Program Compliance Office
California Student Opportunity & Access Program
Review Report

2000-01 Award Year

San Jose Consortium
Program Review ID#60200200008

San Jose State University
Student Services Center
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Program Review Dates:	September 30, 2002 - October 3, 2002
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REVIEW REPORT

SUMMARY

We reviewed San Jose Consortium's administration of the California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2000-01 award year.

The Consortium records disclosed the following:

- The consortium board did not include the required membership
- Written Cal-SOAP procedures not developed
- Consortium board not acting as a governing board
- Consortium bylaws need to be strengthened
- Equipment not properly identified as property of the State of California
- Cal-SOAP travel reimbursements exceed the Cal-SOAP Agreement allowances
- Actual in-kind match amounts were not properly reported
- There is no written agreement between the Consortium and the Fiscal Agent.
- Gilroy Cal-SOAP Funds Were Not Accounted For Separately

BACKGROUND

Through compliance reviews, the administration of the Cal-SOAP program is evaluated to ensure program integrity with applicable laws, policies, contracts and consortium agreements.

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

A. Consortium

• Type of Organization:	Private, Non-profit
• Project Director:	Felicia Nepomuceno
• Associate Director:	Sylvia Rabago
• Board Chairperson:	Lewis Bundy
• Fiscal Agent:	San Jose State University
• Consortium Members	California State University, San Jose University of California, Santa Cruz University of California, Berkeley Mexican American Community Services Agency, Inc. National Hispanic University East Side Unified School District Santa Clara University Menlo College Ujirani Family Resource Center – County of Santa Clara Opportunities Industrialization Central West

B. Consortium Persons Contacted

- Felicia Nepomuceno — Project Director
- Sylvia Rabago — Associate Director
- Fabio Gonzalez — Assistant Project Director
- Dan Ordaz — Board Chairperson
- Priscilla Peebles — Director of Pre-College Programs, San Jose State University Foundation
- Mei Chan — Sponsored Program Analyst, San Jose State University Foundation

C. Project Information

- Date of Prior Commission Program Review: N/A
- Size of Student population in the service area: 28,000
- Number of Students Served
  - General: 4,933
  - Intensive: 2,050
- Cal-SOAP Programs:
  - Tutorial Service
    - Math
    - Science
    - English
  - Academic Skill Building Assistance
    - Basic Skills Development
    - Math Intensified
    - English Intensified
    - College Entrance Test Prep
    - Study Smart
  - Collage Awareness
    - College Tours
    - Student Panels
    - College Awareness Workshops
    - Financial Aid Workshops
  - Life Skills Training
    - Time Management
    - Goal Setting
    - Peer Pressure
    - Choices & Consequences
    - Self-Esteem
    - Team Building
  - Coordination Services
    - College: Make It Happen
    - Academic Development Program Summit
    - Event Reservation Process
    - Quarterly Newsletter

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the Consortium adequately administered the Cal-SOAP program and that they are in compliance with applicable laws, policies, contracts and consortium agreements.

The review focused on, but was not limited to, the following areas:

A. General Eligibility
B. Program Eligibility
C. Completion of Reports
D. File Maintenance and Records Retention
E. Review of Administrative and Accounting Controls

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that Cal-SOAP funds received by the Consortium are secure.
- Administration systems have adequate controls to ensure that Cal-SOAP payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluation of the current administrative procedures through interviews and reviews of records, forms and procedures.
- Evaluation of the current payment procedures through interviews and reviews of records, forms and procedures.
- Reviewing of the records and payment transactions from a sample of Cal-SOAP student tutors within the review period.
- Reviewing of the records and payment transactions from a sample of Cal-SOAP expenditures within the review period. The program review sample was selected from the total population.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Cal-SOAP funds were administered according to the applicable laws, policies, contracts and consortium agreements. Accordingly, transactions were examined on a test basis to determine whether Cal-SOAP funds were expended in an eligible manner. The Consortium's management controls were considered 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 Consortium's administration of the Cal-SOAP program.

CONCLUSION

In conclusion, except for the issues described in the Findings and Required Actions section of this report, the consortium administrated the Commission Cal-SOAP program in accordance with the applicable laws, policies, contracts and consortium agreements as they pertain to the Commission's Cal-SOAP program.

VIEWS OF RESPONSIBLE OFFICIALS

The review was discussed with agency representatives in an exit conference held on October 3, 2002.

October 3, 2002

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

A. GENERAL ELIGIBILITY

FINDING 1: <u>The Consortium Board Did Not Include the Required Membership</u>

The governing board did not include a community college representative in its membership.

DISCUSSION:

The governing board of each project shall establish management policy, provide direction to the project, set budgetary priorities and assume responsibility for securing the matching funds.

Pursuant to Section 69591 (a) of the California Education Code (CEC), each project shall be proposed and operated through a consortium that involves at least one secondary school district; at least one four-year college or university; at least one community college; and at least on of the following agencies: a nonprofit educational, counseling or community agency, or a private vocational or technical school accredited by a national, state or regional accrediting association recognized by the U.S. Dept. of Education. In reviewing the consortium membership for the 2000-01 award year, it did not include a representative from a community college as required.

REFERENCES:

Cal-SOAP Program Operations Handbook, 12/96, Chapter 2, page 9
Cal-SOAP Program Operations Handbook, 10/01, Section 2, page1
California Education Code, 69561(a), prior 10/01
California Education Code, 69561 (f), effective 10/01

REQUIRED ACTIONS:

The San Jose Consortium board did not include a representative from a community college in the 2000-01 award year. In the 2001-02 award year Evergreen Valley College, a community college, became a member of the consortium, this brought the consortium in compliance with Section 69591 (a) of the CEC. No further action is required.

CONSORTIUM RESPONSE:

Pursuant to the California Education Code, (a) Section 69591, the San Jose Consortium Governing Board has representation from secondary school districts, four-year universities, a community college district, a private university and a non-profit community agency. The City of San Jose is also represented.

The 2003-04 board membership and respective voting representatives are as follows:

George Castro
San Jose State University

Pablo Reguerin
University of California, Santa Cruz

Kalamu Chache
Opportunities Industrialization Center, West

Candelario Franco
National Hispanic University

Art Darin
East Side Union High School District

Bonnie Piche
San Jose Unified School District

A. GENERAL ELIGIBILITY

FINDING 2: Written Cal-SOAP Procedures Not Developed

There are no written policies or procedures available at the Consortium to govern the administration of the Cal-SOAP program.

DISCUSSION:

In order to measure performance of the consortium it is necessary to analyze the adequacy and enforcement of established internal controls (procedures) for safeguarding the operational and fiscal integrity of the Cal-SOAP program. A compliance review includes evaluating the consortium's controls (procedures) and written policies. While the fiscal agent has policies and procedures concerning for fiscal operations, there are no written procedures available at the consortium to govern the administration of the Cal-SOAP program.

REFERENCES:

Cal-SOAP Program Operations Handbook, 12/96, Chapter 5, pages 32 - 36
Cal-SOAP Program Operations Handbook, 10/01, Section 6, pages 7 - 13

REQUIRED ACTIONS:

The San Jose Consortium must develop written policies and procedures in order to safeguard the operational and fiscal integrity of the Cal-SOAP program. Please provide in your response a copy of these written policies and procedures.

CONSORTIUM RESPONSE:

In FY 2000-01, the project operated under the auspices of the Pre-College Program (PCP) at the San Jose State University. At that time an operations manual existed for Cal-SOAP and was in the Pre-College Program Handbook.

With the establishment of a new board and administration on 2002-03, a stand-alone operations manual for the Consortium has been developed to safeguard the fiscal operations and fiscal integrity of San Jose Cal-SOAP. Manual of Operations (December 2003 version), includes written policies and procedures for the governing board, fiscal agent, administration, project staff, and the programmatic and administrative functions of San Jose Cal-SOAP. This manual is in addition to the fiscal agent handbook "SJSUF Project Administrators Guide", which provides accounting and human resources guidelines for the project.

AUDITORS RESPONSE:

The consortium's action is deemed acceptable and no further action is required.

B. PROGRAM ELIGIBILITY

FINDING 1: <u>Consortium Board Not Acting as a Governing Board</u>

A review of the board meeting minutes revealed there is no documentation that the board is governing the project.

DISCUSSION:

The governing board of each project shall establish management policy, provide direction to the project, set budgetary priorities and assume responsibility for securing the matching funds. A Consortium is expected to develop and operate within regularly adopted by-laws. The by-laws state that the consortium will schedule quarterly meetings, additional meetings may be called as needed.

In our review of the 2000-01 award year consortium board meetings minutes the following items were noted:

- the consortium board met once, November 14, 2000
- there was no formal decision making documented in the minutes
- the reports submitted to the Commission were not reviewed and approved by the board

Since there was only one board meeting during the 2000-01 award year our scope was extended to include the 2001-02 and 2002-03 award years. The board did not meet during the 2001-02 award year. The board met on September 5, 2002 during the 2002-03 award year. In addition, the September 5, 2002 meeting did not have a quorum of the consortium members.

It is the responsibility of the board to govern the project, decisions that affected the direction and operation of the consortium were made without approval of the board. The Project Director received direction through the Fiscal Agent on the operation of the project. Without the input of the member agencies, the consortium ceases to function as a "collaborative" effort as required by the California Education Code. Without board meetings and formal documentation of the decision making process, the governing board cannot effectively govern the project. The Project Director and/or staff may not be able to operate the program effectively and efficiently without formal written direction and policies set forth by the board.

REFERENCES:

Cal-SOAP Program Operations Handbook, 12/6/96, Chapter 2, page 9
Cal-SOAP Program Operations Handbook, 10/01, Sections 2.1 and 2.2
California Education Code, 69561(b), prior 10/01
California Education Code, 69561 (h), effective 10/01
San Jose Consortium, By-Laws Article 7, Directors
San Jose Consortium, By-Laws Article 8, Meetings
Robert's Rules of Order

REQUIRED ACTIONS:

The San Jose Consortium must develop a functioning governing board that meets the requirement of the California Education Code. The Consortium must hold meetings to establish management policy and provide direction to the Project Director. In these meetings, minutes must be maintained to document all items that are addressed and decisions of the board. It is suggested that the consortium board conduct its board meetings according to Robert's Rules of Order. In addition, please provide in your response the plan of action that the San Jose Consortium will take to correct the above-mentioned deficiency.

CONSORTIUM RESPONSE:

In November 2002, a fully functioning governing board was established through an election process. Each organizational consortium member appoints a representative/official to sit on the San Jose Cal-SOAP Governing Board. The consortium bylaws provide guidelines for membership and functions of the Governing Board.

Since November 2002, the board meets on a monthly basis to review and approve fiscal operations and to provide guidance to the Project Director. Furthermore, beginning in December 2003, the executive committee of the San Jose Cal-SOAP board meets monthly and /or as necessary to discuss critical issues.

Article VII of the consortium bylaws specifies that Robert Rules of Order shall guide the meetings of the consortium board in its parliamentary procedures. Meeting minutes are maintained to document issues and decisions that are addressed at the meetings. These records are retained by the Consortium Board Secretary and at the Project Office.

AUDITORS RESPONSE:

The San Jose Cal-SOAP bylaws and the San Jose Cal-SOAP Operations Handbook list the duties and responsibilities of the Project Director. The Memorandum of Understanding (MOU) between the consortium and their designated fiscal agent, the San Jose State University Foundation, also identifies the duties and responsibilities of the Director of Academic Support. A review these documents indicates that the Director of Academic Support appears to be carrying out the duties of the Cal-SOAP Project Director as described in the Commission's Cal-SOAP Operations Handbook section 2, subsection 2.5. This additional layer of management and the nature of the duties and responsibilities of the Director of Academic Support raises questions about the management of the Cal-SOAP project and suggests that the relationship between San Jose State University and their Foundation has allowed the University to usurp the authority vested in the San Jose Cal-SOAP Governing Board to govern the Cal-SOAP project.

Since the Commission will issue a Request for Proposal (RFP) to provide Cal-SOAP services in the San Jose service area for the upcoming 2004-05 fiscal year, no further action at this time is required.

B. PROGRAM ELIGIBILITY

FINDING 2: <u>Consortium By-laws Need To Be Strengthened</u>

A review of consortium by-laws revealed that they did not adequately define the consortium operation.

DISCUSSION:

The governing board of each project establishes a set of by-laws to define the operation of the consortium. In our review of the consortium by-laws the following areas were not adequately addressed.

- definition of the required membership pursuant to the California Education Code
- discussion of the determination of the fiscal agent and their responsibilities

REFERENCES:

San Jose Consortium By-Laws

REQUIRED ACTIONS:

The Consortium should strengthen their by-laws to address the items discussed above. In addition, please provide in your response the plan of action that the San Jose Consortium will take to correct the above-mentioned deficiencies.

CONSORTIUM RESPONSE:

Pursuant to the California Education Code, (a) Section 69591, the San Jose Consortium Governing Board has representation from secondary school districts, four-year universities, a community college district, a private university and a non-profit community agency. Article III, Membership, in San Jose California Student Opportunity and Access Program Bylaws, defines the membership of the consortium to be any institution or non-profit agency, which makes a commitment to the purpose of the Consortium and whose location makes possible participation in the Consortium.

Article VIII of the consortium bylaws indicates that the consortium will designate an institution/agency to serve as fiscal agent and/or administrative headquarters. A Memorandum of Understanding (MOU) between the San Jose Cal-SOAP Consortium and the designated fiscal agent will be drafted, approved and signed by both parties each contract year. Execution of the MOU with the fiscal agent will be consistent with Cal-SOAP legislation, Cal-SOAP Operations Handbook, the By-laws and the Consortium Operations Handbook.

The Governing Board, in November 2003, adopted a set of guiding principles to promote relations with the designated fiscal agent and to establish an MOU.

A draft of the 2003-04 Memorandum of Understanding with the San Jose State University Foundation is also attached.

AUDITORS RESPONSE:

The revised San Jose Cal-SOAP bylaws appear to address the items discussed in the finding. But a review of the San Jose Cal-SOAP Operations Handbook and the Memorandum of Understanding (MOU) between the consortium and their designated fiscal agent indicates that the Director of Academic Support appears to be carrying out the duties of the Cal-SOAP Project Director as described in the Commission's Cal-SOAP Operations Handbook section 2, subsection 2.5. This additional layer of management and the nature of the duties and responsibilities of the Director of Academic Support raises questions about the management of the Cal-SOAP project and suggests that the relationship between San Jose State University and their Foundation has allowed the University to usurp the authority vested in the San Jose Cal-SOAP Governing Board to govern the Cal-SOAP project.

Since the Commission will issue a Request for Proposal (RFP) to provide Cal-SOAP services in the San Jose service area for the upcoming 2004-05 fiscal year, no further action at this time is required.

B. PROGRAM ELIGIBILITY

FINDING 3: Equipment Not Properly Identified as Property of State of California

A physical inventory of Cal-SOAP equipment revealed equipment purchased with state funds have not been adequately identified as property of the State of California.

DISCUSSION:

According to the Cal-SOAP Agreement, equipment items (major and minor) purchased using state funds shall be identified with an appropriate identification tag and the brand name, cost, date of purchase, identification/serial number, etc., shall be listed on an Equipment Inventory Report.

Discussions with the Project Director revealed that none of the Cal-SOAP equipment (i.e. tables, chairs, photocopy machines, computers, etc.) have State of California identification tags. Thus, equipment may not be properly inventoried and tracked as property of the State of California.

REFERENCES:

Cal-SOAP Agreement (G-00-011), Section 7, Page 4 and 5

REQUIRED ACTIONS:

The Consortium must identify all property purchased with Cal-SOAP funds. In addition, this identification should include the specific funding source (state, etc.).

Also, provide a complete Equipment Inventory Report listing all the identified property and request State of California identification tags from the Commission and affix these tags on the identified equipment.

CONSORTIUM RESPONSE:

Prior to 2001, the California Student Aid Commission had not instituted a formal equipment identification process. On January 2003 the San Jose Cal-SOAP Consortium submitted a full equipment inventory of items over $50 or more that were purchased prior to fiscal year 2002-03 for both San Jose and South County Gilroy projects. Equipment purchased prior to fiscal year 2001-02 are completely tagged. The San Jose Consortium is still awaiting tags from the Commission for fiscal year 2001-03. The 2002-03 inventory is already included in the comprehensive equipment inventory list.

In the future, requests for tags will be made within thirty (30) days of equipment

procurement. In addition to the Cal-SOAP database, the San Jose Consortium retains an excel file of all project equipment outlining item description, serial number, state tag identification and physical location.

Gilroy/South County, as a separate consortium, now holds its own inventory list.

AUDITORS RESPONSE:

The equipment identified as purchased through the 2001/02 award year has been issued State of California identification tags. The equipment for the 2002-03 award year is in the process of being identified and State of California identification tags being issued. The consortium's action is deemed acceptable. However, through the RFP process, if a new consortium is chosen to operate the Cal-SOAP in the San Jose area the equipment must be transferred to that new consortium.

B. PROGRAM ELIGIBILITY

FINDING 4: <u>Cal-SOAP Travel Reimbursements Exceed the Cal-SOAP Agreement Allowances</u>

A review of travel reimbursement policies and claims revealed that Cal-SOAP reimbursement rates are higher than the allowances detailed in the Cal-SOAP Agreement.

DISCUSSION:

According to the Cal-SOAP Agreement, travel shall be reimbursed in accordance with attachment 5 - Travel and Per Diem Schedule. The Travel and Per Diem Schedule rates are as follows:

- lodging up to $79.00 plus tax, with receipt (lodging costs that exceed $79 require advance approval by the State Contract Manager)
- breakfast, up to $6.00
- lunch, up to $10.00
- dinner, up to $18.00
- incidentals, up to $6.00
- mileage, $.31 per mile.

The Consortium uses the San Jose State Foundation's Travel Reimbursement rates, which are as follows.

- Lodging, per diem $90.00 or the actual lodging costs when original receipts and an itemized hotel ledger/charge sheet is presented
- breakfast, $7.00
- lunch, $7.00
- dinner, $18.00
- incidentals, $2.00
- mileage, $.325 per mile.

By using the San Jose State Foundation's travel reimbursement rates, the Consortium is reimbursing some allowances that exceed the approved rate as shown in the Cal-SOAP Agreement. Any expenses exceeding these allowances are not reimbursable from Cal-SOAP funds.

REFERENCES:

Cal-SOAP Agreement (G-00-011), Section 6.D, Pages 3 and 4
Cal-SOAP Agreement (G-00-011), Attachment 5, Section a (2) (3)

REQUIRED ACTIONS:

The Consortium may only claim up to the reimbursement rates approved in the Cal-SOAP Agreement. Any excess of the approved rates must be reimbursed using other funds. In the response, please advise the Commission the process that will be implemented to comply with the Cal-SOAP Agreement travel mileage.

CONSORTIUM RESPONSE:

Pursuant of the rates set by the Department of Personnel Administration, DPA Rule 599.610 (meals and lodging) and DPA Rule 599.631 (mileage), the project administration and fiscal agent will enforce the maximum reimbursable travel expenses guidelines. The DPA rules found at http://www.calregs.com are included in the San Jose Cal-SOAP Manual of Operations. Authorization for travel outside of the State of California or travel reimbursements that exceed the rates of DPA will require a written request to and approval by the Commission.

AUDITORS RESPONSE:

The consortium's action is deemed acceptable and no further action is required.

B. PROGRAM ELIGIBILITY

FINDING 5: Actual In-Kind Match Amounts Were Not Properly Reported

A review of the in-kind match amounts revealed that they were not properly reported to the Commission.

DISCUSSION:

State law requires a matching contribution of local resources for each Cal-SOAP project at a 1:1 ratio. The goal, however, is for the projects to exceed the 1:1 ratio and attain a 1:1.5 ratio. Each consortium, through its project director, is expected to systematically account for the receipt and expenditure of matching funds provided by supporting institutions. The expenditure of matching funds constitutes an integral part of each project's operation and its fiscal reporting to the Commission. "In-kind" funds, which are not included in a project's expenditure budget, are to be accounted for in a reasonable manner and reported to the Commission.

A review of 5 Consortia Member's In-kind documentation revealed that the in-kind match included in the reports to the Commission were incomplete. Currently, supporting institutions are not fully calculating and documenting their in-kind contributions for which they are reporting to the consortium. The members did not realize in what detail they needed to provide and document the actual amounts, therefore, the Consortium does not know the actual in-kind ratio and may be receiving more than the required 1:1 ratio.

Five consortium members were sampled for their calculation of the in-kind match. It appeared that the actual in-kind match is higher than the budget amounts that were reported to the Commission. The Consortium is not maximizing the matching funds of their supporting institutions (progressing to reach the 1:1.5 ratio) and not accurately reporting the amount of those matching funds to the Commission.

REFERENCES:

California Administrative Code 69564
Cal-SOAP Program Operations Handbook, 12/6/96, Chapter 4, page 22 & 24
Cal-SOAP Program Operations Handbook, 10/01, Section 2 pages 2-4

REQUIRED ACTIONS:

The consortium must create a method of **tracking** and **documenting** actual in-kind match amounts. These amounts then must be included in the quarterly and final reports. If it appears reasonable, the institutions may use a time study where all in-kind costs are tracked for a reasonable period or periods of time and extrapolated over the year to determine their actual in-kind match for the award year.

CONSORTIUM RESPONSE:

San Jose Consortium members and project partners will be trained by project staff on how to accurately account for matching funds, particularly in-kind amounts. Consequently the Consortium will ensure that a 1:1.5 match is achieved each contract year.

San Jose Cal-SOAP staff has instituted a Quarterly Match" documents and Matching template to track and document actual in-kind match amounts. These amounts are included in quarterly and final reports to the Commission. Back-up documentation is available at the fiscal agent headquarters and/or matching organizations.

AUDITORS RESPONSE:

The consortium's action is deemed acceptable and no further action is required.

G. OBSERVATIONS AND RECOMMENDATIONS

OBSERVATION 1: <u>There is No Written Agreement Between the Consortium and The Fiscal Agent</u>

The San Jose Consortium does not have a mutually acceptable agreement with a member of the Consortium to serve as Fiscal Agent. The San Jose State University Foundation has been performing the duties of Fiscal Agent without negative consequences. However, without a written agreement detailing the duties and responsibilities of the Fiscal Agent, there could be a misunderstanding of the Fiscal Agent's role in the administration of the Cal-SOAP program.

RECOMMENDATION:

The Consortium and the Fiscal Agent should negotiate a written agreement to define the duties and responsibilities of the Fiscal Agent and the Consortium. Furthermore, the current, October 2001, Cal-SOAP Program Operations Handbook recommends that the Consortium and the Fiscal Agent have an agreement.

CONSORTIUM RESPONSE:

The San Jose Cal-SOAP has drafted a Memorandum of Understanding with the designated fiscal agent, San Jose State University Foundation. Pending review by the full Governing Board in December 2003, and the finalizing by the San Jose Consortium and the San Jose State University Foundation, the MOU would be adopted for the contract year 2003-04. The MOU will be in line with the guiding principles adopted by the Board in November 2003.

AUDITORS RESPONSE:

The Memorandum of Understanding (MOU) between the consortium and their designated fiscal agent, the San Jose State University Foundation, identifies the duties and responsibilities of the Director of Academic Support. A review indicates that the Director of Academic Support appears to be carrying out the duties of the Cal-SOAP Project Director as described in the Commission's Cal-SOAP Operations Handbook section 2, subsection 2.5. This additional layer of management and the nature of the duties and responsibilities of the Director of Academic Support raises questions about the management of the Cal-SOAP project and suggests that the relationship between San Jose State University and their Foundation has allowed the University to usurp the authority vested in the San Jose Cal-SOAP Governing Board to govern the Cal-SOAP project.

Since the Commission will issue a Request for Proposal (RFP) for a new consortium to provide Cal-SOAP services in the San Jose service area for the upcoming 2004-05 fiscal year, no further action at this time is recommended.

G. OBSERVATIONS AND RECOMMENDATIONS

OBSERVATION 2: Gilroy Cal-SOAP Funds Were Not Accounted For Separately

During reconciliation of the consortium's fiscal documents, it was discovered that the Cal-SOAP funds for the Gilroy Expansion Project were not separately accounted for in the San Jose Consortium ledgers.

To participate in the Cal-SOAP program, a consortium must demonstrate that it is capable of adequately administering program standards established by the Commission. The institution must administer the Cal-SOAP program with adequate checks and balances in its system of administrative controls.

Institutions participating in Cal-SOAP program act in the nature of the fiduciary in the administration of the program. Therefore, participating consortium are subject to the highest standards of care and diligence in administering the Cal-SOAP program.

In January 2001, the 2000-01 annual program plan (APP) for the San Jose Consortium was revised to include an expansion proposal that would develop and implement a South County Cal-SOAP project in Gilroy (Gilroy). During the 2001-02 and 2002-03 APP's the San Jose consortium continued to oversee the Gilroy project. Beginning July 1, 2003 the Gilroy project would become an independent project.

In our reconciliation of the Cal-SOAP accounts we discovered that the San Jose Consortium did not separately account for the costs associated with the Gilroy project. The costs were incorporated with the San Jose Consortium expenditures and we were unable to distinguish the actual amount of Cal-SOAP funds that were spent on the Gilroy project's operation for the 2001-02 award year.

RECOMMENDATION:

Based on the APP process for the 2003-04 award year, the Gilroy project has been approved to become an independent consortium starting on July 1, 2003. Since the Gilroy project will become an independent project in the 2003-04 award year, no further action is required from the San Jose Consortium.

CONSORTIUM RESPONSE:

San Jose Cal-SOAP Consortium has provided Gilroy/South County Consortium electronic student records from 2002-03, an inventory of equipment (with appropriate tags) that are located in Gilroy, and copies of Commission handbooks and manuals.