
8.a Information Item

Program, Planning and Budget Committee

Grant Advisory Committee (GAC) Chair's Report

An oral report will be provided by Ms. Mary Lindsey, the GAC Chair, on the outcome of the February 21, 2008 GAC Workgroup Meeting.

Enclosed is background information prepared by Commission staff on the GAC Advisory Committee.

Recommended Action: No action required.

Responsible Person: Mary Lindsey, Chair
Grant Advisory Committee

Grant Advisory Committee (GAC)

Created in 1986, the GAC provides guidance on all of the Commission's programs, excluding loan program issues.

MISSION STATEMENT

The GAC advises the Commission on program funding and policy issues related to the provision of state administered grants and specialized programs for California students.

PURPOSE and DUTIES

The GAC was established to review and provide recommendations to the Commission on major proposed or planned grant program or policy changes, particularly those relating to the administration of the Cal Grant programs. In addition, the Committee typically reviews and comments on reports to the Legislature. In recent years, the Committee has served the major function of assisting the Commission with Cal Grant eligibility changes designed to mitigate the impact of a growing eligible student population.

COMPOSITION

The GAC consists of 20 members:

1. Ten school representatives--Two from each of the five postsecondary segments including the: University of California, California State University, California Community Colleges, private nonprofit postsecondary education institutions, and private for-profit postsecondary education institutions.
2. Five student representatives--One from each of the segments listed above.
3. One representative from the California Association of Student Financial Aid Administrators (CASFAA).
4. One representative from the California Postsecondary Education Commission (CPEC).
5. Three K-12 school representatives, one of whom must be a high school counselor.

COMMITTEE MEMBERS

- **Lorena Hernandez, Commission Liaison**
- **Mary Lindsey**, Chair — Proprietary Institution Representative
- **Sharon Bowles**, Vice Chair — High School Counselor Representative
- **Kate Jeffery** — University of California System Representative
- **Lora Jo Bossio** — University of California Representative
- **Vacant** — University of California Representative
- **Mary Robinson** — California State University System Representative
- **Susan Gutierrez** — California State University Campus Representative
- **Anthony Martinez** — California State University Student Representative

COMMITTEE MEMBERS (Continued)

- **Timothy Bonnel** — California Community Colleges System Representative
- **Marco De La Garza** — California Community Colleges Campus Representative
- **Vacant** — California Community Colleges Student Representative
- **Lisa Douglass** — Independent California Colleges and University System Representative
- **Catherine Graham** — Independent California Colleges and Universities Campus Representative
- **Ricardo Tejada** — Independent California Colleges and University Student Representative
- **Frederick Holland** — Proprietary Institution Representative
- **Judi Sveen** — Proprietary Institution Student Representative
- **Sally Pace** — K-12 Schools Representative
- **Vacant** — K-12 Schools Representative
- **Vacant** — California Postsecondary Education Commission Representative
- **Noelia Gonzalez** — California Association of Student Financial Aid Administrators (CASFAA) Executive Council Representative

8.b

Action/Information Item

California Student Aid Commission

Consideration of the Internal Audit by the Department of Finance on Cal Grant Program New Applicant Eligibility for Award Year 2006-07

The Department of Finance performed an internal audit of Commission Cal Grant processes for new applicant eligibility and issued an audit report on December 11, 2007. A copy of the audit report is included in this Tab Item.

The audit report concluded that overall, Commission processes for new Cal Grant applications are in accordance with the law. The audit report included six findings and recommendations, as well as management responses that describe the steps Commission staff will be implementing to address the findings and recommendations.

The purpose of this Tab Item is to inform the Commissioners of a change in Commission processes that will need to be implemented to conform to one of the audit report recommendations. Finding 1, on page 6 of the audit report, and Appendix III, on page 13 of the audit report, indicate that the process for Competitive Cal Grant B awards is inconsistent with California Education Code section 69437.6(c), which requires an applicant to establish eligibility for a Competitive Cal Grant B award by using a high school grade point average or using a reestablished grade point average based on a California community college grade point average of at least a 2.0. (See last bullet on page 5 of the audit report.) Instead, the awards process has allowed applicants to use college grade point averages, in addition to community college grade point averages, to establish eligibility for Competitive Cal Grant B awards.

Commission staff agrees that the process must be changed because the text of Education Code section 69437.6(c) does not expressly allow applicants to use college grade point averages to establish eligibility for Competitive Cal Grant B awards. This change will be implemented for applicants for the 2008-09 academic year.

However, because this change will affect some of the most disadvantaged applicants for Cal Grant awards, Commission staff will study the effect of the change and will come back in the future with an analysis and possible recommendation for a statutory change.

Background

On November 17, 2005, the Commission adopted its Internal Audit Plan and Risk Assessment for the Two-Year Audit Cycle Ending December 31, 2007 ("Audit Plan"). The Audit Plan identified high-risk areas in the Cal Grant Program that were to be audited during the two-year cycle, including Cal Grant Disbursements and Reconciliation, Cal Grant Grade Point Average Collection, and Cal Grant New Applicant Eligibility, among others.

The adoption of the Audit Plan was significant because it was the first time the Commission had acted to implement a systematic and systemic review of the operations and administration of the Cal Grant Program after the law had been revised in 2000 to change the Cal Grant Program to an entitlement program.

Until 2000, the number of Cal Grant awards was based on the amount of State funds appropriated each year in the State Budget. However, the Legislature completely changed the way Cal Grants were awarded and administered when it enacted the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program in 2000. (See Chapter 403, Statutes of 2000 ("SB 1644") (Education Code sections 69430-69440).) SB 1644 converted the Cal Grant Program into an entitlement. Thus, the State would provide funding for all Cal Grants awarded by the Commission to applicants meeting new eligibility requirements for applicants and the higher education institutions they were to attend. For those applicants who did not qualify for the entitlement, SB 1644 also authorized Competitive Cal Grant Awards under different new eligibility requirements, but limited the Cal Grant Competitive Awards to 22,500 per year.

SB 1644 was enacted and became effective in September 2000, and required the Commission to start awarding Cal Grants under the new eligibility requirements beginning in January 2001. Essentially, the Commission had to change its entire administrative process, including completely reprogramming its information technology processes, within two and one-half months. These changes would normally have required eighteen to twenty-four months to complete.

The Commission was able to change its operations by January 2001 in time to award Cal Grants under the new requirements imposed by SB 1644, and continued to implement the changes through 2001 as further award requirements became applicable. However, until the adoption of the Audit Plan in 2005, the Commission had not formally reviewed the new processes to ensure compliance with the requirements of SB 1644, even though the new processes had been developed and implemented within an extremely abbreviated period. This was due, in part, to the Commission's concentration on issues arising from its loan program responsibilities.

Concerns about the Cal Grant Program administration became a higher priority in 2006, when Commission staff discovered during the award process that the Cal Grant award process did not account for an eligibility factor applicable to the Community College Transfer Cal Grant Entitlement Program ("Transfer Entitlement Program"). The Transfer Entitlement Program required applicants to have graduated from California high schools to be eligible for a Transfer Entitlement Cal Grant award, a requirement unique to the Transfer Entitlement Program. Commission staff was able to work with the Administration and Legislature to obtain legislation so as not to disadvantage students mid-year by taking away the Transfer Cal Grant Entitlement awards incorrectly awarded.

Commission staff recommended to the Commission at that time that a consultant be hired to review procedures to determine compliance with all Cal Grant requirements. The Commission authorized a consultant to review the Transfer Entitlement Program, but indicated it would rely on the Audit Plan as the appropriate mechanism to determine compliance with other Cal Grant Program requirements.

Until 2006, the Commission's internal audit function was supervised by the Vice President of Audit Services of EdFund, the Commission's non-profit auxiliary. Commission internal audit staff and EdFund internal audit staff completed two internal audits reviewing Disbursements and Reconciliation and Cal Grant Grade Point Average Collection, as provided in the Audit Plan, and Commission staff has implemented changes to processes to satisfy recommendations from those internal audits.

In April 2006, however, the Bureau of State Audits issued a report of its performance review of the Commission's oversight of loan program operations and EdFund. The Bureau of State Audits is a State department that conducts independent audits of State government agencies for use by the Administration and the Legislature to promote sound fiscal and administrative policy

for the government of the state. The Bureau of State Audits recommended, in part, that the Commission end its reliance on EdFund's Vice President of Audit Services for supervision of Commission internal audit responsibilities.

On June 22, 2006, the Commission separated responsibility for the Commission's internal audit functions from the responsibility for EdFund's internal audit functions. In response to other recommendations from the Bureau of State Audits, the Commission then undertook a process of establishing policies by which it would exercise its oversight responsibilities for the loan program and EdFund, and its responsibilities over Commission programs. The hiring of a chief internal auditor for the Commission was delayed until these policies were established. Beginning in late 2007, the Commission staff began the State interview process for hiring a chief internal auditor. This process has, to date, not resulted in a hiring.

In the meantime, the Commission, recognizing that the systematic review of the Cal Grant Program needed to continue, entered into a contract in October 2006 with the Department of Finance to develop and implement an audit program for an audit of new Cal Grant applicant eligibility. This internal audit was one of those included in the Commission's Internal Audit Plan for 2005-2007.

The internal audit of new Cal Grant applicant eligibility is significant because it is the first audit of the overall operational and administrative aspects of the Commission's awarding of Cal Grants.

The Department of Finance completed the audit report and issued it to the Commission on December 11, 2007.

Discussion

While the Department of Finance concluded that overall, Commission processes of new Cal Grant applications are in accordance with the law, it included six findings and recommendations in its audit report. Commission staff is currently implementing steps to address the findings and recommendations in conformance with the management responses beginning on page 16 of the audit report.

One of the findings will require a significant change in the Cal Grant awards process. Finding 1, on page 6 of the audit report, and Appendix III, on page 13 of the audit report, indicate that the awards process for Competitive Cal Grant B awards does not conform to California Education Code section 69437.6(c). Education Code section 69437.6(c) provides:

To compete for a competitive Cal Grant B award, an applicant shall, at a minimum, meet all of the requirements of Article 3 (commencing with Section 69435), with the exception of paragraphs (1) and (8) of subdivision (a) of Section 69435.3. However, in lieu of meeting the grade point average requirements of paragraph (3) of subdivision (a) of Section 69435.3, a student may reestablish his or her grade point average by completing at least 16 cumulative units of credit for academic coursework at an accredited California community college, as defined by the commission, by regulation, with at least a 2.0 community college grade point average. [Emphasis added.]

Education Code section 69437.6(c) expressly authorizes the use of only community college grade point averages to reestablish an applicant's grade point average for purposes of a Competitive Cal Grant B award.

The statute governing Cal Grant Competitive A awards, Education Code section 69437.6(b), is different. It expressly allows applicants to submit a “community college or college grade point average....”

The Commission, however, has administered the Competitive Cal Grant B awards since 2001 by allowing applicants to use college grade point averages in addition to community college grade point averages, as expressly allowed only for Competitive Cal Grant A awards. Current Commission staff is unable to determine the reason for this.

However, legislative history provides one possible explanation. The Competitive Cal Grant A and B statutes were initially enacted as part of SB 1644, but were amended in 2001 by Chapter 8, Statutes of 2001 (“SB 176”). The Senate Floor Analysis of SB 176 indicated that the bill was making several technical and clarifying changes, describing the relevant change as:

4. Clarifying that students participating in the competitive Cal Grant A and B Award Programs may use a college GPA, if they have one, in lieu of high school GPA. This policy is consistent with how this program has been administered in prior years [under the Cal Grant Program in effect before SB 1644]. [Emphasis added.]

The intent expressed in the Senate Floor Analysis of SB 176 was not carried through to the text of SB 176. Rather than treating grade point average eligibility requirements for Competitive Cal Grant A and B awards identically, the text of SB 176 established them differently.

Thus, the Commission award process implemented in 2001 for Competitive Cal Grant A and B awards treated the grade point average eligibility requirements identically, consistent with the legislative intent expressed in the Senate Floor Analysis, but inconsistent with the actual text of the law. The Department of Finance audit report recommends that the Commission follow the text of the law rather than the intent of the law.

Commission staff agrees that it should follow the text of the law and require applicants for Competitive Cal Grant B awards seeking to establish eligibility based on reestablished grade point averages to do so using only California community college grade point averages, not college grade point averages. This change will be implemented for applicants for the 2008-09 academic year.

The change in the award process will not result in fewer awards to applicants; the law allows the Commission to award a total of 22,500 Competitive awards. There will be an effect on a particular group of applicants, however. Some of the most disadvantaged applicants, with the lowest incomes, will be excluded from consideration for Competitive Cal Grant B awards if they have only college grade point averages, not community college grade point averages. Further, they would not qualify for Competitive Cal Grant A awards if their college grade point averages do not meet the Competitive Cal Grant A college-grade-point-average requirement of 2.4.

Commission staff will study the effect of the change and will come back in the future with an analysis and possible recommendation for a statutory change.

Responsible Person:

Catalina Mistler, Chief
Program Administration & Services Division