



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

2007-08 Award Year

**University of San Francisco
Program Review ID#80900132500**

**2130 Fulton Street
San Francisco, CA 94117-1080**

Program Review Dates: June 22 – 25, 2009

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AUDITOR'S REPORT

SUMMARY We reviewed University of San Francisco'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 the Commission's Information Security & Confidentiality Agreement
- Incorrect Cal Grant Payment Due to Enrollment Status
- Incorrect Grade Level Reported to the Commission
- Cal Grant Reconciliation Not Performed Timely
- Earned Interest on Cal Grant Funds Not Returned to the Commission

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 and B

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 Institution of Higher Education
- President: Rev. Stephen A. Privett, S.J.
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 8,722

B. Institutional Persons Contacted

- Susan Murphy: Sr. Associate Dean/Director, Enrollment and Financial Services
- Norman Caito: Director, Financial Aid Operations
- Regie DeGuzman: Sr. Associate Director, Financial Aid Operations
- Connie Feltner: Director of Student Accounts
- Larry Cackler: Controller, Business and Finance

C. Financial Aid

- Date of Prior Commission Program Review: January 2003
- Additional Locations: None

AUDITOR'S REPORT (continued)

BACKGROUND (continued)

C. Financial Aid (continued)

- Financial Aid Programs: Federal: Direct Loan Programs, Pell, Work-Study, Perkins and SEOG
State: Cal Grants A and B
- 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 students who received a total of 33 Cal Grant A awards and 7 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 721 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 June 25, 2009.

June 25, 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 failed to notify the Commission in writing within 5 working days that an employee had ceased employment at the institution as of May 29, 2009. However, the institution did not request that the password and ID of the aforementioned employee be disabled until June 10, 2009, 8 days later.

University of San Francisco was previous cited for not complying with the Commission's WebGrants Information Security and Confidentiality Agreement as indicated in the CSAC January 2003 review Report.

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 an additional step to its current administrative policies and controls to ensure compliance as outlined on the WebGrants Information Security and Confidentiality Agreement.

INSTITUTION RESPONSE:

In this instance, the staff member who changed employment was the WebGrants Administrator. This employee did not take the necessary steps to disable his own access, and without another assigned Administrator in the office who was trained in the process, the notification to the Student Aid Commission was delayed beyond the appropriate time period of 5 days. The Office of Financial Aid Operations and Services has submitted a System Administrator's Access Request form dated Sept 16, 2009 to add a second administrator to the Web Grants system. This action should prevent a similar lapse in disabling the

FINDINGS AND REQUIRED ACTIONS (continued)

password and ID number of an Administrator should that be the staff member who changes employment status or duties. In addition, current users have been sent notification of their responsibility to notify an Administrator immediately should a change of employment occur, and the current Administrators will perform a regular review of user access to insure that compliance is assured.

AUDITOR REPLY:

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

**C. FUND
DISBURSEMENT
AND REFUNDS:****FINDING: Incorrect Cal Grant Payment Due to Enrollment Status**

A review of 40 student files revealed 2 cases in which the institution disbursed an incorrect Cal Grant term payment.

DISCUSSION:

Cal Grant "T" awards help cover one year of tuition and fees at a teaching credential program in California in exchange for teaching service. Payment for this additional year is limited to only those courses required for an initial teaching authorization. Awards under this section may be not be used for other courses. To receive benefits, students must have a bachelor's degree and attend a teaching credential program at a school approved by the California Commission on Teacher Credentialing.

Furthermore, Institutions are required to verify student eligibility at the time that Cal Grant funds are disbursed to the student or credited to the student's account. The enrollment status must be determined according to the student's attendance at the time Cal Grant funds are paid to the student. Enrollment status directly correlates to the amount of the Cal Grant award and the percentage of eligibility used.

The institution's enrollment status policy is as follows:

	Full Time	$\frac{3}{4}$ Time	$\frac{1}{2}$ Time
Undergraduate	12 +	9 - 11	6 - 8
Credential	12 +	9 - 11	6 - 8
Masters	6 +	4 - 5	3
Doctoral	6 +	4 - 5	3

A review of the file for student No. 4 revealed that the institution disbursed a full-time payment in the amount of \$4,854 and \$776 for the Fall 2007 semester. However, pursuant to the student's academic transcript, the student was only enrolled in 8.0 units of teaching credential courses during the Fall 2007 semester and should have been paid a half-time payment in the amount of \$2,427 and \$388. Therefore, \$2,815 (\$2,427 + \$388) is ineligible.

FINDINGS AND REQUIRED ACTIONS (continued)

In the case of student No. 13, the institution disbursed a full-time payment in the amount of \$4,854 for the Spring 2008 semester however, the student was solely enrolled in 9.0 units of teaching credential courses. The student should have received a $\frac{3}{4}$ Time Cal Grant payment in the amount of \$3,641. Therefore, \$1,213 is ineligible.

REFERENCES:

California Education Code, Section 69535.1(c)
Institutional Participation Agreement, Article IV
Cal Grant Manual, Chapter 3, September 2004

REQUIRED ACTIONS:

The institution **must** return the ineligible amounts of **\$2,815** and **\$1,213** on behalf of student Nos. 4 and 13 respectively as directed in the general payment instructions located at the conclusion of this Report.

Additionally, the institution **is required** to submit written policies and procedures that will be implemented to ensure that Cal Grant recipient's are paid according to their respective enrollment status/attendance.

INSTITUTION RESPONSE:

Response: This finding is a result of a misunderstanding of the Cal Grant T policy by the Financial Aid office. In the case of both student No.4 and student No. 13, the Administrator calculated the student's Cal Grant eligibility based on the full-time/part-time enrollment status for a graduate student (8 units full-time) rather than for an undergraduate student (12 units full-time).

The current Administrators have made the following corrections to their policy and procedures for fifth year/Cal Grant T disbursements:

1. Once the Cal T eligible student is registered for the awarded semester, the Administrator will calculate the Cal Grant award based on enrolled units for Teaching courses only using the following:

Student enrolled in 12 or more units in Teaching courses - eligible for full-time percentage of award.

Student enrolled in 9 to 11 units in Teaching courses - eligible for $\frac{3}{4}$ percentage of award.

Student enrolled in 6 to 8 units in Teaching courses - eligible for $\frac{1}{2}$ percentage of award.

Student enrolled in less than 6 units teaching courses - not eligible for award.

FINDINGS AND REQUIRED ACTIONS (continued)

2. The Administrator will verify enrollment after census date before claiming award. Should the current award still match the student's enrollment in Teaching courses, the award can be claimed. Should a change in enrollment have occurred between the initial registration and award, the Administrator will adjust the student's award to the appropriate amount and then claim those appropriate Cal Grant funds for that semester.

The Financial Aid Operations and Services office has corrected the Cal grant awards for the two students in the findings and have notified the Business and Finance Office to prepare and send a check to the Student Aid Commission for the ineligible grant amounts of \$4028 (the total of \$2427 Cal Grant B-TCP and \$388 Cal Grant B-TCP stipend for student No.4 and \$1213 Cal grant A-TCP for student No. 13 as detailed in the findings).

AUDITOR REPLY:

The institution returned \$4,028 on check #A0793884 dated October 13, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.

D. ROSTERS
AND
REPORTS:

FINDING: Incorrect Grade Level Reported to the Commission

A review of 22 new Cal Grant recipient files revealed 2 cases in which a student's grade level was reported incorrectly to the Commission.

DISCUSSION:

To ensure that new Cal Grant A and B recipients receive the correct amount of initial program eligibility and number of years, institutions must verify that Commission records reflect the recipient's correct educational level (EL) for the term in which the initial Cal Grant payment was paid, i.e., the term to which the Cal Grant payment is applied. The Commission recommends that schools verify the EL for new recipients prior to making the fall payment.

The grade level policy at the University of San Francisco is as follows:

Grade Level	Number of Units
1	1 – 29
2	30 - 59
3	60 - 89
4	90 - 128
5	128 +

FINDINGS AND REQUIRED ACTIONS (continued)

A review of the file of student Nos. 28 and 34 revealed that the institution reported an incorrect grade level as illustrated below:

Student No.	Grade Level Reported	Number of Units at Initial Payment	Correct Grade Level
28	2	60.0 units	3
34	2	77.5 units	3

REFERENCES:

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

REQUIRED ACTION:

In response to this Finding, the institution **must** submit an additional step to their existing policies and procedures **that will be implemented** to ensure that the correct grade level is determined and reported to the Commission based upon the institution's policies and practices.

Additionally, the institution **must** inform the Commission's School Support Service Branch of the students revised grade level. Verification of completion **must** also be submitted in response to this Finding.

INSTITUTION RESPONSE:

Prior procedures in this area ask the employees of the Registrar's office to determine the educational level (EL) for new students approximately 30 days prior to the school's census date. After verification, these staff members and WebGrants users would input the EL information into WebGrants. After census date, the Financial Aid Operations users would begin claiming the Cal Grant funds through WebGrants using the EL information already provided by the Registrar's office. However, for student Nos. 28 and 34 in the findings, late transcripts received by the University increased the earned units for each student to 60 or above and moved them from grade level 2 sophomore to grade level 3 junior.

The new procedures will be as follows:

1. The Financial Aid Operations office will provide the Registrar's office with a list of Cal Grant students with EL verification required two weeks before census date.
2. The Registrar's office will supply the correct EL information just prior to census date to the Web Grants Administrators.

FINDINGS AND REQUIRED ACTIONS (continued)

3. After census date, the WebGrants Administrators will begin to claim Cal Grant awards through WebGrants. As part of this process, all students who have been selected for EL verification will be reviewed both against the information provided by the Registrar's office, and against the student's current record in the Banner student system. The Administrator will report the most updated EL information before claiming the Cal Grant funds.

As required by the Finding, the Financial Aid Operations office has informed the Commission's School Support Service Branch of the revised grade levels for the two students. In response, Ms. Ofelia Barton has confirmed the adjustments. Please note that in her email she states that the EL verification of Student No. 34 should have come from Berkeley City College, which disbursed a Fall 2007 Cal Grant for the student.

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: Cal Grant Reconciliation Not Performed Timely

A review of institution's accounting records revealed that Cal Grant funds were not reconciled timely for the 2007-08 award year.

DISCUSSION:

Institutions participating in the Cal Grant program are required to reconcile their accounts with funds received from the Commission for each award year. The reconciliation process is comparing the transactions reported by the school with transactions accepted and reconciled by the Commission. ***The Commission strongly recommends that schools reconcile Cal Grant payments on a monthly basis.*** Furthermore, institutions must make all disbursements by September 30 following the end of the award year (for example, September 30, 2008, for the 2007-08 award year). Institutions may not apply excess Cal Grant funds to any other student's account or any prior year accounts.

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. Additionally, the institution will bear the liability for payments not reported prior to the required reconciliation due date.

Commission records indicated an advanced Cal Grant amount of \$6,248,725 for the 2007-08 award year. However, institutional records revealed that the institution disbursed \$6,246,298 in Cal Grant payments of which \$2,427 was not disbursed as illustrated in the table on the next page.

FINDINGS AND REQUIRED ACTIONS (continued)

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

Prior to the on-site Review, the institution remitted a check in the amount of \$2,427 on 04/28/2009 on behalf of Student No. X1.

University of San Francisco was previous cited for not reconciling its Cal Grant account for the 2000-01 award year as indicated in the CSAC January 2003 review Report.

REFERENCES:

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

REQUIRED ACTIONS:

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.

INSTITUTION RESPONSE:

As a result of this finding, and effective with the 2009/2010 award year, monthly reconciliation will occur through cooperation of the Business and Finance Office and the Financial Aid Operations Office. Norman Caito, the Financial Aid Operations Director, and Sharon Chang, Associate Director of Financial Aid will continue to claim Cal Grants funds through WebGrants in a timely manner and then on a monthly basis reconcile the Cal Grants awarded in the school's Financial Aid system against WebGrants to insure that funds being claimed by that office have been accepted and processed. Sharon Fusick, Accounting Manager - Student Receivables (Business and Finance Office) will reconcile by individual student the Cal Grant payments to the University against the Monthly Payment Report and Accept/Reject report. She will also send the Financial Aid managers a copy of her reconciliation results on a monthly basis. Both offices will meet just after the end of each semester (early January for Fall and late May for Spring) to perform full reconciliations of each semester, and then lastly in December of each year to close out the Cal Grant reconciliation of the previous year (meet in December 2009 to close out the 2008/2009 Cal Grant year) by the

FINDINGS AND REQUIRED ACTIONS (continued)

December 31st deadline. As requested in the Special Alert dated Sept. 30, 2009, the offices will attempt to finalize 2008/2009 reconciliation as early as possible to return any unused 2008/2009 Cal grant funds.

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: Interest Earned on Cal Grant Funds Not Returned to the Commission

An examination of the Cal Grant fund account revealed that interest is earned on Cal Grant funds and has not been remitted to the Commission.

DISCUSSION:

As indicated in the Institutional Participation Agreement (IPA) signed by the Institution's president, effective July 1, 2007, Institution's are required to place Cal Grant funds into an interest-bearing account by November 1, 2007. If switching from a non-interest bearing account to an interest-bearing account for the 2007-08 academic year, interest calculation for return to CSAC will begin when Cal Grant funds enter the interest-bearing account. If continuing use of an interest-bearing account, interest calculation for return to CSAC will begin with the Fall advance for 2007-08.

Thus, for the Calendar year of 2007, the interest calculation must include the Fall advance through December 2007 when submitting payment, *if applicable*. Likewise, for the Calendar year of 2008, the interest payment must include January through December when submitting payment. All interest payments must be submitted to the Commission of behalf of the State by March 1 following the calendar year for which the interest has been accrued.

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 95% of the total reconciled Cal Grant payments for the fall term of the previous year.

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.

FINDINGS AND REQUIRED ACTIONS (continued)

A review of interest documentation revealed that the institution did not remit payment for the 2007 and 2008 Calendar years as a result of institutional funds being disbursed prior to receipt of State funds. However, the auditor was unable to test this particular area since the institution did not provide sufficient documentation (entire bank statements and/or interest calculation worksheets, etc) to attest to this statement.

In contrary, the auditor was able to demonstrate to the institution that interest may have been earned on Cal Grant funds during the 2007 Calendar year as illustrated below:

Fall 07' Advance	\$3,245,386
Student Payments up to 12/18/07	<u>3,182,587</u>
Outstanding Balance	\$ 62,799

Furthermore, neither bank related fees associated with maintaining the account nor negative interest associated with an institutions use of non-State funds for Cal Grant student should be deducted from the accrued interest. Both of these amounts reflect expenses that cannot be offset against the interest earned by the advance of State funds for the cal Grant Program.

REFERENCES:

2008-2012 Institutional Participation Agreement Article III
2007-08 Institutional Participation Agreement Article III
Cal Grant Manual, Chapter 2, July 2004
Cal Grant Manual, Chapter 9, September 2003
CSAC's Special Alert, GSA 2009-06
CSAC's Operations Memo, GOM 2007-21

REQUIRED ACTION:

In response to this Finding, the institution **must** recalculate and return interest earned on Cal Grant funds beginning with the Fall 2007 advance to December 2008 using an average daily balance method which does not include daily balances that are negative, these balances must be included as a zero amount.

Please submit payment as directed in the general payment instructions located at the conclusion of this Report along with supporting documentation (bank statements and/or interest worksheets) of the computation of the amount returned.

Additionally, the accounting office and financial aid office **must** develop and implement an agreed upon written policy and procedures that describe the means to return all earned Cal Grant interest as required.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

All Cal Grant Funds are deposited into an interest bearing account and accounted for separately as required. The original interest calculation for the year reviewed indicated no interest due. This was in error due to incorrect application of Commission guidelines. This has been corrected.

The USF Office of Business and Finance has adopted procedures to reconcile interest earned on Cal Grant Funds on deposit and correctly calculate amounts due the Commission in a manner consistent with applicable regulations/rules. Further, the interest calculations and schedules are now reviewed by management to ensure full compliance.

AUDITOR REPLY:

The institution returned \$448.08 on check #A0793883 dated October 13, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.