



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

2006-07 Award Year

**Central Valley Consortium
Program Review ID#60800000010**

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Program Review Date: March 24 – 27, 2008

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AUDITOR'S REPORT

SUMMARY We reviewed Central Valley Consortium's administration of California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2006-07 award year.

The consortium's records disclosed the following:

- Consortium not in Compliance with By-laws
- Cal-SOAP Funds Were Not Expended
- Final Reported In-Kind Amounts and Actual In-Kind Contributed Amounts Did Not Agree

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: Rafael Mendez
- Board Chairperson: Frances Pena-Olgin
- Fiscal Agent: CSU Fresno Foundation
- Membership:
 - Schools & Districts:**
 - Firebaugh High School
 - Firebaugh High School-Las Deltas
 - Unified School District
 - Kerman Unified
 - Kerman High School
 - Mendota High School
 - Mendota Unified School District
 - Golden Plains Unified
 - Tranquility High School
 - California Community Colleges:**
 - West Hills Community College
 - North District Center, Firebaugh
 - California Public Universities:**
 - California State University, Fresno
 - University of California, Merced
 - Independent Colleges:**
 - Fresno Pacific University
 - Community Agency:**
 - Advancement Via Individual Determination (AVID) Region VII
 - Elementary Schools:**
 - Arthur E. Mills Elementary School
 - Tranquility Elementary School
 - Cantua Elementary School
 - Kerman Floyd Elementary
 - Sun Empire Elementary
 - Helm Elementary School
 - McCabe Jr. High School
 - McCabe Elementary School
 - Mendota
 - Firebaugh Middle School

B. Consortium Persons Contacted

- Rafael Mendez: Project Director
- Angelica Ayala: Office Manager
- Wilma Satterberg: Fiscal Agent

AUDITOR'S REPORT (continued)

C. Project Information

- Date of Prior Commission Program Review: October 2003
- Branches: None
- Size of Student population in the service area: 5,807
- Number of Students Served:
 - General: 5,036
 - Intensive: 771
- Cal-SOAP Programs:
 - Transfer Making It Happen: Higher Education/College
 - I'm Going to College: Advisement
 - College Making It Happen: Academic Tutorial
 - Financial Aid: New Activity
 - California Cash for College

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 Program Requirements
- B. Fiscal Accountability
- C. Observations and Recommendations

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.

AUDITOR'S REPORT (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.

The names and social security numbers of the sample of student tutors reviewed have been excluded from the body of this report and have been replaced by identifying numbers.

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.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on March 27, 2008.

March 27, 2008

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

A. GENERAL
ELIGIBILITY:

FINDING: Consortium Not in Compliance With By-laws

According to the 2006-07 Consortium By-Laws, the Executive Board is required to meet every six weeks. And, the decisions reached by the Executive Board shall be submitted to the Consortium Board for final ratification and action.

We found no documentary evidence to suggest that the Executive Board met every six weeks. Furthermore, the Consortium Board minutes provide no documentation that supports that an action by the Executive Board was ratified.

DISCUSSION:

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

According to the Consortium By-Laws, Article VII section 4, the By-Laws require the Executive Board to meet every six weeks. The Consortium provided no documentary evidence (such as minutes) indicating that such meetings took place.

On an additional exception noted and taken, the Consortium By-Laws, Article VI section 3, states that decisions reached by the Executive Board shall be submitted to the Consortium Board for final ratification and action. According to minutes documented on February 16, 2007 and on March 6, 2007, the Executive Board approved increases of salaries and budget changes, respectively. We found no documentation in the Consortium Board minutes that an action by the Executive Board was ratified.

On another item relating to non-compliance with By-Laws, the Auditor reviewed email correspondence between the Consortium and the Commission. According to these emails, the Commission requested electronic copies of the Governing Board minutes from all Cal-SOAP directors. The Cal-SOAP's received instructions to provide the date of each meeting and whether a quorum was present. The meetings encompassed the period of July 2006 to December 30, 2007.

In response, the Director provided electronic copies of the minutes and an email note stating that no quorum was present for the subsequent award year--2007-08. The Central Valley Consortium informed the Commission that no quorum was present on September 27, 2007 and November 27, 2007. Although this falls outside of our audit period, we remind the Consortium that it is in non compliance with the By-Laws of the Consortium.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Cal-SOAP Policies and Requirements Manual, Chapter II
California Education Code, 69561 (h)
Central Valley Consortium By-Laws, Article VII section 4 and Article VI section 3
Central Valley Cal-SOAP Consortium Agreement, G-06-06-010

REQUIRED ACTION:

In response to this finding, the Consortium **is required** to submit written policies and procedures that will be implemented to ensure compliance with the Consortium's By-Laws.

CONSORTIUM RESPONSE:

Central Valley Cal-SOAP went through a series of changes in the year 2006-2007. At the beginning of such academic year, Central Valley Cal-SOAP lost the Program Director, as well as the Student Services Coordinator of 2006. This situation left the program without leadership for four months. In December the Executive Board hired a Director, unfortunately he resigned after his fourth day of employment. Once again the program was left in the limbo. Finally the Executive Board hired another Project Director in January of 2007. By this time the program had been running for five months without complying with some policies and procedures.

When the new Director arrived, the program was behind on quarter reports, Annual Program Plan (APP), Form A's, and Voting Forms. In addition the individual needed to meet with the Consortium Chair and the CSU Foundation. Due to the individual being overwhelmed the Executive Board meetings were not scheduled. Furthermore the two week study In-Kind was not being done, which caused the reported In-Kind to miss-match the actual one at the end of the year.

This year the new Project Director is working firmly to follow the policies and procedures stated on the Central Valley Cal-SOAP Handbook. The following will be taken into action to remedy the audit findings in the year 2006-2007:

- In the first Consortium Meeting the members decided to modify the By-Laws to meet the Executive Board meeting finding. Under the current By-Laws on Article VII: Meetings on section 4 it states that the "Executive Board: Shall meet at least once every six weeks, with notice prior to the convening of this body." The revised By-Laws state that the Executive Board members will meet every two months, before or after every Consortium meeting.

AUDITOR REPLY:

The consortium's action is deemed acceptable.

FINDINGS AND REQUIRED ACTIONS (continued)

B. FISCAL ACCOUNTABILITY: **FINDING 1: Cal-SOAP Funds Were Not Expended**

The reconciliation between the General Ledger and the Budget Report-Final Report 06-07 showed an unused balance of \$102.72

DISCUSSION:

The Commission allocates funds appropriated by the Legislature on the basis of annual proposals made by the Consortia operating projects. The Commission expects Cal-SOAP Consortiums to maintain adequate fiscal and managerial controls to ensure proper expenditures of funds. 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.

The reconciliation between the General Ledger and the Budget Report-Final Report 06-07 indicates that the Consortium has unexpended funds of \$102.72. The Commission reimbursed the Consortium \$370,000 while the general ledger shows actual expenditures of \$369,897.28. Thus the difference must be returned to the Commission.

REFERENCES:

Cal-SOAP Policies and Requirements Manual, Chapter VI
Central Valley Cal-SOAP Consortium Agreement, G-06-010

REQUIRED ACTION:

In response to this finding, the Consortium **is required** to return **\$102.72** to the Commission as directed in the general payment instructions located at the conclusion of this report.

CONSORTIUM RESPONSE:

The institution returned \$102.72 on check #153650 dated June 27, 2008.

AUDITOR REPLY:

This action is deemed acceptable and no further action is required. The Consortium **must** reconcile the actual expenditures to the invoices reimbursed by Commission.

FINDINGS AND REQUIRED ACTIONS (continued)

B. FISCAL ACCOUNTABILITY: FINDING 2: Final Reported In-Kind Amounts and Actual In-Kind Contributed Amounts Did Not Agree

An analysis performed revealed that the final In-Kind amounts reported per the Consortium's Year-End Report, Matching Resource Contribution Summary Report did not agree to supporting worksheets.

DISCUSSION:

At year-end, the Commission requires that each Consortium submit four budget-related reports, one of which is the Matching Resource Contribution Summary Report. This Report details the contributions toward the operations of the Cal-SOAP project the Consortium partners have provided for the fiscal year. Typically, this Report is submitted twice a year, the first details the pledges from the partners which are submitted along with the Annual Program Plan and the second is submitted 90 days from the end of the fiscal year which details the actual and final contribution amounts.

It is imperative that each Consortium maintains complete and accurate records of matching funds by supporting institutions. The Consortium is required to match funds provided by the Commission by a minimum of 1:1. However, the Consortium is strongly encouraged to increase its matching resources to at least 1:1.5. Failure to accurately report matching funds can possibly result in underestimating/overestimating actual in-kind contribution amounts.

The analysis revealed that the Consortium's Year-End Report, Matching Resource Contribution Summary Report was not in agreement with the supporting documentation. The Consortium provided supporting worksheets titled "Actual In-Kind Contribution Worksheets". These two sources indicate that some of the final/actual amounts differ as illustrated in the table below:

Sponsoring Member	In-Kind Amount Reported	Correct In-Kind that should have been Reported
Mendota Unified School	\$119,309.83	\$120,784.83
UC Merced	\$3,604.29	\$7,512.99
West Hills College	\$25,032.12	*?
AVID	\$9,532.48	\$9,532.48
CSU Fresno	\$4,187	\$4,187
Firebaugh Las Deltas	\$91,312.72	\$91,416.13
Fresno Pacific Univ.	\$8,771.45	\$9,802.70
Golden Plains Unified District	\$142,805.39	\$142,765.30
Kerman Unified School District	\$101,084.86	\$101,084.86
Grand Total:	\$505,640.14	\$487,086.29

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

California Education Code, Section 69564
Cal-SOAP Policies and Requirements Manual, Chapter III
Cal-SOAP Policies and Requirements Manual, Chapter IV

REQUIRED ACTION:

In response to this Finding, the Consortium **must** create a method of calculating, tracking and documenting the final/actual in-kind match amounts provided by its sponsoring members that is subsequently reported to the Commission. The institutions may use a time study where all in-kind costs tracked for a reasonable period or periods of time and extrapolated over a year to determine their actual in-kind match for the award year.

Additionally, the Consortium **must** submit quality control measures that will be implemented to ensure that each sponsoring member is accurately reporting final and actual amounts at year-end.

CONSORTIUM RESPONSE:

This year the new Project Director is working firmly to follow the policies and procedures stated on the Central Valley Cal-SOAP Handbook. The following will be taken into action to remedy the audit findings in the year 2006-2007:

- To make sure the reported and matching In-Kind match at the end of the year the Project Director will do a detailed two week study to have a precise number at the end of the year.

AUDITOR REPLY:

The consortium's action is deemed acceptable.