
14.a

Action/Information Item

California Student Aid Commission

2007-2008 Cal Grant Program Update

Tab 14.a.1 provides an update on the Cal Grant offers for the 2007-2008 award year through August 10, 2007 and the status of program activities.

Commission staff will be available at the meeting to answer questions.

Recommended Action: No action required.

Responsible Staff: Catalina Mistler, Chief
Program Administration & Services Division

Bryan Dickason, Manager
Cal Grant Operations Branch

2007-2008 Cal Grant Update New Award Offers By Program

High School Entitlement (E1)	2006/07	2007/08	Change	%
Cal Grant A	18,509	18,949	440	2.4%
Cal Grant B	44,151	45,372	1,221	2.8%
Total	62,660	64,321	1,661	2.7%

Status of Program Activities for 2007-2008:

- Mailed G-8 (High School Graduation Self-Certification) forms to all new E1 students
- Processed more than 15,000 paper School Change forms to date

CCC Transfer Entitlement (E2)	2006/07	2007/08	Change	%
Cal Grant A	3,697	2,829	-868	-23.5%
Cal Grant B	5,306	7,640	2,334	44.0%
Total	9,003	10,469	1,466	16.3%

Status of Program Activities for 2007-2008:

- Mailed G-6 (CA Residency & H.S. Graduation Self-Certification) forms to all new E2 students
- Of the more than 9,700 G-6 forms returned and processed, over 3,900 students have been determined eligible

March Competitive (C1)	2006/07	2007/08	Change	%
Cal Grant A	1,195	1,391	196	16.4%
Cal Grant B	9,658	11,356	1,698	17.6%
Total	10,853	12,747	1,894	17.5%

Status of Program Activities for 2007-2008:

- Cut-off score was set at 153

Cal Grant C	2006/07	2007/08	Change	%
Total Cal Grant C	8,252	8,167	-85	-1.0%

The Commission sets a cut-off score to offer grants as close as possible to the authorized number of awards. This creates a minor variance in awards from year to year.

September Competitive (C2)

CSAC staff anticipates processing C2 awards in October 2007.

Total Award Offers	90,768	95,704	4,936	5.4%
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2007-2008 Cal Grant Update

High School Grade Point Average (GPA) Submissions

	2006/07	2007/08	Change	%
Total High School GPAs	290,033	324,157	34,124	11.8%
Submitted via Paper	62,954	60,696	-2,258	-3.6%
Submitted via WebGrants	227,079	263,461	29,763	16.0%
Handkeyd by Schools via WebGrants	49,561	56,180	6,619	13.4%
Electronic GPA Upload via WebGrants	177,518	207,281	29,763	16.8%
Total High Schools Submitting GPAs	1,836	2,068	232	12.6%
Submitted GPAs via WebGrants				
Number of High Schools	937	1,013	76	8.1%
Percent of Total High Schools	51%	49%		

Plan to increase the number of high schools using WebGrants in 2008-2009:

- Continue to train schools on electronic GPA upload process.
- Continue to provide online training for electronic GPA upload process for schools.

High School Entitlement Appeals

2007- 2008 HS Entitlement Appeals	Notice Sent	Responses Received (Appeals)	Approved	Denied
Received GPA After March 2nd	1,134	203		
On-time FAFSA but no GPA	22,295	1,129		
Total	23,429	1,332	644	688

Reasons provided by students on appeals:

Unaware of the GPA form/process
 School acknowledged their failure to submit GPA on time
 Student indicated school was in error
 Medical reasons/ death in the family
 SSN corrections
 Other reasons

14.b

Action/Information Item

California Student Aid Commission

2007-2008 Specialized Programs Update

Tab 14.b.1 provides an update on the Specialized Programs for the 2006-2007 and 2007-2008 academic year and the status of program activities.

Commission staff will be available at the meeting to answer questions.

Recommended Action: No action required.

Responsible Staff: Catalina Mistler, Chief
Program Administration & Services Division

Linda Brown, Manager
Specialized Programs Operations Branch

**2007-2008 SPECIALIZED PROGRAMS UPDATE
As of August 2007**

LOAN ASSUMPTION PROGRAMS

**Assumption Program of Loans for Education
(APLE)**

Status of Program Activities for 2007-2008:

- 2007 State Budget authorized 8,000 new APLEs, which increased by 600 from FY 2006.
- 7,400 applications were initially allocated to participating institutions and institutions will be informed of the additional 600 APLEs.
- Institutions, counties and district intern programs continue to submit APLE nominations until the authorized allocations are met or through June 30, 2008.
- Loan assumption payments for teachers who taught during the 2006-2007 school year are currently being processed.
- 13,000 teachers are projected to be paid approximately \$49 million from fiscal year 2007.

Status of Program Activities for 2006-2007:

- More than 11,000 APLE teachers received approximately \$34 million in loan assumption benefits for teaching during the 2005-2006 school year.
- Staff continues to process loan assumption payments for teachers who taught during the 2005-2006 school year and have not yet submitted all their forms.

**State Nursing Assumption Program of Loans for Education for Nurses in State
Facilities (SNAPLE NSF)**

Status of Program Activities for 2007-2008:

- 2007 State Budget authorized 100 new awards.
- 2007-2008 application materials will be updated and prepared for distribution.
- SB 139 has proposed language that, if passed, may require changes to the SNAPLE NSF regulations.
- Staff would be required to amend the current regulations to adopt new rules no later than six months after the operative date of the statute that adds the provision.

Status of Program Activities for 2006-2007:

- Five applicants were selected to participate.
- Participants signed a loan assumption agreement.
- Participants who complete their education will be sent employment documents to verify eligible employment as a registered nurse in a State Facility in order to qualify for loan assumption benefits.

**State Nursing Assumption Program of Loans for Education for Nursing Faculty
(SNAPLE NF)**

Status of Program Activities for 2007-2008:

- 2007 State Budget authorized 100 new awards.
- 2007-2008 application materials will be updated and prepared for distribution.
- SB 139 has proposed language that, if passed, may require changes to the SNAPLE NF regulations.
- Staff would be required to amend the current regulations to adopt new rules no later than six months after the operative date of the statute that adds the provision.

Status of Program Activities for 2006-2007:

- 62 applicants were selected to participate.
- Participants signed a loan assumption agreement.
- Staff will verify employment as a nursing faculty to determine eligibility for loan assumption payments benefits.

**National Guard Assumption Program of Loans for Education
(NG APLE)**

Status of Program Activities for 2007-2008:

- No new awards authorized in the FY 2007 State Budget.
- Monitor eligibility for participants who meet requirements for loan assumption benefits during 2007-2008.
- Funding authorized for loan assumption payments to eligible NGAPLE participants.

Status of Program Activities for 2006-2007:

- 100 allocations authorized.
- 180 applications received.
- 100 applicants selected to participate.
- Participants signed loan assumption agreements.
- Participants are currently performing their first year of satisfactory military service.
- Eligibility for loan assumption benefits will be determined at the end of the fiscal year.

**Graduate Assumption Program of Loans for Education
(Graduate APLE)**

Status of Program Activities for 2007-2008:

- No new authorized awards for FY 2007 State Budget.
- 439 active program participants. 98 students enrolled in graduate degree programs.
- 341 college faculty employed and receiving loan assumption benefits.
- Local Assistance funds for program participant loan assumption benefits will continue until all participants are no longer eligible.

SCHOLARSHIP PROGRAM

Robert C. Byrd Honors Scholarship Program (Byrd Program)

Status of Program Activities for 2007-2008:

- Federal budget authorized \$5.2 million for 2007-2008.
- CSAC has an Interagency Agreement with the California Department of Education for administration of the Byrd Program.
- More than 1,700 applications nominated for 2007-2008 academic year.
- Applicants were ranked in score order by GPA and SAT/ACT scores.
- \$1,500 merit-based scholarships.
- 904 new scholars selected.
- 3,014 renewal students eligible to renew.
- Payments will be prorated by term and mailed to financial aid offices for disbursement to scholars.
- Processing 2007-2008 fall term payments for new and renewal scholars.

GRANT PROGRAMS

Child Development Teacher and Supervisor Grant Program (Child Development Grant Program)

Status of Program Activities for 2007-2008 :

- Federal Budget authorized \$350,000 for 2007-2008.
- Federal funds appropriated from the Child Development Block Grant Act of 1990 through an interagency agreement with the California Department of Education.
- Over 800 applications nominated.
- Applicants ranked in score order by need and merit.
- 100 new students selected.
- 93 renewal students.
- Processing fall term payments to be mailed to financial aid offices.

Law Enforcement Personnel and Dependents Grant Program (LEPD)

Status of Program Activities for 2007-2008:

- 11 participants eligible to renew.
- Applicants eligible to apply year round – no deadline.
- Eligibility based on being a dependent of a law enforcement personnel killed or permanently disabled in the line of duty.
- Awards equivalent to Cal Grant Program – up to \$9,708.
- Renewable up to four years.

**Chafee Foster Youth Grant Program
(Chafee)**

Status of Program Activities for 2007-2008:

- 2007 State Budget authorized \$5.7 million.
- Approximately \$7.2 million authorized in federal funding.
- Additional federal funding expected in October 2007.
- CSAC has a multi-year interagency agreement with the California Department of Social Services.
- On-line and paper applications became available in March 2007 for the 2007-2008 academic year.
- Financial Needs Analysis Reports (FNAR) became available to schools in May 2007.
- Award notifications began on August 17, 2007.
- 816 renewal students to date.
- 449 new students to date.
- \$1.0 million from federal fiscal year 2006 was used to award 400 of the 816 renewal students.
- 11,405 applications on file to date.
- Award cycle will be processed on a weekly basis until all authorized funding is exhausted.

Status of Program Activities for 2006-2007:

- 1,219 renewal awards.
- 1,616 new awards.
- Approximately \$300,000 available for 2006-2007 retroactive awards to eligible students.
- Funding is available until September 30, 2007.
- Funds may be rolled over 2007-2008 payments in order to exhaust all funds.

ScholarShare Trust Awards

**Gaining Early Awareness and Readiness for Undergraduate Program
(GEAR UP)**

Status of Program Activities for 2007-2008:

- CSAC has a Memorandum of Understanding (MOU) with the Regents of the University of California to administer the GEAR UP ScholarShare Trust awards.
- ScholarShare Trust Accounts are established for each participant in the amount of \$2,000 and earn interest until the student withdraws the funds.
- 5,557 participants in the program.
- High school graduates were mailed forms in July to qualify for their ScholarShare Account funds.
- Funds are disbursed to the student's campus financial aid office.
- 650 students are eligible to receive 2007 fall term payments and staff is processing forms to have funds mailed to campuses.

14.c

Action/Information Item

California Student Aid Commission

Update on 2008-2009 Cal Grant Program Income and Asset Ceilings

This enclosure reflects the 2008-2009 Cal Grant Program income and asset ceilings as mandated by statute.

Recommended Action: For Information Only. No Action required.

Responsible Staff: Karen Henderson
Research Analyst II
Governmental and Public Affairs
Division

2008-2009 CAL GRANT PROGRAM INCOME AND ASSET CEILINGS

Background

In 2000-2001, Chapter 403, Statutes of 2000 placed the methodology for calculating new Cal Grant Program income and asset ceilings into statute for the first time. Statute also indicated that the 2001-2002 income and asset ceilings would be set at the 2000-2001 amounts. Based on past timeframes for calculating and presenting the income and asset ceilings for approval, the Commission concurrently approved new income and asset ceilings for 2001-2002 and began awarding based on the updated ceilings.

In 2006-2007, the California Department of Finance (DOF) reviewed the Commission's methodology and discovered that the percent change formula used in the calculations was inconsistent with the State's standard formula set forth in statute. Working with the DOF, the Commission re-set the base year to the 2000-2001 statutory amounts and then carried forward each subsequent year based on the percentage change in California per capita personal income (PCPI) provided by DOF.

2008-2009 Income and Asset Ceilings

The 2008-2009 Cal Grant Program income and asset ceilings on the following page were calculated using the re-set base and the California PCPI. DOF will continue to provide to the Commission the final percentage change in the California PCPI.

**CALIFORNIA STUDENT AID COMMISSION
2008-09 CAL GRANT PROGRAM INCOME CEILINGS**

	Cal Grant A and C	Cal Grant B
Dependent students and Independent students with dependents other than a spouse		
Family size:		
Six or more	\$88,300	\$48,500
Five	\$81,900	\$44,900
Four	\$76,400	\$40,200
Three	\$70,300	\$36,100
Two	\$68,700	\$32,100
Independent students		
Single, no dependents	\$28,000	\$28,000
Married, no other dependents	\$32,100	\$32,100

**CALIFORNIA STUDENT AID COMMISSION
2008-09 CAL GRANT PROGRAM ASSET CEILINGS**

	All Programs
Dependent students**	\$59,100
Independent students	\$28,100

** These ceilings also apply to independent students with dependents other than a spouse.

Note: Per Chapter 403, Statutes of 2000, the Cal Grant program income and asset ceilings are to be adjusted annually using the change in the cost of living within the meaning of paragraph (1) of subdivision (e) of Section 8 of Article XIII B of the California Constitution:

SEC. 8. (e) (1) "Change in the cost of living" for the State, a school district, or a community college district means the percentage change in California per capita personal income from the preceding year.

14.d

Action/Information Item

California Student Aid Commission

Consideration of Final Report on the Status of Implementing Internal Audit Recommendations on the Cal Grant Grade Point Average (GPA) Collection

In June of 2006, the Commission's Internal Audit Division conducted an audit of the Cal Grant Grade Point Average (GPA) Collection process. The purpose of Internal Audit's review was to ensure that GPA data is properly reflected in CSAC's Grant Delivery System, based on information submitted to the Commission by schools and students. The final report of the audit was released to the CSAC and EdFund Audit Committee Members on September 29, 2006. At the February 22-23, 2007 Commission meeting, staff provided an update on the status of the recommendations in the audit, and indicated that staff would present a final report at a later meeting.

This presentation is designed to provide a final summary of the actions taken and completed during the 2007-2008 processing year in response to the six audit findings and subsequent audit recommendations. Some of the necessary steps required to meet the audit recommendation are currently in progress and will be fulfilled during the next award year. The final audit report and a summary of each of the Commission's response to the audit findings is found in Tab 14.d.1 and 14.d.2 respectively.

Recommended Action: For Information Only. No Action required.

Responsible Staff: Catalina Mistler, Chief
Program Administration & Services
Division

Bryan Dickason
Manager
Cal Grant Operations Branch

Tae Kang
Associate Financial Aid Analyst
Cal Grant Operations Branch

Status Update Regarding Cal Grant GPA Internal Audit

On June 22, 2006, the Commission's Internal Audit Division issued an audit of the Cal Grant GPA collection process. The internal audit plan for the two year cycle ending in December 2007 recognized the Cal Grant GPA collection function as a highly vital step in the determination of a Cal Grant award.

Based on the findings and recommendations, CSAC executive management formulated a GPA collection workplan to address each issue. The following is a status update regarding the Cal Grant GPA Internal Audit.

Issue #1: GPAs received after the March 2nd statutory deadline were not consistently handled.

Recommendation: Ensure compliance with the regulatory requirements regarding the acceptance of GPA submissions after the March 2nd statutory deadline. Additionally, establish and formally document a policy for the acceptance of GPAs to help ensure that the data is processed uniformly for all applicants.

Status: Corrected. As pointed out in the Internal Audit Review, a number of GPAs were electronically uploaded and manually input into WebGrants after the March 2 deadline through March 12, although a similar approach was not adopted for the GPAs received in paper form.

For award year 2007-2008, the provision for schools to upload electronic GPA was disabled on March 3 for two weeks. Any GPA added subsequently was flagged as a September 2 GPA, with schools not having provision to override the flag. All paper GPA Forms received after March 2 were date stamped, and the data was entered into an Access data base. These will be scanned and processed as September 2nd GPAs.

Regulations for late GPA appeals were approved and added to the California Code of Regulations Title 5, section 30223(C) starting with the 2007-2008 award year. The grace period regulation stipulates that the Commission may, on a case-by-case basis, accept GPAs' from applicants or reporting institutions if, in the opinion of the Executive Director, circumstances beyond the control of the applicant delayed or prevented the timely submission of the GPA by the applicant or reporting institution(s) by the March 2 deadline.

The regulation was amended to increase the grace period for submitting late grade point average(s) for Entitlement students from twenty (20) days to seventy five (75) days after the deadline. The regulation also requires the Commission to inform students who were potentially eligible for Entitlement awards but whose grade point averages were not received by the March 2 deadline to file an appeal. As a result of the amendments, the Commission took steps to contact students who were potentially eligible.

The Commission sent 22,295 emails and postcard advisories to students who filed their FAFSA by the March 2 deadline but did not have a GPA on file (as per section 30023(c) (2) of the new Grace Period regulation). The Commission received 1129 responses to the 22,295 emails and postcard advisories. Approximately 1700 appeals were received

for the 2007-2008 award year. Each appeal was given full consideration by a program staff appeals committee and over half were approved due to simple corrections to the original GPA submission or circumstances that were beyond the control of the student.

Issue #2: CSAC does not validate the accuracy of GPA data submitted by schools and students

Recommendation: Develop and implement processes to test the accuracy of GPAs submitted.

Response: In progress. The Commission has taken necessary steps to strengthen this audit finding for future award years. A workgroup has been formed consisting of staff from Cal Grant Operations and the Program Compliance Office (PCO) to examine, assess and evaluate the GPA data collection process. The workgroup also plans to develop protocols that will involve more aggressive measures to ensure that submitted GPAs are accurate and valid. Paper GPA verification forms will be given first priority of review, since they represent the greatest risk of falsified data. One potential idea involves requesting official transcripts from randomly selected high schools. GPAs calculated and submitted by the selected high schools will be evaluated to determine if this is an area of significant concern. Once an assessment is made and data is evaluated, further action will be recommended based on the results of these evaluations. With the recent state authorization of two compliance positions, the PCO expects to increase the scope of its program reviews by adding the methodology for calculated GPAs at the institution, as well as focused audits.

Issue #3: Cal Grant GPA Verification Forms, which contain personally identifiable student information, are not adequately secured during or subsequent to processing.

Recommendation: Ensure that personally identifiable information maintained on GPA Verification Forms is safeguarded at all times.

Response: Corrected. All forms containing personally identifiable information maintained on GPA Verification Forms are now stored in a secured area. Staff is also evaluating other alternatives and methods to heighten the level of security of the GPA forms for the 2008-2009 award year.

Issue #4: Students often mail paper GPA Verification Forms directly to CSAC, increasing the risk of the GPA being falsified by the student.

Recommendation: Develop a process to independently validate GPAs submitted to CSAC on paper GPA Verification Forms. Furthermore, implement additional measures to encourage the use of WebGrants for the submission of GPAs thereby reducing the risk of GPA falsification and reducing the cost of handling paper forms.

Status Update: Since all of the paper GPA forms are manually processed, any forms with alterations or white-outs are being set aside and the schools in question are called to verify the data. A call log is kept to track the frequency of such alterations.

Furthermore, the School Support Services Branch is continually conducting training and providing guidance for schools on submitting GPAs electronically via WebGrants. Estimated implementation was immediate and completed. In addition, as noted in the discussion of issue #2, staff will be assessing the accuracy of submitted GPAs.

Issue #5: Documentation is not retained to substantiate the dates of GPA Verification Forms and GPA Appeals were received.

Recommendation: Implement procedures to document the date on which paper GPA Verification Forms and appeal letters are received to provide evidence that GPAs are processed within statutory and Commission approved deadlines.

Status Update: Completed. Beginning March 2, 2007, Cal Grant Operations Staff retained the envelopes of all GPA forms that were postmarked on or after March 2. The forms also were date stamped with the receipt date. Those that were postmarked after the March 2nd deadline were set aside and to be processed for the September award cycle. Since these GPA forms were scanned and made available via Optical, the date-stamp on these forms provided evidence in case of an appeal.

Staff compiled a database to enter details for 1134 GPA forms that were received after the March 2nd deadline. In addition, 1682 appeals were received and logged. Envelopes of all these forms were retained and the forms were date stamped with a receipt date. The database contains information such as postmark date, receipt date, GPA, social security number, reason for appeal, decision on appeal etc. The late forms have since been scanned for the September 2 award cycle, while the appeals have been reviewed and adjudicated.

Issue #6: Documented procedures do not reflect the current tasks performed in processing GPA Verification Forms.

Recommendation: Ensure procedures are updated to reflect the activities currently performed when processing GPA Verification Forms.

Status Update: Completed. CSAC Staff have formalized the procedures currently used and kept in various locations and make it available to staff handling the process. The procedures will be updated on an ongoing basis based on any changes to process.



Cal Grant Grade Point Average Collection Review

June 22, 2006

Audit #05-302

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I. Executive Summary

The Cal Grant Operations Branch and the Information Technology Division within the California Student Aid Commission (CSAC) are responsible for administering the operational activities for those state funded grants referred to as Cal Grants. Cal Grants are awarded to eligible students whose family's income and assets are at or below a predetermined ceiling set by the State in accordance with the provisions of the California Education Code section 69432.7(k). These grants are designed to assist students in paying post-secondary education related expenses such as tuition, fees, books, supplies and living expenses.

To apply for a Cal Grant, a student is required to submit a Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education¹ and to have their certified grade point average (GPA) reported to CSAC on or before the statutory deadline of March 2 for entitlement and competitive awards. Applicants enrolled in a California community college can be considered during a second round of competitive awards even if denied during the March cycle. GPAs must be received by CSAC no later than September 2 for this second round.

GPAs are received by CSAC in three ways:

- **Electronic upload** - Schools submit GPAs predominately through an electronic upload process into CSAC's Grant Delivery System (GDS) using WebGrants, a web based application hosted by CSAC. An e-mail confirmation is automatically sent to the schools from WebGrants confirming receipt of the GPA file(s) when submitted through this electronic upload process.
- **Manual key entry** - Schools can also submit GPA data to CSAC by manually keying each student's social security number and grade point average into WebGrants. The data is then uploaded from WebGrants to GDS.
- **Paper verification forms** - Students can obtain a hardcopy GPA Verification Form, complete the student portion and have an authorized school official complete the GPA data. The Verification Form is then mailed to CSAC by either the student or the school. CSAC staff then scan the GPA data from the form into Exigen Visiflow Explorer, a business form automation application which creates an electronic image of the form and converts the data to an electronic media for upload into GDS.

Schools and students have the ability to inquire through WebGrants via the internet to determine whether the GPA submissions have been processed. Both the Exigen Visiflow Explorer and the ability for students to check GPA submission status are relatively new enhancements to the GPA process.

CSAC staff represented to Internal Audit that many schools submit GPAs of their entire student body, regardless of whether the student requested his or her GPA to be submitted for consideration of a Cal Grant award. During the March 2006 award cycle, approximately 4.5 million GPAs were submitted to CSAC. Exhibit 1 on the next page provides a breakdown of GPAs received for the March 2006 award cycle from post-secondary institutions and high schools and the method of submission.

¹ Data submitted on the student's FAFSA is transmitted electronically by the U.S. Department of Education to CSAC.

Exhibit 1: GPA Submissions Received For the March 2006 Award Cycle

Method of Submission	Number of GPA Submissions		
	Post-Secondary Institutions	High Schools	Total
Electronic WebGrants Upload	4,193,115	155,832	4,348,947
Manual WebGrants Entry	5,444	47,739	53,183
Paper Verification Forms	12,208	58,903	71,111
Total GPAs Received	4,210,767	262,474	4,473,241

Source: Information Technology Division, as of May 25, 2006

Approximately 90,000 of the total applicants who submitted both a FAFSA and certified GPA and met the Cal Grant eligibility requirements, as determined by CSAC, were issued a Cal Grant for the March 2006 award cycle.

The Internal Audit Plan for the two year audit cycle ending December 31, 2007 identified the Cal Grant Grade Point Average Collection function as an area of potential high risk due to the significant transaction volume, statutory requirements, and the complexity of systems and processes utilized as well as the criticality of this process as GPAs are one of the factors used to determine eligibility for a Cal Grant award.

Beginning in February through June 2006, Internal Audit conducted a review of the key activities performed by the Cal Grant Operations Branch and the Information Technology Division in collecting and processing GPAs for the March 2006 award cycle. In carrying out this effort, Internal Audit reviewed the controls and evaluated the efficiency and effectiveness of the procedures and practices used to administer this function.

During this review, Internal Audit noted three practices which increase the risk of awarding Cal Grants to ineligible applicants or denying awards to qualified applicants. A discussion of each follows:

1. ***GPAs received after the March 2 statutory deadline were not consistently handled.*** Section 30023 of the California Code of Regulations states that CSAC “may, on a case-by-case basis, accept the submission of grade point average(s) from institutions after the established deadline if, in the opinion of the Executive Director, circumstances beyond the control of the applicant delayed or prevented the timely submission of the grade point average(s) by the reporting institution(s) by the established deadline. In such cases, any request to the Executive Director to accept grade point average(s) after the established deadline shall be received by the Commission no later than twenty days after the established deadline”. This request is referred to as a “GPA appeal”.

More specifically, CSAC may approve an appeal from an institution if the appeal is received on or before March 22. CSAC Management, however, represented to Internal Audit that CSAC has had a long standing internal practice of accepting GPAs through March 12 *without* an appeal request. This internally established grace period (March 3 – 12), however, has not been formally documented by CSAC staff or approved by CSAC Executive Management. Executive

Management represented that they just recently became aware of this practice in the midst of processing GPAs for the March 2006 award cycle. After a review of current law and regulations governing the late submission of GPA information, Executive Management re-evaluated this practice in early April 2006 and decided to not process any GPAs received after March 2 unless the institution submitted a GPA appeal within the time frame specified in statute. A number of GPAs were received without a written appeal and were processed after March 2 without the knowledge of Executive Management, as described below.

CSAC Executive Management represented that their decision to not process late submissions without written appeals was not made until well into the processing of the March 2006 award cycle due to the timing of when it was reported to them by the former manager of the Cal Grant Operations Branch. By the time the decision was made, a number of GPAs had already been electronically uploaded and manually input into WebGrants after the March 2 deadline by institutions without a written appeal request and had been processed for consideration of a grant award without the knowledge of Executive Management. Executive Management represented to Internal Audit that rather than invalidate the GPAs received in this manner, Executive Management determined that these GPAs could be accepted because the act of submitting the GPAs electronically for groups of students constituted “substantial compliance” with the requirement to submit a GPA appeal request. CSAC Executive Management represented that this was determined with the knowledge that CSAC staff had been in communications with most of the institutions that were submitting late GPA information.

Internal Audit recognizes that the Code of Regulations does not state the specific format in which an appeal request should be made, however, the act of merely submitting a file does not provide the necessary documentation for CSAC management to properly evaluate the request to determine if circumstances beyond the control of the applicant delayed or prevented the timely submission of the grade point average(s) by the reporting institution(s) by the established deadline. More specifics regarding the inconsistencies identified by Internal Audit in the handling of GPAs are described below.

As of the date of Internal Audit’s test work, Internal Audit reviewed 53,682 GPAs that were *electronically uploaded or manually input through WebGrants* by 118 schools between March 3 and March 22, 2006 and noted the following:

- 12,497 GPAs were received and processed for consideration of a grant from eight schools that submitted a written appeal which were approved by CSAC Executive Management.
- 41,146 GPAs were received between March 3 and March 12 and were processed for consideration of a grant without a written appeal. (Internal Audit noted that 22,347 of these GPAs were uploaded on March 3 due to technical problems with WebGrants that prevented institutions from submitting files the evening of March 2. No appeal was necessary on these 22,347 GPAs because the delay was beyond the control of the schools.)
- 31 GPAs were received between March 13 and March 22 and were processed for consideration of a grant without a written appeal.

- 8 GPAs were received between March 13 and March 22 and were not processed. CSAC staff represented to Internal Audit that these eight were marked and submitted by schools as “C2”, which indicated that the GPAs will be considered in the September 2006 community college competitive award cycle.

Internal Audit noted that 19 schools submitted written appeals for 30 *paper* GPAs which were received between March 3 and March 22 and were processed by CSAC staff for consideration of a grant. Internal Audit also noted 1,014 *paper* GPA Verification Forms which CSAC represented to Internal Audit as having been postmarked after the March 2 statutory deadline. These paper forms were received before March 22 and were not processed.

The 1,014 paper forms are for GPAs of students attending approximately 500 institutions. CSAC does not retain the postmarked envelope or date stamp the paper forms when received, therefore, Internal Audit could not validate when the GPAs were received as represented by CSAC staff. Internal Audit noted that 885 of these paper forms were signed and dated by both the student and school on or before March 2 raising the possibility that some of the forms may have been received before March 12, the internal grace period used in previous years.

Stated very simply, a student whose GPA was submitted subsequent to March 2 using a paper form was not considered for a March 2006 award as were students attending schools which submitted GPAs on behalf of the students through the WebGrants system.

Additionally, although the California Code of Regulations states that GPA appeals must be received from institutions no later than 20 days after the March 2 deadline, Internal Audit noted in its test work, GPAs with appeal letters received after March 22. Specifically, CSAC approved two appeal letters dated March 23 and 27, respectively, and processed the associated 268 GPA records for consideration in the March 2006 award cycle. In both cases, the schools believed their GPA submissions had been processed by CSAC and submitted appeal letters only upon being notified by students in late March that their GPAs had not been submitted. Internal Audit recognizes that CSAC Executive Management’s rationale for approving these appeals may have merit, however, the Code of Regulations states that appeals must be received by the Commission no later than twenty days after the March 2 deadline.

2. ***CSAC is not required by state law to validate the accuracy of grade point averages.*** For all GPAs submitted, an authorized school official is required to include a certification, executed under penalty of perjury, that the grade point averages reported are accurate. CSAC relies solely on the certification and does not perform any processes to independently validate the accuracy of GPA calculations. Lack of verification increases the risk of GPAs being intentionally or inadvertently miscalculated.

CSAC Executive Management informed Internal Audit about an incident where the State’s Department of Justice recently investigated and settled a case for \$725,000 in which the State contended that GPA calculations certified by a proprietary post-secondary institution were not accurately calculated resulting in 93 students receiving a Cal Grant for which they were not otherwise eligible. This incident was brought forward based on a “whistle-blower” tip. Without procedures in place to validate the accuracy of GPA data submitted by institutions and students, similar incidents may be occurring where GPAs are intentionally or inadvertently misrepresented.

3. *Students submit their GPA Verification Forms directly to the Student Aid Commission.* California law states that it is the responsibility of the Cal Grant applicant to have his or her GPA reported to CSAC. The law is silent regarding who can report the information. Accordingly, CSAC accepts GPAs from schools and students. CSAC management and staff represented to Internal Audit that the majority of the 71,111 paper GPA Verification Forms (see Exhibit 1) mailed to CSAC were sent by students, subsequent to the school certifying the GPA. This practice results in a control weakness in that a student could easily falsify the GPA information.

Internal Audit identified several opportunities to strength internal controls and improve business processes, as summarized below:

1. Ensure compliance with the statutory requirements regarding the acceptance of GPA submissions after the March 2 statutory deadline. Additionally, establish and formally document a policy for the acceptance of GPAs to help ensure that the data is processed uniformly for all applicants.
2. Develop and implement processes to test the accuracy of GPAs submitted.
3. Ensure that personally identifiable information maintained on GPA Verification Forms is safeguarded at all times.
4. Develop a process to independently validate GPAs submitted to CSAC on paper GPA Verification Forms. Furthermore, implement additional measures to encourage the use of WebGrants for the submission of GPAs thereby reducing the risk of GPA falsification and reducing the cost of handling paper forms.
5. Implement procedures to document the date on which paper GPA Verification Forms and GPA appeal letters are received to provide evidence that GPAs are processed within statutory and Commission approved deadlines.
6. Ensure procedures are updated to reflect the activities currently performed when processing GPA Verification Forms.

Detailed information describing the six recommendations is provided in Section V of this report. The objectives, scope, methodology and key audit procedures used in Internal Audit's effort, along with the findings, recommendations, management's responses and an implementation plan are presented in the remainder of this document. Process flow diagrams depicting the activities performed by the Cal Grant Operations Branch in collecting and processing GPAs are included in Appendix A.

II. Objectives, Scope and Methodology

The key objectives of the Grade Point Average Collection Review include the following:

- Ensure that GPA data submitted to CSAC is properly reflected in the Grant Delivery System (GDS).
- Test compliance with documented procedures for processing GPA submissions.
- Evaluate compliance with the timeframes defined in the applicable statutory requirements for processing GPA submissions.
- Determine the adequacy of procedures to secure personally identifiable student information submitted as part of the GPA collection process.

The scope of this review focuses primarily on key activities performed by the Cal Grant Operations Branch and the Information Technology Branch in the collection and processing of student GPA data received from schools and students.

Internal Audit did not perform procedures during this review to validate the accuracy of the GPAs submitted. Additionally, a review of the requirements for determining an applicant’s eligibility to receive a Cal Grant award is not included in the scope of this review.

To meet the aforementioned objectives, Internal Audit examined relevant supporting documentation provided by CSAC staff, observed procedures and conducted interviews with the individuals listed in Exhibit 2 below.

Exhibit 2: Personnel Interviewed

Staff	Title – Branch	Division
Keith Yamanaka	Chief Deputy Director	Executive Office
Max Espinoza	Division Chief	Program Administration and Services
Anne Robertson	Financial Aid Manager – Cal Grant Operations	Program Administration and Services
Veronica Rodriguez	Special Assistant to Program Administration and Services Division Chief	Program Administration and Services
John Norman	Financial Aid Analyst – Cal Grant Operations	Program Administration and Services
Claudia Jimenez	Program Technician – Cal Grant Operations	Program Administration and Services
John Bays	Division Chief	Information Technology
Penni Doud	Senior Programmer Analyst – Application and Database Support	Information Technology
Souleymane Kano	Research Program Specialist – Research and Policy Analysis	Governmental Affairs and Research
Cheryl Lenz	Research Analyst	Outreach and Public Relations

Source: Internal Audit Department, February – June, 2006

III. Process Overview

The Cal Grant Operations Branch and the Information Technology Division within the California Student Aid Commission (CSAC) are responsible for administering the operational activities for state funded grants referred to as Cal Grants. A student applying for a Cal Grant is required by the California Education Code to complete and submit a Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education and to have their certified high school or college GPA reported to CSAC on or before the statutory deadline of March 2. Additionally, a student applying for a competitive Cal Grant to attend a community college has until September 2 to report their GPA. CSAC uses the certified GPA data received from the school or student and the FAFSA information obtained from the U.S. Department of Education to determine eligibility for a Cal Grant award.

A student who did not attend an accredited high school or whose GPA is more than 5 years old may submit one of the following test scores in lieu of a GPA: General Educational Development Test (GED), American College Test (ACT) or Scholastic Aptitude Test (SAT). The test score is input by CSAC staff into GDS where it is systematically converted to a GPA equivalent. For the March 2006 award cycle nearly 1,500 test scores were submitted.

One of the key functions in administering the Cal Grant program is the collection and processing of GPA data. An overview of the activities associated with the collection and processing of GPA data is presented below.

CSAC accepts certified GPA data for the March 2 award cycle beginning in November, and in mid-May for the September 2 award cycle, approximately four months prior to the statutory deadline. Applicants enrolled in a California community college who applied for, but did not receive, an award during the March 2 award cycle will automatically be considered in the September 2 competitive grant award process. GPA data is submitted to CSAC in three ways: uploaded electronically to WebGrants, manually entered through WebGrants or by mailing a paper GPA Verification Form directly to CSAC. Each method is described below.

Electronic WebGrants Upload

Schools can securely upload and submit data files containing certified GPA records to CSAC electronically using WebGrants, a web based application hosted by CSAC. These files, which contain multiple GPA records, must be submitted according to CSAC's GPA record layout specification. In previous years, these files have been submitted by schools to CSAC on diskette for upload by CSAC staff to the Grant Delivery System (GDS). Effective in 2001, these files could be uploaded and submitted directly to CSAC through WebGrants using the "GPA Upload Page" as described below.

Before uploading, editing or adding GPA data to the WebGrants system, the school must first review a GPA certification agreement displayed in WebGrants, which states that the individual submitting the GPAs is an authorized official and that the GPAs submitted are correct and accurately reported to the best of their knowledge under the penalty of perjury. The school official must then indicate acceptance of this agreement by selecting the "accept" button displayed on the screen before he or she is allowed to proceed with the GPA submission process. Once the certification is accepted, the "GPA Upload Page" is displayed where the school official enters the necessary data. Once the required information

is entered, the school official then selects the *Begin Upload* button, which uploads the file into WebGrants where the records are edited for proper layout and field values, sorted into valid and invalid categories and placed into a staging area. After the edit process is complete, a “File Upload Page” is displayed, notifying the school of the status of the each record in the upload. Schools can then view, sort and print a listing of valid GPA records or invalid records that did not pass the initial field edits for submission to CSAC. Depending on the number of invalid records, a school may decide to correct and re-upload the entire data file, or correct and submit those individual invalid GPA records by manually entering the record in WebGrants. The manual entry process is described in the section below titled “*WebGrants Manual Entry*”.

When the school is satisfied with the GPA records it intends to submit, the school selects the *Submit Records* button on the “File Upload Status Page”. When the submission process is complete, a message is displayed notifying the school that the GPA records were successfully submitted to WebGrants. Additionally, an e-mail confirmation will automatically be sent to the school confirming receipt of the GPA file(s). GPA records submitted in WebGrants will then be uploaded to GDS during the next weekly batch processing cycle that occurs every Friday. Schools can use the WebGrants “Change/View GPAs Page” to view and change GPA records that have already been submitted to CSAC before the next weekly batch processing cycle.

WebGrants Manual Entry

Schools can also submit GPA data to CSAC by manually entering the data into WebGrants “Add GPAs Page”. Once the school reviews and accepts the GPA certification agreement, the school enters the total number of new records to be created and WebGrants displays the appropriate number of blank GPA records. The school then completes each GPA record by entering the applicant’s social security number, grade point average, school code, graduation date, and GPA type. Once all the records are entered, the school selects the *Submit GPAs to CSAC* button. If there are any errors that would prevent the record(s) from being submitted to CSAC, a dialogue box will appear advising of the error. The school must correct the errors and click the *Submit GPAs to CSAC* button to resubmit the record(s). When the submission process is complete, a message is displayed notifying the school that the GPA records were successfully submitted to WebGrants. GPA records submitted in WebGrants will then be uploaded to GDS during the next weekly batch processing cycle that occurs every Friday. Schools can use the WebGrants “Change/View GPAs Page” to view and change GPA records that have already been submitted to CSAC before the next weekly batch processing cycle. Additionally, once the records are uploaded, GDS generates a GPA Summary Report by school of each GPA record uploaded. These reports are available to the respective schools via WebGrants.

Paper GPA Verification Form

An applicant can access CSAC’s website and complete the designated student portion of the GPA Verification Form. The printed form will include a bar code with the student’s data encoded on the form for use by CSAC staff during processing. Alternatively, a student can print out a blank copy of the form from CSAC’s website or obtain a hardcopy of the form from their school’s financial aid office and manually complete the designated student portion of the form. Once the applicant has completed the student designated portion of the form, he or she then hand carries the form to an authorized school official, generally the high school counselor or staff in the financial aid office, who calculate the student’s GPA and completes the school’s portion of the form. The authorized school

official must certify under penalty of perjury that the data reported is accurate to the best of their knowledge. The student or the school then mails the completed form to the CSAC post office box designated on the GPA form.

Mail Center staff picks up the mail containing the GPA Verification Forms from CSAC's post office box each day. The Mail Center staff then delivers the mail to the Cal Grant Operations Branch in mail bins. CSAC Office Assistants, supported by Student Assistants, in the Cal Grant Operations Branch open the envelopes and remove the GPA Verification Forms along with any supporting documents. CSAC represented that they visually review the envelope to determine if the postmark is March 2 or before. If the postmark is after March 2, the form is set aside and processed for consideration in the September 2 community college competitive award cycle. Additionally, based on a visual review of the forms, the CSAC Office Assistants, supported by Student Assistants, set aside any forms that cannot be scanned because the documents are damaged or contain illegible characters. If the GPA form contains a test score in lieu of a GPA, the form is set aside for manual entry into GDS, where the test score is converted into a GPA equivalent.

CSAC Office Assistants batch the forms into groups of up to 50 and then take the forms to one of the Financial Aid Analysts for processing. The analyst then scans the form by inserting the documents into the scanner sheet feeder. The scanner software, referred to as "Kofax", tracks the number of records created, which the analyst then confirms against number of forms in each batch. If the number of forms does not match the batch count, the analyst will manually recount the forms or when necessary, rescan the entire batch.

An analyst then imports the forms into Exigen Visiflow Explorer, a business form automation application, which creates an electronic image of the form and converts data to an electronic media. If the data passes a series of systematic edits in Visiflow such as valid social security number format, valid GPA format, and presence of a signature, the record is then committed to the GDS uploading queue by the analyst. If the record fails any of the data edits, the record is sent to the error queue. An analyst then reviews and researches the invalid records in the error queue and makes the appropriate corrections by viewing the scanned electronic image of the form. Once corrected, the record is committed to a queue and subsequently uploaded to GDS. For the March 2006 award cycle, Cal Grant Operations staff represented to Internal Audit that a majority of the 71,000 scanned electronic images contained at least one scanning error resulting from Kofax being unable to recognize certain characters on the form. CSAC staff indicated that they were able to correct most of these errors by visually comparing the scanned image of the GPA form and manually inputting the necessary corrections in Visiflow. If the forms contain data errors (i.e. missing a GPA or signature, invalid SSN format, GPA over 4.00, etc.), CSAC sends a letter to the applicant, referred to as the "10-day letter", requesting the applicant to file a corrected or completed form within 10 days after the mailing of the notice by CSAC. For the March 2006 award cycle, 1,460 letters were sent to applicants requesting corrected or complete information. CSAC staff represented that 406 letters were returned with corrected information and were processed for consideration of a Cal Grant award.

Daily, a lead Financial Aid Analyst requests the records in the "commit to GDS queue" be uploaded to GDS, which is referred to as the "MEG Q" process. The records in the queue are subject to a series of additional systematic edits designed to verify that the records have the correct attributes, such as a valid school code, before they are uploaded to GDS. If any records fail the MEG Q process, a report is created of the failed records which are researched by an analyst who makes the necessary corrections

and resubmits the corrected records to the MEG Q process. The GPA data on records that pass the MEG Q process are then uploaded into GDS. All processed GPA Verification Forms are filed on shelves, by batch, for a minimum of three years in an unlocked storage room.

An applicant can log onto WebGrants for Students at any time during this process to verify that his or her GPA form was received and processed into GDS if they have submitted a FAFSA. Additionally, once the records are uploaded, GDS generates a GPA Summary Report by school of each GPA record uploaded. These reports are available to the respective schools via WebGrants. However, CSAC represented that many high schools do not retain student Social Security Numbers, therefore, the schools are not able to verify the submission of a student's GPA because the GPA Summary Report lists the student's Social Security Number but not their name.

Late School GPA Submissions

A school may send a letter to CSAC requesting approval to submit a late GPA for a student. The Executive Director or her designee, such as the Program Administration and Services Division Chief, can grant that request if circumstances beyond the control of the student prevented the timely submission of the GPA. The request must be received no later than twenty days after the established deadline along with the certified GPAs which the school is requesting to submit. CSAC, however, has a long standing practice of accepting GPAs 10 days beyond the March 2 and September 2 statutory deadlines without an appeal request. CSAC management indicated that this "in-house" deadline is consistent with their "in-house" FAFSA application deadlines, which have also been extended by 10 days to allow sufficient time for the receipt of the FAFSA from the U.S. Department of Education.

IV. Key Audit Procedures

Numerous audit steps were completed by Internal Audit to review the internal controls and evaluate the efficiency and effectiveness of procedures and practices currently used to process the Grade Point Average (GPA) data received from students and schools. Key audit procedures executed along with the results are presented in Exhibit 3 below and on the pages that follow.

Exhibit 3: Key Audit Procedures Performed and Test Results

Audit Objective	Key Procedures Performed	Results
<p>A. Ensure that GPA data submitted to CSAC is properly reflected in the Grant Delivery System (GDS).</p>	<p>A.1 Internal Audit uploaded 50 records of test data to the WebGrants training environment in order to simulate the process performed by schools when uploading GPA files to CSAC using WebGrants. Internal Audit then verified that WebGrants edited the test data for proper record format and data values by submitting both valid and invalid social security number formats, school codes, and GPA values. <i>(Note: Internal Audit could not execute this procedure by reviewing the actual data submitted by schools because the upload process utilized by the Information Technology Division does not maintain GPA files once the upload is complete.)</i></p> <p>A.2 Obtained the electronic GPA files submitted by 13 schools for the March 2006 award cycle, which contained approximately 1,500 GPAs. <i>(Note: The upload process utilized by the Information Technology Division does not maintain GPA files once the upload is complete, however, these 13 files were</i></p>	<p>A.1 All data tested was edited for proper record format and data value. All test data containing valid formats and data was accepted in WebGrants. Those records containing invalid test data were rejected and the errors had to be corrected before the records were accepted in WebGrants.</p> <p><i>No exceptions noted</i></p> <p>A.2 Internal Audit noted that all the GPA records tested were accurately recorded in the GDS GPA Grant Transaction file.</p> <p><i>No exceptions noted</i></p>

Audit Objective	Key Procedures Performed	Results
	<p><i>inadvertently uploaded by the schools into the payment reporting area of WebGrants, where uploaded files are maintained, instead of the GPA Upload area. As a result, the schools resubmitted the files through the GPA upload to correct the problem. However, the files originally uploaded in the payment reporting area were retained in WebGrants, but not uploaded into GDS which allowed Internal Audit to perform this procedure.)</i></p> <p>Utilizing ACL audit analysis software, Internal Audit compared the 1,500 GPA records to the GDS GPA Grant Transaction file to ensure that GPA records contained in these 13 files were properly recorded in GDS.</p> <p>A.3 Haphazardly selected a sample of 100 paper GPA Verification Forms from the over 71,000 paper forms submitted for the March 2006 award cycle. Traced the key data presented on the form (student name, SSN, GPA, school code, and GPA type) to the GDS Grant Transaction file to ensure that the data was properly reflected in GDS.</p>	<p>A.3 Internal Audit verified that the key data on the forms tested was properly reflected in GDS.</p> <p><i>No exceptions noted</i></p> <p>Additionally, while performing the key procedures, Internal Audit had discussions with CSAC staff regarding the receipt and processing of GPA Verification Forms. CSAC management and staff represented to Internal Audit that the majority of GPA Verification Forms are mailed to CSAC by students, subsequent to the school certifying the GPA. This practice results in a control weakness in that a student could</p>

Audit Objective	Key Procedures Performed	Results
	<p>A.4 Selected 50 students out of the 1,500 who submitted SAT, ACT, or GED test scores, in lieu of a GPA for the March 2006 award cycle. Traced the key data presented on the form (SSN and test score) to the corresponding student record in GDS. Additionally, validated that the GPA equivalent, as converted by GDS, agreed to the test score conversion table provided by the Research and Policy Analysis Branch. This conversion table is developed by CSAC staff based on information received from the organizations who administer the SAT, ACT and GED. <i>(Note: As part of this review, Internal Audit did not test the methodology used by CSAC staff to create the conversion table).</i></p>	<p>easily falsify the GPA information.</p> <p>See Section V. Finding and Recommendation #4</p> <p>A.4 Internal Audit noted that the key data on the forms tested was properly reflected in GDS. Additionally, the scores tested were properly converted by GDS based on the Research and Policy Analysis Branch conversion table.</p> <p>No exceptions noted</p>
<p>B. Test compliance with documented procedures for processing GPA submissions.</p>	<p>B.1 Observed the key tasks performed by Cal Grant Operations Branch staff while processing paper GPA verification forms to evaluate compliance with documented procedures.</p>	<p>B.1 Internal Audit noted that although a desk procedure exists that provides some guidance to CSAC staff when processing GPA forms, this document has not been approved by CSAC management or updated to reflect the tasks currently performed with the implementation of the Kofax GPA Imaging Optimization System.</p> <p>See Section V. Finding and Recommendation #6</p>

Audit Objective	Key Procedures Performed	Results
		<p>Additionally, while performing the key procedure, Internal Audit noted that CSAC staff do not validate the accuracy of GPA calculations performed by the schools. Instead, CSAC relies solely on the certification from the school which states that the GPAs are correct and accurately reported. Lack of verification increases the risk of GPAs being intentionally or inadvertently miscalculated.</p> <p><i>See Section V. Finding and Recommendation #2</i></p>
<p>C. Evaluate compliance with the timeframes defined in the applicable statutory requirements for processing GPA submissions.</p>	<p>C.1 Obtained a listing of all applicants who submitted incomplete or incorrect GPA information. Requested copies of the letters sent by CSAC (or documentation listing the applicants to whom letters were sent) requesting corrected or complete GPA information. Verified that only those forms returned by the applicants within 10 days after the mailing of the notice by CSAC were processed for consideration of a Cal Grant award.</p>	<p>C.1 CSAC provided Internal Audit with a listing of 1,460 applicants who were sent letters requesting corrected or complete GPA information. CSAC staff represented that 406 applicants submitted corrected or completed forms to CSAC that were postmarked within the 10 day period and were processed for consideration of a Cal Grant award. Internal Audit, however, could not verify whether the forms were returned within 10 days after the mailing of the notice as CSAC staff do not retain the postmarked envelope or data stamp the forms when opening the mail.</p> <p><i>See Section V. Finding and Recommendation #5</i></p>

Audit Objective	Key Procedures Performed	Results
	<p>C.2 Using ACL, extracted all GPA records from the GPA Grant Transaction file that were either electronically uploaded or manually input through WebGrants between March 3 and March 22 (118 schools were identified).</p> <p>Requested the approved GPA appeal letters, authorizing CSAC to process the GPAs received after March 2 for consideration in the March 2006 award cycle.</p> <p>Compared the GPA records against the appeal letters to determine if those GPAs processed between March 3 and March 22 were supported with appeal letters.</p> <p>C.3 Internal Audit reviewed those GPA appeal letters represented by CSAC as having been received from schools for the March 2006 award cycle and approved by CSAC Executive Management as of June 5, 2006 (as of the date of Internal Audit's test work, CSAC provided Internal Audit with 29 GPA appeal letters).</p> <p>Verified that the appeal letters were received by CSAC within twenty days after the March 2 deadline and processed for consideration in the March 2006 award cycle.</p>	<p>C.2 Internal Audit identified 53,682 GPAs submitted through WebGrants by 118 schools between March 3 and March 22. Although GPA appeal letters were received and approved from only eight of the schools, all of these GPAs were processed for consideration in the March 2006 award cycle with the exception of eight GPAs, received between March 20 and March 22.</p> <p><i>See Section V. Finding and Recommendation #1</i></p> <p>C.3 Based on a review of the documentation supporting each of the 28 GPA Appeal letters, Internal Audit determined that 26 of the letters were received within the 20 day grace period. All 26 appeals were approved by CSAC and the GPA data was accurately reflected in GDS. Two appeal letters were received by CSAC after the 20 day grace period (dated March 23 and 27, respectively), yet the appeals were approved and the GPAs were processed by CSAC for consideration in the March 2006 award cycle.</p> <p><i>See Section V. Finding and Recommendation #1</i></p>

Audit Objective	Key Procedures Performed	Results
<p>D. Determine the adequacy of procedures to secure personally identifiable student information submitted as part of the GPA collection process.</p>	<p>D.1 Observed the process in which incoming mail containing personally identifiable student information submitted as part of the GPA collection process is opened, processed and stored.</p>	<p>D.1 Internal Audit noted that GPA forms containing personally identifiable student information are not adequately secured by CSAC staff. Specifically, the mail containing the GPA forms were kept in mail bins in an unsecured work area until opened. The forms were then placed in cubicles (on top of a desk or filing cabinet) for up to a week before being processed. Once processed, the documents were maintained in an unlocked storage room.</p> <p><i>See Section V. Finding and Recommendation #3</i></p>

Source: Internal Audit Department, February – June 2006

V. Findings, Recommendations and Management's Responses

Internal Audit's findings and recommendations along with management's responses resulting from this review are provided below.

Finding 1 – GPAs received after the March 2 statutory deadline were not consistently handled.

Section 30023 of the California Code of Regulations states that CSAC “may, on a case-by-case basis, accept the submission of grade point average(s) from institutions after the established deadline if, in the opinion of the Executive Director, circumstances beyond the control of the applicant delayed or prevented the timely submission of the grade point average(s) by the reporting institution(s) by the established deadline. In such cases, any request to the Executive Director to accept grade point average(s) after the established deadline shall be received by the Commission no later than twenty (20) days after the established deadline.” This request is referred to as a “GPA appeal”.

CSAC management represented to Internal Audit that a long standing internal practice has existed since 1995 of accepting GPAs through March 12 *without requiring a written appeal request*. CSAC management also represented that this internally established grace period is consistent with their FAFSA application deadline, which has also been internally extended by 10 days to allow sufficient time for the receipt of the FAFSA data from the U.S. Department of Education. This practice, however, has not been formally documented or approved by CSAC Executive Management. Executive Management represented that they just recently became aware of this practice in the midst of processing the GPAs for the March 2006 award cycle through a report given by the former Cal Grant Operations Manager in early April to Executive Management. Executive Management re-evaluated this practice and its authority to accept GPAs after the March 2 statutory deadline upon being informed by the former manager of the Commission's practice and requested more information on what was permissible by state law and regulations. As a result, Executive Management made a decision to not process any *paper* GPA Verification Forms postmarked after March 2 unless an institution submitted a GPA appeal within the time frames specified in the statutory regulations.

As part of the test work for this review, Internal Audit noted the following regarding GPA submissions after March 2, 2006:

- **53,595 electronic GPAs uploaded into WebGrants by 25 institutions:**
 - 53,327 uploaded March 3 - 22
 - 268 uploaded on or after March 23

Only three out of the 25 institutions submitted an appeal for the late GPA submissions. One appeal was associated with GPAs uploaded March 3 – 22. The other two appeals were associated with the GPAs uploaded on or after March 23. In total, the three appeals were associated with 12,758 electronic GPAs. CSAC, however, accepted all 53,595 GPAs for consideration in the March 2006 award cycle.

- **370 manually input GPAs into WebGrants by 122 institutions:**

- 355 manually input March 3 - 22
- 15 manually input on or after March 23

Seven schools submitted appeal requests for late submissions associated with manually input GPAs for seven students. An additional 340 GPAs received from 95 schools were processed without an appeal in the March 2006 award cycle.

The remaining 23 GPAs manually input into WebGrants (of which 8 were received March 3 - 22 and 15 on or after March 23) were received from 20 schools, were not processed, and will be considered for the September 2006 community college competitive award cycle.

- **1,014 paper GPA Verification Forms submitted for students who attended approximately 500 institutions.**

Based on Executive Management's decision to not process any *paper* GPA Verification Forms postmarked after March 2 without an appeal, 1,014 *paper* GPA Verification Forms were not processed for consideration of a Cal Grant. Executive Management represented to Internal Audit that this decision was based on consultation from the Attorney General's Office on what was permissible within existing state law and regulations. In addition, 19 schools provided CSAC with appeal letters after March 2 associated with 30 GPAs in which CSAC staff processed for consideration of a grant.

Internal Audit cannot take a position as to whether or not these 1,014 paper forms should have been processed but merely points out that CSAC management's decision to not accept these forms is not consistent with practices utilized in previous years when paper GPA Verification Forms postmarked or received before March 12 were processed without an appeal.

Additionally, CSAC management's decision to not accept these forms is not consistent with the current handling of GPAs electronically uploaded or manually input through WebGrants for the March 2006 cycle. Stated very simply, a student whose GPA was submitted subsequent to March 2 using a paper form was not considered for a March 2006 award as were students attending schools which submitted GPAs through the WebGrants system. The method of submitting the GPA information for the March 2006 award cycle may have resulted in a different outcome in the award of a Cal Grant based on the method of submission.

Internal Audit inquired with CSAC management regarding their decision to process the GPAs received from schools through WebGrants after March 2 and to not accept any of the 1,014 paper GPA Verification Forms postmarked after March 2 for consideration in that award cycle. Executive Management represented that they were not made aware that the GPAs submitted through WebGrants after the March 2 deadline had been processed for consideration in the March 2006 award cycle until notified by the former Cal Grant Operations Manager in early April. Internal Audit noted that 22,347 out of the approximate 54,000 GPAs submitted through WebGrants were uploaded on March 3 due to technical problems with WebGrants that prevented institutions from submitting files the evening of March 2. CSAC management indicated that these files were accepted without an appeal request because the delay was beyond the control of the schools.

Internal Audit determined that an additional 18,830 GPAs were submitted and uploaded to GDS from 63 institutions between March 4 and March 22 without an approved GPA appeal letter. Management represented to Internal Audit that the GPAs, although received after the March 2 statutory deadline, were processed for consideration in the March 2006 award cycle on the legal premise that the act of submitting the GPAs electronically by the institutions constituted “substantial compliance” with the requirement to submit a GPA appeal request. Internal Audit recognizes that the law does not state the specific format in which an appeal request should be made, however, the act of merely submitting a file does not provide the necessary documentation for CSAC management to properly evaluate the request to determine if circumstances beyond the control of the applicant delayed or prevented the timely submission of the grade point average(s) by the reporting institution(s) by the established deadline. Internal Audit also noted that eight GPAs submitted from seven institutions through WebGrants manual entry between March 20 and March 22 were not processed. This practice, however, is not consistent with CSAC management’s assertion that any GPA files submitted within twenty days after the statutory deadline, or by March 22, constituted a valid appeal request and should be processed for consideration in the March 2006 award cycle.

Additionally, Internal Audit noted that CSAC Management approved two appeal letters dated subsequent to the 20 day period (March 23 and 27, respectively) and processed the GPAs for consideration in the March 2006 award cycle. CSAC Management approved the appeals because, in both cases, the schools attempted to submit the GPAs before the March 22 appeal deadline. The schools, however, did not submit appeal letters until late in March when they were notified by students that their GPAs had not been submitted. Internal Audit recognizes that CSAC Executive Management’s rationale for approving these two appeals may have merit, however, the Code of Regulations states that appeals must be received by the Commission no later than twenty days after the March 2 deadline and is silent as to the acceptance of appeals beyond this date for extenuating circumstances.

Recommendation 1 – Ensure compliance with the regulatory requirements regarding the acceptance of GPA submissions after the March 2 statutory deadline. Additionally, establish and formally document a policy for the acceptance of GPAs to help ensure that the data is processed uniformly for all applicants.

CSAC should consistently comply with the regulatory requirements for processing GPAs submitted directly through WebGrants and in paper after the March 2 statutory deadline. Specifically, GPAs received subsequent to the March 2 statutory deadline should only be accepted and processed by CSAC if the school submitted a written appeal to CSAC for consideration no later than twenty days from March 2.

Additionally, the Cal Grant Operations Branch, with support from the Information Technology Division, should develop and implement a policy for the acceptance of GPA data to help ensure that the GPA data is processed uniformly for all applicants. The policy should also define the criteria for approving appeals, particularly in extenuating circumstances, including but not limited to malfunctions to WebGrants which could prevent schools from submitting GPA data by the statutory deadlines. The policy should be consistently applied to all Cal Grant applicants regardless of whether GPAs are submitted to CSAC directly through WebGrants or in paper. The policy should be approved by CSAC Executive Management and reviewed periodically to ensure that it reflects current practices. Moreover,

CSAC should formally and regularly communicate the documentation and submission requirements to schools and applicants for appeals.

Management's Response to Recommendation 1 – CSAC Management agrees a reevaluation of the GPA submission process is appropriate. CSAC staff is pursuing amendments to the existing regulations to clarify the issues involved in late submittals of GPAs.

As pointed out in this Internal Audit Review, a number of GPAs were electronically uploaded and manually input into WebGrants after the March 2 deadline by institutions through March 12 without a written appeal request consistent with the long-standing internal practice of accepting GPAs and FAFSA records through March 12 without an appeal request. While CSAC Executive Management was unaware of this practice until it was identified well into the processing of the March 2006 award cycle, a policy decision was made to end this practice with respect to any pending late GPA submittals. It was also determined that some of the pending late GPA submittals could be accepted under certain circumstances.

Current regulations under Title 5, Section 30023(c) California Code of Regulations state the following:

“The Commission may, on a case-by-case basis, accept the submission of grade point average(s) from institutions after the established deadline, if, in the opinion of the Executive Director, circumstances beyond the control of the applicant delayed or prevented the timely submission of the grade point average(s) by the reporting institution(s) by the established deadline. In such cases, any request to the Executive Director to accept grade point average(s) after the established deadline shall be received by the Commission no later than twenty (20) days after the established deadline and the computed grade point average(s) shall be included with the request.”

Executive Management determined that electronic submissions involving multiple students could be processed because it could reasonably be concluded that a late electronic submittal of multiple GPAs by a school was beyond the control of any particular individual student whose GPA was included in the multiple GPAs. The electronic submittal by the school after the deadline could be considered to be a request for the late submittal of the GPAs. Thus, electronic submittals meeting these conditions constituted substantial compliance with the regulation relating to requests for late submittals of GPA. This was determined with the knowledge that CSAC staff had been in communications with most of the institutions that were submitting late GPA information for multiple students.

However, the substantial compliance reasoning was implemented by applying it to all electronic GPA submittals submitted after the deadline, whether the file contained multiple GPA information or not. The policy decision to accept late GPA submittals under the substantial compliance reasoning was not intended to apply to single-student electronic GPA uploads submitted by schools after the deadline without a written appeal.

The difference in treatment between late paper GPA submittals and late electronic submittals of multiple GPAs is a function of the current regulation governing late submittals. The current regulation requires a showing that the late submittal was beyond the control of the student. The substantial compliance reasoning cannot be applied to late paper GPAs because, absent a written explanation establishing that the late submittal was beyond the control of the student, the circumstances do not allow for a reasonable conclusion that the late submittal was beyond the control of the student. Secondly, the current regulation also does not authorize appeals by students; it expressly authorizes appeals only by schools. This was significant in determining that the 1,014 paper GPA Verification Forms that were postmarked after the March 2 statutory deadline and received before March 22, 2006, could not be processed, because it could not be determined whether a late paper GPA had been submitted by a student or a school. Further, the late GPA submittals did not include certificates of mailing or any appeal from schools on behalf of these students.

CSAC has proposed regulatory changes that would allow students to request late submittals of GPAs and that would extend the timeframe to request late submittals of GPAs for students eligible for entitlement awards. Better notification to students and schools of the deadline and requirements for late GPA submittals is also being considered. The proposed regulatory changes are currently in the preliminary steps of the regulatory process. CSAC staff intends to present updates on the proposed regulations and present other recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006-2007 fiscal year.

Finding 2 – CSAC does not validate the accuracy of GPA data submitted by schools and students.

A student's GPA is one of the primary factors in determining a student's eligibility for a Cal Grant award. The GPA value is the average of all grades received from classes completed by a student while in high school or college. The California Education Code and the Cal Grant Manual, a procedures manual developed by CSAC staff to assist schools in administering Cal Grant related activities, provides specific details on how GPAs must be calculated. The GPA calculation is rather complex since certain classes, for example, physical education and reserve officer training corps (ROTC) must be excluded from the calculation. Having to take into consideration grades for courses that cannot be included in the GPA computation increases the risk of errors, particularly for those institutions, such as high schools that generally perform the calculations manually.

CSAC is not required by state law to validate the accuracy of GPAs. For all GPAs submitted, an authorized school official is required to include a certification, executed under penalty of perjury, that the grade point averages reported are accurate. CSAC relies solely on the school certification and does not perform any processes to independently validate GPAs for accuracy. CSAC currently has five auditors in its Program Compliance Branch who are responsible for conducting compliance reviews of post secondary institutions participating in the Cal Grant program. However, CSAC management represented that the Program Compliance Branch currently reviews only 50 of the approximately 370 Cal Grant participating institutions each year and does not have sufficient resources to allow staff to expand their reviews to include such procedures in their test work and to expand their reviews to high schools.

CSAC Executive Management informed Internal Audit about an incident where the State's Department of Justice recently investigated and settled a case for \$725,000 with a proprietary post-secondary institution in which the State contended that GPA calculations certified by the institution were inaccurate and resulted in 93 students receiving a Cal Grant for which they were not otherwise eligible. This incident was brought forward based on a "whistle-blower" tip. Without procedures in place to validate the accuracy of GPA data submitted by institutions and students, similar incidents may be occurring at other institutions where GPAs are intentionally or inadvertently miscalculated.

Recommendation 2 – Develop and implement processes to test the accuracy of GPAs submitted.

CSAC should develop and implement procedures to validate the accuracy of student GPAs being submitted to CSAC. Consideration should be given to the following:

- CSAC's Program Compliance staff should expand the scope of their reviews conducted at post secondary institutions to include a review of the institution's methodology for calculating GPAs.
- The Cal Grant Operations Branch should review schools' methodologies for calculating GPAs. It may also be necessary for CSAC's Information Technology Division to assist Cal Grant Operations staff in reviewing the computer code for those schools who have systems that automatically calculate the GPAs.
- CSAC staff could periodically select a sample of GPAs, as reported by high schools and post secondary institutions, and recalculate the data. The school would be required to provide documentation, such as a transcript or other records to support the GPA calculations for the items sampled by CSAC.

Management's Response to Recommendation 2 – Although an authorized school official is required to include a certification, executed under penalty of perjury, that the grade point averages reported are accurate, CSAC Management agrees a reevaluation of the GPA submission process is appropriate given the potential risk of GPA's being intentionally or inadvertently miscalculated. CSAC's Cal Grant Operation's staff will work collaboratively with the Program Compliance staff to explore the expansion of the scope of the reviews conducted at post secondary institutions to include a review of the institution's methodology for calculating GPA's. This approach will require additional resources. CSAC Management will consider all the options detailed in the Audit Review and others provided by CSAC staff. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006-2007 fiscal year.

Finding 3 – Cal Grant GPA Verification Forms, which contain personally identifiable student information, are not adequately secured during or subsequent to processing.

During the March 2006 award cycle, CSAC received over 71,000 paper GPA Verification Forms. The forms, which contain personally identifiable information, such as student name, address, date of birth, and social security number are not adequately safeguarded by CSAC staff. Staff from the Mail Center retrieves the mail containing GPA Verification Forms from the post office and deliver the documents to the Cal Grant Operations Branch in mail bins. The bins are stacked in an unsecured work area for up to two weeks until the CSAC staff, with support from Student Assistants, have an opportunity to open the mail. Once the mail is opened and sorted, the documents are then distributed to one of the three Financial Aid Analysts who process the forms. The analysts keep the forms in their cubicle (on top of the desk or on top of filing cabinets) for up to a week while the forms are being processed. Once the forms are processed, the documents are maintained in an unlocked storage room on shelves for three years. These documents are accessible to anyone who enters the storage room, increasing the likelihood of theft or other wrongdoings. Documents older than three years are then shredded.

Recommendation 3 – Ensure that personally identifiable information maintained on GPA Verification Forms is safeguarded at all times.

CSAC management should formally develop and implement procedures to ensure that sensitive student data on GPA Verification Forms are secured at all times to minimize the likelihood of theft or other wrongdoings. Examples of such measures include storing documents in a locked room or in file cabinets.

Management's Response to Recommendation 3 – While CSAC's Cal Grant Operations Branch is housed in a secure building with restricted badge access required, CSAC Management agrees that a reevaluation of current procedures is appropriate to ensure that sensitive student data on GPA Verification forms is secured at all times. CSAC staff will formally develop written procedures and adopt measures to minimize the likelihood of theft or other wrongdoings. CSAC staff has been working with the space planners to ensure that a secure mail processing and document scanning room is available in CSAC's new facilities. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006-2007 fiscal year.

Finding 4 – Students often mail paper GPA Verification Forms directly to CSAC, increasing the risk of the GPA being falsified by the student.

According to the California Education Code, it is the responsibility of the Cal Grant applicant to have his or her grade point average reported to the Commission. The process requires the student to complete the student portion of the form and for the school to provide, and certify the accuracy of, the student's GPA information. The school, or in most cases, the student per CSAC then mails the completed form to CSAC. This process increases the risk that a student may falsify the GPA information. CSAC staff represented to Internal Audit that a number of high schools have implemented policies that prevent school officials from handling documents containing students' social security numbers and, therefore, prohibits the school from mailing the Verification Form to CSAC.

Additionally, CSAC staff represented to Internal Audit that there have been a few instances where the GPA on Verification Forms appear to have been altered. In such cases, CSAC staff contact the school to confirm the GPA data. However, CSAC does not have a policy that requires maintaining documentation evidencing the follow-up efforts performed to confirm the GPA data.

Internal Audit recognizes that CSAC has explored ways to require all schools to submit GPA data to CSAC rather than allow students to handle the forms. Specifically, CSAC supported California Assembly Bill 1241 (AB 1241) which was introduced in February 2005 and would have required public and private high schools to report the GPAs of all graduating students potentially eligible for a Cal Grant award directly to CSAC. However, AB 1241 was amended several times in such a way that changed the intent of the bill from requiring institutions to submit GPA data directly to CSAC to a requirement where CSAC merely reports GPA statistics to the legislature. This bill, however, was not signed by the Governor and, therefore, not enacted into law.

Recommendation 4 – Develop a process to independently validate GPAs submitted to CSAC on paper GPA Verification Forms. Furthermore, implement additional measures to encourage the use of WebGrants for the submission of GPAs thereby reducing the risk of GPA falsification and reducing the cost of handling paper forms.

CSAC management should develop a process, such as emailing or calling schools, to independently validate or confirm the accuracy of GPAs submitted to CSAC on paper GPA Verifications Forms. This process will help reduce the risk of GPAs mailed to CSAC by the student from being falsified.

Additionally, the Outreach and Public Relations Division should continue to work collaboratively with the School Support Services Branch to conduct training sessions and publish literature providing guidance for schools on submitting GPAs electronically via WebGrants, thereby reducing the risk of GPA falsification and reducing the cost of handling paper GPA Verification Forms. CSAC should also consider convening a workgroup, similar to the group proposed in AB 1241, to explore other steps that can be taken to increase the number of GPAs that are submitted electronically, thus further increasing the efficiency of GPA submissions.

Management's Response to Recommendation 4 – California Education Code (CEC), Section 69433 authorizes CSAC to develop supplemental applications to be utilized in obtaining essential information to accomplish the objectives of individual Cal Grant programs. Therefore, CSAC staff developed the GPA Verification Form and requires each reporting of grade point averages to include a certification by a school official, executed under penalty of perjury, that the grade point averages reported are accurate. CSAC staff has also worked to provide increased training on the GPA upload process to high schools and postsecondary institutions and will continue these efforts. This recommendation will be given serious consideration; however, CSAC Management recognizes this proposal will increase the workload for both CSAC and institutions. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006-2007 fiscal year.

Finding 5 – Documentation is not retained to substantiate the dates GPA Verification Forms and GPA Appeals were received.

A student applying for a Cal Grant is required by California Education Code to submit or his or her certified high school or college GPA to CSAC. The GPA must be received or postmarked no later than March 2. Furthermore, a student who submits a timely but incomplete or incorrect GPA Verification Form has ten days after the mailing of notice by CSAC to file a corrected or completed GPA. Similarly, an institution who submits a GPA appeal to CSAC, requesting approval to submit GPAs after the March 2 deadline, must do so no later than March 22 in order for the request to be considered by CSAC Executive Management.

For the March 2006 award cycle, over 71,000 GPA Verification Forms were received. CSAC represented that 1,014 of these forms were postmarked after March 2, 2006 and, therefore, were not processed since the school had not submitted an appeal letter. Additionally, CSAC management represented that 406 of the 1,460 ten day correction letters sent to students who submitted a timely but incomplete or incorrect GPA Verification Form were returned to CSAC before the deadline and were processed for consideration in the March 2006 award cycle.

Internal Audit, however, could not perform its intended test procedures to verify whether the forms were obtained within the time frames defined in the statutory regulations as CSAC staff does not retain any evidence substantiating the dates the forms were received or postmarked. Lack of date validation controls may result in awarding Cal Grants to ineligible applicants or denying awards to qualified applicants. For time sensitive information, such as GPA submittals, best practices suggest use of a date stamp for proof of receipt and time and date validation.

Recommendation 5 – Implement procedures to document the date on which paper GPA Verification Forms and appeal letters are received to provide evidence that GPAs are processed within statutory and Commission approved deadlines.

The Cal Grant Operation Branch staff should consider retaining the envelopes of all GPA Verification Forms postmarked after the statutory deadline in order to have documentation in case a dispute is raised regarding when a late GPA submission was received. Additionally, CSAC should develop procedures to date stamp GPA Verification Forms and appeals in order to provide documentation that the forms were postmarked before statutory deadlines.

Management's Response to Recommendation 5 – CSAC Management recognizes the need to document the date on which paper GPA Verification Forms and appeal letters are received. CSAC's Cal Grant Operations Branch recently procured an electronic date stamp machine and will develop and implement formal procedures to date stamp all GPA Verification Forms and appeals in order to provide documentation that the forms were postmarked before statutory deadlines. In addition, CSAC staff will consider retaining the envelopes of all GPA Verification Forms. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006-2007 fiscal year.

Finding 6 – Documented procedures do not reflect the current tasks performed in processing GPA forms.

CSAC recently implemented Kofax, a document management and imaging application, to process paper GPA Verification Forms received for the March 2006 Cal Grant award cycle. Although CSAC has an informal written desk guide of procedures in place for processing GPA forms, these documents have not been updated to reflect the process changes resulting from the implementation of Kofax. CSAC management provided Internal Audit with updated process flow diagrams which include the Kofax application and represented that they intend to create more detailed written procedures sometime after the March 2006 award cycle is complete.

Recommendation 6 – Ensure procedures are updated to reflect the activities currently performed when processing GPA Verification Forms.

CSAC management should formally document the procedures for processing GPA forms as soon as possible. These procedures should be periodically reviewed and revised, as needed, to ensure that they reflect current practices and to help ensure that staff are processing the forms accurately and consistently.

Management's Response to Recommendation 6 – As stated in this finding, CSAC's Cal Grant Operations Branch recently procured and implemented the Kofax document management and imaging application and developed process flow diagrams reflecting the GPA Verification Form process change. CSAC Management concurs that the Cal Grant Operations Branch should revise and formally document the procedures to ensure that they reflect the current practices and to help ensure staff are processing the GPA Verification Forms accurately and consistently. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006-2007 fiscal year.

VI. Implementation Plan for Recommended Actions

Exhibit 3 below presents Internal Audit’s recommended actions resulting from this review. The assigned individuals responsible for ensuring that the actions are implemented are also included.

Exhibit 3: Recommended Actions

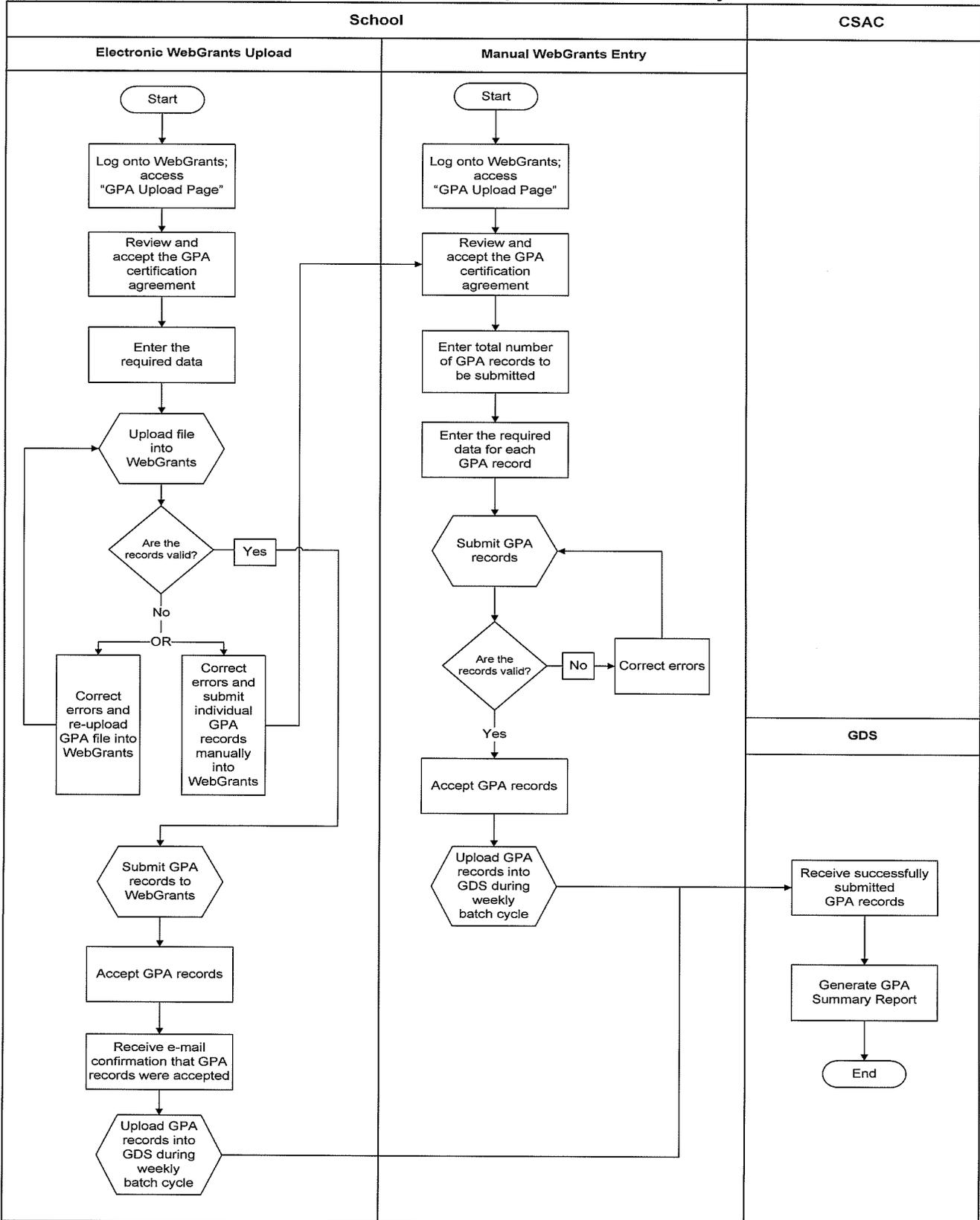
Recommended Actions	Assigned Lead
<p>1. <i>Ensure compliance with the regulatory requirements regarding the acceptance of GPA submissions after the March 2 statutory deadline. Additionally, establish and formally document a policy for the acceptance of GPAs to help ensure that the data is processed uniformly for all applicants.</i></p>	<p>Chief, Program Administration and Services Division, Manager, Cal Grant Operations Branch and Chief, Information Technology Division</p>
<p>2. <i>Develop and implement processes to test the accuracy of GPAs submitted.</i></p>	<p>Chief, Program Administration and Services Division, Chief, Information Technology Division, Chief, Management Services Division, Manager, Program Compliance Branch and Manager, Cal Grant Operations Branch</p>
<p>3. <i>Ensure that personally identifiable information maintained on GPA Verification Forms is safeguarded at all times.</i></p>	<p>Manager, Cal Grant Operations Branch</p>
<p>4. <i>Develop a process to independently validate GPAs submitted to CSAC on paper GPA Verification Forms. Furthermore, implement additional measures to encourage the use of WebGrants for the submission of GPAs thereby reducing the risk of GPA falsification and reducing the cost of handling paper forms.</i></p>	<p>Chief, Outreach and Public Relations Division, Manager, School Support Services Branch, Manager, Cal Grant Operations Branch and Manager, Program Compliance Branch</p>
<p>5. <i>Implement procedures to document the date on which paper GPA Verification Forms and appeal letters are received to provide evidence that GPAs are processed within statutory and Commission approved deadlines.</i></p>	<p>Manager, Cal Grant Operations Branch</p>
<p>6. <i>Ensure procedures are updated to reflect the activities currently performed when processing GPA Verification Forms.</i></p>	<p>Manager, Cal Grant Operations Branch</p>

Source: Internal Audit Department, February – June, 2006

It will be the responsibility of CSAC’s new Internal Auditor to meet with the assigned leads reflected in Exhibit 3 to evaluate the implementation and progress of all corrective actions identified as part of this review.

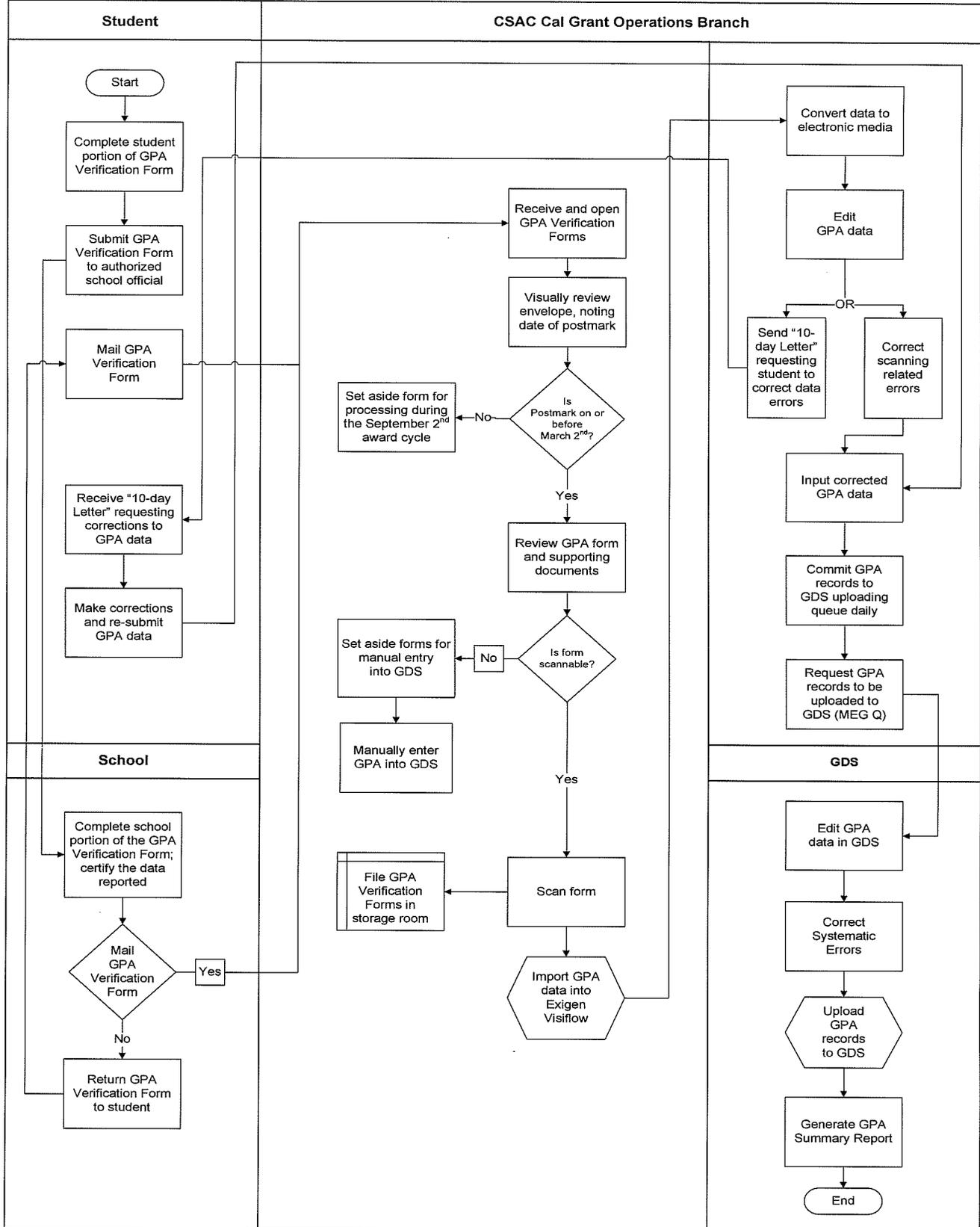
Appendix A

High Level Flowchart for the WebGrants Electronic Upload and Manual Entry Processes



Source: Audit Services Department, February – June, 2006

High Level Flowchart for the Processing of Paper GPA Verification Forms



Source: Audit Services Department, February – June, 2006