



**REPORT ON
PROGRAM COMPLIANCE REVIEWS
Award Year 2019-20**

September 30, 2022

Legislative Requirement:

2013 Budget Act Item # 6980-001-0001 Provision 1

Background

The California Student Aid Commission (Commission) is responsible for the effective oversight and efficient administration of Federal and State financial aid programs, including the Cal Grant Program. This includes ensuring program integrity through compliance audits and reviews of the institutions participating in the programs. These reviews give the Commission a measure and process to safeguard the assets it has entrusted to the institution, to check the accuracy and reliability of the data submitted, and to ensure and protect the overall integrity of the Commission's programs.

Over the past couple of years, the Commission's Audit Team has implemented several changes to improve the audit process. These changes ensure that audits are completed efficiently, in a timely manner, while enhancing accuracy and reducing human error with automation. The changes implemented include the following:

- 100% paperless audits
 - Institutions are now able to upload the requested documents directly to the Commission's WebGrants system instead of sending in a hardcopy of documents. This change was received very well by institutions that have been audited so far as it eliminated the additional workload of printing and organizing documents before sending them in. In addition, it ensured the security and confidentiality of students' personal information as data in the system are only accessible to auditors and school financial aid personnel who have access to the school's records in the system.
 - A virtual environment also allows the schools flexibility on when they can provide documentation rather than during the one-week period when auditors are onsite. During the pandemic, remote/paperless audits allowed financial aid personnel prioritizes tasks based on the changes that were taking place due to the lockdowns related to COVID-19 and work on audit requests as their schedule allowed.
- Automation of testing workpapers
 - The Commission has implemented and now uses the TeamMate+ Audit Software which allows for multiple automated functions. The transition includes electronic testing spreadsheets instead of paper-based forms. This allows for audits to be performed with increased accuracy eliminating the need to manually input data on hard copy forms and calculate amounts. Data in the testing workpaper is populated from files generated from our system and calculations are performed automatically using Excel formulas.
- Time savings
 - The above changes have allowed the team to save at least eight (8) hours of travel time per audit as well as travel-related expenses (meals, lodging, mileage). In addition, an average of twenty (20) hours related to document organization and filing is saved per week, per auditor. The team is now able to focus this time on other high-priority items such as updating the audit procedures in the software, enhancing workpaper functionality, and picking up additional tasks as needed.

Audit Selection Criteria

The Commission uses a risk-based approach in selecting the institutions and student records to audit. The Cal Grant audit program emphasizes the verification of applicant eligibility, fund disbursement, fiscal responsibility for program funds, and general eligibility. The Commission also performs Fiscal Close-Out (Focused) audits. The Fiscal Close-out audit is a streamlined audit program centered on the fiscal accountability of funds for institutions that have ceased participation in the Cal Grant Program. Audits are selected based on the following criteria:

- Date of the last review of the institution's Cal Grant program
- Number of findings in prior review
- Amount of liability identified and collected in prior review
- Cal Grant funds received for the award year being audited
- Percentage of liabilities from total funds received for the audit period

Areas of Noncompliance

The major areas of noncompliance found in the Cal Grant compliance audits completed are primarily in the areas of applicant eligibility, fund disbursement, fiscal responsibility, and general eligibility for program funds. A summary of the most common reasons for these findings is noted below.

1. Applicant Eligibility

Participating institutions are required to confirm that a Cal Grant recipient meets eligibility and program requirements at the time Cal Grant funds are paid to the recipient or the recipient's account using all existing information including the Institutional Student Information Record (ISIR) or the California Dream Act Application (CADA). Most of the audit findings in this area are the result of the institution not determining that a student became ineligible for a Cal Grant.

2. Fund Disbursement

The institution is required to disburse Cal Grant funds based on a student's attendance at the time of disbursement. The majority of the findings in this area resulted from institutions disbursing a Cal Grant payment that is not consistent with the student's enrollment status.

3. Fiscal Responsibility for Program Funds

Institutions participating in the Cal Grant program are required to deposit and maintain Cal Grant funds in an interest-bearing account and must reconcile their accounts with funds received from the Commission for each award year. The reconciliation process consists of comparing the accepted payment transactions reported by the school via WebGrants with transactions reported on the institution's accounting system. Most findings in this area resulted from funds being deposited in non-interest-bearing accounts, interest earned not being returned, and/or funds not being reconciled.

4. General Eligibility

Institutions participating in the Cal Grant program are required to maintain updated policies and procedures for the overall administration of the program. Many findings in this area resulted from institutions not maintaining policies and procedures for the administration of the program, not ensuring the Satisfactory Academic Progress (SAP) policy meets the federal requirements, non-compliance with the Commission's WebGrants Information Security and Confidentiality Agreement and not maintaining the required standards of administrative capability to be able to administer the program.

In order for an institution to resolve an audit finding, the institution is required to submit revised policies and procedures to the Commission. Upon approval, these revised policies and procedures must be implemented by the institution to ensure future program compliance. In addition, the institution must return ineligible funds, if any, upon receipt of the final report. An audit that is considered final (closed) indicates that the institution met all required actions set forth

by the Program Compliance review. Institutions that have numerous findings demonstrating a lack of administrative capability are placed in the Commission’s At-Risk Program for a minimum of two years. Institutions on the At-Risk Program will be required to provide eligibility documentation for approval prior to receiving Cal Grant funds. While on the program, an audit will be conducted to ensure the institution meets the eligibility criteria before having funds disbursed for the term following the audit. An institution that fails to meet the requirements may have its participation in the Cal Grant Program terminated. The Commission’s Institution Support Unit (ISU) will work with institutions on the At-Risk Program to bring them into compliance.

Current Year Audits

For Award Year 2019-20, the Commission performed a total of thirteen (34) Cal Grant Audits fourteen (14) are closed, and twenty (20) are in progress. Due to the situation caused by the COVID-19 pandemic, fewer audits are completed in a timely manner. Institutions continued to conduct remote audits due to Governor’s stay-at-home order in place. Towards the end of the year, some institutions began a hybrid work schedule and slowly provided the documentation required to conduct the audit. The team continues to streamline the new audit software and the audit process.

Major areas of non-compliance noted during the audits for Award Year 2019-20 are as follows:

Display 1. A: Major Areas of Noncompliance in Final Audit Reports of Cal Grant Institutions

Audit Findings	UC	CSU	CCC	Private	Proprietary	Total
Applicant Eligibility	-	2	7	1	-	10
Fund Disbursement	-	2	2	2	2	8
Fiscal Responsibility	-	1	2	2	-	5
General Eligibility	-	-	-	1	-	1
TOTAL	0	5	11	6	2	24

Table 1. B: Major Areas of Noncompliance and Financial Outcomes in Final Audit Reports Cal Grant Institutions

Institutions Audited	Audit Findings					
	Applicant Eligibility	Fund Disbursement	Fiscal Responsibility	General Eligibility	Funds Disbursed to the Institution	Funds Returned to the State
California State University (CSU)						
CSU San Luis Obispo*	0	0	0	0	18,492,087	0
CSU Chico	0	0	0	0	27,039,251	0
CSU Dominguez Hills	0	0	0	0	31,513,427	0
CSU Fresno*	0	0	0	0	53,800,837	0
CSU San Jose*	0	0	0	0	44,007,191	0
CSU Sacramento*	0	0	0	0	58,894,658	0
CSU San Bernardino	0	2	2	1	43,881,130	8,557
Total CSU					277,628,581	8,587
California Community College (CCC)						
Chabot College	2	1	1	0	1,157,496	1,725
Cuyamaca College	0	0	0	0	1,882,490	0
Feather River College-BA Program*	0	0	0	0	8,776	0
Feather River College*	0	0	0	0	143,746	0
Foothill College*	0	0	0	0	520,808	0
Gavilan College*	0	0	0	0	892,317	0
Golden West College*	0	0	0	0	1,114,892	0
San Diego Mesa College - BA Program	0	0	0	0	12,776	0
Santiago Canyon College	0	0	0	0	951,037	0
Solano Community College-BA Program	1	0	0	0	17,600	0
Woodland Community College	4	1	1	0	572,047	11,819
Total CCC					7,273,985	13,544
Private						
Azusa Pacific University	0	0	0	0	10,406,628	0
Fresno Pacific University*	0	0	0	0	9,478,872	0

Harvey Mudd College*	0	0	0	0	703,286	0
Loyola Marymount University*	0	0	0	0	6,777,368	0
Mount St. Mary's College Nurse/Occupational Therapy	0	0	0	0	599,004	0
National Holistic Institute	0	2	1	1	75,068	557
Samuel Merritt University*					628,968	
Thomas Aquinas College*	0	0	0	0	405,528	0
University of La Verne Regional Campus*	0	0	0	0	709,993	0
University of The Pacific-Pharmacy*	0	0	0	0	683,146	0
Whittier College	1	0	1	0	5,226,439	0
Total Private					35,694,300	557
Proprietary						
Asher College	0	2	0	0	65,270	0
Charter College – Oxnard	0	0	0	0	2,759	0
Universal Technical Institute – Rancho Cordova*	0	0	0	0	421,845	0
Total Proprietary					489,874	6,253
University of California (UC)						
UC Berkeley	0	0	0	0	94,522,829	0
UC Santa Cruz*	0	0	0	0	68,318,843	0
Total UC					162,841,672	0
Grand Total					\$483,928,412	\$28,941

*Audit is in process as of 9/30/2022 and the report will be updated when the remaining audits close.