



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

2006-07 Award Year

**Soka University of America
Program Review ID#90803814400**

**1 University Drive
Aliso Viejo, CA 92656**

Program Review Dates: December 2008

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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 7 students who received a total of 6 Cal Grant A awards and 1 Cal Grant B awards within the review period. The program review sample was selected to include all students awarded

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 March 4, 2009.

March 4, 2009

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS (continued)

B. APPLICANT
ELIGIBILITY:

FINDING: Renewal Unmet Need Could Not Be Reconstructed or Calculated Incorrectly

A review of 2 renewal Cal Grant student files disclosed that all students unmet need could not be reconstructed or was calculated incorrectly.

DISCUSSION:

For renewal students, schools must calculate a student's annual unmet need as a full-time student and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. Net unmet need is defined as a student's budget minus the Expected Family Contribution (EFC) and Pell Grant.

In the case for student No. 6, the institution reported an annual unmet need of \$28,218. However, the institution was not able to reconstruct the renewal unmet amount from documentation within the student's file.

In the case for student No. 7, the institution reported an annual unmet need of \$32,256. However, the correct unmet need is \$24,630 [COA \$32,256 – EFC \$7,626– PELL \$0].

REFERENCES:

Cal Grant Manual, Chapter 6, pages 3-4, November 2003
Cal Grant Manual, Chapter 8, pages 1-2, November 2005

REQUIRED ACTION:

The institution **is required** to submit policies and procedures that will be implemented to ensure that the renewal unmet need amount is correctly calculated and reported to the Commission and documented within the student's file.

INSTITUTION RESPONSE:

Soka University of America acknowledges this audit finding. Soka has reviewed and updated its internal policies, procedures and controls with regard to "Applicant EligibilityRenewal Unmet Need Could Not Be Reconstructed or Calculated Incorrectly".

Furthermore, while we understand that there is not a question of cost or liability associated with this finding, we are committed to making changes to our

FINDINGS AND REQUIRED ACTIONS (continued)

current policies and procedures that would prevent any future repeat findings of this nature, due to a lack of, or flaw in our internal policies, procedures or internal controls. Including, but not limited to, appropriate training and comprehension of all staff associated with the management of student aid.

AUDITOR REPLY:

This action is deemed acceptable and no further action is required.

**C. FUND
DISBURSEMENT
AND REFUNDS:****FINDING : Authorization Form Deficient**

A review of 1 Cal Grant B recipient file disclosed that in which the institution did not obtain the proper authorization to apply access payments towards institutional charges prior to disbursing the award for all of the students.

DISCUSSION:

According to the Institutional Participation Agreement, institution's must establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time.

This policy should include the following items:

- Access or Books & Supplies payments are disbursed in accordance with school policy unless the student requests another action. For example, if the school normally applies Access funds directly to tuition, the student may request that the term amount be delivered direct to them
- The student may make this request at any time; however, any cancellation only affects future payments
- Access or Books & Supplies payments cannot be delivered to a third person

A review of student No. 6 revealed that the Authorization Form obtained by the institution to credit Cal Grant funds to their account did not allow the student to subsequently rescind their decision regarding the delivery of Cal Grant funds at any time.

REFERENCES:

Institutional Participation Agreement IV.C.7
Cal Grant Manual, Chapter 9, September 2003
Cal Grant Manual, Chapter 11, September 2003

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

The institution **is required** to submit a revised Authorization Form allowing student's to rescind their decision regarding the delivery of Cal Grant funds at any time.

INSTITUTION RESPONSE:

Soka University of America acknowledges this audit finding. Soka has reviewed its internal policies, procedures and controls with regard to "Authorization Form Deficient".

Furthermore, while we understand that there is not a question of cost or liability associated with this finding, we are committed to making changes to our current policies and procedures that would prevent any future repeat findings of this nature, due to a lack of, or flaw in our internal policies, procedures or internal controls. Including, but not limited to, appropriate training and comprehension of all staff associated with the management of federal student aid. However, it is our understanding that the only deficiency in our prior verbiage was the student's right to rescind their prior authorization.

We have reviewed our business practices, policies and procedures and attached the required revision to our Authorization Form. However, it is pertinent to state that our students accept/decline their awards online and therefore the verbiage for this form will be changed accordingly.

AUDITOR REPLY:

This action is deemed acceptable and no further action is required.

F. FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING: Interest Earned on Cal Grant Funds Not Returned to the Commission

An examination of the Cal Grant fund account revealed that interest is earned on Cal Grant funds and has not been remitted to the Commission according to the Institutional Participation Agreement.

DISCUSSION:

As indicated in the Institutional Participation Agreement signed by the institution's president, all interest earned on Cal Grant funds must be returned to the Student Aid Commission on behalf of the State of California regardless of any agreement between the bank and the institution relative to bank charges or co-mingling of funds.

FINDINGS AND REQUIRED ACTIONS (continued)

During the review, it was disclosed that Cal Grant funds are initially deposited to Union Bank of California account number 4440004607 which is a depository account. Then the funds are swept into an account 30-200389-01 (California Bank & Trust) that earns interest.

On March 6 2009, the institution computed the interest earned on Cal Grant funds and returned \$26.03 to the Commission on check # 007736. The institution calculated interest using the amount of the Cal Grant payment multiplied by the bank sweep interest rate multiplied by an estimated 2 days in the bank account.

REFERENCES:

Institutional Participation Agreement Article III.A.1, 2003
Institutional Participation Agreement Article III.A.1, 2007
Cal Grant Manual, July 2004, Chapter 2, page 5
Cal Grant Manual, September 2003, Chapter 9, page 3

REQUIRED ACTION:

In response to this finding, the institution **must** develop and provide written policies and procedures that will be implemented to determine the amount of interest returned to the commission. The policies and procedures must accurately determine the interest based on the positive daily balances.

Additionally the institution **must** determine if the amount of interest returned to the Commission on March 6, 2009 was correct and provide the appropriate documentation (i.e. Bank Statements, Bank Sweep reports, supporting documents showing the interest calculation, etc.) to support the amount returned.

INSTITUTION RESPONSE:

Soka University of America understands the seriousness of this issue. However, after careful review we have determined that there is an error or misunderstanding between the commission and Soka regarding this issue.

During a careful review of our student accounts, disbursements and the commission's Monthly Payment Activity Report for 06/07, we have determined that we do not owe the commission any refund for interest owed in 06/07. According to the Monthly Payment Activity Report (copy attached) and our records, Soka posted and paid all Cal Grant recipients prior to reconciliation or payment from the commission.

Further, after speaking with Kathy Gooch, our Accounting Manager, we believe that this potential finding may actually be related to year 2008 as all the correspondence, including the Interest Remittance Form, that she was

FINDINGS AND REQUIRED ACTIONS (continued)

receiving from Ana Marquez stated "Calendar Year 2008". Mrs. Gooch did not realize that Ana's correspondence was follow up for the 06/07 audit as she believed it had already been resolved.

Mrs. Gooch has also provided the Interest Remittance Form (copy attached) that she submitted for 2007 which states "SUA disbursed prior to receipt of funds into our bank account thus no interest accrued." This has always been and continues to be the case for all aid Soka awards. Therefore she now believes she was in error in returning even the \$26.03 in March of this year.

And finally, please note that there is an error in the "Discussion" portion of this finding. Our sweep account number was actually 4440004593 at Union Bank of California and not the 30-2000389-01 at California Bank and Trust at listed.

AUDITOR REPLY:

This action is deemed acceptable and no further action is required.