

Action/Information Item

California Student Aid Commission

Consideration of Ratification of an Amendment to the Department of Finance Contract to Increase Amount by \$100,000 to a Total of \$309, 000 and to Increase the Term of the Contract to December 31, 2007 for Internal Audit of New Applicant Eligibility in the Cal Grant Program

At the Commission's June 21-22, 2007 meeting, the Commission deferred discussion of this agenda item to the July 27, 2007 Commission meeting.

The Executive Director must obtain approval from the Commission prior to entering into a new contract or executing a contract amendment of over \$100,000. However, in the event an emergency approval is necessary for a contract of over \$100,000, the Executive Director may approve the contract with simultaneous notification to the Commission. Such emergency approval shall be ratified at the next regularly scheduled Commission meeting and if not ratified, the contract shall be cancelled.

In October 2006, the Commission entered into a contract with the Department of Finance to develop an audit program to audit controls over, and compliance with statutory requirements for, new applicant eligibility in the Cal Grant Program, and to perform the audit. The original contract was for \$100,000 for a term ending June 30, 2007. Upon completion of the audit program, the Department of Finance determined that the audit of the Entitlement Cal Grant Program would require an addition \$109,000 to complete. At the April 18-20, 2007, Commission meeting, the Commission ratified a contract amendment to increase the contract amount by \$109,000, for a total of \$209,000, and to extend the term of the contract to August 31, 2007.

The Department of Finance has expended \$191,078 of the amended contract amount of \$209,000 as of the end of April. The Department estimates that an additional \$100,000 will be needed to complete the remaining tasks for the Entitlement Program and to expand the scope to include the Competitive program.

DOF estimates that most of the work will be complete by the end of September. However, the contract should be extended through December 31, 2007, to allow for any challenges or contingencies that might be encountered related to the specific testing of the Information Technology system processing, which could delay the completion of the audit steps. Additional time is also needed to allow CSAC management time to prepare a response to the audit report before the final report is issued and then presented to the Commission.

Upon notification to the Commission Chair, a signed amendment to increase the contract amount by \$100,000 for a total of \$309,000 and to extend the term until December 31, 2007 was submitted to the Department of General Services for approval.

Due to the importance of, and need for, an audit of the complete Cal Grant Program, Commission staff requests that the Commission take action to ratify the amendment.

Recommended Action: Ratify the Department of Finance contract amendment for \$100,000 for a total contract amount of \$309,000 and extend the term through December 31, 2007.

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