

Chapter 11

Compliance Review

The Commission provides the following general compliance review process information to help schools in evaluating their internal operations to determine compliance with the various requirements outlined in this, and other, Cal Grant Manual chapters.

11.1 Compliance Review

Purposes and Methods

The Commission conducts compliance reviews at participating Cal Grant schools to:

- review and analyze the administration of the Cal Grant program at each participating school, and
- provide information and feedback to school staff to assist them in taking corrective action, if necessary.

Through interviews and reviews of records, the auditor analyzes the adequacy and enforcement of school-established internal controls. These controls help safeguard the operational and fiscal integrity of the Cal Grant program.

Review Process Helps Schools

Although most of the areas of review are included in this chapter, it is not intended to be all-inclusive or to limit the scope of review. Therefore, the absence of compliance items here does not relieve the school of its obligation to comply with all applicable federal and state laws and regulations, the Institutional Participation Agreement, this Cal Grant Program Manual or any other written procedures and policies issued by the Commission.

Purposes of a Compliance Review

A compliance review is conducted to:

- evaluate the school's administration of the Cal Grant program
- ensure compliance with applicable laws, regulations, Commission policies and procedures, and the Institutional Participation Agreement
- evaluate the school's controls and procedures
- document reasons for specific problems identified in the school's routine processing and exceptions monitoring
- initiate corrective action, including recovery of funds
- assist in the correction and/or prevention of future problems to improve future administrative capabilities, and
- initiate any necessary administrative actions to encourage appropriate use of funds.

School Selection for Compliance Review

Schools participating in the Commission's Cal Grant program are scheduled for compliance reviews based upon, but not limited to, the following factors:

- no prior review
- time elapsed from prior review
- number of and severity of findings noted in a prior review
- dollar volume and number of Cal Grant recipients at the school
- non-payment of invoices

- reconciliation issues
- referral, such as from other Commission Divisions, or any other state or federal agency, or a pattern of inquiries about the school's financial aid or accounting practices.

Compliance Review Types

General Assessment Review- Conducted to evaluate the school's overall performance in administering the Cal Grant Program and determining if the school meets Federal and State administrative and financial requirements. The areas of review are detailed below.

Focused Review- Conducted to determine if the school is in compliance with a specific area of Cal Grant program administration. The Commission may select one topic for review and request documentation to be submitted from numerous institutions simultaneously. For example, to determine if Cal Grant funds are maintained in an interest bearing account, the Commission may request bank statements and supporting documents to be sent in for review from all institutions for a given award year.

11.2 Areas of Review

The principal objective of a compliance review is improved overall administration of the Cal Grant programs. The review encompasses the following general areas:

General Eligibility- The school's policies, internal controls, financial stability, eligibility for Title IV funding, etc., are examined to determine if the institution is eligible to participate in and adequately administer the Cal Grant program.

Applicant Eligibility- The Commission will select Cal Grant recipients and review school documentation to verify all students who received a Cal Grant were eligible for the award (California residency, citizenship, income level, financial need, satisfactory progress, etc.)

Fund Disbursement and Refunds- The school's disbursement practices are analyzed to make certain that the school is confirming that recipients meet eligibility and program requirements at the time Cal Grant funds are paid to the recipient as well as disbursing the correct amount of funds based on the same criteria. Additionally, the school's refund policy is evaluated to ensure that Cal Grant funds are included and that Cal Grant funds are not used for reimbursement to the Federal government.

Completion of Rosters and Reports- School records are reviewed to determine the accuracy and timely submission of data used in the administration of the Cal Grant program and to ensure the school has resolved and reported any discrepancies found between the Commission's data and the institution's records.

File Maintenance and Record Retention- School records are reviewed to ensure all records pertaining to the Cal Grant program are kept for a period of three (3) years following the last day of the academic year for which the grant was intended or until outstanding audits are resolved.

Information Security- The school's "Information Security and Confidentiality Agreement" is reviewed to determine that the Authorized Official (AO) and System Administrator(s) are current. A review of all authorized users is performed to ensure that the users are current school employees that require access to the WebGrants system.

Fiscal Responsibility for Program Funds- The school's internal accounting processes, procedures and controls are assessed to ensure the school's capability in properly maintaining, disbursing and returning Cal Grant funds.

11.3 Review Process

The review process encompasses:

School Notification

Schools are contacted to schedule a review date and establish a school contact person.

An Engagement Letter is sent to the school to confirm the date, provide the name of the auditor who will perform the review, as well as request;

- policy and procedural material
- student records, and
- other information required for the review.

The Commission reserves the right to perform unannounced program reviews when deemed necessary.

Sample Size Determination

- a sample size of 40 students is developed for schools with 100 or more program recipients (used primarily for field reviews)
- a sample size of 15 students is developed for schools with 16 to 99 program recipients
- all students are examined for a school with 15 or fewer recipients

Review Preparation

Engagement Letter- The Engagement Letter requests certain written material from the school prior to the review to allow the auditor to become familiar with the school's operations in preparation for the review.

Field Work

Entrance Interview- The review begins with an entrance interview. The auditor conducts an entrance interview with school staff that describes the Cal Grant program administration compliance review process. The auditor also collects additional information on school policies and procedures to be used in conducting the review.

Document the Review- The auditor reviews student records to determine that all students in the sample were eligible Cal Grant recipients and received the correct disbursement based on all eligibility requirements. The school must be prepared to provide any paper or electronically stored institutional records required by the auditor. The auditor may review documents at the institution (onsite/field review) or may request that all documents be sent to the Commission for review (desk review). During this phase of the review, the auditor analyzes the records and compiles review findings.

Documents reviewed include but are not limited to:

- Academic records
- Attendance records
- Canceled checks (access and books & supplies)
- Citizen or eligible non-citizen documentation
- Class schedules and catalogues
- Disbursement policy and disbursement schedules
- Enrollment records
- Financial aid records, including need analysis documentation, ISIRs, budgets, award letters, renewal need calculations, etc.
- General ledgers and other accounting records that support Cal Grant fund transactions (e.g., Accounts Receivable reports, bank statements, etc.)
- Documentation of interest earned on Cal Grant funds
- Grant Roster transactions, Education Level Verification reports, and any other Commission reports that contain information the school reported to the Commission
- Individual student files
- Institutional refund policies
- Satisfactory academic progress documentation

- Student access and book & supplies authorizations
- Student account records
- Verification documentation
- Written policies and procedures describing the school's administration of the Cal Grant program, *and*
- Any other files the compliance staff deems necessary to conduct the review.

School Offices Contacted- the following school offices are contacted during the compliance review:

- Financial Aid
- Admissions
- Registrar
- Accounting, *and*
- additional offices and staff as necessary

Written Pre-Exit Document

The auditor provides a written "pre-exit" document that lists questions, comments and draft non-compliance issues to the school contact. The school contact person will have an opportunity to provide a written explanation and any necessary supporting documentation prior to the exit interview.

Exit Interview- The auditor conducts an exit interview with school staff to discuss findings, recommend corrective actions, and convey potential liabilities. The school is also given a preliminary timeframe for receipt of the Commission's draft report.

Compliance Report

Draft Report- The Commission issues a written draft report after the compliance review is completed. The report summarizes the auditor's examination of records and procedures, and identifies specific findings, required actions, and recommendations.

The school must respond to the report by:

- indicating the corrective actions taken,
- submitting payments, if required,
- providing clarifying responses to findings, and
- providing updated policies and procedures.

Recovery of Liabilities- The Commission will assess liabilities against the school due to errors or omissions resulting from the disbursement of Cal Grant funds to students who do not meet program requirements or specific conditions of eligibility.

The school is required to pay any school liability determined as a result of the compliance review.

Final Report- Once the school has responded satisfactorily to all the draft report findings, and any liabilities have been paid, the Commission issues a final report to the school that includes the school's response to each finding, closing the review.

Administrative Actions

Non-compliance with any of the provisions of the Institutional Participation Agreement and the requirements set forth in the Cal Grant Program Manual may result in the termination of the Institutional Participation Agreement and privileges that are afforded under it.