



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

2007-08 Award Year

**Fresno Pacific College
Program Review ID#80900125300**

**1717 S. Chestnut Avenue
Fresno, CA 93702**

Program Review Dates: March 23 – 26, 2009

Auditor: Nati DeGroot
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AUDITOR'S REPORT

SUMMARY We reviewed Fresno Pacific College's administration of California Student Aid Commission (Commission) programs for the 2007-08 award year.

The institution's records disclosed the following deficiencies:

- Cal Grant Disbursement Policy Deficient
- Cal Grant Award Not Maximized
- Cal Grant Funds Not Reconciled

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 Specialized Programs	A and B Child Development Teacher Grant Program (CDTGP)
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The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: Private, Non-Profit Institution of Higher Education
- President: Dr. Merrill Ewert
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 2,500

B. Institutional Persons Contacted

- Steve Varvis, Ph.D.: Vice President for Enrollment Management
- Ken Isaak: Director of Financial Aid
- April Powell: Associate Director of Financial Aid
- Vyacheslav Gladysh: Financial Aid Counselor
- John Ward: Vice President for Finance and Business Affairs
- Emily LaRue: Controller
- Gary Estes: Chief Accountant

C. Financial Aid

- Date of Prior Commission Program Review: November 2005
- Additional Locations: Visalia Center, Bakersfield Center and North Fresno Center

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

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.

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 Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on March 26, 2009.

March 26, 2009

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

A. GENERAL
ELIGIBILITY:

FINDING: Cal Grant Disbursement Policy Deficient

A review of the institution's Cal Grant disbursement policy revealed the institution does not allow its student's the option to rescind their decision regarding the receipt of Cal Grant funds at any time.

DISCUSSION:

According to the Institutional Participation Agreement, institution's must 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 directly to them.
- The student may make this request at any time; however, any cancellation only affects future payments.

A review of the institution's Cal Grant disbursement policy and the student Cal Grant "B" sample files revealed that the institution does not allow its student's the option to rescind their decision regarding the receipt of Cal Grant funds at any time.

REFERENCES:

Institutional Participation Agreement, Article IV.C.7
Cal Grant Manual, Chapter 9, September 2003
Cal Grant Manual, Chapter 11, September 2003

REQUIRED ACTION:

The institution is required to submit a revised Disbursement Policy allowing student's to rescind their decision regarding the delivery of Cal Grant funds at any time.

INSTITUTION RESPONSE:

FPU agrees with the finding that the (written) Cal Grant disbursement policy did not state that FPU students have the option of rescinding their decision regarding the receipt of Cal Grant funds at any time.

FINDINGS AND REQUIRED ACTIONS (continued)

The Cal Grant disbursement policy wording has been updated and is now included in the FPU Academic Catalog for the 2009-2010 school year for students to view. The wording was reviewed and approved by Nati DeGroot at the time of her visit in March. Copies of the relevant pages from the catalog are included. Other relevant information published by the Financial Office is also in the process of being revised as needed.

AUDITOR REPLY:

This action is deemed acceptable and no further action is required.

B. APPLICANT ELIGIBILITY:

FINDING: Cal Grant Payment Not Maximized

A review of 40 student files revealed 1 case in which the institution did not maximize the students Cal Grant eligibility for the Spring 2008 term.

DISCUSSION:

Renewed Cal Grant "B" awards shall be used only for tuition, student fees and a living stipend, called "Access." The grant will pay tuition and fees up to the annual award amount for recipients attending tuition charging schools. Award amounts are determined through the state budget process and may change annually. Furthermore, tuition and fees awards are disbursed in an amount not to exceed the maximized value of the tuition award for the term, or the maximum tuition and fee charged, whichever is less.

A review of the file of student No. 25 revealed that the student received a half-time Cal Grant payment in the amounts of \$2,427 and \$388, tuition and access, for the Spring 2008 term. However, academic transcripts indicate that the student attempted and completed 9.0 units. Based upon the institution's enrollment status, the student should have received a three-quarter time payment in the amounts of \$3,641 and \$582, tuition and access, or actual tuition charges not to exceed the maximum term amount.

Since the student solely incurred tuition charges in the amount of \$2,760 for the Spring 2008, the student was eligible to receive Cal Grant funds in the amount of \$2,760 and \$582, tuition and access. Thus, the student should have received additional Cal Grant funds in the amounts of \$333 and \$194 (\$2,760 - \$2,427 and \$582 - \$388), tuition and access.

REFERENCES:

California Education Code, Section 69532
Institutional Participation Agreement, Article IV
Cal Grant Manual, Chapter 7, October 2005
Cal Grant Manual, Chapter 9, September 2003

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

No liability resulted from this Finding; however, the institution is required to submit policies and procedures that will be implemented to ensure that Cal Grant recipient's award is fully maximized per term and/or award year.

INSTITUTION RESPONSE:

FPU agrees with the finding that the Cal Grant payment for student No. 25 was not maximized.

When the student first registered for spring courses on 1/8/08 she registered for 6 semester units (half-time). When she added one more class, three units, on 1/16/08 she did not inform our office nor did we discover this information. In order to ensure that Cal Grant recipient's awards are fully maximized Financial Aid Counselors receive daily reports of students who have a change in units. This information allows them to increase/decrease awards as necessary. As a secondary check we are immediately implementing a procedure in which a report will be created of students whose Cal Grant award amount does not match their registered unit total in DATATEL. This secondary check will allow FPU staff to find any students whose awards may not have been adjusted to maximize their awards.

AUDITOR REPLY:

This action is deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY FOR PROGRAM FUNDS:

FINDING: Cal Grant Funds Not Reconciled

A review of institution's accounting records revealed that Cal Grant funds were not reconciled for the 2006-07 and 2007-08 award years.

DISCUSSION:

Institutions participating in the Cal Grant program are required to reconcile their accounts with the funds received from the Commission for each award year. Reconciliation is the process of comparing transactions reported by the school with transactions accepted and reconciled by the Commission, and arriving at an exact match. ***The Commission strongly recommends that schools reconcile Cal Grant payments on a monthly basis.*** If payments are properly reconciled on a monthly basis, Commission records will be in agreement with the amount of funds owed to schools or the amount due to the Commission. In essence, should the institution's records of individual payments to eligible students be less than what the Commission paid, the institution must return the difference to the Commission. Thus, the institution will bear the liability for payments not reported to the Commission prior to the required reconciliation date.

FINDINGS AND REQUIRED ACTIONS (continued)

Furthermore, the institution must maintain an accounting system which conforms to generally accepted accounting principles/practices and shall include, but not be limited to, cash receipts and disbursement journals, bank reconciliation, evidence of receipt or credit of funds to recipients and all other accounting records necessary to account for all transactions. The institution must also retain records as are necessary to document fully the accuracy of the grant payments reported and the right of the institution to receive or retain payments made by the Commission.

Commission records indicated an advanced Cal Grant amount of \$4,447,345 for the 2007-08 award year. However, institutional records revealed that the institution disbursed \$4,448,120 in Cal Grant payments of which \$5,629 was not reported to the Commission prior to the year-end reconciliation. The unreported payment is unable to be reimbursed and is detailed below:

Student ID	CSAC Paid	School Paid	Unreported Payments
W1`	\$0	\$5,629	\$5,629
TOTAL UNREPORTED PAYMENTS			\$5,629

The total disbursements to be reimbursed by the Commission for the 2007-08 award year equaled \$4,442,491 (disbursed amount of \$4,448,120 less unreported payments of \$5,629). Therefore, the institution disbursed \$4,854 less than the amount reconciled by the Commission (CSAC reconciled amount \$4,447,345 less reimbursed payments of \$4,442,491) as illustrated below:

Student ID	CSAC Paid	School Paid	Undisbursed Funds
X1	\$7,281	\$4,854	\$2,427
X2	\$7,281	\$4,854	\$2,427
TOTAL UNDISBURSED FUNDS			\$4,854

Additionally, for the 2006-07 award year, the Commission reported a Cal Grant amount of \$4,636,180. However, institutional records revealed that the institution disbursed \$4,637,503 in Cal Grant payments of which \$3,158 was not reported to the Commission prior to the 2006-07 year-end reconciliation. The unreported payment is unable to be reimbursed and is detailed below:

Student ID	CSAC Paid	School Paid	Unreported Payments
Y1	\$2,427	\$4,854	\$2,427
Y2	\$6,306	\$7,037	\$ 731
TOTAL UNREPORTED PAYMENTS			\$3,158

FINDINGS AND REQUIRED ACTIONS (continued)

The total disbursements to be reimbursed by the Commission for the 2006-07 award year equaled \$4,634,345 (disbursed amount of \$4,637,503 less unreported payments of \$3,158). Therefore, the institution disbursed \$1,835 less than the amount reconciled by the Commission (CSAC reconciled amount \$4,636,180 less reimbursed payments of \$4,634,345) as illustrated:

Student ID	CSAC Paid	School Paid	Undisbursed Funds
Z1	\$1,200	\$ 600	\$ 600
Z2	\$9,873	\$8,638	\$1,235
TOTAL UNDISBURSED FUNDS			\$1,835

Fresno Pacific University was previous cited for not reconciling its Cal Grant account for the 1991-92 and 1992-93 award years as indicated in the CSAC February 1995 review. In its response to the Report, the institution indicated that the following procedures would be implemented to ensure compliance:

“Beginning immediately, the Cal Grant Administrator in the Student Financial Services Office will perform a minimum of four reconciliations annually:

- *February - for the previous fall term*
- *June - for the previous fall and spring terms*
- *October - for the previous fall, spring and summer terms*
- *December - just prior to the close of CSAC' s award year to ensure nothing has changed from the October reconciliation*

For each reconciliation, the Cal Grant Administrator will utilize the Reconciliation template on Web Grants and electronically merge that with student payment data from FPU (keeping copies of all documentation). Any discrepancies will be noted and appropriate action will be taken - additional funds will be requested or excess funds will be returned to the Commission (with or without receipt of an invoice from the Commission).

In addition to the three term-based reconciliations, the Cal Grant Administrator will become more actively involved in the institution's annual audit that takes place in June/July. Working closely with the Controller .(or someone appointed by the Controller) and the internal auditors, the Cal Grant Administrator will assist in the process of reconciling funds advanced to the institution with funds disbursed to students”.

During the on-site review, the institution was reminded that it is imperative that the institution's accounting and financial aid offices communicate in regard to the funds received and disbursed by the institution. Thus, this finding is deemed as an area of continuing noncompliance and is considered a highly concentrated area for subsequent program reviews and possible termination from the Cal Grant program.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

California Education Code, 69535.5
Institutional Participation Agreement, Article II, III and IV
Cal Grant Manual, Chapter 10, October 2003

REQUIRED ACTIONS:

In response to this Finding, the institution **must** remit the undisbursed funds in the amounts of **\$4,854** for the 2007-08 and **\$1,835** for the 2006-07 award years to the Commission as directed in the general payment instructions at the conclusion of this Report.

Additionally, the institution **must** provide written procedures and internal control measures that **will be implemented** to ensure that the institution reconciles its records as required by the Institutional Participation Agreement and the Cal Grant Manual. The procedures must include time frames, staff titles, and specific areas of responsibilities as it relates to the Cal Grant reconciliation.

Due to the severity of this finding and previous citation, Fresno Pacific University will be required to submit a reconciliation report for the **2008-09** upon the Commission's final reconciliation process.

The reconciliation report must include the following data elements:

- Student's Social Security Number
- Student's Last Name
- Student's First Name
- Type of Cal Grant Award (A, B, C or T)
- Fall Term Payment Amount
- Spring Term Payment Amount
- Summer Term Payment Amount, *if applicable*

Undisbursed funds identified in the 2008-09 reconciliation must be returned to the Commission as indicated in the repayment instructions located at the conclusion of this Report. Furthermore, a written attestation must be submitted by both the Accounting and Financial Aid Offices.

INSTITUTION RESPONSE:

FPU agrees with the findings on the discrepancies of the reconciliation.

The Unreported Payments found in the 2006-2007 and 2007-2008 years are accurate. Procedures to eliminate these in the future are discussed below.

The Undisbursed Funds found in the 2006-2007 and 2007-2008 years are accurate. As Mr. Ken Isaak, Financial Aid Director, explained in his letter to CSAC Auditor Nati DeGroot dated May 8, 2009, FPU was aware that students XI and X2 were overpaid during the 2007-2008 school year. Several attempts to return those

FINDINGS AND REQUIRED ACTIONS (continued)

funds in the customary electronic manner were made, but unsuccessful. As a result, our CSAC Administrator contacted, via phone, the Commission for clarification on how to repay those funds to. A copy of an email from the Commission staff person is included to confirm. Our understanding was that the Webgrants system had a malfunction when handling students with limited eligibility, such as the above mentioned student XI and X2. Although we acknowledge that we had not yet returned the \$4,854 to the Commission, we ask that it be recognized that FPU was aware of the need to repay and had attempted to, but had not been able to resolve the matter with the Commission until now. The total amount of \$6,689, the amounts for 2006-2007 and 2007-2008, has been remitted to the Commission according to the instructions given.

As requested, FPU will provide a reconciliation report for the 2008-2009 to the Commission at the time of request. The reconciliation report will include all data elements requested: student social security number, last and first names, type of Cal Grant award, fall and spring term amounts and summer term if applicable. Any undisbursed funds that might be found will be returned to the Commission per instructions provided.

Reconciliation Procedures to Be Implemented by FPU

The Chief Accountant or his designee in the Business Office will reconcile the general ledger to Cal Grant recipients on a student-by-student basis at the beginning of each month for the prior month (i.e. June will be reconciled in July). To do this, the Chief Accountant will run a report that will identify the student, Cal Grant program and year and amount disbursed to the student that was posted to the general ledger. Another report will be run from the Financial Aid Office with the same information. These two reports will be compared, student-by-student. Any discrepancies will be discussed with the FPU Cal Grant Administrator. Another check will be from the student list to the general ledger totals. For example: the amount disbursed to all Cal Grant A recipients will be compared to the general ledger amount and the two should match. If they do not, discrepancies will be investigated by the Chief Accountant and appropriate action taken to remedy the discrepancy.

The Cal Grant Administrator will reconcile FPU Cal Grant information to CSAC on a monthly basis, at minimum. To do this he/she will run a report each month from FPU's financial aid information that will identify the student, Cal Grant year and program and the amount disbursed to the student. This will then be compared to what CSAC shows as being disbursed to the student. This will be done on a student-by-student basis. Any discrepancies will be investigated and appropriate action taken to remedy the discrepancy.

AUDITOR REPLY:

The institution returned \$6,689 on check # 160377 dated July 15, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.

OBSERVATION AND RECOMMENDATION

OBSERVATION AND RECOMMENDATION: **The following are observations and recommendations based upon our review of the institution's policies and procedures and the condition of the institution's records.**

OBSERVATION: Maintenance of Cal Grant Account

When agreeing to participate in the Cal Grant program, an institution agrees to maintain standards of administrative capability in accordance with state and federal laws and regulations as applicable. The institution shall maintain and document an accounting system that conforms to generally accepted accounting principles and practices that allows the Commission to determine adherence to fiscal responsibility and standards.

The Commission considers an institution to have sufficient administrative capability if the institution:

- Administers the Cal Grant programs with adequate checks and balances in its system of internal controls.
- Maintains an accounting system which conforms to generally accepted accounting principles/practices and shall include, but not limited to, cash receipts and disbursement journals, bank reconciliations, evidence of receipt or credit of funds to recipients and all other accounting records necessary to account for all transactions. Additionally, the institution agrees to "*reconcile Cal Grant program expenditures for each award year on a student-by-student basis.*" This includes the necessary ledgers to account for prior and current award year funds.
- Establishes a clear audit trail which demonstrates that fiscal records provide status of Cal Grant funds from the time they are received by the school from the State Controller's Office (SCO) through the time they are used to pay students' eligible charges, delivered to the student in the case of Access or Books and Supplies payments or refunded back to the Commission.
- Reconciles Cal Grant funds with specific year advances and identify prior year award funds to ensure that funds are reported on the appropriate year's roster.
- Returns interest earned on Cal Grant funds to the Commission on behalf of the State.

Moreover, institutions are instructed to return any funds remaining in their Cal Grant accounts after the close of an award year as set forth by Commission Grant Operations Memo 99-06.

OBSERVATION AND RECOMMENDATION (continued)

A review of accounting documents and discussions with institutional staff revealed that the institution failed to properly document Cal Grant funds to its ledgers on a timely basis.

A review of accounting documents and discussions with institutional staff revealed that the institution failed to properly document Cal Grant funds to its ledgers on a timely basis.

Prior to the on-site audit, the institution was asked to provide accounting documents to ensure compliance with the Cal Grant Manual, Institutional Participation Agreement, California Education Code, etc. of its Cal Grant funds. The documentation revealed that the institution failed to reconcile its Cal Grant account and was not able to **initially** ensure that excess funds did not exist in its account.

RECOMMENDATION:

It is strongly recommended that the institution implements its fiscal policies and procedures to ensure that Cal Grant functions are performed on a timely basis and are documented according to regulatory requirements as these controls help safeguard the operational and fiscal integrity of the Cal Grant Program.