



***Program Compliance Office
Cal Grant Program Review Report***

2006-07 Award Year

**Mount St. Mary's College
Program Review ID#80900124300**

**12001 Chalon Rd.
Los Angeles, CA 90049-1599**

Program Review Dates: January 20, 2009 through January 22, 2009

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AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 40 students who received a total of 25 Cal Grant A awards, 14 Cal Grant B awards and 1 Cal Grant C award within the review period. The program review sample was randomly selected from the total population of 670 recipients.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers.

CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commission's grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on January 22, 2009.

January 22, 2009

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

**B. APPLICANT
ELIGIBILITY:**

FINDING: New Cal Grant Recipient Not Eligible Due to Income Level

A review of 21 new Cal Grant recipients revealed one student's income level exceeded the income ceiling for the 2006-07 award year.

DISCUSSION:

To be eligible for and receive payment for any Cal Grant award, a student must have family income and assets below the ceilings. The family income for a dependent student is the parent's total income (TI) as calculated by the Federal Processor. TI is the sum of the taxable and untaxed income, minus amounts reported in the income but excluded from the formula (Parents' Adjusted Gross Income or Parents' Total Income Earned from Work + Total from Worksheet A + Total from Worksheet B – Total from Worksheet C). Initial eligibility for a Cal Grant award is based on information from the student's Free Application for Federal Student Aid (FAFSA). Schools are responsible for verifying that students who appear on the Grant Roster meet program requirements, as required by the school's Institutional Participation Agreement, Article IV A.

Income and asset ceilings are set by the Commission in accordance with the provisions of *C.E.C. 69432.7 (k)* and are adjusted annually. The following show the Income Ceilings for the 2006-07 award year:

	Cal Grant A and C	Cal Grant B
Dependent students and Independent students with dependents other than a spouse:		
Family Size:		
Six or more	\$83,600	\$45,900
Five	\$77,500	\$42,500
Four	\$72,300	\$38,000
Three	\$66,500	\$34,200
Two	\$65,000	\$30,300
Independent students		
Single, no dependents	\$26,500	\$26,500
Married, no dependents	\$30,300	\$30,300

Student No. 24 was verified as a new Cal Grant B recipient for the 2006-07 award year based on the initial income of \$37,844 with a family size of 4 as reported on the FAFSA. After verification, the total income increased to \$40,685 and the family size decreased to 3, which exceeded the ceiling (\$34,200) making the student ineligible for all funds. Student No. 24 received \$1,551 for the 2006-07 award year, \$11,259 for the 2007-08 award year and \$5,630 for Fall 2008.

FINDINGS AND REQUIRED ACTIONS (continued)

Income ceiling exceeded is a recurring issue as this finding was also noted in the institution's November 2005 Cal Grant Program Review.

REFERENCES:

California Education Code 69535(a)
California Education Code 69538
Institutional Agreement, Article IV.A., IV.B.
Cal Grant Manual, September 2004, Chapter 3, pages 1, 3
Cal Grant Manual, February 2005, Chapter 5, page 3
CSAC Operations Memo, GOM 2004-14, November 2004

REQUIRED ACTION:

The institution **must** return **\$1,551** for the 2006-07 award year, **\$11,259** for the 2007-08 and reverse the **\$5,650** Fall 2008 payment on WebGrants. Additionally, the institution **must** submit policies and procedures to ensure students meet all eligibility requirements prior to disbursement of funds.

INSTITUTION RESPONSE:

To eliminate this problem from reoccurring we have already implemented "auto" packaging, which determines eligibility using the most recent FAFSA data on file. The counselor verifies the information provided on the FAFSA and makes any warranted corrections. The system reviews the revised data elements to determine eligibility before awarding a Cal Grant to the student. As an additional measure, the Cal Grant Coordinator will review the data elements that affect eligibility **before** disbursing any Cal Grant funds. The institution will notify the Commission of 'ineligible' Cal Grant recipients.

AUDITOR REPLY:

The institution returned \$12,810 on check # 0286611 dated August 26, 2009, reversed \$5,650 payment on WebGrants and revised policies and procedures. This action is deemed acceptable and no further action is required.

C. FUND DISBURSEMENT AND REFUNDS:

FINDING: Disbursements Exceed Eligible Amounts Due to Enrollment Status

A review of 40 student files disclosed two students received disbursements in excess of eligible amounts due to enrollment status.

DISCUSSION:

Institutions are required to verify student eligibility at the time funds are processed to the recipient or the recipient's account. The institution must

FINDINGS AND REQUIRED ACTIONS (continued)

verify the enrollment status for each recipient listed on the grant roster in accordance with the established institutional policies.

The institution's enrollment status policy is as follows:

Full-time:	12 units or more
Three-quarter-time:	9-11 units
Half-time:	6-8 units

Student No. 11 was paid a three-quarter time Cal Grant B award of \$3,640 for Spring 2007. According to transcripts, the student was only enrolled in 8 units which is half time. The student was only eligible to receive a half-time award of \$2,427. The ineligible amount of \$1,213 must be returned to the Commission

Student No. 20 was paid a three-quarter time Cal Grant C award of \$1,188 for Spring 2007. According to transcripts, the student was only enrolled in 8 units which is half time. The student was only eligible to receive a half-time award of \$792. The ineligible amount of \$396 must be returned to the Commission.

REFERENCES:

Institutional Participation Agreement, Article IV.C.3 & Article IV.C.4 eff. 2/2003
Cal Grant Manual, Chapter 8, November 2005, page 3

REQUIRED ACTION:

The institution **must** return the ineligible funds of **\$1,213** for student No. 11 and **\$396** for student No. 20 and **must** submit copies of the policies and procedures to ensure enrollment status verification prior to fund disbursement.

INSTITUTION RESPONSE:

At the time of award, students were indeed eligible for the amount awarded to them. The issue occurred because they reduced units of enrollment subsequent to the initial awarding process. To prevent this issue from reoccurring, the Cal Grant Coordinator will review total number units after the add/drop enrollment period has ended and will make appropriate adjustments to the Cal Grant award. This process will be completed **before** any funds are disbursed.

AUDITOR REPLY:

The institution returned \$1,609 on check # 0286611 dated August 26, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.

FINDINGS AND REQUIRED ACTIONS (continued)

F. FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING: Cal Grant Funds Not Reconciled for 2005-06, 2006-07 and 2007-08

Accounting documents disclosed Cal Grant funds were not reconciled for three award years.

DISCUSSION:

All participating institutions agree to use the funds advanced to it solely for payment to eligible recipients in the Cal Grant Program. Once the Commission advances Cal Grant funds, schools must determine and verify student eligibility before disbursing funds.

The Commission strongly recommends that schools reconcile Cal Grant payments on a monthly basis. At a minimum, Cal Grant participating institutions must reconcile their accounts with the funds received from the Commission for each academic year. Should the institution's records of individual payments to eligible students be less than what the Commission paid, the institution must return the difference to the Commission.

Schools must make all disbursements by September 30 following the end of the award year (for example, September 30, 2009, for award year 2008-09). At the latest, all payment transactions must be reported prior to the start of the month-end processing the following November. The school will bear the liability for payments not reported prior to the November month-end processing cycle.

For the 2005-06 award year, the Commission advanced the institution \$5,847,279.00 and the institution reported \$5,786,515.00 in payments on WebGrants. The institution also paid an invoice for \$60,764.00 for the award year. Upon examination of institution accounting records, the school made \$5,785,285.53 in disbursements to students. Of the \$5,785,285.53 disbursed, \$2,817.53 in payments was not reported to the Commission prior to the 2005-06 year-end reconciliation. The unreported payments are unable to be reimbursed and are detailed in the following chart:

2005-06 Unreported Payments			
ID	CSAC Paid	Institution Paid	Difference
X1	\$ 9,850.00	\$ 9,851.00	\$ 1.00
X2	1,415.00	1,415.53	.53
X5	8,443.00	8,444.00	1.00
X7	11,104.00	11,105.00	1.00
X8	7,035.00	9,849.00	2,814.00
Total 2005-06 Unreported Payments			\$2,817.53

FINDINGS AND REQUIRED ACTIONS (continued)

The total disbursements to be reimbursed by the Commission for the 2005-06 award year equaled \$5,782,468.00 (\$5,785,285.53 actual disbursements less \$2,817.53 unreported payments). Therefore, the institution disbursed \$4,047.00 less than the amount advanced by the Commission (\$5,847,279.00 Commission advanced less \$60,764.00 invoice paid less \$5,782,468.00 reimbursable payments) as follows:

2005-06 Undisbursed Funds			
ID	CSAC Paid	Institution Paid	Difference
X3	\$9,708.00	\$7,281.00	\$2,427.00
X4	1,618.00	0.00	1,618.00
X6	4,936.00	4,934.00	2.00
Total 2005-06 Undisbursed Funds to be Returned			\$4,047.00

For the 2006-07 award year, the Commission advanced the institution \$6,065,989.00 and the institution reported \$6,065,989.00 in payments on WebGrants. Upon examination of institution accounting records, the school made \$6,001,637.97 in disbursements to students. Of the \$6,001,637.97 disbursed, \$1.00 in payments was not reported to the Commission prior to the 2006-07 year-end reconciliation.

The unreported payment is unable to be reimbursed and is detailed in the following chart:

2006-07 Unreported Payments			
ID	CSAC Paid	Institution Paid	Difference
X21	\$12,664.00	\$12,665.00	\$1.00
Total 2006-07 Unreported Payments			\$1.00

The total disbursements to be reimbursed by the Commission for the 2006-07 award year equaled \$6,001,636.97 (\$6,001,637.97 actual disbursements less \$1.00 unreported payments). Therefore, the institution disbursed \$64,352.03 less than the amount advanced by the Commission (\$6,065,989.00 Commission advanced less \$6,001,636.97 reimbursable payments) as follows.

2006-07 Undisbursed Funds			
ID	CSAC Paid	Institution Paid	Difference
25	\$9,708.00	\$ 0.00	\$ 9,708.00
X9	4,854.00	0.00	4,854.00
X10	4,161.00	0.00	4,161.00
X11	4,161.00	0.00	4,161.00
X12	4,161.00	0.00	4,161.00
X13	776.00	0.00	776.00
X14	904.00	903.97	0.03

FINDINGS AND REQUIRED ACTIONS (continued)

2006-07 Undisbursed Funds (continued)			
ID	CSAC Paid	Institution Paid	Difference
X15	4,161.00	0.00	4,161.00
X16	4,161.00	0.00	4,161.00
X17	2,468.00	0.00	2,468.00
X18	4,161.00	0.00	4,161.00
X19	4,161.00	0.00	4,161.00
X20	4,936.00	0.00	4,936.00
X22	4,161.00	0.00	4,161.00
X23	4,161.00	0.00	4,161.00
X24	4,161.00	0.00	4,161.00
Total 2006-07 Undisbursed Funds to be Returned			\$64,352.03

For the 2007-08 award year, the Commission advanced the institution \$6,058,544.00 and the institution reported \$6,054,397.00 in payments on WebGrants. The institution also paid an invoice for \$4,147.00 for the award year. Upon examination of institution accounting records, the school made \$6,049,173.00 in disbursements to students. Of the \$6,049,173.00 disbursed, \$2,447.00 in payments was not reported to the Commission prior to the 2007-08 year-end reconciliation.

The unreported payments are unable to be reimbursed and are detailed in the following chart:

2007-08 Unreported Payments			
ID	CSAC Paid	Institution Paid	Difference
X25	\$5,630.00	\$7,037.00	\$1,407.00
X29	5,276.00	6,316.00	1,040.00
Total 2007-08 Unreported Payments			\$2,447.00

The total disbursements to be reimbursed by the Commission for the 2007-08 award year equaled \$6,001,636.97 (\$6,001,637.97 actual disbursements less \$1.00 unreported payments). Therefore, the institution disbursed \$64,352.03 less than the amount advanced by the Commission (\$6,065,989.00 Commission advanced less \$6,001,636.97 reimbursable payments) as shown on the following chart:

2007-08 Undisbursed Funds			
ID	CSAC Paid	Institution Paid	Difference
X26	\$ 9,852.00	\$7,037.00	\$2,815.00
X27	4,937.00	4,936.00	1.00
X28	11,259.00	6,405.00	4,854.00
X30	6,171.00	6,170.00	1.00
Total 2007-08 Undisbursed Funds to be Returned			\$7,671.00

FINDINGS AND REQUIRED ACTIONS (continued)

Cal Grant funds not reconciled is a recurring issue as this finding was also noted in the institution's November 2005 Cal Grant Program Review.

REFERENCES:

California Education Code, 69535.5
Institutional Agreement, Article II.C, Article IV.D.1, IV.D.2, and IV.D.5
Cal Grant Manual, September 2003, Chapter 9, pages 2, 4, 5

REQUIRED ACTION:

The institution **must** return **\$4,047.00** for 2005-06, **\$64,352.03** for 2006-07 and **\$7,671.00** for 2007-08. Furthermore, the institution **must** provide procedures for Cal Grant reconciliation **that have been put into place** to ensure all payment transactions are reported by the Commission deadline and undisbursed funds are returned to the Commission. These procedures should include time frames, staff titles, and specific areas of responsibility as it relates to the Cal Grant reconciliation process.

INSTITUTION RESPONSE:

We have already implemented the following procedures to mitigate issues with reconciliation:

1. After the add/drop enrollment period has ended, the Cal Grant Coordinator reviews student eligibility based on units of enrollment for any given term.
2. Cal Grant Coordinator makes appropriate adjustments to award amounts.
3. Cal Grant Coordinator disburses Cal Grants awards.
4. Business Office Analyst, along with Cal Grant Coordinator reconciles the award amounts using both Web Grants and the Institution's database at least twice a semester.
5. Cal Grant Coordinator utilizes system generated report to review for subsequent FASFA transactions that may affect Cal Grant eligibility for new recipients and makes adjustments to award as warranted.

It is our strong belief that with the implementations noted above, the Institution will be better equipped to adhere to the regulations and policies of the Cal Grant Programs, as determined by the California Student Aid Commission.

AUDITOR REPLY:

The institution returned \$76,070.03 on check # 0286611 dated August 26, 2009 and revised policies and procedures. This action is deemed acceptable and no further action is required.