis Obispo
  California State University, Northridge

B. Consortium Persons Contacted

- Sue Bracco Gleason — Project Director
- Colette Hadley — Board Chairperson
- Margaret Okinaka — Fiscal Agent, Accounting Technician
- Ron Baker — Fiscal Agent, Dean

C. Project Information

- Date of Prior Commission Program Review: N/A
- Branches: Santa Barbara, CA
- Size of Student population in the service area: 13,194
- Number of Students Served
  - General: 6,450
  - Intensive: 3,175
- Cal-SOAP Programs: Tutor/Peer Advisors
  College Visits
  Junior High School Incentive Program
  Junior High School Computer Literacy Program
  Career Targets COIN
  Summer Residential Pre-College Program
  PSAT and SAT Preparation Workshops
  Financial Aid Information Workshops

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. Completion of Reports
D. File Maintenance and Records Retention
E. Review of 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 include:

- 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.

OBJECTIVES, SCOPE AND METHODOLOGY (continued)

- Review of the records and payment transactions from a sample of Cal-SOAP student tutors within the review period.
- Review 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.

This review was conducted in accordance with ***Government Auditing Standards*** issued by the Comptroller General of the United States. However, the procedures did not constitute a review of the consortium's financial statements.

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 consortium's management controls were considered 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 consortium's administration of the Cal-SOAP program.

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 Commission's Cal-SOAP program.

VIEWS OF RESPONSIBLE OFFICIALS

The review was discussed with agency representatives in an exit conference held on February 6, 2002. .

February 6, 2002

Charles Wood, Manager
Program Compliance Office

B. PROGRAM ELIGIBILITY

FINDING 1: The Consortium Board Meeting Minutes Do Not Reflect Formal Governing Decision Making

According to board meeting minutes, there is no documentation that the board is a governing board making formal decisions for the project.

DISCUSSION:

The governing board of each project shall establish management policy, provide direction to the project, set budgetary priorities and assume responsibility for securing the matching funds.

In reviewing the 2000-01 award year meeting minutes, it appears the board is an advisory board. Although the board is a cohesive group and all members agree with decisions made, the meeting minutes do not accurately reflect this. The program director may not be able to operate the program effectively and efficiently without direction and formal policies set forth by the board.

REFERENCES:

California Education Code, 69561(h)
Cal-SOAP Program Operations Handbook, 12/6/96, Chapter 2, Page 9

REQUIRED ACTIONS:

The minutes for the 2001-02 award year documents the board is currently voting and making decisions regarding budgets and policies. The consortium should continue to establish guidelines and provide direction to the Director. All decisions made must be documented in the meeting minutes.

INSTITUTION RESPONSE:

The Santa Barbara Consortium meets on a bimonthly basis September through May. At these meetings all issues pertinent to the operation of the program are discussed.

The Santa Barbara Consortium has functioned well with the governance meeting format used for many years and enjoys high attendance at meetings from involved and informed member institutions. Santa Barbara is a long term, stable project, with outstanding support from the fiscal agent. The board operates in an extremely collaborative and effective manner.

From this time forward, all matters discussed, even when a consensus is reached, will be noted in the minutes. If votes have not been indicated in minutes prior to this time, they will be so recorded in the future.

REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.

B. PROGRAM ELIGIBILITY

FINDING 2: <u>The Consortium Board Is Not Approving Expenditures</u>

The Consortium Board is not formally approving expenditures that exceed the Project Director's approval level.

DISCUSSION:

The Commission expects projects to maintain basic fiscal and managerial controls to ensure proper expenditure of funds. Currently, the Project Director approves all expenditure's under a dollar amount set by the Fiscal Agent. If an expenditure exceeds this set amount, the Director's supervisor must also approve the expenditure. This system of controls came into affect because the Director is an employee of the Fiscal Agent. The Consortium Board is not involved in the approval of project expenditures, except for the approval of the budget. The Board is responsible for monitoring the operation of the Consortium, however, this goal cannot be attained without establishing the Director's expenditure approval limit and reviewing and approving of expenditures that exceed that established limit. Expenditures made without the review and consent of the Board may cause the project to exceed its budget.

REFERENCES:

Cal-SOAP Program Operations Handbook, 12/6/96, Chapter 5, Page 34, 5.2.C.

REQUIRED ACTIONS:

The Consortium Board should establish the Director's expenditure approval limit and review and approve any expenditure that exceed this established limit, in order to monitor the expenditures incurred by the Consortium. Board approval of expenditures that exceed the project director's authority will ensure administration of the project within the set adopted budgetary constraints.

INSTITUTION RESPONSE:

The Santa Barbara Consortium governing board has established management policy and has agreed to follow the approval procedures of the fiscal agent, Santa Barbara City College. For example, the Project Director is authorized to spend up to a set expenditure approval limit. Any expenditure exceeding that amount must be approved by the supervisor of the Project Director who acts as the representative of the fiscal agent.

In accordance with Cal-SOAP procedure, the Board Chairperson, representing the entire Board, will approve any expenditure beyond the determined limit of the supervisor of the Project Director. The director will also advise the Board on project expenditures at its consortium meetings.

REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.

B. PROGRAM ELIGIBILITY

FINDING 3: <u>There Is No Written Agreement Between the Consortium and the Fiscal Agent</u>

According to discussions with the Program Director, Board Chair, and Fiscal Agent, there is no written agreement between the Consortium and the Fiscal Agent.

DISCUSSION:

Consortium By-Laws state that the Governing Board of the Santa Barbara Cal-SOAP Consortium shall negotiate a mutually acceptable agreement with a member of the Consortium to serve as Fiscal Agent. Santa Barbara City College has been performing the duties of Fiscal Agent without negative consequences. However, without a written agreement detailing the duties and responsibilities of the Fiscal Agent, there could be a misunderstanding of the Fiscal Agent's role in the administration of the Cal-SOAP project.

REFERENCES:

Cal-SOAP Program Operations Handbook, October 2001, Chapter 2, Page 2
Santa Barbara Cal-SOAP Consortium By-Law, Article VI

REQUIRED ACTIONS:

The Consortium and the Fiscal Agent need to negotiate a written agreement to define the duties and responsibilities of the Fiscal Agent and the Consortium.

INSTITUTION RESPONSE:

Although the Santa Barbara Cal-SOAP Consortium has had a long standing agreement with the Fiscal Agent (Santa Barbara City College), and has always considered the By-laws proof of this agreement, the Consortium Board will begin work on a written agreement with Santa Barbara City College.

Because this document will necessitate careful review by both parties, the Santa Barbara Consortium requests six months from the date of the first Consortium Board Meeting (September 18) of the 2002 -03 year to produce a written agreement between the Consortium and the Fiscal Agent.

REVIEWER REPLY:

The consortium's action is deemed acceptable.

B. PROGRAM ELIGIBILITY

FINDING 4: Equipment Not Properly Identified as Property of State of California

A review of Cal-SOAP equipment revealed that most have not been identified as property of State of California.

DISCUSSION:

According to the Cal-SOAP Agreement, equipment items (major and minor) purchased using state funds shall be identified with an appropriate identification tag and the brand name, cost, date of purchase, identification/serial number, etc., shall be listed on an Equipment Inventory Report.

Per a discussion with the Project Director, not all Cal-SOAP property (i.e. tables, chairs, photocopy machines, computers, etc.) has been identified appropriately. Unidentified equipment may not be properly inventoried and tracked as State of California property.

REFERENCES:

Cal-SOAP Agreement (G-00-003), Section 7, Page 4

REQUIRED ACTIONS:

The Consortium needs to identify all property purchased with Cal-SOAP funds, request State of California identification tags from the Commission and affix these tags on the identified equipment.

INSTITUTION RESPONSE:

The Santa Barbara Cal-SOAP Consortium has always kept records of all items purchased with Cal-SOAP funds. These items are listed, identified, and included in the Cal-SOAP Equipment Inventory Report

The Consortium will supply the CSAC staff with the current inventory list, and will make sure that all items are properly identified as property of CSAC.

REVIEWER REPLY:

The consortium's action is deemed acceptable.

B. PROGRAM ELIGIBILITY

FINDING 5: Cal-SOAP Travel Reimbursements Exceed the Cal-SOAP Agreement Allowances

A review of travel reimbursement policies and claims revealed that Cal-SOAP travel is being reimbursed at rates higher than the allowances detailed in the Cal-SOAP Agreement.

DISCUSSION:

According to the Cal-SOAP Agreement, travel shall be reimbursed in accordance with attachment 5 - Travel and Per Diem Schedule. The Travel and Per Diem Schedule rates are as follows: lodging up to $79.00 plus tax, with receipt (lodging costs that exceed $79 require advance approval by the State Contract Manager); breakfast, up to $6.00; lunch, up to $10; dinner, up to $18; incidentals, up to $6.00; mileage, $.31 per mile.

The Consortium follows the Santa Barbara Community College District's Travel Reimbursement amounts as follows: lodging, actual and necessary; breakfast, $8; lunch, $13; dinner, $21; and mileage, $.345 per mile. By using the District's rates, the Consortium is being reimbursed for allowances that exceed the approved rates as shown in the Cal-SOAP Agreement. Any expenses exceeding these allowances are not reimbursable from Cal-SOAP funds.

REFERENCES:

Cal-SOAP Agreement (G-00-003), Section 6.D, Page 4
Cal-SOAP Agreement (G-00-003), Attachment 5, Section b(2)

REQUIRED ACTIONS:

The Consortium may only claim travel reimbursement from the state at the rates approved in the Cal-SOAP Agreement. Any excess travel expenses must be reimbursed with other funds.

INSTITUTION RESPONSE:

The Santa Barbara Consortium Governing Board, in accordance with its current by-laws, has always authorized Travel and Conference expenses to be reimbursed by the fiscal agent rate, which does differ slightly from the state rate.

However, with the understanding that this does not comply with the contract signed by the consortium, any difference from the state rate will be reimbursed from other funding sources.

REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.

B. COMPLETION OF REPORTS

FINDING: **Actual In-Kind Match Amounts Were Not Properly Documented**

A review of five Consortium member's documentation of in-kind match amounts revealed the budgeted amount and the actual amount are reported as equal where in reality they are different.

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 exceed the 1:1 ratio an attain a 1:1.5 ratio. Each consortium, through its 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 it's 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.

Currently, supporting institutions are dividing their budgeted in-kind amounts, reported on a Form A, by 4 to calculate the quarterly actual amounts reported on Form B. The members did not realize in what detail they needed to provide and document actual amounts. Because actual amounts are not being reported, the Consortium does not know the actual in-kind ratio and may be receiving more than the required 1:1 ratio. We sampled five consortium members for their calculation of the in-kind match. As this matter was discussed with these five Consortium members, it appeared that the actual in-kind match is higher than the budget amounts that were reported to the Commission. The Consortium is not maximizing the matching funds of their supporting institutions (progressing to reach the 1:1.5 ratio) and not accurately reporting the amount of those matching funds to the Commission.

REFERENCES:

Cal-SOAP Program Operations Handbook, 12/6/96, Chapter 4, Page 22 & 24

REQUIRED ACTIONS:

The consortium/consortium members/supporting institutions need to create a method of **tracking** and **documenting** actual in-kind match amounts that are subsequently reported to the Commission. If it appears reasonable, the

institutions may use a time study where all in-kind costs are tracked for a reasonable period or periods of time and extrapolated over the year to determine their actual in-kind match for the award year.

INSTITUTION RESPONSE:

Training will be provided to the Santa Barbara Cal-SOAP Consortium Governing Board to guarantee that every member is correctly recording and documenting in-kind match.

For example, a time study will be conducted where all in-kind costs are tracked for a reasonable period of time and extrapolated over the year to determine the actual in-kind match for the award year.

REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.