



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

***2007-08 Award Year***

**City College of San Francisco  
Program Review ID# 80900450200**

**50 Phelan Avenue, C-324  
San Francisco, CA 94112**

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**Program Review Dates:** 6/22/2009 - 6/26/2009

**Auditor:** Del Pyles  
(916) 464-8062

**Report Approved by:** Charles Wood, Manager  
Program Compliance Office  
(916) 464-8912

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## AUDITOR'S REPORT

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**SUMMARY** We reviewed San Francisco Community College's administration of California Student Aid Commission (Commission) programs for the 2007-08 award year.

The institution's records disclosed the following deficiencies:

- Interest earned on Cal Grant funds was not calculated correctly

**BACKGROUND** Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants B and C

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

A. Institution

- Type of Organization: Public Community College
- Chancellor: Don Griffin
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 100,000

B. Institutional Persons Contacted

- Jorge Bell: Dean of Financial Aid Office
- Aurora Rafael: Senior Systems Accountant
- Sofia Toney: Manager, Financial Aid

C. Financial Aid

- Date of Prior Commission Program Review: October 2000
- Branches: None
- Financial Aid Programs: Federal: Family Education Loan Program, Workstudy, Pell, SEOG and Perkins  
State: Cal Grant B and C, Child Development Teacher & Supervisor Grant and Law Enforcement Personnel Dependents Grant
- Financial Aid Consultant: None

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## AUDITOR'S REPORT (continued)

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### 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 36 Cal Grant B and 4 Cal Grant C awards within the review period. The program review sample was randomly selected from the total population of 1,392 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.

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.

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**AUDITOR'S REPORT (continued)**

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**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 June 25, 2009.

June 25, 2009

Charles Wood, Manager  
Program Compliance Office

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## FINDINGS AND REQUIRED ACTIONS

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F. FISCAL  
RESPONSIBILITY  
FOR PROGRAM  
FUNDS:

**FINDING: Interest Earned On Cal Grant funds Was Not Calculated Correctly**

An examination of the institution's Cal Grant account revealed that interest was computed using the end of the month balance and included negative amounts.

**DISCUSSION:**

Institutions must maintain all Commission Cal Grant funds in a designated account identified as the property of the State either by a ledger account or a bank account. Interest earned on Cal Grant funds in these accounts must be returned to the Commission on behalf of the State.

Each year in August, or after the annual State budget becomes law, whichever is later, the Commission advances money to participating Cal Grant schools. Each school's fall term advance is distributed to the institutions.

After the initial advance payment from the fall term, all advances for subsequent terms are reduced by any unused funds remaining in the institution's account. Each month, the Commission produces a Payment Activity Report summarizing all funds sent to the institution and the total of reconciled payment transactions received from the institution for the academic year.

The institution initially provided a document that calculated the interest for the 2007-2008 award year using month-end balances and returned \$31.53 in interest to the Commission. After discussions with the institution's accounting staff, a new document was provided that calculated the interest using an average monthly balance and demonstrated that the institution owed an additional \$2.42 in interest to the Commission. However, this revised calculation included negative amounts in the average monthly balances. The correct calculation reveals the institution actually owes the Commission an additional interest amount of \$3.21 as displayed in the chart below:

Month	Average Daily Balance	Interest Rate	Calculation	Interest Amount
July 2007	\$ 0.00			\$ 0.00
Aug 2007	\$ 0.00			\$ 0.00
Sep 2007	\$ 241,110.30	.05%	$241,110.30 \times .05\% \times 30 / 365$	\$ 9.91
Oct 2007	\$ 110,499.00	.05%	$110,499.00 \times .05\% \times 31 / 365$	\$ 4.69
Nov 2007	\$ 20,031.90	.04%	$20,031.90 \times .04\% \times 30 / 365$	\$ 0.66
Dec 2007	\$ 0.00			\$ 0.00
Jan 2008	\$ 487,434.35	.04%	$487,434.35 \times .04\% \times 31 / 366$	\$ 16.51

Feb 2008	\$ 93,771.31	.04%	\$ 93,774.31x.04%x29/366	\$ 2.97
Mar 2008	\$ 0.00			\$ 0.00

Month	Average Daily Balance	Interest Rate	Calculation	Interest Amount
Apr 2008	\$0.00			\$ 0.00
May 2008	\$0.00			\$ 0.00
Jun 2008	\$0.00			\$ 0.00
<b>Total</b>				<b>\$ 34.74</b>
<b>Interest Returned</b>				<b>\$ 31.53</b>
<b>Interest Due</b>				<b>\$ 3.21</b>

The Commission is not attempting to penalize institutions who elect to advance funds to students, nor is the Commission unaware that an institution may incur a cost by advancing its own funds to students. The Commission does not have the legal authority to direct an institution to advance its own funds, nor does it have the legal authority to appropriate state funds to offset interest expenses on Cal Grant funds by any costs of advancing their own funds to students. This is not a policy decision by the Commission, but rather that such a practice violates the California Constitution which vests appropriation authority with the California Legislature.

#### REFERENCES:

Institutional Participation Agreement, Article III.A.3, effective February 2003  
 Cal Grant Manual, July 2004, Chapter 2, page 5  
 Cal Grant Manual, September 2003, Chapter 9, page 3  
 CSAC Special Alert, GSA 2009-06, February 25, 2009  
 Grant Operations Memo 2007-21

#### REQUIRED ACTIONS:

Due to the small amount of interest owed, the Commission is waiving the additional interest amount; however, the institution **must** submit procedures for calculating and returning any earned Cal Grant interest at least once per year.

#### INSTITUTION RESPONSE:

In response to your letter and Finding F for interest calculation, we have corrected the method we are using to calculate interest earned beginning with award year 2008-2009; we will calculate interest based on average monthly balance rather than month-end balance. As per your suggestion, we have created spreadsheets to show average monthly balance and monthly interest earnings so we can record and generate a check for the correct amount of interest due to the California Student Aid Commission at year end.

#### AUDITOR REPLY:

As long as the average daily balance does not include negative amounts, this action is deemed acceptable and no further action is required.