



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

2003-04 Award Year

**Cerritos College
Program Review ID#80500116100**

**11110 E. Alondra Blvd.
Norwalk, CA 90650**

Program Review Dates: September 19 – 22, 2005

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AUDITOR'S REPORT

SUMMARY We reviewed Cerritos College's administration of California Student Aid Commission (Commission) programs for the 2003-04 award year.

The institution's records disclosed the following deficiencies:

- Income Ceiling Level Exceeded
- Incorrect Cost of Attendance
- Cal Grant Recipients Overawarded
- Unmet Need Reported Incorrectly
- Accounting Discrepancies

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 B and C

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. Noelia Vela
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 25,629

B. Institutional Persons Contacted

- Dr. Philip Rodriguez: Director of Student Affairs
- Berlanti "Lola" Rizallah: Director of Fiscal Services
- Suzie Payne: Budget Manager for Fiscal Services
- Norma Rodriguez: Student Affairs Assistant
- Veronica Castro: Financial Aid Accountant
- Jamie Quiroz: Financial Aid Specialist

C. Financial Aid

- Date of Prior Commission Program Review: January 1999
- Branches: None
- Financial Aid Programs: Federal: Family Education Loan Program, Work Study, Pell, and SEOG
State: Cal Grants B and C
- 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 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 37 Cal Grant B, and 3 Cal Grant C awards within the review period. The program review sample was randomly selected from the total population of 1,484 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.

AUDITOR'S REPORT (continued)

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

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. Attachment A is a listing of the students by name, social security number and grant type.

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 September 22, 2005.

September 22, 2005

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT
ELIGIBILITY:

FINDING 1: Income Ceiling Level Exceeded

A review of 20 new Cal Grant recipient's file revealed one case in which a student's income ceiling level was exceeded for the 2003-04 award year.

DISCUSSION:

New Cal Grant applicants with financial need whose income does not exceed the income ceiling and meet other selection criteria are eligible to receive student financial assistance. Although the Cal Grant program is a state-funded program, applicants must submit a Free Application for Federal Student Aid (FAFSA), which provides financial and family information used to determine eligibility for both federal and state aid. The Commission electronically draws down applicant information from the Central Processing System (CPS) contractor selected by the U.S. Department of Education (Department).

If an institution has financial information which conflicts with that reported on the FAFSA, and if the student's award amount would be affected, the institution must notify the Commission and not disburse funds that would exceed the amount the student would be otherwise eligible to receive based on the revised information.

A review of the file of student No. 12 revealed that dependent student's 2003-04 ISIR dated May 21, 2004 disclosed a Total Income (TI) of \$45,448 with 8 in the household. According to the Commission's Operation Memo GOM 2002-09, the income ceiling level for a depending student with *six or more* in the household is \$42,400 for the 2003-04 award year.

Commission and institutional records disclosed that the student received Cal Grant funds in the amount of \$1,163 for the 2003-04 award year. As a result of the student not being eligible to receive Cal Grant funds due to exceeding the income ceiling level, these funds are deemed ineligible.

REFERENCES:

California Education Code 69535(a)
California Education Code 69538
Institutional Participation Agreement, Article IV.A.B.
Cal Grant Manual, Chapter 3, pages 3-1 and 3-11
Operations Memo, GOM 2002-09, dated 9/30/02

REQUIRED ACTION:

Subsequent to the on-site Program Review, the institution remitted the ineligible funds of \$1,163 on behalf of student No. 12. However, the institution is required to submit policies and procedures that will be implemented to ensure that all new Cal Grant recipients do not exceeded the income ceiling level amounts as indicted by the Commission.

AUDITOR REPLY:

FINDINGS AND REQUIRED ACTIONS (continued)

The institution submitted enhances policies and procedures that have been implemented to ensure that all new Cal Grant recipients do not exceeded the income ceiling level amounts as indicted by the Commission. No further action is required for this Finding.

B. APPLICANT ELIGIBILITY:

FINDING 2: Incorrect Cost of Attendance

A review of 40 student files revealed 14 cases in which the institution used an incorrect Cost of Attendance (COA) to determine the student's Cal Grant eligibility.

DISCUSSION:

In order to determine a student's eligibility to receive a Cal Grant award, the institution must correctly determine the student's Cost of Attendance (COA). The COA is an estimate of a student's educational expenses for a specific period of enrollment contingent upon the student's living arrangements unless modified and supported by documentation.

A review of the file for dependent student Nos. 2, 3, 13, 15, 18, 20, 21, 22, 23, 26, 28, 30, 35, and 38 revealed that the institution incorrectly used an "Off Campus" COA instead of a "With Parents/Relatives" COA to determine the student's Cal Grant eligibility. There was no documentation within the student's file indicating professional judgment had been exercised.

The student's Cal Grant eligibility was recalculated using the correct COA and it was determined that the students remained eligible for their Cal Grant award with the exception of student Nos. 2, 20, and 21 which will be disclosed in Finding C. of this Report.

REFERENCES:

Higher Education Act of 1965, as amended, §472 – cost of attendance
Cal Grant Manual, Chapter 9, page 9-4

REUIRED ACTION:

The institution submitted enhances policies and procedures that have been implemented to ensure that a student's cost of attendance is correctly determined and how it will retain documentation within the student's file if otherwise. No further action is required for this Finding.

FINDINGS AND REQUIRED ACTIONS

C. FUND
DISBURSMENT
AND
REFUNDS:

FINDING: Cal Grant Recipients Overawarded

A review of 40 student files revealed 3 cases in which the institution overawarded Cal Grant funds.

DISCUSSION:

Institutions are responsible for ensuring the Cal Grant funds are not overawarded and the students receive only the amount they are eligible to receive. The sum of the Cal Grant award and all other types of aid (e.g., federal, state, institution, and any other aid) may not exceed the student's Cost of Attendance (COA) less the calculated Expected Family Contribution (EFC).

A review of the file for student Nos. 2, 20, and 21 revealed that the students received Cal Grant funds in excess of their grant need for the 2003-04 award year as illustrated below:

Student No. 2

9-Month Need		
COA		\$8,153
Less EFC		<\$ 0>
EFA		
Pell Grant	\$3,938	
Federal Work Study	\$2,350	
BOGG Waiver	\$ 548	
SEOG	\$ 500	
EOPS	\$ 165	
Less Total EFA		<\$7,501>
Equals Cal Grant Need		\$ 652
Less Cal Grant Award		<\$1,551>
Overaward Amount		\$ 899

Student No. 20

9-Month Need		
COA		\$8,153
Less EFC		<\$ 0>
EFA		
Pell Grant	\$3,938	
CARE	\$ 620	
BOGG Waiver	\$ 548	
SEOG	\$1,500	
EOPS	\$ 573	
CAL Works	\$3,766	
Less Total EFA		<\$10,945>
Equals Cal Grant Need		<\$ 2,793>
Less Cal Grant Award		<\$ 1,551>
Overaward Amount		\$ 1,551

FINDINGS AND REQUIRED ACTIONS (continued)

Student No. 21

9-Month Need		
COA		\$8,258
Less EFC		<\$ 177>
EFA		
Pell Grant	\$3,900	
BOGG Waiver	\$ 548	
EOPS	\$ 50	
Subsidized Loan	\$3,500	
Less Total EFA		<\$7,998>
Equals Cal Grant Need		\$ 83
Less Cal Grant Award		<\$1,551>
Overaward Amount		\$1,468

The ineligible funds were a direct result of the institution utilizing the incorrect Cost of Attendance as mentioned in Finding B.2. of this Report.

REFERENCES:

Cal Grant Manual, Chapter 5, page 5-22 and 5-23
 Cal Grant Manual, Chapter 9, Page 9-6 and 9-7
 Institutional Participation Agreement, Article IV

REQUIRED ACTION:

Subsequent to the on-site Program Review, the institution remitted the ineligible funds on behalf of the aforementioned students. Additionally, the institution submitted policies and procedures that have been implemented to ensure that the student's correct cost of attendance is used to determine the student's Cal Grant eligibility. No further action will be required for this Finding.

**D. ROSTERS
AND
REPORTS:**

FINDING: Unmet Need Reported Incorrectly

A review of the file of 20 renewal Cal Grant recipients revealed 18 cases in which the institution calculated and reported an incorrect unmet need amount to the Commission.

For renewal students, institutions must calculate a student's unmet need, report the unmet need amount to the Commission, and retain the supporting documentation within the student's file. Institutions may use the Commission's annually established student expense budget or the institution may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid.

The institution must report the resulting unmet need amount on the Grant roster or the Commission's G-21 Form. The unmet need amount is defined as the student's Cost of Attendance (COA) minus the Expected Family Contribution (EFC) minus Pell.

FINDINGS AND REQUIRED ACTIONS (continued)

A review of the file of renewal student Nos. 3, 13, 15, 18, 20, 21, 22, 23, 26, 27, 29, 31, 32, 33, 34, 36, 38, and 39 revealed that the institution failed to include the student's EFC and/or the Pell award. For example, student No. 13, the institution reported an unmet need amount of \$13,580 which is the student's COA. The correct amount that should have been reported is \$9,607 as illustrated below:

Components Used to Determined the Correct Unmet Need Amount			
<i>Cost of Attendance</i>	<i>Estimated Family Contribution</i>	<i>Pell</i>	<i>Unmet Need</i>
\$13,580	\$35	\$3,938	\$9,607

No liability resulted from the above Finding.

REFERECNES:

Cal Grant Manual, Chapter 2, page 2-5
Cal Grant Manual, Chapter 4, pages 4-1 *through* 4-3
Cal Grant Manual, Chapter 5, pages 5-2, 5-8, 5-15 and 5-16

REQUIRED ACTION:

The institution submitted policies and procedures that have been implemented to ensure that the correct unmet need amount for renewal Cal Grant recipients is correctly calculated and reported to the Commission. No further action is required for this Finding.

**F. FISCAL
RESPONSIBILITY:****FINDING: Accounting Discrepancies**

A review of the institution's accounting documentation revealed that Cal Grant funds were not properly reconciled for the 2003-04 award year.

DISCUSSION:

Institutions participating in Cal Grant programs are required to reconcile their accounts with the funds received from the Commission for each academic year. Reconciliation is the process of comparing transactions reported by the school with transactions accepted and reconciled by the Commission, and arriving at an exact amount. ***The Commission strongly recommends that schools reconcile Cal Grant payments on a monthly basis.*** If payments are properly reconciled on a monthly basis, Commission records will be in agreement with the amount of funds owed to schools or the amount due to the Commission. In essence, should the institution's records of individual payments to eligible student be less than what the Commission paid, the institution must return the difference to the Commission. Thus, the institution will bear the liability for payment not reported to the Commission prior to the required reconciliation date.

FINDINGS AND REQUIRED ACTIONS (continued)

For the 2003-04 award year, the Commission advanced \$1,600,307 in Cal Grant payments. The institution's 2003-04 Cal Grant student-by-student reconciliation (provided on an institutional disk) disclosed that the institution also disbursed \$1,600,307 in Cal Grant payments. However, based upon the Reconciliation Form completed by the institution and discussions with institutional staff revealed that \$1,599,242 was disbursed, thus, resulting in a variance of \$871 (\$1,600,113 - \$1,599,242) for the 2003-04 award year.

After the Commission has conducted its final reconciliation of Cal Grant funds for an academic year, an institution may not offset any funds owed to the Commission by funds that may be owed to the institution (i.e., netting). Funds remaining in its Cal Grant account according to Commission records are due within (30) days of the invoice date. An institution may not apply excess funds to another student's account or to any prior year accounts.

Additionally, institutions were instructed to return 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.

Institutions must maintain an accounting system which conforms to generally accepted accounting principals/practices and shall include, but not limited to, cash receipt and disbursement journals, bank reconciliation's, evidence of receipt or credit of funds to recipients and all other accounting records necessary to account for all transactions.

During the on-site review, the institution was notified that it is imperative that the institution's Accounting and Financial Aid Offices communicate and reconcile the funds received and disbursed by the institution. Furthermore, the student disbursements must reconcile to Commission records. The institution was reminded and encouraged to utilize the reconciliation tools available on the CSAC WebGrants System.

Due to the severity of this finding and previous citation, this finding is deemed an area of continuing non-compliance and is considered a highly concentrated area for subsequent program reviews.

REFERENCES:

California Education Code, 69535.5
Institutional Agreement, Article III.B. and C.
Cal Grant Manual, Chapter 6
Cal Grant Manual, Chapter 9, page 9-6, 9-7, and 9-11
Commission Grant Operations Memo 99-06, 4/19/99

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

In response to this finding, the institution must remit the excess Cal Grant funds in the amount **\$871** for the 2003-04 award year as directed in the general payment instructions located at the conclusion of this report.

Additionally, the institution is required to submit written procedures and internal control measures that will be implemented to ensure that the institution reconciles its records and the steps it will take to ensure that Cal Grant funds are not carried forward to a new academic year. The procedures must be developed by the Financial Aid and Accounting Offices and should include timeframes, staff titles, and specific areas of responsibilities as it relates to the Cal Grant accounting process.

AUDITOR REPLY:

The institution returned \$871 in excess Cal Grant funds for the 2003-04 award year on check # 13728682 dated February 15, 2006 and the policies and procedures that have been implemented to ensure that the institution reconciles its records and the steps it will take to ensure that Cal Grant funds are not carried forward to a new academic year. No further action will be required for this Finding.

ATTACHMENT A - STUDENT SAMPLE

<i>ID</i>	<i>Student Name</i>	<i>Program & E/C</i>	<i>New/Renewal</i>
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