

CALIFORNIA STUDENT AID COMMISSION

PROGRAM ADMINISTRATION AND SERVICES DIVISION

March 15, 2018



Dr. Sandra Caldwell
President
Reedley College
995 N. Reed Avenue
Reedley, CA 93654-2099

RE: Program Compliance Review ID#81600130800

Dear Dr. Caldwell:

This letter is in reference to the response to the Cal Grant Program Compliance Review report and the return of liabilities. All required actions to the findings have been addressed satisfactorily. The institution may now consider the program review for the 2014-15 award year closed, with no further action required.

Thank you for the courtesy and cooperation extended to the California Student Aid Commission (Commission) staff during the review. Your continued effort and consideration toward the Commission's programs will help produce an efficient and beneficial student financial assistance program.

Sincerely,

A handwritten signature in blue ink that reads "Catalina Mistler".

Catalina Mistler, Deputy Director
Program Administration and Services Division

Enclosure

- c. Program Review File
Cris Cortes, Financial Aid Director



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

2014-15 Award Year

**Reedley College
Program Review ID#81600130800**

**995 N. Reed Avenue
Reedley, CA 93654**

Program Review Dates:

November 14, 2016 - November 17, 2016

Auditor:

Paramjeet Singh
Ana Marquez

Report Approved by:

Catalina Mistler, Division Chief
Program Administration and Services Division

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AUDITOR'S REPORT

SUMMARY

We reviewed Reedley College's administration of California Student Aid Commission (Commission) programs for the 2014-15 award year.

The institution's records disclosed the following deficiencies:

- Non-compliance with WebGrants Information Security and Confidentiality Agreement
- Prior years Cal Grant excess funds not returned
- Interest earned on Cal Grants funds not remitted timely

BACKGROUND

The Commission performs institution compliance reviews to ensure program integrity and institution compliance with applicable laws, policies, contracts and institutional participation agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

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: Public
- President: Dr. Sandra Caldwell
- Accrediting Body: Western Association of Schools & Colleges

B. Institutional Persons Contacted

- Chris Cortes: Director of Financial Aid
- Linda Nies: Accounting Supervisor
- Susette Ishizuka: Accounting Technician II

C. Financial Aid

- Date of Prior Commission Program Review: July 2001
- Branches: Madera and Oakhurst Center
- Financial Aid Programs: Federal: Direct Loan Program, Pell, Work-Study and SEOG
State: Cal Grants B and C, Child Development Grant
- Financial Aid Consultant: None

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 Commission programs and complied with applicable laws, policies, contracts and institutional participation 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. File Maintenance and Records Retention
- E. 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 39 Cal Grant B awards and 1 Cal Grant C award within the review period. The program review sample was randomly selected from the total population of 1,607 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 Commission 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, this report records the findings from our review and identifies the required actions necessary to improve controls and ensure the adequate administration of the Commission's grant programs. The matters raised in this report are only those which have come to our attention during the course of the compliance review and do not necessarily represent a comprehensive record of all the matters.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The findings were discussed with institution representatives in an exit conference on November 17, 2016. The institution staff concurred with all findings.

We appreciate the cooperation and assistance of the management and staff during the course of this review.

Catalina Mistler, Division Chief
Program Administration and Services Division

FINDINGS AND REQUIRED ACTIONS

FINDING 1: Non-compliance with WebGrants Information Security and Confidentiality Agreement

**GENERAL
ELIGIBILITY:**

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

DISCUSSION:

As indicated in the 2012-16 Institutional Participation Agreement signed by the Institution's President, institutions must comply with all applicable federal, state and local information security, confidentiality and privacy laws and regulations, Commission policies and requirements pertaining to the proper access, creation, modification, handling, storage, transfer, transmission, dissemination, sharing or destruction of confidential information maintained on the Commission's Grant Delivery System (GDS), WebGrants system and/or pertaining to the Commission, its programs, and its program applicants and/or recipients.

Participating institutions must designate a single individual as the Authorized Official (AO), who will then designate a maximum of two other individuals as the institution's System Administrator(s) (SA). The AO will not retain or have access to an account on WebGrants. The institution's SA will ensure that all institution employees or agents who require WebGrants (GDS) access will sign a "Grant Delivery System (GDS) WebGrants User Access Request Form" prior to being granted access to the GDS/WebGrants System. Such access will be granted for a period of time not to exceed one (1) year, and shall be renewed upon completion of either an annual Commission-supplied or institutional supplied training in areas of information security, privacy and confidentiality. The SA will immediately disable the password and ID of any employee whose change in employment status or duties no longer requires access to the GDS/WebGrants System. The Institution must notify the Commission, in writing, within five working days if the identity of the System Administrator(s) or Authorized Official changes. If a new Authorized Official is appointed, a new agreement must be completed immediately and submitted to the Commission.

The AO and SA(s) are required to submit an accurate and complete "Information Security and Confidentiality Agreement" and "System Administrator's Access Request Form" to the Commission before access to the Commission's network and data is granted. These forms must be renewed annually to ensure continued access.

Copies of all documents mentioned above must remain at the institution.

Commission and Institutional records revealed non-compliance with the WebGrants Information Security and Confidentiality Agreement as follows:

- The Institution was unable to locate and provide the Information Security and Confidentiality Agreement of the employees who had WebGrants access.

FINDINGS AND REQUIRED ACTIONS (continued)

- The SA failed to immediately disable the account of an employee who had ceased employment as of August 29, 2016.
- The Financial Aid Director was the AO and also had an account on WebGrants.

During the onsite review the System Administrator disabled the WebGrants access for the employee who had ceased employment at the Institution and disabled WebGrants access for the Authorized Official.

REFERENCES:

Institutional Participation Agreement, Article VI
Cal Grant Handbook, Chapter 2, pages 13-16, 2/11/2016
CSAC Special Alert, GSA 2013-17, May 14, 2013
WebGrants Information Security and Confidentiality Agreement

REQUIRED ACTIONS:

The Institution must provide the WebGrants Information Security and Confidentiality agreements for all individuals who currently have WebGrants access and submit administrative policies and controls to ensure compliance as outlined on the WebGrants Information Security and Confidentiality Agreement.

INSTITUTION RESPONSE:

We have reviewed Article VI of our most recent Cal Grant Institutional Participation Agreement and verified that we are adhering to all information security requirements. The Authorized Official and System Administrators thoroughly review the list of authorized users at the end of each semester and will assure that renewal forms are completed by June 30 each year.

User access to WebGrants will be immediately terminated, along with other college systems access, when employees leave, transfer to other departments, or are terminated.

COMMISSION REPLY:

The institution submitted policy and procedures that are deemed acceptable. No further action is required.

FINDINGS AND REQUIRED ACTIONS (continued)

FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING 2: Prior years Cal Grant excess funds not returned

A review of institutional accounting records revealed that prior years Cal Grant excess funds have not been returned to the Commission.

DISCUSSION:

Institutions participating in the Cal Grant program agree to reconcile Cal Grant program expenditures for each payment period and award year on a student-by-student basis. Upon final award year reconciliation by the institution, the institution may, at any time prior to invoicing, repay any Cal Grant funds in excess of the reconciled amount to the Commission. An institution may not apply excess Cal Grant funds to any other student's account or to any prior year accounts. Additionally, any excess or undisbursed Cal Grant funds must be returned to the Commission upon final reconciliation or invoicing of the award year. Per the Commission's Grant Operations Memo 99-06, dated 4/19/99, institutions were instructed to return to the Commission any funds remaining in their Cal Grant accounts after the close of an award year.

A review of the Institutions Cal Grant General Ledger (GL) accounts revealed that a balance of \$1,549.00 existed prior to the beginning of the 2014-15 award year. The funds are considered excess funds and will need to be returned to the Commission.

REFERENCES:

California Education Code, 69432.8
Institutional Participation Agreement, Article III and IV
Cal Grant Manual, Chapter 2, Section 2.3, July 2004
Cal Grant Manual, Chapter 9, Section 9.5, September 2003
Cal Grant Handbook, Chapter 16, 2/11/2016
CSAC Grant operations Memo 99-06, 4/19/99

REQUIRED ACTION:

The institution must submit written policies and procedures that will be implemented to ensure that the institution does not have any excess Cal Grant funds in its account at the end of any given award year.

In addition, the institution will be required to return the excess Cal Grant funds in the amount of \$1,549.00 upon invoicing from the Commission.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

We have developed a more structured reconciliation process. Financial Aid staff and Business Office staff meet regularly at least once a month to review any issues, discuss changes, and review the reconciliation progress of our Federal and State financial aid accounts which include the Cal Grant Programs.

We will ensure that all Cal Grant payment reconciliation occurs within 60 days after the end of the payment period.

COMMISSION REPLY:

The institution submitted policy and procedures that are deemed acceptable. Reedley College **must** remit the ineligible amount of **\$1,549.00** as directed in the invoice instructions the Commission has issued.

FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING 3: Interest earned on Cal Grant funds not remitted timely

A review of Interest documentation for the 2015 Calendar revealed that the interest was not remitted timely to the Commission.

DISCUSSION:

Annual interest earned on Cal Grant funds constitute State funds and must be remitted to the Commission on behalf of the State no later than March 1 following the calendar year for which the interest accrued (e.g. March 1, 2015, for calendar year 2014). Each year, the Commission issues a Special Alert to all institutions to remind them that the interest is due by March 1st of the year.

When returning interest, neither bank related fees associated with maintaining the account nor negative interest associated with an institution's use of non-state funds for Cal Grant students should be deducted from the accrued interest. Both these amounts reflect expenses that cannot be offset against the interest earned by the advance of State funds for the Cal Grant program.

In calculating the interest on the Cal Grant funds, an institution should utilize the same methodology as was used by its financial institution or investment pool to calculate interest on the account in which the Cal Grant funds were deposited.

Interest documentation provided by the Institution revealed that the interest for the 2015 calendar year was remitted to the Commission on June 3, 2016 while the deadline for interest remittance was March 1, 2016.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Institutional Participation Agreement, Article III.D
Cal Grant Manual, Chapter 2, July 2004
Cal Grant Manual, Chapter 9, September 2003
Cal Grant Handbook, Chapter 14, pages 128, 2/11/2016
Cal Grant Handbook, Chapter 16, pages 154-155, 2/11/2016
CSAC Special Alert, GSA 2014-34, November 10, 2014
CSAC Special Alert, GSA 2015-38, September 25, 2015

REQUIRED ACTION:

The institution is required to submit policy and procedures that will be implemented to ensure that interest earned on Cal Grant funds is returned to the Commission as outlined in the Institutional Participation Agreement.

INSTITUTION RESPONSE:

The College Business Office had the same employee preparing the interest to be remitted to the California Student Aid Commission for the last thirty years. This person has since retired and the new Accounting Supervisor is aware of the due date and accompanying laws and regulations pertaining to the administration of Cal Grants funds. The College Business Office has notated the due date on their Outlook calendar and will assure the timely remittance of any interest due.

COMMISSION REPLY:

The Institution submitted policy and procedure that are deemed acceptable. No further action is required.