

# CALIFORNIA STUDENT AID COMMISSION

PROGRAM ADMINISTRATION AND SERVICES DIVISION

January 11, 2018



David Loverin  
Financial Aid Director  
College of the Sequoias  
915 S Mooney Blvd.  
Visalia, CA 93277

RE: Program Compliance Review ID# 91600118600

Dear Mr. Loverin:

The following is the final report of our program compliance review of your institution's participation in the California Student Aid Commission's (Commission) Cal Grant programs. In addition, enclosed is an invoice reflecting the ineligible funds due to the Commission.

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: Invoice

c. Program Review File

## INVOICE INFORMATION

DATE: January 11, 2018

NAME OF INSTITUTION: College of the Sequoias

INSTITUTION #: 00118600

REVIEW #: 91600118600

ADDRESS: David Loverin, Director, Financial Aid  
College of the Sequoias  
915 S. Mooney Blvd.  
Visalia, CA 93277

AMOUNT OF INVOICE: \$2,936.00

INVOICE NO: 91600118600

FI\$Cal CustID: 00100168

Description	Award Year	Amount
Prior Year Cal Grant excess funds not returned to the Commission	2013-14	\$2,936.00
<b>TOTAL</b>		<b>\$2,936.00</b>

Your payment is due within fifteen (15) days from the receipt of Final Report. Refer to Article IV(D)(3)(e). Should you dispute the amount of the outstanding balance; the Commission will investigate the nature of the dispute only after the invoice is paid in full. Failure to remit the total amount due may result in the withholding of future Cal Grant disbursements and program termination. Refer to Article IV(D)(3)(j).

When making your payment, include the enclosed invoice with your check. If you have any questions, please contact Ana Marquez at 916-464-8035.

**Please remit to:**

CA Student Aid Commission  
Attn: Accounting  
PO Box 419026  
Rancho Cordova, CA 95741-9026

c: Program Review File



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

***2014-15 Award Year***

**College of the Sequoias  
Program Review ID#91600118600**

**915 S. Mooney Blvd.  
Visalia, CA 93277-2234**

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**Program Review Dates:**

June 2016

**Auditor:**

Del Pyles  
Ana Marquez

**Report Approved by:**

Catalina Mistler, Deputy Director

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## AUDITOR'S REPORT

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### SUMMARY

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

The institution's records disclosed the following deficiencies:

- Verification performed incorrectly
- Institution does not have a Cal Grant B Access authorization policy
- Cal Grant funds are not held in an interest-earning account
- Prior year Cal Grant excess funds not returned to the Commission

### 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, non-profit
- President: Stan Carrizosa
- Accrediting Body: Western Association of Schools & Colleges

#### B. Institutional Persons Contacted

- David Loverin: Director of Financial Aid

#### C. Financial Aid

- Date of Prior Commission Program Review: September 2001
- Branches: None
- Financial Aid Programs: Federal: Pell, SEOG, Direct Loans, and Work-Study  
State: Cal Grant B and C, Child Development, Law Enforcement Personnel Dependents Grants, Chaffee, BOGFW
- Financial Aid Consultant: Higher Bank One, Inc.

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## AUDITOR'S REPORT (continued)

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### 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 and 2 Cal Grant C awards within the review period. The program review sample was randomly selected from the total population of 1,554 recipients.
- Reviewing the records of unpaid Cal Grant recipients from a sample of 30 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.

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## AUDITOR'S REPORT (continued)

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**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. The institution staff concurred with all findings.

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

August 8, 2016  
Catalina Mistler, Deputy Director

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## FINDINGS AND REQUIRED ACTIONS (continued)

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**APPLICANT  
ELIGIBILITY:**

**FINDING 1: Verification performed incorrectly**

A review of 12 students who were selected for federal verification disclosed 3 instances where verification was not performed correctly.

**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 (Department). The CPS also provides institutions with the Institutional Student Information Record (ISIR) that contains all of the information provided on the FAFSA.

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

The institution must compare the verification documentation submitted by the student to the information provided on the FAFSA and recalculate the applicant's financial need, if necessary. Additionally, the institution must have, on file, the final valid ISIR, showing the official EFC.

Students who are selected for verification 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
V3	Child Support Verification
V4	Custom Verification
V5	Aggregate Verification
V6	Household Resources Group

A review of the files of student Nos. 7 and 10 revealed that the students were identified as group V1 which 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



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## FINDINGS AND REQUIRED ACTIONS (continued)

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- Number in college
- Supplemental Nutrition Assistance Program (SNAP) benefits
- Child support paid

The household size determines the standard living allowance that offsets family income in the EFC calculation. The following persons count in the household size of a dependent student's parents for award year 2014-15:

- **The student and parents**, even if the student is not living with them
- **The student's siblings and children**, if they will receive more than half their support from the student's parent(s) from July 1, 2014, through June 30, 2015. Siblings do not need to live in the home.
- **Other persons** who live with and receive more than half their support from the student's parent(s) and will receive more than half support for the entire award year.

**It is important to note that the rules that decide whether someone is counted in the household for Federal Student Aid (FSA) purposes are not identical to the Internal Revenue Services (IRS) rules for determining dependents or household members.**

Federal regulations state, "An institution must require an applicant selected for verification of the number of family members in the household to submit to it a statement signed by both the applicant and one of the applicant's parents if the applicant is a dependent student, or only the applicant if the applicant is an independent student, listing the name and age of each family member in the household and the relationship of that household member to the applicant."

A review of the file for student 7 revealed that the student submitted the 2014-15 Verification Worksheet listing five household members which included a cousin, while the ISIR only listed four members. The Institution responded that since the student's parent's taxes did not reflect five exemptions, they were under the assumption that if the parent was providing financial support for the cousin, which was listed on the worksheet, then they would have claimed the cousin on their taxes. The Institution also stated that the financial aid specialist believed that the student was being dishonest by including the additional member in an attempt to lower the EFC and that their decision was a professional judgement. However, the Institution did not obtain documentation to substantiate the lower household size to support exercising professional judgement.

The Verification Worksheet completed by student 10 listed the mother's boyfriend, bringing the total household members to 5. However, the Institution excluded the boyfriend because he was not the student's biological parent and was not legally responsible for the student. The student's ISIR only listed 4 household members. If the boyfriend received more than 50% support from the student's parent, then they must be included in the household size.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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A review of the file of student 27 revealed that the student was identified as group V6 on the ISIR which is required to submit documentation to verify or update the following information:

- Payments to tax-deferred pension and retirement savings plans
- Child support received
- Housing, food, and other living allowances paid to members of the military, clergy, and others
- Veterans' non-education benefits
- Other untaxed income
- ***Money received or paid on the applicant's behalf; and resources or benefits not appearing on the FAFSA, such as in-kind support from a relative or government agency***

Cash support includes money, gifts, housing, food, clothing, car payments or expenses, medical and dental care, college costs, and money paid to someone else or paid for on the student's behalf. For example, the student is living with a friend or relative who provides housing, food, etc. the amount paid is considered as cash support and must be reported as untaxed income.

Student 27 listed five household members on the Verification Worksheet which included the mother's boyfriend. The worksheet was also completed by certifying that the mother was not employed, had no income but was supported entirely by the boyfriend. The student's ISIR only listed four members in the household. The Institution excluded the boyfriend from the household because he was not the student's biological parent and was not legally responsible for the student. However, if the parent's boyfriend is paying rent, utility bills, etc. for the student or gives cash, gift cards or any other type of monetary support for the student, these amounts paid on the student's behalf are considered untaxed income and should have been reported on a corrected ISIR.

### REFERENCES:

Higher Education Act of 1965, As Amended, §480(k)  
34 Code of Federal Regulations (CFR) 668.57(b)  
Institutional Participation Agreement, Article IV.B.  
Cal Grant Manual, Chapter 5.2, February 2005  
Cal Grant Handbook, Chapter 10, 2/11/2016 – Version 2.1  
2014-15 Student Financial Aid Handbook, Application and Verification Guide

### REQUIRED ACTION:

The Institution must submit written 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. The procedures must include the Institution's detailed policy regarding the verification of household members.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### INSTITUTION RESPONSE:

The Financial Aid Office recognizes the errors that were made in our approach to verification of "other persons/non-relatives". All financial aid staff have been made aware of the finding. Since being made aware of the finding during the desk review, all financial aid staff have received detailed training on the federal regulations regarding persons that can be included in household size. Staff now understand, as stated in your finding, "rules that decide whether someone is counted in the household for FSA purposes are not identical to the IRS rules for determining dependents or household members".

Financial Aid Specialists now know that any discrepancy in household size between the Verification Form, ISIR, or tax transcript, must be resolved through further investigation. Staff cannot simply use personal judgement to disallow a non-relative from the household size declared by the student on the Verification Form.

Below is the revised Financial Aid Procedure including more detailed household size procedure:

#### Verification

Verification is the process of confirming the accuracy of student reported data on financial aid applications. Only a portion of the US student population is selected for verification. Students are notified that they are selected for verification on the FAFSA Student Aid Report (SAR). In addition, the student is notified via email that he/she has been selected for verification.

The Financial Aid Specialist verifies only those applicants identified by the Department of Education (DOE) or if there is a discrepancy or a condition which is unusual and warrants investigation. However, the Financial Aid Specialist may request additional information if further investigation is needed to resolve a discrepancy.

The Financial Aid Office is required to resolve any discrepancies discovered in a student's file, regardless of whether the student is selected for verification. The Financial Aid Specialist will request additional information from the student to resolve the discrepancy.

Students who are selected for verification will be notified by the Financial Aid Office of the documents required to complete the verification process by means of a Document Tracking Letter sent to the student electronically. The letters are automatically generated upon the receipt and loading of the ISIR.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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Additional letters will be generated and sent electronically to students should there be additional documentation required to complete the verification process. A student may submit information via mail, fax, or scan and send electronically. Students who fail to submit the documentation to complete the verification process may forfeit their priority consideration for campus-based financial aid regardless of their FAFSA submission date. All valid ISIR's must be received by the last day of classes of the final semester of enrollment for the academic year for verification to be processed.

### Data Elements to be Verified and Required Documentation

#### **Adjusted Gross Income and Taxed Paid**

Following the Federal guidelines for standard verification, the adjusted gross income, federal taxes paid, and most untaxed income is verified through IRS Data Retrieval which imports tax information from the IRS directly to the FAFSA. This may be completed during the initial FAFSA filing or as a FAFSA correction. If a student cannot or will not use IRS Data Retrieval, s/he must provide an IRS tax transcript for the student and/or spouses, if applicable.

If a student did not file a tax return, s/he must submit all W-2s as well as a signed verification worksheet listing any income for which a W-2 was not received.

#### **Household Size**

Household size is verified by comparing the Verification Worksheet to federal data. Discrepancies must be corrected before further processing.

The household size determines the standard living allowance that offsets family income in the EFC calculation. The following persons count in the household size of a dependent student's parents for the award year:

- The student and parents, even if the student is not living with them.
- The student's siblings and children, if they will receive more than half their support from the student's parent(s) during the award year. Siblings do not need to live at home.
- Other persons who live with and receive more than half their support from the student's parent(s) and will receive more than half their support for the entire award year.

Household size does not need to be verified if family size is:

- For independent, single students
- For independent, married students

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## **FINDINGS AND REQUIRED ACTIONS (continued)**

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### **Number in Postsecondary Institutions**

Number of family members enrolled at least half-time in postsecondary institutions is verified by comparing the Verification Worksheet to federal data. Discrepancies must be corrected before further processing. If the student is the only family member enrolled at least half-time in postsecondary institutions, number in college does not need to be verified.

### **Supplemental Nutrition Assistance Program (SNAP)**

If a student or spouse (if applicable) indicated receipt of food stamps, the student must provide this information as part of the signed Verification worksheet. The Financial Aid Specialist may also request documentation from the benefits agency or other documentation to resolve any conflicting information or address any concerns regarding the accuracy of student submitted information.

### **Child Support**

If a student or spouse (if applicable) indicated receipt of child support, the student must provide this information as part of the signed Verification worksheet. This includes the amount paid, name of child(ren) supported, source of support, and to whom it was paid. The Financial Aid Specialist may also request documentation such as a copy of a separation agreement or divorce decree or copies of checks or money order receipts to resolve any conflicting information or address any concerns regarding the accuracy of student submitted information.

### **Notification to Students**

Students are notified of the results of verification by email, either through a financial aid award notification or revision communication generated through Banner or as a personal email or letter sent from the Financial Aid Specialist.

### **Update and Correction Procedures**

There are three situations whereby a Financial Aid Specialist may update student information. When students notify the aid office of an allowable update, the specialist may recalculate the student's Expected Family Contribution and the new figure may be used to award financial aid. Updates may occur for:

Dependency status (Dependency status may not be changed for previously certified Stafford Loans, and may not be changed due to marital status).

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### Family size

Number of family members enrolled in a postsecondary institution. If corrections are needed after verification is completed, the student will be required to update the incorrect FAFSA information. This will result in an additional FAFSA being received. Once received, verification will be completed on the updated FAFSA information.

Professional judgment may be made by Financial Aid Office personnel when determining to reduce an over award, dependency status, homelessness status, emancipated foster youth status, and select information provided by means of the Institutional Student Information Record (ISIR).

Students who fail to complete and submit the verification worksheet are not awarded financial aid with the exception of the Board of Governors Fee Waiver (BOGFW) if eligible.

### COMMISSION REPLY:

The Institution submitted policy and procedure that are deemed acceptable. No further action is required.

### FINDING 2: Institution does not have a Cal Grant B Access authorization policy

#### FUND DISBURSEMENT AND REFUNDS:

A review of the Institution's policies and procedures and the Cal Grant B student files disclosed that the Institution does not have a written policy addressing the receipt of Cal Grant B Access funds.

### DISCUSSION:

According to the Institutional Participation Agreement, institutions must establish and publish a policy that informs Cal Grant B and Cal Grant C recipients of their option to either apply the "Access" or "Books and Supplies" portion to outstanding balances on the student's account or request personal receipt of the funds prior to disbursement.

The terms and conditions must be provided in writing to all participants and students have the right to rescind their authorization option at any time up to the date the fund are disbursed.

A discussion with financial aid personnel and a review of the Institution's policies and procedures revealed that the Institution does not have a policy regarding Cal Grant B Access funds. The Institution does have an authorization form for Title IV financial aid that is required from students that complete a FAFSA and are receiving Title IV funds, however, the form does not cover Cal Grant B Access awards.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### REFERENCES:

Institutional Participation Agreement, Article IV.C.3.  
Cal Grant Manual, Chapter 7.1, October 2005, page 2  
Cal Grant Handbook, Chapter 13, 2/11/2016 – Version 2.1, page 108

### REQUIRED ACTION:

The Institution must provide policies and procedures that will ensure students are informed of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time.

### INSTITUTION RESPONSE:

All COS Financial Aid students receiving a Cal Grant will now receive the following notification in their award letter:

*"CAL B and CAL C recipients may elect to receive the full disbursement of their awards to use towards educational expenses or have it applied to any outstanding balances on the student's account. By choosing the first option, CAL B and CAL C recipients are responsible to resolve any account balances with their institution. Please see your Financial Aid Office for more information."*

Students who contact the financial aid office wanting to change their Cal Grant authorization will complete the form pictured below.

*CAL B and CAL C recipients may elect to receive the full disbursement of their awards towards educational expenses or have it applied to any outstanding balances on the student's account. By choosing the second option below, CAL B and CAL C recipients are responsible to resolve any account balances with their institution. Please see your Financial Aid Office for more information.*

*This authorization maybe cancelled or modified at any time by notifying the Financial Aid Office in writing, however, your cancellation or modification will not be retroactive.*

Once the authorization form has been completed by the student, the Financial Aid Office employee will scan the authorization form into the Financial Aid tracking system. The new tracking item "CGAUTH" will be used to track students wanting a full Cal Grant disbursement. These students will not have Cal Grant funds withheld for outstanding balances.

### COMMISSION REPLY:

The Institution submitted policy and procedure that are deemed acceptable. No further action is required.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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FISCAL  
RESPONSIBILITY  
FOR PROGRAM  
FUNDS:

**FINDING 3: Cal Grant funds are not held in an interest-earning account**

A review of the institution's bank statements revealed that the Institution's District Office maintained several accounts into which Cal Grant funds were deposited/transferred into. One of those accounts immediately transferred funds out on the same day, however, a second account (non-earning interest account) held the funds for several days before transferring to the interest earning Cal Grant account.

**DISCUSSION:**

As indicated in the 2012-2016 Institutional Participation Agreement signed by the institution's President, institutions must maintain Cal Grant funds in an interest-bearing account or an investment account at a financial institution with a presence in California whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or secured by collateral of value reasonably equivalent to the amount of Cal Grant Program funds in the account. Furthermore, these funds must be identified as "State" funds.

Annual interest earned on Cal Grant funds constitute State funds and must be remitted to the Student Aid Commission on behalf of the State no later than March 1 following the calendar year for which the interest accrued (e.g. March 1, 2013, for calendar year 2012). Each year, the Commission issues a Special Alert to all institutions to remind them that the interest is due by March 1<sup>st</sup> of the year.

When returning interest, neither bank related fees associated with maintaining the account nor negative interest associated with an institution's use of non-state funds for Cal Grant students should be deducted from the accrued interest. Both these amounts reflect expenses that cannot be offset against the interest earned by the advance of State funds for the Cal Grant program.

In calculating the interest on the Cal Grant funds, an institution should utilize the same methodology as was used by its financial institution or investment pool to calculate interest on the account in which the Cal Grant funds were deposited.

Cal Grant funds at College of the Sequoias (COS) are first wired to an Incoming Wire Account at Union Bank (account 7020015882). The funds are automatically transferred on the same day to a Holding Account at Union Bank (account 7020012174) where they may be maintained for several days to several weeks. The Holding Account is not an interest earning account. The Institution's Accounts Receivable department then cuts a check from the Holding Account and the funds are deposited into a Cal Grant Account at Union Bank (account 2740024038). The interest that is earned and returned to the Commission is only from the Cal Grant Account.



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## FINDINGS AND REQUIRED ACTIONS (continued)

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### REFERENCES:

Institutional Participation Agreement, Article III.D  
Cal Grant Manual, Chapter 2.3, July 2004  
Cal Grant Manual, Chapter 9.3, September 2003  
Cal Grant Handbook, Chapter 14, 2/11/2016 – Version 2.1, page 128  
Cal Grant Handbook, Chapter 16, 2/11/2016 – Version 2.1, pages 154-155  
CSAC Operations Memo, GOM 2009-27, September 17, 2009  
CSAC Special Alert, GSA 2013-30, November 6, 2013  
CSAC Special Alert, GSA 2014-34, November 10, 2014

### REQUIRED ACTIONS:

The Institution must submit verification that Cal Grant funds are deposited and maintained in interest-bearing accounts. Additionally, the Institution must provide policies and procedures to ensure that interest earned on Cal Grant funds is calculated correctly and returned as required.

### INSTITUTION RESPONSE:

#### **FISCAL CAL GRANT PROCEDURE TO ENSURE INTEREST BEARING ACCOUNT SEQUOIAS COMMUNITY COLLEGE DISTRICT**

##### **Receipt of Cal Grant funds**

Email notification of Cal Grant funds being deposited is received 2 days prior to the receipt of funds and the email states the date the funds will be deposited.

Cal Grant funds at Sequoias CCD are first wired to an Incoming Wire Account at Union Bank (account 7020015882). The funds are automatically transferred on the same day to a Holding Account at Union Bank (account 7020012174). The Director Budget/Categorical or the Chief Accounting Officer will check the Union Bank Holding Account (7020012174) daily for receipt of funds starting the day the funds are supposed to arrive. Once the funds have been deposited to the Holding Account (7020012174) they will be wired to the interest bearing Cal Grant Account at Union Bank (2740024038) on the same day through an intra-company wire. A direct cash receipt (FGADCSR) will be input in banner to 74121-003321-86310-000.

If for any reason funds remain in the Holding Account (7020012174) for more than one day, interest will be calculated using a daily simple interest formula.

$(\text{Amount of deposit} \times \text{bank interest rate (currently .01\%)/365}) \times \text{number of days in Holding Account}$ .

Interest earned will then be deposited to the Cal Grant Account (2740024038) from the general fund unrestricted.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### COMMISSION REPLY:

The Institution submitted policy and procedure that are deemed acceptable. No further action is required.

### FISCAL RESPONSIBILITY FOR PROGRAM FUNDS:

#### **FINDING 4: Prior year excess funds not returned to the Commission**

An analysis of the institution's account ledgers revealed that excess Cal Grant funds have not been returned to the Commission.

### DISCUSSION:

Institutions participating in the Cal Grant program agree to reconcile Cal Grant program expenditures for each payment period and award year on a student-by-student basis. An institution may not apply excess Cal Grant funds to any other student's account or to any prior year accounts. Schools are required to return to the Commission any funds remaining in their Cal Grant account after the close of an award year. Each January, institutions are invoiced for any remaining funds that may be left in the Cal Grant account. The invoices are based on information that the school has reported to the Commission. If, after the invoice has been paid, funds remain in the account, the institution must return the excess (unused Cal Grant funds, stale-dated warrants, etc.) funds to the Commission.

A review of the various bank statements and ledgers revealed \$2,936 in Cal Grant funds was carried over from 2013 to 2015. The Institution is unable to identify the reason for this amount to be carried forward or any students that it may be related to. Therefore, the \$2,936 is determined to be excess Cal Grant funds and must be returned to the Commission.

### REFERENCES:

California Education Code, 69432.8  
Institutional Participation Agreement 2008-2012, Article IV.C  
Cal Grant Manual, Chapter 9.4, September 2003  
Cal Grant Manual, Chapter 10, October 2003  
CSAC Special Alert, GSA 2012-41, December 14, 2012  
2015 Cal Grant Handbook, Chapter 16, pages 149-166, 11/19/2015  
2016 Cal Grant Handbook, Chapter 16, pages 150-167, 2/11/2016

### REQUIRED ACTIONS:

The Institution will be required to remit the excess Cal Grant funds in the amount of **\$2,936** for the 2013-2014 award year as directed in the payment instructions located at the conclusion of this report.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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In addition, the Institution will be required to submit enhanced written procedures and internal control measures that will be implemented to ensure that the institution performs a reconciliation of its records as required by the Institution Participation Agreement and the Cal Grant Manual. The procedures must include time frames, staff titles, and Specific areas of responsibilities as it relates to the Cal Grant reconciliation.

### **INSTITUTION RESPONSE:**

A check request for \$2,936 has been requested in order to return the excess Cal Grant funds from the 2013-14 award year. Per Accounts Payable payment schedule, the check will be ready for release on December 4, 2017. The College will wait for an invoice from the Commission as described in the Commission cover letter.

This was a one-time incident. The College has returned excess funds and reconciled to CSAC for several years without issue. However, procedures have been reviewed and improved to ensure better reconciliation takes place. In past years, financial aid was focused on EOY student reconciliation with CSAC while the fiscal office was focused on EOY reconciliation with bank statements. Now the two departments have developed better communication. The fiscal office is now reconciling CSAC funds received with student disbursements through the Financial Aid office. The Accounting Technician is tracking the Financial Aid Office Disbursement Account, funds received into the Cal Grant Bank Account, and Funds moved from the Cal Grant Bank Account to the Financial Aid Disbursement Account. Reconciliation is taking place with each receipt of funds from CSAC. At EOY reconciliation, the accounting technician is making sure CSAC funds held in account are reconciled to Financial Aid transactions. Any excess funds are returned to the Commission resulting in a net zero balance.

Attached are copies of the Accounting Technician's 2015-16, 2016-17 and 2017-18 reconciliation spreadsheets. When it was brought to our attention during the desk review; a notation was added at the end of the 2015-16 spreadsheet to return the \$2,936 unspent funds. Since then each year has been reconciled to zero balance. The spreadsheets show the beginning and ending balance for the College's June 30 fiscal year end, and a CSAC net zero balance after September 30 financial aid year end.

### **COMMISSION REPLY:**

The institution submitted policy and procedures that are deemed acceptable. College of the Sequoias **must** remit the ineligible amount of **\$2,936** as directed in the invoice instructions the Commission has issued.