



***Program Compliance Office
California Student Opportunity & Access Program
Review Report***

2002-03 Award Year

**Southern San Joaquin Valley Consortium
Program Review ID#60400200014**

**1300 17th Street, City Centre
Bakersfield, CA 93301**

Program Review Date: February 23 – 26, 2004

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AUDITOR'S REPORT

SUMMARY

We reviewed Southern San Joaquin Valley Consortium's administration of California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2002-03 award year.

The consortium's records disclosed the following:

- Actual In-Kind Match Amounts Were Not Properly Documented
- The 30% Requirement for Student Hiring was Not Met
- Prepaid Expense Made by Consortium Not Allowable
- Non-Compliance With State Mileage Rate
- Written Cal-SOAP Procedures Were Not Developed
- No Written Agreement between the Consortium and Fiscal Agent

BACKGROUND

Through consortium 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: Non-profit
- Project Director: Cynthia Rodriguez
- Board Chairperson: Steve Watkin
- Fiscal Agent: Nancy Shelton
- Membership:
 - Academic Improvement & Achievement Act Rosamond High School
 - Avid Region VIII Taft Community College
 - Bakersfield Community College Taft Union High School
 - CSU Bakersfield Tehachapi High School
 - Cerro Coso Community College Trona High School
 - Cuyama Valley High UC Merced
 - Frazier Mountain High School UC Riverside
 - Kern County Superintendent of Schools UC Santa Barbara
 - Kern Valley High School Maricopa High School
 - Mojave Senior High School Southwestern Kern
 - Migrant Region V

B. Consortium Persons Contacted

- Project Director: Cynthia Rodriguez
- Consortium Chairperson: Steve Watkin
- Consortium Vice Chairperson: Dr. James Selgrath
- Consortium Secretary: Salvador Avalos
- Consortium Treasurer: Manuel Gonzalez
- Fiscal Agent: Nancy Shelton

AUDITOR'S REPORT (continued)

BACKGROUND
(continued)

C. Project Information

- Date of Prior Commission Program Review: None
- Size of Student population in the service area: 4,467
- Number of Students Served
 - General: 3,157
 - Intensive: 1,310
- Cal-SOAP Programs:
 - Tutoring/Peer Advisement Parent Workshops
 - Transfer: Making it Happen Cash for College Workshops,
 - College: Making it Happen "I Am Going To College"
 - Kern County College Night

**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 procedure performed in conducting the 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. The program review sample was selected from the total population.
- 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.

AUDITOR'S REPORT (continued)

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

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 auditor considered the consortium'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 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 administered 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 February 26, 2004.

February 26, 2004

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

A. GENERAL ELIGIBILITY:

FINDING 1: Actual In-Kind Match Amounts Were Not Properly Documented

A review of the Consortium's in-kind match documentation revealed the respective institutions did not have detailed documentation of the in-kind contribution amounts.

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 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 three Consortium members' in-kind match documentation revealed that the Consortium members did not document their in-kind contributions adequately. 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.

REFERENCES:

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

REQUIRED ACTIONS:

The Consortium must create a method of **calculating, tracking and documenting** the **actual in-kind match** amounts provided by the institutions that is subsequently reported to the Commission. 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. In response to this finding, please provide an example of an in-kind contribution by an institution that includes the method in which the amount was determined.

FINDINGS AND REQUIRED ACTIONS (continued)

CONSORTIUM RESPONSE:

A step-by-step presentation will be offered at the governing board's first meeting of the 2004-05 year to ensure that all participants receive specific training in how to document actual in-kind contributions. One- on-one training will also be provided for members who are still unclear on how to generate their contributions. Consortium partners will be encouraged to use a time study where all in-kind costs are tracked for a reasonable period of time and extrapolated over the year to determine their actual in-kind match for the year.

AUDITOR REPLY:

The consortium's action is deemed acceptable.

A. GENERAL ELIGIBILITY:

FINDING 2: The 30% Requirement for Student Hiring Was Not Met

A review of the Consortium's accounting documents and discussions with staff revealed that actual stipends to peer advisors and tutor did not equate to 30% of total 2002-2003 Cal-SOAP expenditures.

DISCUSSION:

According to the California Education Code, the Cal-SOAP consortium must focus on the employment of postsecondary students to provide information and tutorial help for target secondary students in the various projects. At least 30% or the equivalent of each project grant in a given year must be allocated for stipends to peer advisers and tutors. This figure can be a combination of state funds and matching funds and may include the institution's portion paid toward college Work-study students. The only line items that can be counted towards this amount are Student Staff, Work-study, Student Benefits, and Student Mileage.

Failure to do so puts the Consortium in a position of non-compliance with Cal-SOAP law. Consequently, the Consortium's eligibility to participate in the Cal-SOAP program at their specific funding level would be in question.

The Consortium's accounting documents revealed that Cal-SOAP grant expenditures amounted to \$350,342. Of this amount, \$105,102.60 (\$350,342 * 30%) is the minimum amount that should have been allocated to stipends for peer advisers and tutors. However, the consortium did not meet this amount by 8,466.58.

An analytical review of the line items that can be counted towards this 30% requirement indicated that a total of \$96,636.02 was allocated to stipends for peer advisers and tutors. These line items are as shown on the next page:

FINDINGS AND REQUIRED ACTIONS (continued)

Total tutor salaries claimed and reimbursed:	\$41,509.00	
Total tutor benefits claimed and reimbursed:	3,671.86	
Total mileage claimed and reimbursed:	<u>17,228.69</u>	
Subtotal:		\$62,409.55
Add: Matching portion:		
Salaries	\$34,078.47	
Benefits	<u>148.00</u>	
Subtotal:		<u>\$34,226.47</u>
TOTAL:		\$96,636.02

Thus, the difference between the Consortium's actual (\$96,636.02) and the 30% requirement amount (\$105,102.60) is \$8,466.58.

REFERENCES:

Education Code 69561.1
Cal-SOAP Program Operations Handbook, October 2001, Section 4.4, page 8

REQUIRED ACTIONS:

The Consortium **must** intensify its recruiting efforts and comprehensive training program in order to ensure that 30% of the project grant is spent for stipends to peer advisers and tutors. In addition, the Consortium needs to submit written policies and procedures that will ensure that the 30% requirement for student hiring will be met.

CONSORTIUM RESPONSE:

To ensure that 30% of the Cal-SOAP award will be allocated to peer advisers and tutors, consortium partners have agreed to assist with an estimate of \$69,228. The Cal-SOAP award includes a total of \$101,764 allocated to student employees. Therefore a total of \$70,992 (46.7% of the total budget) is budgeted for the Cal-SOAP tutors and peer advisers.

AUDITOR REPLY:

In allocating \$170,992 (\$101,764 + \$69,228) in the 2004-05 award year to peer advisers and tutors, the Cal-SOAP budgetary projections meet the 30% requirement. The Commissions Outreach Unit will monitor the consortium's actual achievement of the 30% requirement.

The consortium's action is appears to be acceptable

FINDINGS AND REQUIRED ACTIONS (continued)

E. ADMINISTRATIVE
AND
ACCOUNTING
CONTROLS:

FINDING 1: Prepaid Expense Made by the Consortium Not Allowable

A review of the Consortium's accounting records and supporting documentation revealed that the consortium prepaid for services that were not rendered during the grant award period 2002-2003.

DISCUSSIONS:

According to the standard agreement between the Consortium and the Commission, the State agrees to compensate the consortium for actual expenditures incurred in accordance with the applicable state and federal rules and regulations. Review of expenditures and discussions with Project Director indicated that a \$20,000 invoice (dated May 1, 2003) for production services was claimed and reimbursed. This prepayment was coded on the General Ledger as account object #5710--"Direct Costs for Transfer of Service". According to Staff, the prepayment was made with the intention of receiving services for printing and duplication of literature. Unfortunately, the Consortium did not receive these services by the end of the grant period (June 30, 2003), nor were these services rendered thereafter. Thus, prepayment gives the impression that the state-apportioned funds of \$20,000 was carried over from one fiscal year 2002/03 to the next 2003/04. The Cal-SOAP manual specifies that no state-apportioned funds can be carried over and that any unclaimed funds at the end of the fiscal year should revert to the State's General Fund and may no longer be claimed. Thus, this prepaid expense is deemed unallowable.

REFERENCES:

Grant Agreement, exhibit B, page 4 of 9
Cal-SOAP Operations Handbook, October 2001, Section 4.2, page 2

REQUIRED ACTION:

Southern San Joaquin Valley Consortium must repay the ineligible funds of **\$20,000** to the Commission as directed in the general payment instructions located at the conclusion of this report.

In addition, the Consortium must provide policies and procedures to ensure that accounting transactions made are for actual expenditures incurred in accordance with the applicable state and federal rules and regulations.

CONSORTIUM RESPONSE:

Attached is repayment to the Commission in the amount of \$20,000 (Warrant #26527956). Attached are copies of the fiscal agent's policies for purchasing and payment approval of purchase orders which show that they are in accordance with the applicable state and federal rules and regulations.

AUDITOR REPLY:

The consortium's action is deemed acceptable.

FINDINGS AND REQUIRED ACTIONS (continued)

E. ADMINISTRATIVE
AND
ACCOUNTING
CONTROLS:

FINDING 2: Non-Compliance With State Mileage Rate

A review of “Staff Member Mileage Expense” claims, and travel policies revealed that the travel mileage rate per mile allowance exceed those outlined in the Cal-SOAP Agreement.

DISCUSSION:

As indicated in the Cal-SOAP Agreement, mileage rate shall be reimbursed in accordance with rates set by the State Department of Personnel Administration Rule 599.631. For the 2002-03 award year mileage rate was \$0.34 per mile.

A review of the consortium’s policies and procedures, employee reimbursement request forms, and discussions with staff revealed that the consortium abides by the Kern County Superintendent of Schools Travel Reimbursement Policy, which exceeds the reimbursement allowances approved by the Commission. For the 2002-03 award year to current, employee mileage reimbursement is \$0.365 per mile.

Any mileage expense exceeding the State Department of Personnel Administration Rule 599.631 as outline in the Cal-SOAP Agreement is not reimbursable from Cal-SOAP funds.

REFERENCES:

Cal-SOAP Agreement (G-02-014), Section 6.D., page 4
Cal-SOAP Agreement (G-02-014), Attachment 5

REQUIRED ACTIONS:

Southern San Joaquin Valley Consortium is required to submit policies and procedures that will be implemented to ensure compliance with the mileage rate as outlined in the Cal-SOAP Agreement.

CONSORTIUM RESPONSE:

The So. San Joaquin Valley Cal-SOAP Consortium has revised the current mileage reimbursement form used by all Cal-SOAP employees to now state that reimbursement shall be at the state rate.

AUDITOR REPLY:

The consortium’s action is deemed acceptable.

FINDINGS AND REQUIRED ACTIONS (continued)

E. ADMINISTRATIVE AND ACCOUNTING CONTROLS: FINDING 3: Written Cal-SOAP Procedures Were 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. Southern San Joaquin Valley Consortium did not have any written policy and procedures for the administration of the program.

REFERENCES:

Cal-SOAP Operations Handbook, October 2001, Section 6, pages 7 to 13

REQUIRED ACTIONS:

Southern San Joaquin Valley Consortium must develop written policies and procedures in order to safeguard the operational and fiscal integrity of the Cal-SOAP program. Please submit the policies and procedures in the response.

CONSORTIUM RESPONSE:

Following the Program Review, the Southern San Joaquin Valley Cal-SOAP Consortium has worked at developing a Policies & Procedures Manual. A draft is currently being completed and will be presented to the governing board at their September 9, 2004 meeting for review. Once a final manual is complete, a copy will be forwarded to the California Student Aid Commission.

AUDITOR REPLY:

The consortium's action is deemed acceptable.

OBSERVATION AND RECOMMENDATION

G. OBSERVATION AND RECOMMENDATION: **OBSERVATION: No Written Agreement Between the Consortium and Fiscal Agent**

The Southern San Joaquin Valley Consortium does not have a mutually acceptable agreement with a member of the consortium to serve as Fiscal Agent. The Kern County Superintendent of Schools has been performing the duties of a Fiscal Agent without negative consequences. Although we noted no negative instances, we would like to stress the importance of having a written document/contract that specifically outlines the Consortium and Fiscal Agent's roles and responsibilities.

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:

Following the Program Review, the Southern San Joaquin Valley Cal-SOAP Consortium and the fiscal agent, Kern County Superintendent of Schools (KCSOS) have developed and agreed upon a Memorandum of Understanding (MOU).