



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

2006-07 Award Year

**San Diego State University
Program Review ID#40800115100**

**5500 Campanile Drive
San Diego, CA 92182**

Program Review Dates: 7/7/2008 - 7/11/2008

Auditor: Nati DeGroot
(916) 464-6413

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 (continued)

SUMMARY We reviewed San Diego State University's administration of California Student Aid Commission (Commission) programs for the 2006-07 award year.

The institution's records disclosed the following deficiency:

- Interest Earned on Cal Grant Funds 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	A, B and T
Specialized Programs	Child Development Teacher Grant Program (CDTGP), Law Enforcement Personnel Dependents Grant Program (LEPD) and Assumption Program of Loans for Education (APLE)

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

A. Institution

- Type of Organization: Public Institution of Higher Education
- President: Dr. Stephen L. Weber
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 34,300

B. Institutional Persons Contacted

- Chris Collins: Associate Director of Financial Aid & Scholarships
- Peter Strachwitz: Cal Grant Coordinator
- Kimberlee Reilly: Manager, Student Financial Services
- Jan Lau: Accountant
- Sue Goulet: Satisfactory Academic Progress Coordinator
- Julie Messer Fee: Reconciliation Analyst

C. Financial Aid

- Date of Prior Commission Program Review: November 2002
- Branches: Imperial Valley Campus, Calexico
- Financial Aid Programs: Federal: Direct Loans, Pell, Workstudy, Perkins and SEOG

AUDITOR'S REPORT (continued)

BACKGROUND (continued)

C. Financial Aid

Financial Aid Programs: State: Cal Grants A, B, T, Child Development Teacher Grant Program (CDTGP), Law Enforcement Personnel Dependents Grant Program (LEPD) and Assumption Program of Loans for Education (APLE)

- 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. Applicant Eligibility
- B. Fund Disbursement and Refunds
- C. 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 7 Cal Grant A awards and 13 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 5237 recipients.
- Reviewing the record and grant payment for 3 Child Development recipient within the review period. The review sample was the entire population.
- Reviewing the records from a sample of 20 students who have been accepted into the Assumption Program of Loans for Education within the review period. The program review sample was randomly selected from the total population of 173 recipients.

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 April 8, 2009.

April 8, 2009

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

F. FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING: Interest Earned on Cal Grant Funds Not Calculated Correctly

An examination of the institution's Cal Grant account revealed that interest earned on Cal Grant funds and returned to the Commission was not calculated correctly.

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 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 institutional staff revealed that Cal Grant funds are initially deposited into a bank account. The funds are then swept to into the California State University's Chancellor's system wide investment fund (SWIF). The institution calculates Interest earned on Cal Grant funds using the cumulative monthly balance which does not adequately allocate interest earned on Cal Grant Funds. The institution calculated and returned \$134.74 to the Commission for the 2007 calendar year

REFERENCES:

Institutional Participation Agreement, Article III
Grant Operations Memo 2007-21
Cal Grant Manual, Chapter 2, July 2004
Cal Grant Manual, Chapter 9, September 2003
2006 Budget Act
California Education Code 69430 thru 69547.9

REQUIRED ACTION:

In response to this Finding, San Diego State University **must** recalculate and return additional interest earned on Cal Grant funds. Please submit payment as directed in the general payment instructions located at the conclusion of this Report along with supporting documentation of the amount returned.

FINDINGS AND REQUIRED ACTIONS (continued)

The Commission policy is that no negative balances are allowed in the calculation of interest earned on Cal Grant Funds. The institution must use the average monthly balance method and recalculate the interest earned on Cal Grant funds. The institution must eliminate any negative balances used in the computation of the average monthly balances.

If an institution chooses to advance Cal Grant funds to prior to receipt of funds from the Commission, thus creating a negative daily balance in the SWIF account, the negative interest is not a cost that is allowable under the State Budget Act and the Commissions discretionary authority granted by the Education Code and thus can not be reimbursed by Cal Grant funds. .

INSTITUTION RESPONSE:

I am attaching our updated procedure document for remitting interest to the Student Aid Commission. We have already sent the check for the interest recalculation. This should address the outstanding item from our Cal Grant review.

San Diego State University
Student Account Services
Cal Grant Interest Calculation and Remittance Procedure
last updated 8/27/2009

At the end of each calendar year, the Accountant in Student Account Services performs the following steps in order to calculate the interest for the Student Aid Commission Cal Grant funds held by SDSU. This process is done in accordance with the Student Aid Commission policies outlined in the Participation Agreement and any Special Alerts that have been provided by the Commission.

- A report is run that calculates the daily balances for the Cal Grant accounts.
- Interest is calculated for days with positive balances. The interest rate used is based on the rate that the university receives as investment income on campus funds. This calculation provides the amount that is due to the Student Aid Commission.
- The Student Aid Commission Interest Remittance Form is completed and a check request is generated for the amount of interest to be remitted. The check request is sent for approval and forwarded to Accounts Payable.
- Accounts Payable prints the check.
- The Student Account Services Accountant forwards the remittance form and the check to the Student Aid commission by the deadline provided by the Student Aid Commission.

FINDINGS AND REQUIRED ACTIONS (continued)

AUDITOR REPLY:

The institution returned \$10,974.94 on check # 309345 dated July 24, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.