

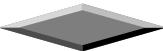


***Program Compliance Office
California Student Opportunity & Access Program
Review Report***

2001/02 Award Year

**Central Coast Consortium
Program Review ID#60300200015**

**800 South College Drive
Santa Maria, CA 93454-6399**



Program Review Date:	March 31, 2003 - April 3, 2003
Auditors:	Anadelia Marquez (916) 526-8035 Nati DeGroot (916) 526-6413
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DRAFT

AUDITOR'S REPORT

SUMMARY We reviewed Central Coast Consortium's administration of California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2001-02 award year.

The consortium's records disclosed the following:

- Standards of administrative capability in question.
- Cal-SOAP Governing Board is not comprised of representatives from each participating institution.
- Consortium board meeting minutes do not reflect formal governing decisions.
- The Governing Board was not approving major expenditures.
- Written Cal-SOAP procedures not developed.
- No written agreement between consortium and site supervisors.
- Student specific information not documented.
- Misappropriation of funds.
- Excessive cell phones usage.
- Cal-SOAP funds were not reconciled.
- Cal-SOAP travel reimbursements exceed the Cal-SOAP Agreement allowances.
- No separation of duties.
- Cal-SOAP funds converted to scholarship.
- Actual in-kind match amounts were not documented.
- Reimbursement requests not submitted at least quarterly.
- Missing Pertinent Records.

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: Private, Non-profit
- Project Director (2001-02): Helen D. Hernandez
- Project Director (2002-03): Adriana Perez
- Board Chairperson(2001-02): Tim Durnin
- Board Chairperson(2002-03): Franky Curiel
- Fiscal Agent: Allan Hancock College
- Membership: UC Santa Barbara
CSU Fresno
California Polytechnic State University
Westmont College

AUDITOR'S REPORT

BACKGROUND (continued)

Allan Hancock College
Cuesta College
Paso Robles High School
Atascadero Unified School District
Paso Robles High School
Atascadero Unified School District
Paso Robles Joint Unified School District
Santa Maria Joint Union High School District
Lompoc Unified School District
Santa Maria Bonita School District-12
Guadalupe Union School District
Lucia Mar Unified School District
Boys and Girls Club of Santa Maria Valley
City of Santa Maria-Abel Maldonado Youth Center

B. Consortium Persons Contacted

- Adriana Perez Project Director
- Maria Legato Assistant Director
- Franky Curiel Board Chairperson
- Craig Wilde Director, Business Services
- Annette Champan Business Services Accountant

C. Project Information

- Date of Prior Commission Cal-SOAP Review: None
- Branches: None
- Cal-SOAP Program Services: Tutorial Services
PSAT and SAT Preparation Workshops
Financial Aid Workshops
Transfer: Making It Happen
I'm Gong to College
- Size of Student population in the service area: 20,000
- Number of Students Served
General: 20,000
Intensive: 4,550

AUDITOR'S REPORT (continued)

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. Administrative and Accounting Controls
- D. Completion of Reports
- E. File Maintenance and Records Retention

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.
- Review of the records and payment transactions from a sample of Cal-SOAP student tutors within the review period.
- Review of the records and payment transactions from a sample of Cal-SOAP expenditures within the review period.

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.

The names and social security numbers of the sample of tutor student reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the student by name and social security number.

AUDITOR'S REPORT (continued)

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 Commissions Cal-SOAP program.

April 3, 2003

Charles Wood, Manager
Program Compliance Office

DRAFT

FINDINGS AND REQUIRED ACTIONS

A. GENERAL ELIGIBILITY:

FINDING 1: Standards of Administrative Capability in Question

A review of the institution's administration of the Cal-SOAP program revealed a number of material findings that are representative of the Consortium's lack of administrative capability.

DISCUSSION:

The governing board of each project, comprised at least one representative from each entity in the consortium, shall establish management policy, provide direction to the project director, set priorities for budgetary decisions that reflect the specific needs of the project, and assume responsibility for maintaining the required level of matching funds, including solicitations from the private sector and corporate sources.

Consortia participating in the Commission's Cal-SOAP program maintain a fiduciary role in the administration of the program. Therefore, participating consortia are subject to the highest standards of care and diligence in administering the Cal-SOAP program.

The following findings demonstrate the lack of the institution's administrative capability and are addressed individually within the program review report.

- Finding A.2: Cal-SOAP Executive Committee is Governing the Consortium
- Finding A.3: Consortium Board Meeting Minutes Do Not Reflect Formal Governing Decisions
- Finding A.4: The Consortium Governing Board Was Not Approving Major Expenditures
- Finding A.5: Written Cal-SOAP Procedures Not Developed
- Finding B.1: No Written Agreement Between Consortium and with Site Supervisors
- Finding B.2: Student Specific Information Not Documented
- Finding C.1: Misappropriation of Funds
- Finding C.2: Excessive Cell Phone Usage
- Finding C.3: Cal-SOAP Funds Were Not Reconciled
- Finding C.4: Cal-SOAP Travel Reimbursements Exceed the Cal-SOAP Agreement Allowances
- Finding C.5: No Separation of Duties
- Finding C.6: Cal-SOAP Funds Converted to Scholarship
- Finding D.1: Actual In-Kind Match Amounts Were Not Documented
- Finding D.2: Reimbursement Requests Not Submitted At Least Quarterly
- Finding E: Missing Pertinent Records

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Cal-SOAP Operations Handbook, 12/6/96
Cal-SOAP Operations Handbook, 10/01
California Education Code, 69561(b), prior 10/01
California Education Code, 69561 (h), effective 10/01
Central Coast Consortium By-Laws
Refer to Specific Findings for Detail References

REQUIRED ACTION:

Central Coast Consortium must provide a detailed administrative action plan that addresses all the findings contained in this report. In addition, the action plan must contain written policies and procedures that will improve the internal control structure. Further action may be required after review of the administrative action plan.

A. GENERAL ELIGIBILITY:

FINDING 2: Cal-SOAP Executive Committee is Governing the Consortium

The Executive Committee is acting as the Central Coast Cal-SOAP Governing Board.

DISCUSSION:

California Education Code (CEC) 69561 states, "Each project shall be operated through a consortium that involves at least one secondary school district office, at least one four-year college or university, at least one community college, and at least one of the following agencies: (1) a non-profit educational, counseling, or community agency. (2) A private vocational or technical school accredited by a national, state, or regional accrediting association recognized by the United States Department of Education. In addition, the governing board of each project is comprised of at least one representative from each participating Consortium institution".

The Central Coast Consortium By - Laws state, "**The Executive Committee shall be composed of the Governing Board, including At-Large members as selected by the Board.** The Executive Committee shall provide general direction to the Cal-SOAP Project. The Executive Committee will also articulate the needs, desires, and interests of the Governing Board concerning project activities, and monitor compliance with regulations governing the project. The Executive Committee shall develop and implement evaluation procedures for project activities. Decisions reached by this body by simple majority vote shall be submitted to the Governing Board for final ratification. Each member of the Executive Committee shall be entitled to one vote." According to the By-Laws, a member "At-Large" composition will include representative of K-12, Local Educational Agencies (LEA's), and a representative of each identified county in the service area.

According to the current Project Director research and from different responses she has received the Executive Committee in 2001-02 award year was composed

AUDITOR'S REPORT (continued)

of Tim Durnin (Chair), Franky Curiel (Co-Chair), Cheryl Dettrick (Treasurer), Helen Hernandez (Secretary), and Maria Legato (Note Taker). The Executive Committee consists of five members and does not meet the requirement of the CEC 69561 to be a Governing Board. The Executive Committee is not comprised of at least one representative from each participating Consortium institution.

During the review of the Executive Committee and Governing Board minutes it was noted that the Executive Committee makes the final decisions and the Governing Board does not ratify it. It appears that the Executive Committee is providing the governance of the Cal-SOAP consortium. The Governing Board appears to be an advisory board for the Executive Committee. In addition, the Executive did not have a member at Large as prescribed in the By-Laws. Therefore, the Central Coast Governing Board is not governing the Cal-SOAP project as required. The Project Director and staff may not be able to operate the program effectively and efficiently without direction and policies set by the Governing Board.

REFERENCES:

Cal-SOAP Operations Handbook, 12/6/96, Section 2, page 9
Cal-SOAP Operations Handbook, 10/01, Sections 2.1 and 2.2
California Education Code, 69561 (b), prior 10/01
California Education Code, 69561(f) and (h), effective 10/01
Central Coast Consortium By-laws, Article IV, Section 10

REQUIRED ACTION:

The Central Coast Consortium Governing Board must include a representative from each participating institution in order to meet the Cal-SOAP Governing Board requirements. The Governing Board must govern the operations of the consortium. The Governing Board could delegate some of the responsibilities to the Executive Committee; however, the Governing Board must ratify or approve any decisions that are made that affect the consortium.

A. GENERAL
ELIGIBILITY:

FINDING 3: Consortium Board Meeting Minutes Do Not Reflect Formal Governing Decisions

According to board meeting minutes, there is no documentation that the board is a governing board making formal decisions for the project.

DISCUSSION:

The governing board of each project shall establish management policy, provide direction to the project, set priorities for budgetary decisions that reflect the specific needs of the project, and assume responsibility for securing the matching funds. A Consortium is expected to operate within regularly adopted By-Laws.

FINDINGS AND REQUIRED ACTIONS (continued)

The consortium's By-Laws state, "The Executive Committee shall develop and implement evaluation procedures for project activities. Decisions reached by this body by simple majority vote shall be submitted to the Governing Board for final ratification. Each member of the Executive Committee shall be entitled to one vote." Furthermore, the business (voting) of the governing board shall be conducted under parliamentary procedures established by the Robert's Rule of Order. In order for the Governing Board to conduct official business on behalf of the Consortium, a quorum of the membership must be present. A quorum of the membership is defined as fifty percent of the Governing Board plus one. All matters submitted to a vote must be carried by a simple majority of a quorum of the voting members present. In the absence of a quorum, official Consortium business cannot be conducted. Proxy voting may be utilized by member institution once each fiscal year and must be authorized in writing.

Moreover, meeting of the Consortium Governing Board shall be held at least once each quarter of the calendar year. The Board Chairperson is responsible for the scheduling of Consortium Governing Board meetings. The Executive Committee shall meet at least once during July and August and at least monthly from September to June.

In reviewing the Executive Committee and Governing Board minutes for award year 2001-02 it was revealed that the minutes do not accurately reflect all formal decisions made; voting; approving of budgets; completing Annual Program Plan; and ratifying Executive Committee decisions by the Governing Board. The Consortium does not have all of the meeting minutes (Executive Committee and Governing Board). For example, Cal-SOAP Board meeting minutes for March 28, 2002, April 25, 2002, and July 11, 2002 are missing. Also, the Executive Committee did not have any record of minutes recorded for award year 2001-02. The first documented Executive Committee meeting minutes began October 23, 2002.

REFERENCES:

Cal-SOAP Operations Handbook, 12/6/96, Section 2, page 9
Cal-SOAP 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
By-Laws, Article IV and V
Robert's Rules of Order

REQUIRED ACTION:

In response to this finding, the consortium must provide a corrective action plan to ensure that all meetings are documented (i.e. members in attendance, date, summary of meeting, voting documentation and all formal decisions) in the form of written minutes and shall take place according to the Consortium's By-Laws.

FINDINGS AND REQUIRED ACTIONS (continued)

A. GENERAL
ELIGIBILITY:

FINDING 4: The Consortium Governing Board Was Not Approving Major Expenditures

The Consortium Governing Board was not formally approving project expenditures; the Project Director was approving all of the expenditures.

DISCUSSION:

The Commission expects projects to maintain basic fiscal and managerial controls to ensure proper expenditure of funds. Currently, the Project Director approves all expenditures. The Consortium Governing Board was not involved in the approval of project expenditures, except for the approval of the Consortium budget. The Governing Board was responsible for monitoring the operation of the Consortium, however, this goal cannot be attained without some type of reviewing and approving of expenditures. Expenditures made without the review and consent of the Governing Board may cause the project to exceed its budget or spend funds in inappropriately.

REFERENCES:

Cal-SOAP Operations Handbook, 12/6/96, Section 5, pages 33 to 35
Cal-SOAP Operations Handbook, 10/01, Section 6 pages 9 to 13

REQUIRED ACTIONS:

The Board indirectly approves of expenditure with their approval of the Consortium budget. However, to ensure fiscal integrity, the governing board should implement policies and procedures that document the level of approval required for expenditures (i.e. any expenditure over a pre-determined amount must be approved by the board).

A. GENERAL
ELIGIBILITY:

FINDING 5: 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. Central Coast Consortium did not have any written policy and procedures for the administration of the program.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Cal-SOAP Operations Handbook, 12/96, Sections 4, page 24
Cal-SOAP Operations Handbook, 12/96, Sections 5, pages 32 to 36
Cal-SOAP Operations Handbook, 10/01, Sections 5, page 4
Cal-SOAP Operations Handbook, 10/01, Sections 6, pages 7 to 13

REQUIRED ACTIONS:

Central Coast Consortium should 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.

B. PROGRAM
ELIGIBILITY:

FINDING 1: No Written Agreement Between Consortium and Site Supervisors

There is no written agreement between the Consortium and the Site Supervisors.

DISCUSSION:

According to the Application for Implementation site supervisors are paid in a stipend format and typically in the amount of \$500.00. Site supervisors will serve as advocates and liaisons to and for the Central Coast Cal-SOAP program coordinating activities, accessing students and networking on behalf of Cal-SOAP with administrators, faculty and students at their respective campus.

All fund disbursements should be properly sustained and documented. For example, salary payments should have supporting attendance records. Without a written agreement detailing there could be confusion of the actual site supervisors' duties and responsibilities. A review of site supervisors records revealed only one site supervisor had a contract/agreement with the Consortium.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 2, page 2
Cal-SOAP Compliance Review Guidance, November 30, 2001, page 6
Central Coast Cal-SOAP Consortium Application for Implementation, 2001-02, pages 13

REQUIRED ACTIONS:

The Consortium and the Site Supervisors should have a written agreement to define the duties and responsibilities of the site supervisors. In the response provide the policy and procedures that ensure all Site Supervisors will sign an agreement prior to the beginning of employment.

FINDINGS AND REQUIRED ACTIONS (continued)

B. PROGRAM
ELIGIBILITY:

FINDING 2: Student Specific Information Not Documented

Central Coast Consortium is not maintaining student-specific information as required.

DISCUSSION:

The current Cal-SOAP law calls for each project to maintain a comprehensive student-specific information system on students receiving services through the program in grades 11 and 12 at secondary schools within the participating districts. The system should provide information to supporting institutions in their outreach to a project's target population, and provide a database for evaluations by the project and the Commission. Although the law calls for the system to supply information on only 11 and 12 grade students, if the system is to be effective, it must include information on all pupils served, those below the 11 grade, as well as community college students involved in transfer programs. This information shall be maintained in a manner consistent with the law relating to pupil records. Each project has been given a standardized Student Database to collect certain data for recipient of the Cal-SOAP program.

According to the Application for Implementation 2001-02 under STUDENT INFORMATION/TRACKING SYSTEM it states, "The creation of a student information/tracking system is essential in determining the success of the numerous Cal-SOAP activities. Cal-SOAP will need to maintain adequate and updated data on the student it serves. Students participating in Cal-SOAP sponsored events will be requested to complete and submit an enrollment data sheet including pertinent individual data. The information will be incorporated in a main student database. The information will be used to account for students served and contacted throughout the school year by location and event. The data will be available to all Consortium members. Additionally, the system will serve as an accounting mechanism to support the expenditure of Cal-SOAP funds. The project will also be able to complete state forms in a timely manner and extract necessary data as needed. A careful review of the Cal-SOAP 'Data Tracking and a Reporting System' was conducted per CSAC recommendations and a commitment was secured to retain the services of KNH consulting services to establish a student record system and database."

The Consortium does not maintain within the project headquarters a comprehensive student-specific information system on students receiving services through the program at the participating institutions. During the review the Consortium was unable to provide a listing of the students receiving services through the Cal-SOAP. According to the response to the survey, the intensive Consortium stated the number of students served was 20,000 (general) and 4,500 (intensive). There was no evidence (a listing of students' names) to support that Cal-SOAP recipients receiving tutoring services. In addition, there was no tracking of students participating in the Cal-SOAP, such as list of student taking the SAT test, field trips to site schools, or students who are tutored.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 3
Cal-SOAP Operations Handbook, 12/6/96, Section 3
California Education Code, 69561 (c) (II), prior 10/01
California Education Code, 69561(k), effective 10/01
Central Coast Cal-SOAP Consortium Application for Implementation, 2001-02, pages 2, 19, 32

REQUIRED ACTION:

Central Coast Consortium is required to develop and maintain a comprehensive student-specific information system on students receiving services through the Cal-SOAP program. In addition, the Central Coast must submit student-specific information for the 20,000 Cal-SOAP recipients receiving services in the response to this report.

C. ADMINISTRATIVE & ACCOUNTING CONTROLS:

FINDING 1: Misappropriation of Funds

Cal-SOAP funds were expended on inappropriate site visits.

DISCUSSION:

Some programs and activities in which Cal-SOAP projects are recommended to implement the following stated objectives:

- Encouraging and organizing visitations of college representatives to high school and community college campuses.
- Sponsoring or actively participating in area meetings for the purpose of bringing together college representatives and interested students.
- Providing workshops to train college students to work with target students, whether or not such students are actual employees of a Cal-SOAP project.
- Organizing career workshops for target students, involving business and professional people as well as representatives of educational institutions.
- Taking the lead in developing and distributing publications to which many postsecondary institutions and other interested agencies contribute.
- Organizing visits by students to various college campuses, not limited merely to institutions, which are members of the Consortium.
- Promoting area-wide meetings of parents of target students to which colleges are invited to send representatives.
- Participating in outreach events sponsored by other programs. Coordinating workshops in collaboration with other outreach programs.

FINDINGS AND REQUIRED ACTIONS (continued)

According to the Application for Implementation 2001-02, Central Coast Consortium stated the following colleges were going to be visited for the award year:

- Allan Hancock College
- Cuesta College
- Westmont College
- UCSB
- CAL-Poly-SLO
- CSU Fresno

Inappropriate site visits:

There were site visits made to colleges not disclosed on the application and not included in the Institutional List outlined in the Application for Implementation approved by CSAC. In conjunction with the non-approved college visits, other non-college visits were made to museums and recreational parks that were funded by Cal-SOAP. Listed below are the inappropriate site visits.

University of California, Los Angeles, LA Museum of Tolerance , and J. Paul Getty Museum, which took place on 11/30/01.

1. Bus charges \$899/3 for three site visits Consortium paid for one site only.		\$299.67
2. University of California, Berkley and Alcatraz (4/12/02 – 04/13/02)		
Exploratorium Entrance Fee	\$240.00	
Alcatraz Entrance Fee	490.00	
		<u>730.00</u>
3. Universal Studios (6/22/02)		
Bus	\$948.00	
Meal ticket for 38 students	266.00	
		<u>1,214.00</u>
TOTAL UNAPPROVED VISITS		\$2,243.67

Cal-SOAP funds (\$2,243.67) were expended on inappropriate site visits, which are deemed ineligible.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 2, pages 2 to 4
Central Coast Cal-SOAP Application for Implementation 2001-02, College Visitations

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

Central Coast Consortium must pay the ineligible funds of **\$2,243.67**. Please submit payment as directed in the general repayment instructions located at the conclusion of this report. In addition, the Consortium must provide policies and procedures to ensure funds should not be used for recreational visitations; Cal-SOAP funds should only be used on approved college visitations. Moreover, the Consortium should in the future mention and disclose all college visitations in the Application for Implementation.

Unfortunately, Central Coast Consortium has only provided the Account Directors' Summary Report and Purchase Order (PO), which only shows "campus visit," but does not list the actual campus or destination. Additionally, no receipts were provided for these expenditures.

Therefore, a portfolio review of Cal-SOAP field trips and food supplies for award year 2001-02 to the present must be performed by the Consortium and the following information must be provided in spreadsheet format in response to this issue:

- Account 64900006-4640 (Cal-SOAP - Field Trips) for award year 2001-02 expended \$2,699.75
- Account 64900006-4710 (Cal-SOAP - Food Supplies) for award year 2001-02 expended \$341.86
- Account 64900007-4640 (Program Service to School Site - Field Trips) for award year 2001-02 expended \$13,808.22
- Account 64900007-4710 (Program Service to School Site - Food Supplies) for award year 2001-02 expended \$4,249.01
- Date of Field Trip
- Date of Food Supplies
- Site Visit Name and Location
- Amount spent on Bus, Entrance Fee, Food Supply Cost Associated with the Field Trip
- Any recreational field trip and food expenditure associated is deemed ineligible
- **Consortium must submit all supporting recipients for each account expenditure above if unable to provide receipts then funds are deemed ineligible**

The amount listed in the Ineligible Amount column must be returned to the Commission using the repayment instructions provided at the end of this report. Please include an attestation dated and signed by the responsible party (Fiscal Agent, Board Chair, and Project Director) indicating the validity and accuracy of the portfolio data.

FINDINGS AND REQUIRED ACTIONS (continued)

- C. ADMINISTRATIVE & ACCOUNTING CONTROLS: **FINDING 2: Excessive Cell Phone Usage**
Inappropriate usage of Cal-SOAP cell phone.

DISCUSSION:

Monitoring includes the policies and procedures that ensure that all expenditures on behalf of the Cal-SOAP program are in compliance with the Cal-SOAP Law and requirements of the Commission. The responsibility for program compliance rests primarily with the governing board and its delegation of certain responsibilities to the project director. The fiscal agent also plays an integral role in this process.

Compliance Monitoring Includes:

- Authorization of purchase requisitions/orders by persons with a sufficient knowledge of the Cal-SOAP Law to determine that the transaction is in compliance with the Law.
- Authorization of personnel actions by persons with sufficient knowledge of the Law and requirements to determine compliance.
- Periodic monitoring of expenditure reports for validity of charges.
- Reviewing the time and effect of employees charging time to the program.

The former Project Director (award year 2001-02) had excessive usage of the program's cell phone which was not related to Cal-SOAP. In reviewing the highest cell phone bill in the amount of \$720.96 for the month of January 2002, it was revealed that several of the excessive charges were made to the Project Director's home phone number. Cal-SOAP funds paid for these unrelated charges to the program.

Currently, the consortium has implemented a new plan for cell phone usage. The Project Director and Assistant Director currently have a \$50 per month restriction allowance. If the individual goes over the allowance the staff has to pay the difference.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 4
Cal-SOAP Compliance Review Guidance, November 30, 2001, pages 4-5

REQUIRED ACTION:

Central Coast Consortium must submit in writing describing the new current internal controls. Moreover, ensure that expenditures are reviewed and approved within a reasonable amount in order to safeguard and monitor the program funds.

FINDINGS AND REQUIRED ACTIONS (continued)

C. ADMINISTRATIVE & ACCOUNTING CONTROLS: **FINDING 3: Cal-SOAP Funds Were Not Reconciled**

A review of the Consortium's fiscal documents revealed that Cal-SOAP funds were not reconciled.

DISCUSSION:

The Commission allocates funds appropriated by the Legislature on the basis of annual proposals made by the Consortia operating projects. The Commission expects projects to maintain adequate fiscal and managerial controls to ensure proper expenditures of state appropriations. No state-apportioned funds may be carried over from one fiscal year to the next. Any unused funds at the end of the fiscal year must be returned to the Commission.

A reconciliation of the Budget Report-Final Report 2001-02 disclosed an unused balance. The Fiscal Agent and Project Director were not reconciling properly. The Consortium had unexpended funds of \$5.00 (\$242,849 expenditure less CSAC reimbursement \$242,854). The Consortium did not report actual expenditures to the Commission for reimbursement.

REFERENCES:

Cal-SOAP Operations Handbook, 12/96, Section 4, pages 24-25
Cal-SOAP Operations Handbook, 10/01, Section 4
Cal-SOAP Compliance Review Guidance, November 30, 2001, page 6

REQUIRED ACTION:

The Consortium must return the undisbursed funds of **\$5.00** to the Commission. Please submit payment as directed in the general repayment instructions located at the conclusion of this report. Additionally, the Consortium must submit the procedures that will be implemented to ensure that all reimbursements requested are expended during the appropriate fiscal/contract year and any unused Cal-SOAP funds are returned to the Commission.

C. ADMINISTRATIVE & ACCOUNTING CONTROLS: **FINDING 4: Cal-SOAP Travel Reimbursements Exceed the Cal-SOAP Agreement Allowances**

A review of travel reimbursement policies and claims revealed that Cal-SOAP travel mileage is being reimbursed at higher rates than the allowances in the Cal-SOAP Agreement.

DISCUSSION:

The Travel and Per Diem Schedule rates per the Cal-SOAP Agreement are as follows:

- lodging up to \$84.00 plus tax, with receipt (lodging costs that exceed \$84 require advance approval by the State Contract Manager);
- breakfast, up to \$6.00;

AUDITOR'S REPORT (continued)

- lunch, up to \$10.00;
- dinner, up to \$18.00;
- incidentals, up to \$6.00; and
- mileage, .31 cents per mile.

Time Frames-Less Than 24-Hour

For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses up to the maximum as follows:

Breakfast: Leave at or before 0600 (6:00am)
 Return at or after 0900 (9:00 am)

Lunch **No reimbursement allowed**

Dinner Leave at or before 1600 (4:00 pm)
 Return at or after 1900 (7:00 pm)

In addition, meal reimbursements for daily travel of less than 24 hours are taxable and reportable income unless travel requires an overnight stay. Taxable reimbursement will be reported to the SCO and will appear on the employee's W-2.

Questions regarding reimbursable items and/or limits may be directed to the Commission's Fiscal Office 916-526-8042.

In comparing the above approved rates and the consortium rates the following discrepancies were noted:

- hotel accommodations that exceed \$84 rate, and per diem is being paid incorrectly for travel of less than 24 hour periods (day trip pays breakfast, lunch and dinner) as long as the travel begins before 7:00 am and ends after 7:00 pm.
- mileage rate at .345 cents per mile
- expenses exceeding these allowances are not reimbursable from Cal-SOAP funds.

Moreover, it was observed that Allan Hancock College District Expense Claim Voucher form does not reflect time on the travel claim form. It is recommend that the Fiscal Agent incorporate the time in order to determine the appropriate per diem for each travel claim submitted.

REFERENCES:

Cal-SOAP Agreement (G-01-015), Section 6.D, pages 3 and 4
Cal-SOAP Agreement (G-01-015), Attachment 5, Section a (2), b (2) (3), and d

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

The Consortium may only claim the travel mileage reimbursement from the state at the rate approved in the Cal-SOAP Agreement. Any excess expense travel expenses must be reimbursed with other funds. In the response, please advise the Commission the process that will be implemented to comply with the Cal-SOAP Agreement travel.

C. ADMINISTRATIVE & ACCOUNTING CONTROLS:

FINDING 5: No Separation of Duties

A review of the Consortium's internal fiscal controls revealed that there was no fiscal separation of duties.

DISCUSSION:

Separation of duties is essential in preventing errors and potential fraud. The areas that should be separated include the custody of assets, authorization and disbursement, record-keeping, and electronic data processing duties.

The following controls are listed in the Cal-SOAP Operations Handbook to assist consortia in the administration of the program:

Internal Fiscal Controls:

- The following is a list of suggested internal fiscal controls for management to ensure that Cal-SOAP funds are safeguarded from unauthorized use.
- Cash Receipts
- Documentation of internal controls is maintained.

Adequate separation of duties exists over the cash receipts function.

- On-site facilities are adequate for safeguarding cash and other valuables.
- Cash items are adequately controlled upon receipt.
- Procedures exist to ensure all collections are deposited intact.
- The project is collecting all receipts according to state laws and regulations.
- Cash receipt transactions are correctly recorded in the accounting records, and reconciliations of subsidiary balances to control totals are performed on a regular basis.

Fiscal Compliance Monitoring:

Monitoring includes the policies and procedures that ensure that all expenditures on behalf of the Cal-SOAP program are in compliance with the Cal-SOAP Law and Requirements of the Commission. The responsibility for program compliance rests primarily with the governing board and its delegation of certain responsibilities to the project director. The fiscal agent also plays an integral role in this process.

FINDINGS AND REQUIRED ACTIONS (continued)

Compliance Monitoring Includes:

- Authorization of purchase requisitions/orders by persons with a sufficient knowledge of the Cal-SOAP Law to determine that the transaction is in compliance with the Law.
- Authorization of personnel actions by persons with sufficient knowledge of the Law and requirements to determine compliance.
- Periodic monitoring of expenditure reports for validity of charges.
- Reviewing the time and effort of employees charging time to program.

Personnel/Payroll:

- Documentation of internal control is maintained
- Adequate separation of duties exists over the personnel/payroll function.
- Attendance records support all salary payments.
- Employee leave records are properly maintained.
- Employee appointments and separations are proper and adequately supported.
- Fiscal agent procedures provide adequate control over undeliverable salary checks or warrants.

Non-Compliance Issues:

Separation of Duties And Conflict of Interest – the Project Director initiates and approves payment of invoices/payroll checks. The following are examples of inappropriate actions discovered in the review:

- Cal-SOAP funds were used to purchase advertising space (one-fourth of a page) for sponsoring the Santa Maria High School Basketball Program 2001/02 in the amount of \$65.00. The Project Director sponsored Student No. 1 who attended Santa Maria High School and was a player for the basketball team, which in turn was the Project Director's daughter. This is a conflict of interest for the Project Director (mother) to sponsor a fundraiser for her daughter with Cal-SOAP funds. Also, the Project Director authorized the expenditure and approved the requisition/payment.
- The Project Director **authorized** the requisition and **approved** the payment (04/24/02) for 82 box lunches from FRESH & NATURAL Café, LLC in the amount of \$395.75, for an activity I'M GOING TO COLLEGE PROGRAM.
- Student No.1, a high school student, was a Special Project Assistant for the Cal-SOAP program working at Santa Maria High School. Based on the time sheets, the student rendered services as a tutor/peer advisor. Note, Cal-SOAP law states, "the students employed as advisors and tutors **must be enrolled in a college or other postsecondary school and demonstrate financial need**. Although a high school student maybe

FINDINGS AND REQUIRED ACTIONS (continued)

- enrolled in college, s/he is not eligible to be a Cal-SOAP tutor. Cal-SOAP tutors must have financial aid need (i.e., applied and receiving student financial aid for college)." Thus, Student No. 1 was paid \$1,426.08 (140.5 hours worked x \$10.15 per hour). The student was not an eligible Cal-SOAP tutor; therefore, funds in the amount of **\$1,426.08** are deemed ineligible. Also it was noted that the Site Supervisor did not sign the time sheet; the Project Director (mother of the tutor) approved the time sheet. Once again this is a conflict of interest for the Project Director (mother) to hire her daughter as a Cal-SOAP Program Specialist, and for the Project Director to authorize the expenditure and approved payroll for her daughter.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 2, pages 1 to 7
Cal-SOAP Operations Handbook, 10/01, Section 4, page 8
Cal-SOAP Operations Handbook, 10/01, Section 6, pages 7 to 13
Cal-SOAP Compliance Review Guidance, November 30, 2001, pages 3 to 7

REQUIRED ACTION:

Since Student No. 1 did not meet the requirements for a Cal-SOAP employed advisor/tutor, the amount of **\$1,426.08** is deemed ineligible and due to the Commission. Please submit payment as directed in the general repayment instructions located at the conclusion of this report.

The Consortium in conjunction with the fiscal agent must create basic fiscal internal controls to ensure that funds are being used appropriately and avoid conflict of interest situations. The Consortium must provide the policies and procedures that will be implemented to address proper separation of fiscal duties and the issue of conflict of interest.

C. ADMINISTRATIVE & ACCOUNTING CONTROLS:

FINDING 6: Cal-SOAP Funds Converted to Scholarship

Cal-SOAP funds were inappropriately converted to scholarship.

DISCUSSION:

Cal-SOAP is instrumental in improving the flow of information about postsecondary education to the following target students; those who are from low-income families, those who would be the first in their family to attend college, and those from schools or geographic regions with documented low-eligibility or college participation rates. The goals of Cal-SOAP are to increase the availability of information for these students on the existence of postsecondary schooling, and to raise the achievement levels of the students so as to increase the number of high school graduates eligible to pursue postsecondary learning opportunities.

FINDINGS AND REQUIRED ACTIONS (continued)

In reviewing, accounting documents, Account Directors' Summary, it was discovered that on 03/30/02 under fund account number 64900007-7410 Cal-SOAP Program Services Student Activities, \$5,000.00 of Cal-SOAP funds were converted into a scholarship. The only documents provided was a scratch sheet of paper, which informally states the following:

- Migrant Education Teacher Program (Scholarship/Stipend)
- 02-12-02
- Stipend will cover: mileage, book cost, tuition
- March 18 deadline for application turn in
- May announcement of winner
- \$5,000, 39 students in class
- 15 stipends at \$340
- Criteria: 9-12 units, low income need, meet income requirements prescribed by CSAC
- Participant in pre-collegiate program disadvantaged criteria
- GPA 2.5

Cal-SOAP funds in the amount of \$5,000.00 were transferred to Migrant Education Teacher Program (METP) for scholarships. Furthermore, there was no confirmation that these funds were actually paid to the scholarship recipients. Cal-SOAP funds were expended on an unapproved expenditure and it was not disclosed in the Central Coast Cal-SOAP Application for Implementation 2001-02. The funds are deemed ineligible in the amount of **\$5,000.00**.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 1.2, page 2
Cal-SOAP Operations Handbook, 10/01, Section 2, page 2
Central Coast Cal-SOAP Application for Implementation 2001-02

REQUIRED ACTION:

The Consortium must provide documentation of the METP recipients' name and copies of the negotiated scholarship checks (front and back) in order to verify they received the funds. Any further action will be determined following review of the information submitted

If the requested scholarship documentation is not provided, Central Coast Consortium must repay the scholarship funds of **\$5,000.00** to the Commission. Please submit payment as directed in the general repayment instructions located at the conclusion of this report.

In the future, the Consortium must disclose any amendments to the Commission and first seek approval prior to implementing a program. Furthermore, Cal-SOAP funds cannot be used for scholarships fund since this is not the intention of the program.

FINDINGS AND REQUIRED ACTIONS (continued)

D. COMPLETION OF REPORTS:

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

A review of five Consortium member's in-kind match amounts revealed the institutions did not have proper documentation.

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 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.

Currently, supporting institutions are not fully documenting their in-kind contributions that are reported to the Consortium. The members did not realize in what detail they needed to provide and document actual amounts. Because actual amounts are not being reported, the Consortium does not know the actual in-kind ratio and may be receiving more than the required 1:1 ratio. We sampled four Consortium members for their calculation of the in-kind match. As this matter was discussed with these four Consortium members, it appeared that the actual in-kind match was higher than the budgeted amounts that were reported to the Commission. The Consortium was 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 Education Code 69564

Cal-SOAP Operations Handbook, 12/6/96, Section 4, page 22 & 24

Cal-SOAP Operations Handbook, 10/01, Section 2 pages 2 to 4

REQUIRED ACTIONS:

The Consortium must create a method of **tracking** and **documenting** the actual in-kind match amounts supplied by the institutions. This match amount 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 addition, the Consortium must submit the policy and procedures that will be implemented to track and document the actual in-kind match amounts.

FINDINGS AND REQUIRED ACTIONS (continued)

D. COMPLETION
OF REPORTS:

FINDING 2: Reimbursement Requests Not Submitted At Least Quarterly

A review of the Cal-SOAP funds revealed that the reimbursement requests were not submitted to the Commission on a quarterly basis.

DISCUSSION:

The Cal-SOAP agreement states the grantee will submit Reimbursement Requests quarterly, in arrears, unless special arrangements are approved. All Reimbursement Requests shall be prepared and submitted in accordance with authorized expenditures for actual expenses incurred. In addition, according to the By-Laws, the Fiscal Agent shall be responsible fiscally for the Cal-SOAP project and will submit required reports to the Commission.

For award year 2001-02 Central Coast Consortium submitted their first and second quarter reimbursements on February 13, 2002. According to pay schedule the third quarter was turned in May 2002. The fourth quarter (final) was submitted in October 2002. The Consortium is not receiving reimbursement for expenditures on a timely basis.

REFERENCES:

Cal-SOAP Agreement (G-01-015), Section 6.D, pages 3 to 4
Cal-SOAP Operations Handbook, 12/96, Section 4, pages 24 to 25
Cal-SOAP Operations Handbook, 10/01, Sections 4 and 5
Cal-SOAP Operations Handbook, Section 5
Cal-SOAP Operations Handbook, 10/01 Appendix B, Calendar
Central Coast Consortium By-Laws, Article VI

REQUIRED ACTIONS:

The Director of Fiscal Services and the Project Director should work together to ensure the reconciliation and reporting of Cal-SOAP funds are done on a quarterly basis to the Commission.

Additionally, the Consortium must provide written procedures and internal control measures that will be implemented to ensure that the institution reconciles its records as required by the Cal-SOAP Agreement and the Central Coast Consortium By-Laws. The procedures must include time frames, staff titles, and specific areas of responsibilities as it relates to the Cal-SOAP reconciliation.

FINDINGS AND REQUIRED ACTIONS (continued)

E. RECORD
RETENTION
AND FILE
MAINTENANCE:

FINDING : **Missing Pertinent Records**

The Consortium does not retain pertinent accounting records.

DISCUSSION:

All Cal-SOAP transaction must be supported by appropriate accounting records in accordance with generally accepted accounting principles and practices. Appropriate accounting records includes, but are not limited to, cash receipts, disbursement journals, bank reconciliations, and all other accounting records necessary to account for all transactions.

File Maintenance and Records Retention:

Records must be available upon request: records relative to the Cal-SOAP program must be retained for three (3) years following the last reimbursement; and records must be maintained to fully document the accuracy of the costs represented in the reimbursement requests.

Fiscal Compliance Monitoring:

Monitoring includes the policies and procedures that ensure that all expenditures on behalf of the Cal-SOAP program are in compliance with the Cal-SOAP Law and Requirements of the Commission. The responsibility for program compliance rests primarily with the governing board and its delegation of certain responsibilities to the project director. The fiscal agent also plays an integral role in this process.

Compliance Monitoring Includes:

- Authorization of purchase requisitions/orders by persons with a sufficient knowledge of the Cal-SOAP Law to determine that the transaction is in compliance with the Law.
- Authorization of personnel actions by persons with sufficient knowledge of the Law and requirements to determine compliance.
- Periodic monitoring of expenditure reports for validity of charges.
- Reviewing the time and effort of employees charging time to program.

Cash Disbursements:

- Documentation of internal control is maintained.
- Adequate separation of duties exists over the disbursements function.
- Updated authorizations are maintained.
- Bank reconciliations are prepared and reviewed monthly.
- Procedures exist for proper reconciliation of bank accounts.
- Blank checks and check-signing machines are safeguarded from unauthorized use.
- Full accountability of check stock is maintained.
- Cash disbursements are properly substantiated and documented.
- Cash disbursements are properly recorded in the accounting records.

FINDINGS AND REQUIRED ACTIONS (continued)

Personnel/Payroll:

- Documentation of internal control is maintained
- Adequate separation of duties exists over the personnel/payroll function.
- Attendance records support all salary payments.
- Employee leave records are properly maintained.
- Employee appointments and separations are proper and adequately supported.
- Fiscal Agent procedures provide adequate control over undeliverable salary checks or warrants.

Verification of equipment inventory revealed that all equipment was not identified as property of the State of California. In review of 2001-02 expenditures it was noted that there were equipment purchases over \$50.00 that was not reflected on the Consortium's equipment list. Additionally, all Cal-SOAP property needs to be identified as State of California property (i.e. tables, chairs, copiers, etc.)

Not all travel reimbursement claims had supporting documentation justifying the costs incurred, such as, hotel receipts. For instance, travel claim under account 64900006-5210 dated 10/31/01 Primary Reference 10/3-5/01 in the amount of \$176.09 does not have a receipt for the hotel stay of \$85.00. Another travel claim under 64900006-5220 dated 05/01/02 Primary Reference 2/06-2/08/02 in the amount of \$197.61 does not have a receipt for the hotel stay of \$95.00.

Cal-SOAP Program Specialist/ Tutor – Student No. 1's time sheet for the month of January-February 2002 for 19 hours is missing.

Several expenditures of the Consortium do not have back up documentation such as receipts/invoices to justify payment. For example, phone bills, purchases of supplies, and food. There were only two cell phone bills, which were provided to the Reviewers, dated December 22, 2001 and February 22, 2001. In addition, purchase order 023372 dated 04/03/02 in the amount of \$1,500 had an invoice attached detailing the expenditures, however, there is no accompanying receipts. In reviewing all accounting documents this is the case in the majority where there are purchase orders but a receipt did not accompany the expenditure.

The Consortium is not retaining or obtaining supporting appropriate records for all transaction/expenditure for the Cal-SOAP program.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 2, page 2
Cal-SOAP Operations Handbook, 10/01, Section 6, page 6
Cal-SOAP Agreement (G-01-015), Section 7, pages 4 and 5
Cal-SOAP Compliance Review Guidance, November 30, 2001, pages 3 to 6

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

The Consortium must retain all necessary records to account for all transactions. In addition, the equipment purchase using state funds under the terms of this agreement shall be identified with an appropriate identification tag and the brand name, cost, date of purchase, identification/serial number, etc., listed on an Equipment Inventory Report. Additionally, this report must be provided to the Commission whenever additional equipment is purchased or equipment is disposed. Moreover, Central Coast Consortium must provide policy and procedures to ensure that all accounting transactions must maintain records to fully document the cost and retain for a period of three years following the last reimbursement.

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OBSERVATIONS AND RECOMMENDATIONS

G. OBSERVATION AND RECOMMENDATION: The following are observations and recommendations based upon our review of the institution's policies and procedures and the condition of the institution's records.

OBSERVATION G.1: Food Provided for Cal-SOAP Related Meetings

It was observed that food was provided for Cal-SOAP related meetings and tutor training sessions, etc. During the site reviewed it was expressed that the Governing Board and Executive Committee demands that food be served at every meeting.

RECOMMENDATION:

It is highly recommended that Cal-SOAP funds not be expended for food at the Governing Board meetings, Executive Committee meetings, and tutor training sessions. The Commission finds this practice questionable. Furthermore, the intention of the funds is to be spent on “**NEEDY Cal-SOAP Students**” in their quest for post-secondary education. Through our review, we have currently identified over \$1,500.00 in food purchases that are deemed unnecessary. Funds should be expended on Cal-SOAP recipients, not for catered breakfast, lunch, dinner, specialty coffees and pastries for the Governing Board, Executive Committee and tutor meetings depending on the time of the meeting.

Additionally, starting in the 2003-04 fiscal year food for other than students at Cal-SOAP functions is not allowed.

OBSERVATION G.2: No Advertisement and Literature of Cal-SOAP

It was observed in our review that there is no literature and or advertisement of services provided by CENTRAL COAST CONSORTIUM. We were unable to answer these questions: How is the Consortium promoting CAL-SOAP? What type of information (publication) is disseminated to interested students/parents about the mission and purpose of CENTRAL COAST CONSORTIUM? On the publication does it state how to qualify for CAL-SOAP, who to contact, what services are provided, the mission and purpose of CAL-SOAP. **Basically, there is no publication regarding the services Central Coast Cal-SOAP provides to the region.**

RECOMMENDATION:

It is recommended that the Central Coast Consortium advertise and develop literature to promote outreach for the CAL-SOAP program within their jurisdiction.

OBSERVATIONS AND RECOMMENDATIONS (continued)

OBSERVATION G.3: Incomplete Web Page

It was observed that the Consortium started a website that was never implemented. The Consortium paid the consultant Katz & Mouse for Web Development of Central Coast Cal-SOAP, which included site design, site architecture and programming of all web pages associated with web site in the amount of \$3,000. In addition, the Consortium rented office space at Lucia Mar Unified School District for the project at \$200 per month. The Consortium paid a total of \$1,000 for the rental space. In essence, Central Coast Consortium paid a total of \$4,000 for this web page and during the review; the Consortium was unable to provide any results of the web page. As a matter of fact, the Consortium stated that the information was stored on a CD disc. It is unfortunate that the Consortium spent \$4,000.00 for a web site that cannot be accessible for the Central Coast Consortium recipients and general members interested in the program.

RECOMMENDATION:

It is recommended that the Consortium evaluate carefully in the future where funds are going to be expended. The funds in the amount of \$4,000 could have been used on something more resourceful for the students of the Central Coast Consortium.

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GENERAL PAYMENT INSTRUCTIONS

Please submit payment of all ineligible Cal Grant funds (payable to the California Student Aid Commission) with the response to this report.

To ensure that funds are properly credited and individual accounts updated, please provide the following information with payment:

1. consortium name
2. repayment amount,
3. grant program Cal-SOAP
4. contract number for 2001-02 is [Central Coast Consortium G-01-015]
5. academic year
6. brief description indicating repayment reason

In addition, each check must reference the Program Compliance Review # 60300200015.

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