



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

2007-08 Award Year

**Heald College-Fresno
Program Review ID#80900809300**

**255 W Bullard Ave.
Fresno, CA 93704**

Program Review Dates: 3/23/2009 - 3/27/2009

Auditor: Del Pyles
(916) 464-8062

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

TABLE OF CONTENTS

	<u>Page Number</u>
AUDITOR'S REPORT	
SUMMARY.....	3
BACKGROUND	3
OBJECTIVES, SCOPE AND METHODOLOGY	4
CONCLUSION.....	5
VIEWS OF RESPONSIBLE OFFICIALS.....	5
FINDINGS AND REQUIRED ACTIONS	6

AUDITOR'S REPORT

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

The institution's records disclosed the following deficiencies:

- Noncompliance with WebGrants Information Security and Confidentiality Agreement
- Unable to Reconstruct Renewal Unmet Need
- Institution's Central Administrative Office Did Not Provide Adequate Supporting Documentation for the Calculation of Interest Earned on Cal Grant Funds
- Prior Year Funds in Cal Grant Account Balance

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	A, 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: Private, Non-Profit Institution of Higher Education
- Campus President: Carolyn Kovalski
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 875

B. Institutional Persons Contacted

- Elizabeth Carter Corporate Director of Compliance
- Kevin Hoover: Director of Financial Aid
- Alisa Gillispie: Assistant Director of Financial Services
- James Wilson: Senior Financial Aid Advisor
- Tita Stephenson: Senior Accountant
- Kimberly Penitenti: Interim Corporate Controller

C. Financial Aid

- Date of Prior Commission Program Review: February 2002
- Branches: N/A

AUDITOR'S REPORT (continued)

BACKGROUND (continued)

C. Financial Aid (continued)

- Financial Aid Programs: Federal: Family Education Loan Program, Workstudy, Pell and SEOG
State: Cal Grant A, B and C
- Financial Aid Consultant: None

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 Cal Grant students who received a total of 6 Cal Grant A awards, 26 Cal Grant B awards and 8 Cal Grant C awards within the review period. The program review sample was randomly selected from the total population of 301 Cal Grant 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.

AUDITOR'S REPORT (continued)

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

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 Commission's 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: Noncompliance with the Commission's Information Security and Confidentiality Agreement

A review of institutional records revealed that the institution failed to comply with the Commission's WebGrants Information Security and Confidentiality Agreement.

DISCUSSION:

As stated in the Information Security and Confidentiality Agreement, institutions must notify the Commission within five (5) working days to disable the password and ID of any employee whose change in employment status or duties no longer requires access to the Grant Delivery System (GDS) – WebGrants System.

A comparison between Commission and institutional records revealed that the institution's Corporate Office failed to notify the Commission in writing within 5 working days that two employees had ceased employment at that office and transferred to the Fresno campus. However, during the on-site review, the institution requested that the Commission disable the password and ID of the aforementioned employees.

REFERENCES:

Institutional Participation Agreement, Article II.E.
WebGrants Information Security and Confidentiality Agreement
Commission Special Alert, GSA 2000-01, 01/19/00

REQUIRED ACTION:

The institution **is required** to submit administrative policies and controls to ensure compliance as outlined on the WebGrants Information Security and Confidentiality Agreement.

INSTITUTION RESPONSE:

On a weekly basis the Financial Aid Grant Specialist at the Central Administrative Office (CAO) level receives notification on employees that should be enabled or disabled access to WebGrants. As a second check, once a quarter the Financial Aid Grant Specialist at CAO sends each campus a Web Grants Active Users Report requesting confirmation of accuracy.

AUDITOR REPLY:

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

FINDINGS AND REQUIRED ACTIONS (continued)

B. ROSTERS
AND
REPORTS:

FINDING: Incorrect Renewal Unmet Need Amounts Reported

A review of 19 renewal student files revealed 8 cases in which the students' unmet need amount was reported incorrectly to the Commission.

DISCUSSION:

For renewal recipients, institutions must calculate and report the renewal recipients' Cal Grant need to the Commission, and retain the supporting documentation within the student's file. Institutions may use the Commission's annually established student expense budgets to confirm the financial need of renewal applicants or may use their own student expense budgets to determine renewal eligibility.

The Commission's renewal unmet need formula is defined as follows:

$$\text{Cost of Attendance} - \text{Estimated Family Contribution} - \text{Pell} = \text{Cal Grant Need}$$

The amount reported must reflect the recipient's total unmet need for the entire year as a full-time student (even if the student is or will be attending less than full-time).

If an institution becomes aware of any change to the renewal recipient's financial need, and the change affects Cal Grant eligibility, the change must be reported to the Commission by completing a Grant Record Change Form for Schools (G-21) or through the "Grant Record Changes" screen on WebGrants.

The following unmet needs reported to the Commission were not adequately supported by documentation in the students' files:

Student ID	Reported Need
1	\$20,984
13	\$29,550
20	\$28,850
25	\$23,056
27	\$21,006
29	\$28,350
31	\$28,350
33	\$22,206

The institution was previously cited for reporting incorrect renewal unmet need amounts to the Commission during the 2000-01 award year as indicated in the CSAC February 2002 Review Report. Thus, this Finding is deemed as an area of continuing noncompliance.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Higher Education Act, Part F – Need Analysis
Cal Grant Manual, February 2005, Chapter 5, page 5-3
Cal Grant Manual, November 2003, Chapter 6, pages 3-4
Cal Grant Manual, November 2005, Chapter 8, pages 1-2

REQUIRED ACTION:

Although no liability resulted due to the institution's high cost of attendance and need, the institution **must** submit enhanced policies and procedures **that will be implemented** to ensure that a student's renewal unmet need amount is correctly calculated and documented in the student's file when reporting the amount to the Commission.

INSTITUTION RESPONSE:

The following outlines the policy and procedures implemented to ensure the accuracy of information provided to the Commission

AUDITOR REPLY:

The institution returned revised policies and procedures. This action is deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY FOR PROGRAM FUNDS:

FINDING 1: Institution's Central Administrative Office Did Not Provide Adequate Supporting Documentation for the Calculation of Interest Earned on Cal Grant Funds

The Central Administrative Office for Heald College did not provide adequate documentation for verification of the calculation and return of interest earned on Cal Grant funds for the 2007-08 award year.

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 school's

FINDINGS AND REQUIRED ACTIONS (continued)

account. Each month, the Commission produces a Payment Activity Report summarizing all funds sent to the school and the total of reconciled payment transactions received from the school for the academic year.

A review of the institution's bank statements, Cal Grant survey and discussions with institution's Central Administrative Office staff revealed that Cal Grant funds are initially deposited into a separate Bank of America account for each campus. These accounts are sweep accounts and any balance at the end of the day are automatically transferred to an investment account and transferred back to the bank account the following day. At the end of the month, the Central Administrative Office performs an analysis on the bank account and states that any variance between total debits and total credits is assumed as interest. Documentation has not been received on the investment account to verify any interest that may have been earned. In addition, the statements provided for the Bank of America account do not list any interest earned.

The methodology of using the difference between a debit total and a credit total is not an acceptable accounting practice for documenting the calculation of interest earned.

Multiple requests were made for a more detailed accounting of the interest earned, such as more detailed bank statements or investment account statements that would show the daily fund balances and amounts of interest earned. The requested supporting documentation has not been received.

REFERENCES:

Institutional Participation Agreement, Article III.A.3, February 2003
Grant Operations Memo 2007-21
Cal Grant Manual, July 2004, Chapter 2, page 5
Cal Grant Manual, September 2003, Chapter 9, page 2
2006 Budget Act

REQUIRED ACTIONS:

The Central Administrative Office for Heald College **is required** to provide adequate supporting documentation that explains the methodology used for calculating interest earned on advanced Cal Grant funds.

The Central Administrative Office **is also required** to provide bank statements and investment account statements for the 2007-08 award year that include a detailed accounting for the amounts of interest earned throughout the award year.

In addition, the Central Administrative Office **is required** to provide policies and procedures for the accounting and reconciliation of interest earned on Cal Grant funds that have been received.

FINDINGS AND REQUIRED ACTIONS (continued)

After the receipt and review of the requested documentation, the institution may be required to return additional interest that was earned.

INSTITUTION RESPONSE:

The documentation that explains the methodology used for calculating interest earned on advanced Cal Grant Funds, the bank statements and investment account statement for the 2007-08 award year, along with the policies and procedures for the accounting and reconciliation of interest earned on Cal Grant funds have been submitted to the Commission on June 5, 2009 to include all Heald campus locations.

AUDITOR REPLY:

The institution returned revised policies and procedures. This action is deemed acceptable and no further action is required.

F. FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING 2: Prior Year Funds in Cal Grant Account Balance

A review of the institution's accounting documents revealed that prior year funds exist in the Cal Grant account.

DISCUSSION:

Schools are required to return to the Commission any funds remaining in their Cal Grant account after the close of an award year. Each January, institutions are invoiced for any remaining funds that may be left in the Cal Grant account.

The invoices are based on information that the school has reported to the Commission. If, after the invoice has been paid, funds remain in the account, the institution must return the excess (unused Cal Grant funds, stale-dated warrants, etc.) funds to the Commission.

Institutions were instructed to return to the Commission 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, dated 4/19/99.

A review of the institution's bank statements and the account analysis and reconciliation worksheet supplied by the Central Administrative Office revealed a \$185.49 beginning balance in the Cal Grant bank account which, according to the Interim Corporate Controller, reflected what the school had in its account **before** the 2005-06 award year. Therefore, these funds are deemed as excess funds from prior award years.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Institutional Agreement, Article II.C, III.C.1, and III.C.2
Cal Grant Manual, Chapter 6
CSAC Operations Memo, GOM 99-06, Returning Prior Year Funds

REQUIRED ACTIONS:

The institution **must return** the **\$185.49** identified as excess prior year funds. Please submit all payments as directed in the general payment instructions.

In addition, the institution's Financial Aid Office and Central Administrative Office **must provide** policies and procedures that will be incorporated into the reconciliation procedures to ensure that after the school has reconciled its Cal Grant account any excess funds not disbursed by the end of an award year will be returned to the Commission.

INSTITUTION RESPONSE:

Check # 9000022816 in the amount of \$185.49 is attached. The policy and procedures were forwarded to the Commission on June 5, 2009.

AUDITOR REPLY:

The institution returned \$185.49 on check # 9000022816 dated June 4, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.