

CALIFORNIA STUDENT AID COMMISSION

PROGRAM ADMINISTRATION AND SERVICES DIVISION

March 23, 2018



Dr. Kathy Hart
President
San Joaquin Delta College
5151 Pacific Avenue
Stockton, CA 95207

RE: Program Compliance Review ID#81700128000

Dear Dr. Hart:

This letter is in reference to the response to the Cal Grant Program Compliance Review report and the return of liabilities. All required actions to the findings have been addressed satisfactorily. The institution may now consider the program review for the 2014-15 award year closed, with no further action required.

Thank you for the courtesy and cooperation extended to the California Student Aid Commission (Commission) staff during the review. Your continued effort and consideration toward the Commission's programs will help produce an efficient and beneficial student financial assistance program.

Sincerely,

A handwritten signature in blue ink that reads "Catalina Mistler".

Catalina Mistler, Deputy Director
Program Administration and Services Division

Enclosure

- c. Tina Lent, Director of Financial Aid, Scholarships & Veterans Services, San Joaquin Delta College
Natalie Matyurin, Fiscal Analyst, San Joaquin Delta College
Program Review File



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

2014-15 Award Year

**San Joaquin Delta College
Program Review ID#81700128000**

**5151 Pacific Avenue
Stockton, CA 95207**

Program Review Dates:

January 23 – 26, 2017

Auditor:

Nati Bugarin

Report Approved by:

Catalina Mistler, Division Chief
Program Administration and Services Division

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AUDITOR'S REPORT

SUMMARY

We reviewed San Joaquin Delta College's administration of California Student Aid Commission (Commission) programs for the 2014-15 award year.

The institution's records disclosed the following deficiencies:

- Noncompliance with the Commission's WebGrants Information Security and Confidentiality Agreement
- Verification not performed/completed
- Satisfactory Academic Progress (SAP) policy not implemented
- Cal Grant funds not reconciled for the 2013-14 and 2014-15 award years

BACKGROUND

The Commission performs institution compliance reviews to ensure program integrity and institution compliance with applicable laws, policies, contracts and institutional participation agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

B and C

The following information, obtained from the institution and the Commission's database, is provided as background on the institution:

A. Institution

- Type of Organization: Public Institution of Higher Education
- President: Dr. Kathy Hart
- Accrediting Body: Western Association of Schools & Colleges

B. Institutional Persons Contacted

- Tina Lent: Director of Financial Aid, Scholarships and Veterans Services
- Patricia Nielsen: Sr. Financial Aid Specialist
- Erica Sum: Fiscal Specialist
- Natalie Matyurin: Fiscal Analyst

C. Financial Aid

- Date of Prior Commission Program Review: July 2004
- Branches: None
- Financial Aid Programs: Federal: Direct Loan Program, SEOG, Pell, and Work-Study
State: Cal Grants B and C
- Financial Aid Consultant: Bank Mobile/Customers Bank
115 Munson Street
New Haven, CT 06511

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 Commission programs and complied with applicable laws, policies, contracts and institutional participation 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. File Maintenance and Records Retention
- E. 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 38 Cal Grant B awards and 2 Cal Grant C awards within the review period. The program review sample was randomly selected from the total population of 1,934 recipients.
- Reviewing the records of unpaid Cal Grant recipients from a sample of 108 students who appeared on the institution's roster but were not paid for the award year. The program review sample was selected to include all unpaid students.

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.

AUDITOR'S REPORT (continued)

OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)

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

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, this report records the findings from our review and identifies the required actions necessary to improve controls and ensure the adequate administration of the Commission's grant programs. The matters raised in this report are only those which have come to our attention during the course of the compliance review and do not necessarily represent a comprehensive record of all the matters.

VIEWS OF
RESPONSIBLE
OFFICIALS

The findings were discussed with Institution representatives in an exit conference on January 26, 2017. The Institution staff concurred with all findings.

We appreciate the cooperation and assistance of the management and staff during the course of this review.

Catalina Mistler, Division Chief
Program Administration and Services Division

FINDINGS AND REQUIRED ACTIONS

GENERAL
ELIGIBILITY:

FINDING 1: Non-compliance with the Commission's Information Security and Confidentiality Agreement

A review of Commission's WebGrants Information Security and Confidentiality Agreement and discussions with institutional staff revealed that the Authorized Official is also a WebGrants user.

DISCUSSION:

As indicated in the 2012-16 Institutional Participation Agreement signed by the Institution's President, Institutions must comply with all applicable federal, state and local information security, confidentiality and privacy laws and regulations, Commission policies and requirements pertaining to the proper access, creation, modification, handling, storage, transfer, transmission, dissemination, sharing or destruction of confidential information maintained on the Commission's Grant Delivery System (GDS), WebGrants system and/or pertaining to the Commission, its programs, and its program applicants and/or recipients.

Participating institutions must designate a single individual as the Authorized Official (AO), who will then designate a maximum of two other individuals as the institution's System Administrator(s) (SA) who controls WebGrants access at the campus level. The AO may not retain or have access to an account on WebGrants.

A review of the Commission's WebGrants Information Security and Confidentiality Agreement and discussions with institutional staff revealed that the current AO has access to the Commission's WebGrants system. However, during the on-site audit, the institution submitted a revised Information Security and Confidentiality Agreement designating a new AO who does not have an account on WebGrants.

REFERENCES:

2012-16 Institutional Participation Agreement, Article VI.
Cal Grant Manual, Chapter 2, July 2004
Cal Grant Handbook, Chapter 2, 2/11/2016 – Version 2.1
WebGrants Policy College Information Security and Confidentiality Agreement

REQUIRED ACTION:

The institution must provide administrative policies and controls to ensure compliance with the Commission's WebGrants Information Security and Confidentiality Agreement.

INSTITUTION RESPONSE:

"This finding was discovered and corrected while the compliance officer was still on site for the program review. A revised Information Security and Confidentiality Agreement was submitted designating the Dean of Enrollment Services and Student Development as the Authorized Official. This staff person does not have

FINDINGS AND REQUIRED ACTIONS (continued)

access to WebGrants. You will also see in the attached Cal Grant Program section of our department's Policies and Procedures manual (section 3.4.7) that the correct access has been given to the different staff positions."

COMMISSION REPLY:

The institution's policies and procedures are deemed acceptable. No further action is required for this finding.

APPLICANT
ELIGIBILITY:

FINDING 2: Verification not performed/completed

A review of 8 students who were selected for verification disclosed 1 instance where the student's household size was not confirmed and 1 instance where the institution failed to perform the verification process.

DISCUSSION:

All Cal Grant applicants must submit a completed official financial aid application, either the Free Application for Federal Student Aid (FAFSA) or the California Dream Act Application (CADA) annually to determine eligibility. For FAFSA applicants, the Commission electronically draws down applicant information from the Central Processing System (CPS) contractor selected by the U.S. Department of Education. The CPS also provides institutions with the Institutional Student Information Record (ISIR) that contains all of the information provided on the FAFSA.

Similarly, the Commission processes all CADA to calculate the Expected Family Contribution (EFC) which is then reported electronically to the institution via the California Institutional Student Information Record (Cal ISIR) and mailed in paper format to the student on the California Student Aid Report (Cal SAR). The Commission selects a certain percentage of student records whose information is to be verified based on the Commission's selection criteria.

Because students sometimes make errors on their applications, there is a process for verifying applications and making corrections. The CPS and the Commission selects which applications are to be verified. For each application the CPS or the Commission selects for verification, the applicant must submit documentation to verify or update information contained on the FAFSA or the CADA.

The institution must compare the verification documentation submitted by the student to the information provided on the FAFSA or CADA and recalculate the applicant's financial need, if necessary. Furthermore, a school must maintain the valid ISIR or Cal ISIR and verification documentation used to determine a student's eligibility for program funds.

FINDINGS AND REQUIRED ACTIONS (continued)

Students who are selected for verification by the CPS will be placed in one of the five following groups that determines which FAFSA information must be verified for the student:

Group Number	Description
V1	Standard Verification
V2	SNAP Verification
V3	Child Support Verification
V4	Custom Verification
V5	Aggregate Verification

All students whose Cal ISIR is selected for verification by the Commission must submit V1 (Standard Verification) information to the institution.

A review of the file of student 4 revealed that the student's financial aid application was selected for the V1 verification process. Students who are selected in this group are required to submit documentation to verify or update the following information:

- Adjusted gross income
- U.S. income tax paid
- Untaxed portions of IRA distributions
- Untaxed portions of pensions
- IRA deductions and payments
- Tax-exempt interest income
- education credits
- Household Size
- Number in College
- Supplemental Nutrition Assistance Program (SNAP) benefits
- Child support paid

The dependent student indicated 5 in the household on their ISIR with a total income of \$32,315; however, the verification documents indicate 4 in the household. The institution did not resolve the conflicting household size prior to Cal Grant disbursement. Nevertheless, the student remained eligible to receive the Cal Grant funds.

A review of the file of student 9 revealed that the student's Cal ISIR was selected for the verification process. An examination of the student file and discussion's with institutional staff revealed that the verification process was not performed. As a result, the Cal Grant funds in the amount of \$1,236 is ineligible and must be returned to the Commission.

REFERENCES:

2012-16 Institutional Participation Agreement, Article IV.B.
Cal Grant Handbook, Chapter 10, pages 77-79, 02/11/2016 – Version 2.1
2014-15 Student Financial Aid Handbook, Application and Verification Guide

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTIONS:

The institution is required to return the ineligible funds in the amount of \$1,236 on behalf of student 9 upon invoicing from the Commission.

Additionally, the institution must conduct a portfolio review of all Cal Grant recipients selected for verification for the 2014-15 award year providing the following data elements:

- First Name
- Last Name
- SSN
- Cal Grant Type (A or B)
- Award Year
- Verification performed? Yes or No
 - If yes, no action is required
 - If no, provide the amount of Cal Grant funds disbursed in each award year

Based upon the results of the portfolio review, verification documents as well as return of additional ineligible funds may be requested.

Lastly, written procedures and quality controls measures that will be implemented to ensure that the verification process is performed and documented accurately prior to the prior to the disbursement of Cal Grant funds must be submitted.

INSTITUTION RESPONSE:

“As requested, a portfolio review was conducted on all Cal Grant recipients selected for verification for the 2014-15 award year and all student were verified before disbursement of funds. Also, the attached documents include the section of our Policies and Procedures manual (Section 6) which explains our verification process. One of the items that we now have to assist the staff in verifying student files is a checklist that is printed for each student. The checklist helps the staff person to follow all of the steps needed for the awarding process. These checklists did not exist in the 2014-15 award year.”

COMMISSION REPLY:

The portfolio review disclosed an additional 546 students that were selected for the verification process. Of the 546 students, the Commission randomly selected 55 student files (10%) to be reviewed to ensure the verification process was completed properly. Of the 55 students reviewed, the household size was not verified correctly as illustrated in the table on the next page:

FINDINGS AND REQUIRED ACTIONS (continued)

Student ID	Household size per ISIR	Household size per Verification Worksheet
X1	6	5
X2	5	4
X3	4	5
X4	7	5
X6	3	2

Dependent student X5's Cal-ISIR revealed that the parents indicated "WILLCOMPL" tax returns and provided an estimated AGI of \$45,400 with 7 in the household. However, the Verification Worksheet disclosed 6 in the household and the Tax Return Transcript disclosed an AGI of \$46,704.

Although, the institution failed to resolve the conflicting household size and/or the income information for the six students above, the students remained eligible.

The institution's verification policies and procedures are deemed acceptable. The Commission has enclosed an invoice for the return of ineligible funds. No further action is required upon receipt of payment.

APPLICANT
ELIGIBILITY:

FINDING 3: Satisfactory Academic Progress (SAP) policy not implemented

A review of 40 student files revealed 1 case in which the institution failed to implement their SAP policy.

DISCUSSION:

Institutions are required to establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining SAP in his or her educational program.

The institution's SAP policy must include all periods of the student's enrollment including periods in which the student did not receive Title IV funds, and transfer credits that are applicable to the student's educational program. An institution's SAP policy must include the following elements:

- A qualitative component
- A quantitative components
- A maximum time-frame (150% of the normal program length)
- An incremental measurement
- A designated amount of work that must be completed per increment
- A determination at the end of each increment regarding the student's progress
- An appeal process
- Procedures for re-establishing SAP eligibility

FINDINGS AND REQUIRED ACTIONS (continued)

A review of SAP is not complete until both the qualitative and quantitative measures have been reviewed.

At San Joaquin Delta College, students must maintain a cumulative Grade Point Average (GPA) of 2.0, complete 67% of all courses attempted that term, complete 67% of cumulative units attempted and not exceed 90 attempted units.

Students who do not meet the minimum SAP requirements at the end of the term will be placed on financial aid Warning for the next term and are eligible to receive financial aid. Students on financial aid Warning who do not meet financial aid SAP during the next period of enrollment (term) will be placed on financial aid Disqualification and are no longer eligible to receive financial aid. Students wishing to appeal their Disqualification status may do so by submitting an SAP appeal.

A review of the file of student 28 disclosed that at the end of the Fall 2014 semester the student was placed on financial aid "Warning" for not meeting the GPA requirements. Since the student failed to meet SAP requirements at the end of Spring 2015 semester, the student should have received a "Disqualification" notification. There was no documentation indicating that a "Disqualification" notification was sent to the student. No ineligible funds were assessed as the student remained eligible to receive Cal Grant funds for the 2014-15 award year.

REFERENCES:

34 CFR 668.16(e)

34 CFR 668.34

California Education Code sections 69432.7 and 69433.5

2012-16 Institutional Participation Agreement, Article IV.B.

Cal Grant Manual, Chapter 3, September 2004

Cal Grant Handbook, Chapter 4, page 29, 2/11/2016 – Version 2.1

REQUIRED ACTION:

The institution must submit internal controls measure that will be implemented to ensure that SAP progress is correctly determined and documented.

INSTITUTION RESPONSE:

"Please see the attached Satisfactory Academic Progress section (Section 12) from our Policies and Procedures manual. This section explains our SAP policy as well as addresses how the student's files and notifications are handled in these situations. Additionally, one of the items that we now have to assist the staff in verifying student files is a checklist that is printed for each student. The checklist helps the staff person to follow all of the steps needed for the awarding process. These checklists did not exist in the 2014-15 award year."

FINDINGS AND REQUIRED ACTIONS (continued)

COMMISSION REPLY:

Section 12 that addresses the SAP policies and procedures are deemed acceptable. Thus, no further action is required for this finding.

FISCAL
RESPONSIBILITY
FOR PROGRAM
FUNDS:

FINDING 4: Cal Grant funds not reconciled for the 2013-14 and 2014-15 award years

A review of the institution's accounting records revealed that Cal Grant funds were not reconciled for the 2013-14 and 2014-15 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.

Institutions are required to reconcile payments no later than sixty (60) days after the end of the payment period. All Cal Grant funds must be properly recorded and allocated to the appropriate award year for which the funds were advanced and disbursed. The institution must also report adjusted payment transactions for transactions previously reported in error. The institution must reconcile all award year Cal Grant funds received and disbursed by the institution no later than December 31 following the award year (e.g. December 31, 2015, for the 2014-15 award year). The institution will bear the liability for payments not reported prior to the December month-end processing cycle. 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.

Furthermore, the Commission considers an institution to have sufficient administrative capability in the area of fiscal responsibility if the institution:

- Maintains written policies and procedures to administer Cal Grant funds
- Maintains an accounting system which conforms to generally accepted accounting principles/practices and shall include, but not limited to, cash receipts and disbursement journals, bank reconciliations, evidence of receipt or credit of funds to recipients and all other accounting records necessary to account for all transactions
- Reconciles Cal Grant program expenditures for each award year on a student-by-student basis. This includes having the necessary ledgers to account for prior and current award year funds
- Establishes a clear audit trail which demonstrates that fiscal records provide status of Cal Grant funds from the time they are received by the school from the State Controller's Office (SCO) through the time they are used to pay students' eligible charges, delivered to the

FINDINGS AND REQUIRED ACTIONS (continued)

- student in the case of Access or Books and Supplies payments or refunded back to the Commission
- Reconciles Cal Grant funds with specific year advances and identify prior year award funds to ensure that funds are reported on the appropriate year's roster

For the 2014-15 award year, the institution was advanced \$2,513,963 in payments and reported a reconciled amount of \$2,377,564 which created an invoice in the amount of \$136,399. However, the institution's accounting records revealed that the institution disbursed \$2,374,475 of which \$825 was not reported to the Commission prior to the 2014-15 year-end reconciliation. The unreported payments are unable to be reimbursed and are detailed in the following chart:

2014-15 Unreported Payment			
No.	CSAC Paid	Institution Paid	Difference
Y1	\$ 0	\$824	\$824
Y2	\$824	\$825	\$ 1
Total 2014-15 Unreported Payment			\$825

In addition to the payments that were not reported to the Commission, the institution failed to appropriately reconcile certain payments. The total disbursements to be reimbursed by the Commission for the 2014-15 award year equaled \$2,373,650 (\$2,274,475 actual disbursements less \$825 unreported payment). Therefore, the institution disbursed \$3,914 less than the amount advanced by the Commission (\$2,377,564 Commission reconciled amount less \$2,373,650 reimbursable payments) as follows:

2014-15 Undisbursed Funds			
No.	CSAC Paid	Institution Paid	Difference
X1	\$1,442	\$0	\$1,442
X2	\$ 824	\$0	\$ 824
X3	\$ 824	\$0	\$ 824
X4	\$ 824	\$0	\$ 824
Total 2014-15 Undisbursed Funds			\$3,914

The undisbursed funds for No. X1, X2 and X3 were returned via check numbers, 407321, 407312 and 407308, respectively to the Commission after the 2014-15 year-end reconciliation. The undisbursed funds for No. X4 were returned via check number 407376 subsequently to the on-site fieldwork.

The institution was previously cited for not reconciling Cal Grant funds in the July 2004 CSAC Audit Report for the 2002-03 award year. Thus, this finding is deemed as an area of continued noncompliance. In order to meet its responsibilities to the Commission, an institution must be capable of adequately administering Cal Grant Program requirements. An institution that fails to comply with applicable laws, policies, contracts and institutional participation agreements may lose its eligibility for participating in the Cal Grant Programs for failing to meet standards of administrative capability.

FINDINGS AND REQUIRED ACTIONS (continued)

As a result of the institution's noncompliance, the auditor expanded the audit scope to include the 2013-14 award year reconciliation with the following results.

For the 2013-14 award year, the institution was advanced and reported a reconciled amount of \$2,029,448 in payments. However, institution accounting records revealed that the institution disbursed \$2,027,977 of which \$2 was not reported to the Commission prior to the 2013-14 year-end reconciliation. The unreported payment is unable to be reimbursed and is detailed in the following chart:

2013-14 Unreported Payment			
No.	CSAC Paid	Institution Paid	Difference
Y3	\$1,104	\$1,105	\$1
Y4	\$1,473	\$1,474	\$1
Total 2013-14 Unreported Payment			\$2

In addition to the payments that were not reported to the Commission, the institution failed to appropriately reconcile a payment. The total disbursements to be reimbursed by the Commission for the 2013-14 award year equaled \$2,027,975 (\$2,027,977 actual disbursements less \$2 unreported payments). Therefore, the institution disbursed \$1,473 less than the amount advanced by the Commission (\$2,029,448 Commission reconciled amount less \$2,027,975 reimbursable payments) as follows:

2013-14 Undisbursed Funds			
No.	CSAC Paid	Institution Paid	Difference
X5	\$1,473	\$0	\$1,473
Total 2013-14 Undisbursed Funds			\$1,473

The undisbursed funds for No. X5 were returned via check number 407237 to the Commission.

REFERENCES:

California Education Code, 69432.8
2012-16 Institutional Participation Agreement, Article II, III and IV
Cal Grant Manual, Chapter 9, September 2003
Cal Grant Manual, Chapter 10, October 2003
Cal Grant Handbook, Chapter 13, 2/11/2016 – Version 2.1
Cal Grant Handbook, Chapter 14, 2/11/2016 – Version 2.1
Cal Grant Handbook, Chapter 16, 2/11/2016 - Version 2.1

REQUIRED ACTIONS:

Since the institution has returned the undisbursed funds for the 2014-15 and 2013-14 award years as indicated in the Discussion Section of this report, no ineligible funds are required to be remitted.

FINDINGS AND REQUIRED ACTIONS (continued)

However, the institution must provide written procedures and quality control measures that will be implemented to ensure that Cal Grant funds are reconciled between accounting ledgers, financial aid generated reports and the institution's bank account on an award year basis. Furthermore, the institution must ensure that there is a zero Cal Grant balance at the end and beginning of award years. These written procedures should include staff titles and specific areas of responsibilities as they relate to the Cal Grant accounting process.

Because the institution has continuously been out of compliance reconciling its Cal Grant account, the institutional staff must receive training as it pertains to this finding. Please contact Alessandra Morrison at (916) 464-7960 or via e-mail at Alessandra.Morrison@csac.ca.gov. Certification of completion of required training must be provided when responding to this finding.

INSTITUTION RESPONSE:

"Please see the attached Cal Grant section (Section 3.4) of our policies and procedures manual for the Financial Aid, Scholarships & Veterans Services Department. This section (3.4.8) explains the reconciliation process for the Cal Grant programs. The department reconciles the funds disbursed for each student out of our Student Information System (Systems 2020) and each disbursement reported in WebGrants. Additionally, I have attached the written policies and procedures from the Fiscal Department with regard to:

- Cal Grant Revenue Reconciliation
- Cal Grant Disbursement Reconciliation
- Cal Grant Bank Account Reconciliation
- Cal Grant Manual adjustment and reconciliation
- Return Bank Interest to CSAC
- Return Excess Fund to CSAC

Also, please see the attached certification of completion for the required reconciliation training received from the California Student Aid Commission."

COMMISSION REPLY:

The policies and procedures and the completion of the required training satisfies the requirements for this finding. No further action is required.