

Information

California Student Aid Commission

Audit Report

Enclosed for review are the following items.

- a. Program Compliance Audits
- b. State of California Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2010 ("Single Audit")
- c. State of California Internal Control and State and Federal Compliance Audit Report for the Partial Fiscal Year July 1, 2010 through October 31, 2010 ("Single Audit")

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a. Program Compliance Audits

The California Student Aid Commission (Commission) is responsible for the effective oversight and efficient administration of Cal Grant Programs, Assumption Program of Loans for Education (APLE), Specialized Programs, such as, Child Development Grant Program (CD) and Law Enforcement Personnel Dependents Grant Program (LEPD), and Cal-SOAP. This includes ensuring program integrity through compliance audits and reviews of the institutions participating in the programs. These reviews give the Commission a measure and process to safeguard the assets it has entrusted to the institution, to check the accuracy and reliability of the data submitted, and to ensure and protect the overall integrity of the Commission's programs.

The Program Compliance audit staff review and analyze the administration of the Commission's programs at each participating institution and provide information and feedback to institutional staff to assist them in taking corrective action, if necessary. By conducting interviews and reviewing records and internal controls, the auditors are able to help safeguard the operational and fiscal integrity of the Commission's programs.

A compliance audit provides an opportunity to:

- evaluate the institution's administration of the program;
- ensure compliance with applicable laws, regulations, Commission policies and procedures, and the Institutional Participation Agreement;
- evaluate the institution's controls and procedures, including routine processing and exceptions monitoring;
- document necessary administrative actions to ensure appropriate use of funds; and
- identify corrective action, including recovery of funds.

The following major program requirements may be audited:

- General Eligibility – *school and program eligibility, administrative responsibility and system security*
- Applicant Eligibility – *student eligibility and satisfactory academic progress*
- Fund Disbursement/Refunds – *enrollment status, authorization, verification of disbursement and refunds*
- Completion of Rosters and Reports – *renewal unmet need, education level verification, grade point average and any other reports*
- File Maintenance/Record Retention – *record keeping*
- Fiscal Responsibility for Program Funds – *Accounting practices (GAAP, etc.), return of interest and reconciliation*

Information obtained during the audit is analyzed and a determination is made regarding the institution's compliance with applicable laws, policies, contracts and agreements. At the conclusion of the audit, a report is issued that identifies all areas of non-compliance and, if necessary, initiates required action and restitution.

Institutions are required to revise their policies and procedures to be consistent with statutory requirements and to return any ineligible funds to address audit findings before an audit is considered complete.

During the 2009-10 year the Program Compliance audit staff initiated Cal Grant audits of institutions from various segments, Cal-SOAP, and other Specialized Programs audits as indicated below:

Type	Number of Audits Initiated	Number of Audits Finalized	Number of Audits Pending	Liabilities Collected
Cal Grant	43	33	10	\$202,210.15
APLE	0	0	0	\$ 0.00
E2	0	0	0	\$ 0.00
Combo(APLE & E2)	34	34	0	\$ 66,089.00
Cal-SOAP	2	2	0	\$ 0.00
TOTAL LIABILITIES				\$268,299.15

The liabilities in the amount of **\$66,089.00** associated with the combined audits were a result of the Cal Grant Transfer Entitlement (E2) recipient not meeting the transfer requirement during the respective award year.

The liabilities associated with the Cal Grant audits were from various forms of finding as listed below:

- Verification Not Performed - **\$9,873.00**
- No ISIR in File - **\$2,068.00**
- Cal Grant Recipient did not Meet the High School Requirements - **\$2,327.00**
- Ineligible Cal Grant Awards - **\$10,030.00**
- Incorrect Cal Grant Payments - **\$42,950.00**
- Income Ceiling Levels Exceeded – **\$34,342.00**
- Tuition Charges less than Cal Grant Award - **\$2,910.16**
- Cal Grant Funds Over-awarded – **\$31,752.00**
- Cal Grant Funds not Reconciled – **\$14,910.00**
- Interest Earned on Cal Grant Funds not Submitted or Calculated Incorrectly – **\$29,087.51**
- Excess/Prior Year Cal Grant Funds not Returned to the Commission – **\$21,961.33**

Because California was without a budget until October, the auditors focused on performing APLE, E2 and Combo audits that could be completed without incurring travel cost. The following audits have been initiated for 2010/11:

Type	Number of Audits Initiated	Number of Audits Finalized	Number of Audits Pending	Liabilities Collected To Date
Cal Grant	10	1	9	\$33,989.00
APLE	17	17	0	\$ 0.00
E2	20	20	0	\$26,116.00
Combo(APLE & E2)	13	11	2	\$37,801.00
Cal-SOAP	0	0	0	\$ 0.00
TOTAL LIABILITIES				\$97,906.00

NOTE: Nine (9) audits of Cal Grant participating institutions will be commenced in the next two months (February and March, 2011).

Tab 7.a

The liabilities in the amount of **\$26,116.00** associated with the “E2” audits were a result of the Cal Grant Transfer Entitlement (E2) recipient not meeting the “transfer” requirement during the respective award year.

The liabilities associated with the “Combo” audits have two (2) different findings as indicated below:

- E2 Cal Grant Recipient not Meeting the Transfer requirement - **\$23,239.00**
- Income Ceiling Levels Exceeded - **\$14,562.00**

The liabilities in the amount of **\$33,989.00** were associated with the Cal Grant audits were from institutions not reconciling their Cal Grant accounts.

b. State of California Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2010 (Single Audit)

Each year, the Bureau of State Audits (BSA) on behalf the Department of Finance performs the State of California Internal Control and State and Federal Compliance Audit Report commonly referred to as the "Single Audit". Included in this report is the state's student loan guarantee program. The Single Audit report generally covers a single fiscal year (July – June).

BSA began their audit work in September 2010. The audit is proceeding normally and a final report will be issued in March 2011. BSA will issue a final report to DOF and the Legislature that will coincide with DOF's report to the federal government.

c. State of California Internal Control and State and Federal Compliance Audit Report for the Partial Fiscal Year July 1, 2010 through October 31, 2010 (Single Audit)

This year, since the transition of the Commission's student loan guarantee program on November 1, 2011, coincided with BSA's fieldwork for the June 30, 2010 audit, BSA decided to audit the partial year, July 1, 2010 through October 31, 2010.