



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

2005-06 Award Year

**Heald College - Hayward
Program Review ID#80800853200**

**25500 Industrial Blvd.
Hayward, CA 94545**

Program Review Dates: January 28 – 31, 2008

Auditor: Charles Wood
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AUDITOR'S REPORT (continued)

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 10 Cal Grant A awards, 19 Cal Grant B awards and 11 Cal Grant C awards within the review period. The program review sample was randomly selected from the total population of 173 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.

AUDITOR'S REPORT (continued)

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 January 31, 2008.

January 31, 2008

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

C. FUND
DISBURSEMENT
AND REFUNDS:

FINDING 1: Cal Grant Tuition Award Exceeds Actual Tuition Charged

A review of 40 student files revealed 1 case in which the institution incorrectly paid more Cal Grant tuition funds than the student was eligible to receive.

DISCUSSION:

According to the Cal Grant Manual and the Institutional Participation Agreement, tuition awards may only be used to pay actual tuition charges incurred by the student for a specific period of enrollment. The California Education Code indicates that Cal Grant B awards shall be used only for tuition and student fees in an instructional program of no less than one academic year. Additionally, tuition and fees awards are to be 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. 9 revealed that the student incurred tuition charges in the amount of \$2,057.50 for the Fall 2005 term. However, based upon the student's accounting ledger, the institution disbursed \$2,557 of Cal Grant tuition funds to the student. Since Cal Grant "B" is a tuition and fee award, the Cal Grant payment should not have exceeded actual tuition charges. Thus, \$499.50 (\$2,557 - \$2,057.50) is ineligible and must be returned to the Commission.

REFERENCES:

California Education Code, Section 69532(a)
Institutional Participation Agreement, Article V.B.
Cal Grant Manual, Chapter 3, September 2004

REQUIRED ACTION:

The institution **must** return the ineligible amount of **\$499.50** on behalf of student No. 9, as indicated on the general payment instructions located at the conclusion of this Report.

Additionally, the institution **must** submit policies and procedures that will be implemented to ensure that Cal Grant tuition awards do not exceed the student's actual tuition charges.

INSTITUTION RESPONSE:

The funds have been returned to CSAC on check # 9000012055, which is enclosed with this letter. In addition, the Financial Aid department has implemented the necessary policies and procedures to comply with CSAC requirements.

FINDINGS AND REQUIRED ACTIONS (continued)

AUDITOR REPLY:

The institution returned \$499 on check # 9000012055 dated August 27, 2008 and revised policies and procedures. This action is deemed acceptable and no further action is required.

C. FUND
DISBURSMENT
AND REFUNDS:

FINDING 2: Cal Grant Funds Overawarded

A review of 40 student files revealed 1 case in which the institution overawarded Cal Grant funds.

DISCUSSION:

Schools are responsible to ensure that no Cal Grant recipients are overawarded. The total of the Cal Grant award and all other types of aid (e.g., federal, state, institution, and private) may not exceed the student's cost of attendance (budget) less the calculated Expected Family Contribution (EFC).

When learning of an overaward, schools must report the overaward through the Grant Record Changes screen on WebGrants or by completing the Grant Record Change Form for Schools (G-21).

A review of the file for student No. 28 revealed that the student received Cal Grant funds for which they were not eligible to receive for the 2005-06 award year as illustrated below:

9-Month Need		
COA		\$17,816.50
Less EFC		<\$18,750.00>
EFA		
Sub Loan	\$619	
Less Total EFA		<\$ 619.00>
Equals Cal Grant Need		<\$ 1,552.50>
Less Cal Grant Award		<\$ 4,949.00>
Overaward Amount		\$ 4,949.00

REFERENCES:

Institutional Participation Agreement, Article IV
Cal Grant Manual, Chapter 8, November 2005,

REQUIRED ACTION:

The institution **must** return the ineligible funds in the amount of **\$4,949** on behalf of student No. 28 as directed in the general payment instructions located at the conclusion of this Report.

FINDINGS AND REQUIRED ACTIONS (continued)

Additionally, the institution is **required** to submit policies and procedures that will be implemented to ensure that Cal Grant recipient's are not overawarded for their respective Cal Grant award year.

INSTITUTION RESPONSE:

The ineligible funds have been returned to CSAC on check # 9000012055, which is enclosed with this letter. In addition, the Financial Aid department has implemented the necessary policies and procedures to comply with CSAC requirements.

AUDITOR REPLY:

The institution returned \$4,949 on check # 9000012055 dated August 27, 2008 and revised policies and procedures. This action is deemed acceptable and no further action is required.

D ROSTERS AND REPORT:**FINDING 1: Unable to Reconstruct Renewal Unmet Need**

A review of 16 renewal Cal Grant student files disclosed all students' unmet need could not be reconstructed.

DISCUSSION:

For renewal students, schools must calculate a student's annual unmet need as a full-time student and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. The school must report the resulting net unmet need amount on the Grant Roster or the Commission G-21 letter. Net unmet need is defined as a student's budget minus the Expected Family Contribution (EFC) and Pell Grant. The following student's unmet need reported to the Commission was not adequately supported by documentation in the student's files:

ID	Need
1	\$28,306
4	\$28,306
6	\$25,804
10	\$18,363
11	\$28,706
15	\$23,763
20	\$25,222
23	\$18,488
28	\$23,763

FINDINGS AND REQUIRED ACTIONS (continued)

ID	Need
30	\$28,683
34	\$30,555
36	\$28,706
39	\$23,877

REFERENCES:

Higher Education Act, Part F – Need Analysis
Cal Grant Manual, Chapter 6, November 2003
Cal Grant Manual, Chapter 8, November 2005

REQUIRED ACTION:

The institution is **required** to submit policies and procedures that will be implemented to ensure that the renewal unmet need amount is correctly calculated and reported to the Commission and documented within the student's file.

INSTITUTION RESPONSE:

The Financial Aid department has implemented the necessary policies and procedures to comply with CSAC requirements.

AUDITOR REPLY:

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

D. ROSTERS AND REPORTS:**FINDING 2: Incorrect Education Level (EL) Information**

A review of 40 student files disclosed 2 students in which the correct EL was not reported to the Commission.

DISCUSSION:

A recipient's EL determines the number of years a student will be eligible to receive Cal Grant benefits. Institutions verify each recipient's EL based on the recipient's EL at the time the student receives the initial payment.

The grade levels are as follows:

Grade Level	Completed Semester Units
Freshman (1)	0 – 35
Sophomore (2)	36 +

FINDINGS AND REQUIRED ACTIONS (continued)

An examination of student's No. 14 and 27 disclosed that the institution reported an incorrect grade level for the aforementioned student during the 2005-06 award year as indicated below:

Student ID	Number of units at start of Fall 2005	Grade Level Reported	Correct Grade Level
14	64.0	1	2
27	40.0	1	2

REFERENCES:

Institutional Participation Agreement IV.A. and B
Cal Grant Manual, Chapter 8, November 2005

REQUIRED ACTION:

In response to this finding, the institution **must** notify the Commission's Grant Services Division of the correct educational level determination noted above so that the student record for Nos. 14 and 27 will be adjusted to the correct grade level for the 2005-06 award year.

Additionally, the institution is **required** to submit policies and procedures that will be implemented to ensure that the educational level determination is correctly calculated and reported to the Commission and documented within the student's file.

INSTITUTION RESPONSE:

The Financial Aid department has implemented the necessary policies and procedures to comply with CSAC requirements.

AUDITOR REPLY:

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

F. FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING : **Cal Grant Funds Were Not Reconciled**

A review of documentation revealed that the institutions Cal Grant funds were not reconciled from the Financial Aid to the General Ledger for the 2005-06 award year.

DISCUSSION:

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

FINDINGS AND REQUIRED ACTIONS (continued)

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.
- 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.

A review of the institutions Financial Aid system and the corresponding accounting system disclosed that they were not reconciled. The institution was not able to substantiate the student payments documented in the Financial Aid system in the Corporate accounting system. This indicates that no true reconciliation between Financial Aid and Corporate Accounting offices exists. This concern was addressed as a "reportable condition in internal control" by the institution's Independent Auditors.

According to "The Independent Auditor's Report for the Year ended June 30, 2005--Part II—Financial Statement Findings Section", the following observation and statement was made. "Although the College has devoted substantial resources to the reconciliations of cash and accounts receivable, it has not been able to complete such reconciliation on a timely basis or without extraordinary efforts. **Specifically, the College has had difficulty resolving a large number of differences between the Student Financial System, the general ledger, and the bank.** The lack of interface between these applications has made the reconciliation process for cash and accounts receivable extremely difficult. Much of these issues resulted from difficulties encountered in the implementation of the College's new accounting system."

FINDINGS AND REQUIRED ACTIONS (continued)

Since as part of the Heald College Corporate structure each of the Heald Colleges maintains a separate bank account to account for Cal Grant transactions. The Corporate office was required to reconcile the Cal Grant bank account and verify the receipts and payments of Cal Grant Funds to the amounts in the Financial Aid department. The corporate office completed a reconciliation of the Hayward bank account and provided the following to the Commission.

Reconciliation of the Heald College – Hayward bank account through January 8, 2008:

Amount to be returned to CSAC from Cal Grant Account (Previous Award Year balance)		\$12,894.31
Amount to be returned to CSAC from Cal Grant Account (Award Year 05-06)		<u>8,216.21</u>
Subtotal		21,110.52
Amount to be returned to CSAC from Cal Grant Account (Award Year 06-07)	6,469.01	
Amount to be returned to CSAC from Operating (Award Year 06-07)	23,897.99	<u>30,367.00</u>
Total Amount to be returned to CSAC		<u>\$51,477.52</u>

Reconciliation of the Heald College – Hayward Cal Grant funds for the 2005-06 award year:

Total Cal Grant Funds Advanced by CSAC		\$830,830.00
Amount Returned to CSAC		<u>1,805.00</u>
Subtotal		829,025.00
05-06 Cal Grant Funds Paid to Students		<u>820,808.79</u>
Total Amount to be returned to CSAC		<u>\$ 8,216.21</u>

Reconciliation of the Heald College – Hayward Cal Grant funds for the 2006-07 award year:

Total Cal Grant Funds Advanced by CSAC		\$909,538.00
06-07 Cal Grant Funds Paid to Students		<u>879,171.00</u>
Total Amount to be returned to CSAC		<u>\$ 30,367.00</u>

The institution sent in the following checks in payment of the amount returned to the Commission

Check # 9000008169	Dated March 6, 2008	\$30,367.02
Check # 9000008169	Dated April 18, 2008	<u>21,110.52</u>
Total		<u>\$51,477.52</u>

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

California Education Code, 69535.5
Institutional Participation Agreement, Article III.A.3, Article II.C, Article IV.D.1, IV.D.2, and IV.D.5
Cal Grant Manual, July 2004, Chapter 2, page 5
Cal Grant Manual, September 2003, Chapter 9, pages 2, 4, 5

REQUIRED ACTION:

Heald College - Hayward **must** provide written procedures and quality control measures that will be implemented to ensure that Cal Grant funds are reconciled between accounting ledgers, financial aid generated reports and the Institution bank account on a yearly basis.

These written procedures should include staff titles and specific areas of responsibilities as they relate to the Cal Grant accounting process.

In addition, pursuant to the reconciliation situation noted in this review and the review of Heald College – Roseville, the corporate office **is required** to complete a reconciliation, as conducted for the Hayward campus, **for all California schools**. Also, the reconciliation process must be implemented **for all California schools**. Additional reviews will be schedule to verify the reconciliation of Cal Grant funds.

INSTITUTION RESPONSE:

A formal reconciliation procedure has been documented and implemented for all California campuses. This procedure has been followed all award years from 2006-07 and later. We are in the process of reconciling the Cal Grant funds for the remaining campuses for the 2005-06 award year, with an expected completion date of September 30, 2008.

Attached please find Heald College's reconciliation for all of their California schools covering award years as early as 2005-2006 through 2008-2009. These reconciliations will specify the year advances and identify prior year award funds to ensure that funds are reported on the appropriate year's roster.

Account summary, Bank Account Analysis, Monthly payment activity, Bank statements, and checks, when applicable, are attached for the following Heald Colleges:

- San Francisco
Awards Years covered: 2006-2007,2007-2008 and 2008-2009
- Concord
Awards Years covered: 2005-2006, 2006-2007, 2007-2008 and 2008-2009

FINDINGS AND REQUIRED ACTIONS (continued)

- Hayward
Awards Years covered: 2007-2008 and 2008-2009
- San Jose Milpitas
Awards Years covered: 2005-2006, 2006-2007, 2007-2008 and 2008-2009
Check # 9000022815 in the amount of \$10,880.25 for award years prior to 2005-2006
- Salinas
Awards Years covered: 2005-2006, 2006-2007, 2007-2008 and 2008-2009
Check # 9000022814 in the amount of \$25,707.14 for award years prior to 2005-2006
- Rancho Cordova
Awards Years covered: 2005-2006, 2006-2007, 2007-2008 and 2008-2009
Checks # 9000022818 and # 900022817 in the amounts of \$15,060.00 for award years prior to 2005-2006 and \$1,056 for the 2005-2006 award year
- Stockton
Awards Years covered: 2005-2006, 2006-2007, 2007-2008 and 2008-2009
Check # 9000022813 in the amount of \$595.67 for award years prior to 2005-2006
- Roseville
Awards Years covered: 2007-2008 and 2008-2009
Check # 9000022812 in the amount of \$10.00 for award years prior to 2005-2006

Attached please also find Heald College's written procedures and quality control measures that have been implemented as part of the Cal Grant accounting process.

AUDITOR REPLY:

The institution returned \$53,309.06 and revised policies and procedures. This action is deemed acceptable and no further action is required.