

CALIFORNIA STUDENT AID COMMISSION

PROGRAM ADMINISTRATION AND SERVICES DIVISION

October 18, 2017



Kathryn E. Jeffery
President
Santa Monica College
1900 W. Pico Blvd.
Santa Monica, CA 90405

RE: Program Compliance Review ID#81600128600

Dear Ms. Jeffery:

The following is the final report of our program compliance review of your institution's participation in the California Student Aid Commission's (Commission) grant programs.

Thank you for the courtesy and cooperation extended to the 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.

If I, or any member of my staff, can be of further assistance to you, please feel free to call us.

Sincerely,



Catalina Mistler, Deputy Director
Program Administration and Services Division

Enclosure

- c. William Bloom, Associate Dean of Financial Aid & Scholarships, Santa Monica College
Teresita Rodriguez, Vice-President of Enrollment Development, Santa Monica College
Christopher Bonvenuto, Chief Director of Business Services, Santa Monica College
Program Review File



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

2014-15 Award Year

**Santa Monica College
Program Review ID#81600128600**

**1900 W. Pico Blvd.
Santa Monica, CA 90405**

Program Review Dates:

September 19 – 22, 2016

Auditor:

Nati Bugarin

Report Approved by:

Catalina Mistler, Deputy Director
Program Administration and Services Division

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AUDITOR'S REPORT

SUMMARY

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

The institution's records disclosed the following deficiencies:

- Eligible Cal Grant awardees not paid
- Verification process incomplete
- Incorrect Cal Grant disbursement due to enrollment status

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. Kathryn E. Jeffery
- Accrediting Body: Western Association of Schools & Colleges

B. Institutional Persons Contacted

- Teresita Rodriguez: Vice-President of Enrollment Development
- Steve Myrow: Associate Dean of Financial & Scholarships
- Christopher Bonvenuto: Chief Director of Business Services
- Stacy Neal: Assistant Director of Financial Aid

C. Financial Aid

- Date of Prior Commission Program Review: October 2001
- Branches: None
- Financial Aid Programs: Federal: Direct Loan Program, SEOG, Pell, and Work-Study
State: Cal Grants B and C
- Financial Aid Consultant: None

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 1,635 recipients.
- Reviewing the records of unpaid Cal Grant recipients from a sample of 566 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.

Catalina Mistler, Deputy Director
Program Administration and Services Division

FINDINGS AND REQUIRED ACTIONS

APPLICANT
ELIGIBILITY:

FINDING 1: Eligible Cal Grant awardees not paid

A review of 566 unpaid students disclosed 7 cases in which the Institution was unable to determine whether the students were eligible to have received Cal Grant funds.

DISCUSSION:

The Commission provides reports such as the Unable to Determine Report, the Automatic Leave Report and the Unclaimed Awards Report to assist the institutions in determining which students have potential Cal Grant Eligibility.

Santa Monica College was provided with a list of 566 Cal Grant recipients that were not paid for the 2014-15 award year. The Institution determined that all but 7 (U40, U61, U95, U138, U372, U379 and U440) students were not eligible to receive Cal Grant funds. However, the Institution was unable to determine why the 7 Cal Grant recipients did not receive a Cal Grant award. Regardless, the Institution cannot process a Cal Grant payment for the unpaid students because the 2014-15 academic year has closed.

REFERENCES:

California Education Code 69436
Cal Grant Manual, Chapter 7, October 2005
Cal Grant Handbook, Chapter 15, page 147, 2/11/2016 – Version 2.1

REQUIRED ACTION:

The Institution is required to submit policies and procedures to ensure all potential Cal Grant recipients are awarded.

INSTITUTION RESPONSE:

“We have recognized the importance of identifying unpaid students and resolving their eligibility. We have implemented a screening of all student in the SMC system who have Cal Grant Eligibility whether awarded or not and compare that population with the students who have successfully been awarded. This identifies the population of students who were not awarded or not paid. We are using these SMC generated reports to assist in the identification and resolution of the student’s status with regards to the Cal Grant. In addition, we will utilize the Automatic Leave Report and Unclaimed Awards Report to assist in identifying the reason the student was not paid. Qualitative periodic review of the findings will be analyzed looking for correlations and indications of why students are not paid, and the reasons addressed”.

FINDINGS AND REQUIRED ACTIONS (continued)

COMMISSION REPLY:

The policies and procedures submitted by Santa Monica College are deemed acceptable. No further action is required for this finding.

APPLICANT
ELIGIBILITY:

FINDING 2: Verification process incomplete

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

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.

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

FINDINGS AND REQUIRED ACTIONS (continued)

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 26 revealed that the student's financial aid applications 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

Dependent student 26 indicated 6 in the household on their FAFSA; however, the verification documents indicate 5. The Institution did not resolve the conflicting household size prior to Cal Grant disbursement. Nevertheless, the student remained eligible to have to receive the Cal Grant funds.

REFERENCES:

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

REQUIRED ACTION:

Santa Monica College is required to submit procedures and quality controls measures that will be implemented to ensure that the verification process is fully completed and documented prior to the disbursement of Cal Grant funds must be submitted.

INSTITUTION RESPONSE:

"We believe this to be an isolated instance based on employee error. There is a filed in our FAFSA software Banner was not updated per the verification documents. We are currently holding meets [sic] with our specialists every other week. These are the employees who are responsible for verification and cover training items of this nature. A recent SMC internal audit in financial aid revealed zero findings and 100% compliance. When we do come across errors of this nature, the Financial Aid quality management system in place has a five step correction action plan of 1) identification of the problem, 2) identification of the root cause of the problem, 3) implement immediate correction actin, 4) design and implement long-term correct action, and 5)

FINDINGS AND REQUIRED ACTIONS (continued)

follow-up to be sure the problem has been effectively addressed. These corrections are documented and retained. From this audit, we deemed training was the appropriate corrective action and will internally pull a random population of verified students and look at what they turned in for paperwork and their Department file as follow-up”.

COMMISSION REPLY:

The procedures and quality control measures that the Institution will implement is satisfactory. No further action is required.

FUND
DISBURSEMENT
AND REFUNDS:

FINDING 3: Incorrect Cal Grant disbursements due to enrollment status

A review of 40 student files disclosed 2 cases where a student’s Cal Grant award was not maximized and 1 case where a student received a disbursement in excess of their eligible amount due to enrollment status.

DISCUSSION:

Institutions are required to verify eligibility at the time that Cal Grant funds are disbursed to the student or credited to the student’s account. The enrollment status must be determined according to the student’s attendance at the time Cal Grant funds are paid to the student. Enrollment status directly correlates to the amount of the Cal Grant award and the percentage of eligibility used.

Santa Monica College’s academic calendar consists of Fall 2014, Winter 2015 and Spring 2015 term/semester. Students who enroll in the Winter session are paid in the Spring semester. The units are added to the Spring unit load and the student is paid based upon the total number of units combined.

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

A review of the file of student 12 revealed that the student enrolled and completed 3.0 units for the Winter 2015 term and enrolled in 13.0 units in the Spring 2015 semester but withdrew from 4.0 units on 05/13/2015. At the time of payment, 03/06/2015, the student was eligible to have received a full-time Cal Grant payment in the amount of \$825; however, the student was solely paid a half-time payment in the amount of \$412. Thus, the students Cal Grant award was not maximized.

In the case of student 33, the student enrolled and completed 3.0 units in the Winter 2015 term and enrolled in 8.0 units in the Spring 2015 semester but subsequently withdrew from 3.0 units on 05/12/2015. Commission and institutional records indicated that the student did not receive a Spring 2015 Cal Grant payment. The student was eligible to have received a three-quarter time Cal Grant award in the amount of \$618.

FINDINGS AND REQUIRED ACTIONS (continued)

Student 39 enrolled in 1.0 unit and subsequently withdrew for the Winter 2015 term. For the Spring 2015 semester, the student enrolled in 11.0 units but withdrew from 2.0 units on 05/10/2015. At the time of payment, 03/18/2015, the student was solely eligible to have received a three-quarter time Cal Grant payment in the amount of \$618. However, the student was paid a full-time payment in the amount of \$824. Thus, \$206 (\$824 - \$618) is ineligible and must be returned to the Commission.

REFERENCES:

California Education Code section 69432.7(f)
Institutional Participation Agreement, Article IV.B
Institutional Participation Agreement, Article IV.C.1.b
Cal Grant Manual, Charter 8, November 2005
Cal Grant Manual, Chapter 9, September 2003
Cal Grant Handbook, Chapter 13, 02/11/2016 – Version 2.1

REQUIRED ACTIONS:

In response to the above finding, the Institution must return the ineligible funds of \$206 on behalf of student 39 as directed in the payment instructions located at the conclusion of this report. Additionally, the Institution must submit policies and procedures that will be implemented to ensure that Cal Grant recipients are paid according to their respective enrollment status.

INSTITUTION RESPONSE:

“SMC believes this was an employee error based on a knowledge gap of winter hour registration, pressing withdrawals, and also eligibility of the student at the time of payment. We have implemented our corrective action plan to address this knowledge gap creating a modified departmental policy and procedures, and train the employees on the policy. Our policy Section 10, Policy 10.10 has been updated and the affected employees have been trained on this. A copy of the \$206 check returning funds to the Commission is Addendum 3”.

COMMISSION REPLY:

The policies and procedures submitted by Santa Monica College are deemed acceptable. Furthermore, the Institution remitted the ineligible amount via check number 24006398, dated 08/30/17. No further action is required.