

Item 2

Information Item

Update on the California Student Opportunity and Access Program (Cal-SOAP) Los Angeles Consortium

SUMMARY OF THE ISSUE(S):

This item provides an information update on the status of the California Student Opportunity and Access Program (Cal-SOAP) Los Angeles Consortium (“Consortium”). The update includes the plan to provide outreach services to students in Los Angeles area schools for the 2016-17 contract year.

RECOMMENDATION:

This item is informational, no action is required.

BRIEF HISTORY OF KEY ISSUE(S):

As a result of the serious audit findings relating to the administration of the Cal-SOAP Los Angeles project during the 2013-14 and 2014-15 contract years, the Cal-SOAP Los Angeles’ fiscal agent informed the Commission in January 2016 that the project would be unable to expend the 2015-16 funds. The Cal-SOAP Long Beach project agreed to provide services in a portion of the areas normally served by the Cal-SOAP Los Angeles project, beginning in February 2016. A portion of the unused 2015-16 Cal-SOAP Los Angeles funds was reallocated to Cal-SOAP Long Beach for providing the services, and the remaining 2015-16 funds were reallocated to other Cal-SOAP projects. Commission staff have been working with the Cal-SOAP Los Angeles Consortium’s Governing Board and fiscal agent to respond to audit findings and to restore services for the 2016-17 academic year.

ANALYSIS:

On April 22, 2016, CSAC informed the Governing Board of the Cal-SOAP Los Angeles Consortium that Consortium’s participation in the Cal-SOAP Program for the 2016-17 contract term had been conditionally approved. Approval of the agreement is contingent upon the Cal-SOAP Los Angeles Consortium’s providing adequate assurance that it can appropriately administer the Cal-SOAP Program and comply with all statutory and contractual requirements.

As a result of the audit findings relating to the 2013-14 and 2014-15 contract years, certain additional conditions are being placed on the Consortium, as are set forth more fully below. Lastly, the Commission anticipates that, to the extent practicable, the Consortium will fully re-establish services to those high schools and students that were served during the 2014-15 contract term.

California Student Aid Commission

The Governing Board of the Consortium has been informed that it must obtain the services of a new fiscal agent acceptable to the Commission, and that upon signing an agreement to participate in Cal-SOAP, the Governing Board assumes fiduciary responsibility for the proper accounting and safeguarding of program funds.

The Governing Board of the Consortium is currently seeking a new fiscal agent and exploring several options. As soon as a new fiscal agent is identified, the Governing Board of the Consortium will vote for approval.

Audit Update

The Consortium submitted its response to the draft audit on April 8, 2016. Commission staff has reviewed the response and has identified six Findings which are now considered closed for purposes of the audit, but which will require the submission of new policies and procedures once the new fiscal agent is identified. One additional Finding requires further response and supporting documentation from the Consortium to validate the information provided in its response and to substantiate that the previously disallowed funds are reimbursable. The Consortium has until May 31, 2016 to provide its supplemental response and supporting documentation.

Next Steps

Once the Consortium identifies a new fiscal agent, the Governing Board will be required to submit a copy of the fully executed written agreement which establishes the explicit roles and responsibilities of the new fiscal agent. The agreement shall be explicit on the role and responsibilities of the fiscal agent and it shall make clear that the fiscal agent reports to the Governing Board of the Consortium. The Commission's Legal Counsel, Program Administration and Services Division, and the Executive Director will review the submitted proposal. Our shared goal is to re-establish a viable, sustainable Cal-SOAP program that will continue to serve students in the Los Angeles area beginning on July 1, 2016.

RESPONSIBLE PERSON(S):

Catalina Mistler, Division Chief
Program Administration and Services Division

Steve Caldwell
Senior Manager, Customer Relations Branch

ATTACHMENT(S):

Attachment: April 22, 2016 Letter to the Los Angeles Consortium:

CALIFORNIA STUDENT AID COMMISSION

OFFICE OF THE EXECUTIVE DIRECTOR

April 22, 2016



Patricia Perez-Filimaua, Los Angeles Consortium Chair
c/o Arroyo High School
4921 Cedar Avenue
El Monte, CA 91732

Re: 2016-17 Cal-SOAP Contract Conditional Approval

Dear Ms. Perez-Filimaua:

The California Student Aid Commission ("Commission") has conditionally approved the Los Angeles Consortium for participation in the Cal-SOAP Program for the 2016-17 contract term. This approval is contingent upon the Los Angeles Consortium ("Consortium") providing adequate assurance that it can appropriately administer the Cal-SOAP Program and comply with all statutory and contractual requirements. In addition, as a result of the severity of the recent audit findings relating to the administration of this project during the 2013-14 and 2014-15 contract years, certain additional conditions are being placed on the Consortium as are set forth more fully below. Lastly, the Commission anticipates that, to the extent practicable, the Consortium will fully re-establish services to those high schools and students that were served during the 2014-15 contract term.

The Consortium must obtain the services of a new fiscal agent acceptable to the Commission

Upon signing an agreement to participate in the Cal-SOAP, the Governing Board of a consortium assumes the fiduciary responsibility for the proper accounting and safeguarding of the program funds. When a consortium uses a fiscal agent, the fiscal agent, is responsible for, at a minimum, the following:

- Becoming familiar with Cal-SOAP requirements especially as they relate to fiscal matters
- Reporting to the board, keeping the Project Director informed and answering queries about fiscal matters
- Ensuring all financial transactions are in compliance with program requirements, are adequately documented, and auditable
- Implementing adequate fiscal controls to ensure Cal-SOAP funds are safeguarded from unauthorized use
- Overseeing the accounting of receipts and expenditure of funds of the consortium
- Establishing processes and procedures that ensure adequate monitoring or purchase requisitions and orders
- Maintaining the records for the inventory of equipment
- Monitoring expenditures for validity of charges, including the time charged by employees to the program

The Commission's review of expenditures made during the 2013-14 and 2014-15 contract terms revealed a significant number of findings relating to ineligible reimbursements that were approved and processed by the fiscal agent. Subsequently, these ineligible expenditures were submitted to the Commission for reimbursement from the Cal-SOAP project grant funds. Although these expenditures were ultimately disallowed, the lack of proper processes and internal controls created the potential for state funds to be expended on items that were inaccurate and improper. As a result, the Los Angeles Consortium will not be authorized to participate in the Cal-SOAP Program unless it obtains a new fiscal agent that can institute appropriate processes, procedures and internal controls to ensure that all reimbursements comply with applicable laws, policies and contracts.

Once the Consortium identifies a new fiscal agent, it shall submit a copy of the fully executed written agreement which establishes the explicit roles and responsibilities of the new fiscal agent. The agreement shall be explicit on the role and responsibilities of the fiscal agent and it shall make clear that the fiscal agent reports to the Governing Board of the Consortium.

In addition, fiscal agent staff shall be required to participate in Cal-SOAP Program training by Commission staff and shall submit the policies, procedures and additional documentation necessary to ensure that all Cal-SOAP expenditures are accurate and appropriately supported, particularly in the following areas.

1. Peer advisor/tutor stipend payments

The program compliance review revealed the statutory eligibility requirements for peer advisors/tutors were not followed. The Consortium and fiscal agent must provide revised policies and procedures to ensure all peer advisors/tutors included in the 30% stipend allocation meet all eligibility requirements. In addition, the Consortium must submit the eligibility documentation for each peer advisor/tutor hired, including:

- Academic transcripts to verify current enrollment in a college or other postsecondary school as an undergraduate or graduate student at least half-time for all terms of employment
- Financial aid award letter to verify financial need for the stipend
- Duty statements to verify peer advisors/tutors work with secondary school students
- Payroll documentation and timesheets to verify hourly pay rates and hours worked per week

2. Cell phone reimbursements, mileage reimbursements and salary and benefits reimbursements

The program compliance review uncovered ineligible cell phone reimbursements, ineligible mileage reimbursements and ineligible salary and benefits reimbursements during the 2013-14 and 2014-15 contract terms. The Consortium and fiscal agent must submit policies and procedures to ensure that all expenditure reimbursements are properly documented and that there are sufficient internal

controls to prevent improper disbursements. In addition, the following documentation must be submitted to support claimed expenditures.

- If personal cell phone reimbursements are allowed, the Consortium and fiscal agent must submit the documentation demonstrating the amount of business use claimed and the amount of reimbursement claimed, including all supporting documentation
- All mileage claims submitted for reimbursement must include the supporting documentation for the miles driven and include verification that the travel occurred
- Payroll documentation and timesheets to verify hourly pay rates and hours worked per week for all Cal-SOAP staff

3. Reimbursement requests must be submitted timely with all supporting documentation

The Cal-SOAP contract requires that all reimbursement requests be submitted within 30 calendar days from the end of each calendar quarter, with the exception of the final close-out reimbursement which must be submitted within 90 calendar days following the end of the contract. The Consortium and fiscal agent must provide policies and procedures to ensure reimbursement requests are submitted according to the due dates. In addition, the Consortium and fiscal agent must provide the following supporting documentation for each quarterly reimbursement request:

- Fiscal agent accounting ledgers that match each line item per reimbursement request
- Expenditure invoices
- Employee timesheets/payroll information
- Travel/mileage reimbursement forms

4. Statutory allocation requirement for student tutors is calculated correctly

California Education Code section 69561(m) requires that at least 30 percent of project grant funds be allocated for stipend to peer advisors and tutors. The Consortium and fiscal agent must ensure that peer advisors and tutors are eligible to receive stipends because they meet the following criteria:

- Work with secondary school students
- Are currently enrolled in a college or other postsecondary school as an undergraduate or graduate student at least half-time
- Have demonstrated financial need for the stipend

Accordingly, the Consortium and fiscal agent must provide policies and procedures to ensure the statutory allocation requirement for student tutors is calculated correctly and must provide the following supporting documentation for each quarterly reimbursement request:

- Transcripts or other documentation establishing student postsecondary attendance
- Award letters or other documentation establishing that the student has demonstrated financial need for the stipend
- Timesheets or other documentation demonstrating that the student is working with secondary students
- Sufficient documentation to establish any in-kind match for student salaries and benefits, if allowed during the 2016-17 contract term

The Consortium must ensure that it maintains full accountability for the Cal-SOAP project, its staff, operations and finances

California Education Code section 69561(i) provides that the “governing board of each project, comprising at least one representative from each entity in the consortium, shall establish management policy, provide direction to the project director, set priorities for budgetary decisions that reflect the specific needs of the project, and assume full responsibility for maintaining the required level of matching funds.” By participating in the Cal-SOAP Program, the Governing Board of the Consortium agrees to be bound by applicable laws, policies and contracts. As a result, the Consortium assumes responsibility for, among other things:

- Ensuring that the Board is operating within the consortium bylaws
- Meeting regularly according to the bylaws schedule and encouraging full attendance by members at all meetings
- Keeping minutes of its meetings
- Securing and maintaining strong working relationship between the board, project director and the consortium members
- Analyzing on an annual basis the effectiveness of the consortium's project activities
- Establishing and maintaining management and operational policies
- Hiring or approving the hiring of a qualified Project Director
- Providing direction and supervision to the Project Director
- Designating a project fiscal agent, if applicable, that is accountable to the consortium and the Commission as outlined below
- Directing the project application process that develops the contract and budget documents for each new fiscal year
- Setting and approving priorities for budgetary decisions that reflect the specific needs of the project
- Soliciting funds from the private sector and corporate sources
- Ensuring that the required level of matching funds is maintained
- Ensuring that adequate internal controls are implemented and maintained

The program compliance review uncovered areas where the Governing Board of the Consortium failed to adequately maintain administrative control over the project. This includes instances where it failed to adequately ensure that it directed and supervised the activities of the Project Director. The Consortium must submit policies and procedures to

ensure that it is meetings its responsibilities. In particular, it must submit to the Commission documentation establishing that it has resolved certain areas identified below.

1. The Consortium must supervise and direct the work of its Project Director

The hiring and supervision of the Project Director is a Consortium responsibility. To improve accountability in this area, the Consortium must establish and/or clarify its policies and/or governance documentation to ensure that the roles and responsibilities of the Governing Board and the Project Director, and their relationships to each other, are clear and unambiguous. The Consortium must ensure that it holds its Project Director accountable for project activities and does not, by act or omission, relinquish its authority over the project to the Project Director.

2. The Consortium must ensure that Governing board meetings are held in accordance with project bylaws and that the meetings address the issues identified in the audit and the conditions contained in this letter.

The Commission's review of the Los Angeles meeting minutes and agendas for 2013-14 and 2014-15 disclosed that the minimum number of governing board meetings were not held and that the Consortium board conducted business without a quorum as required in the bylaws. The Consortium must provide revised policies and procedures that will be implemented to ensure that a quorum (simple majority) is met at each meeting. Furthermore, the Consortium shall:

- Convene a meeting to discuss the program compliance review, the conditional approval of the 2016-17 contract and how compliance with the terms of the conditional approval will be met.
- Provide a copy of meeting minutes within fourteen (14) calendar days of each meeting, including the meeting identified above. The meeting minutes must show that a quorum was established and must summarize the business conducted.

3. The Consortium must ensure that it maintains possession of all Cal-SOAP property

Any tangible or intangible property obtained or purchased as a result of the Cal-SOAP agreement shall become the property of the State. Under the terms of its contract, the Consortium is required to comply with the policies and procedures regarding state-owned property accounting as set forth in State Administrative Manual section 8640, et seq., including the applicable policies and requirements as outlined in the Cal-SOAP Policies and Requirements Manual. The Consortium must submit to the Commission a list of all property that was purchased by the Consortium and certify that this property remains in the possession of the Consortium.

If you have any questions or comments about the conditional approval, or the requirements necessary to move forward with a 2016-17 contract, please contact Catalina Mistler directly at (916) 464-7968.

Sincerely,



Lupita Cortez Alcalá
Executive Director