

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

ORANGE COUNTY

**INDEPENDENT PERKINS PROGRAM
LIQUIDATION AUDITOR'S REPORT**

and

**COMPLIANCE ATTESTATION EXAMINATION
OF THE TITLE IV STUDENT
FINANCIAL ASSISTANCE PROGRAMS**

**For the Fiscal Year and Award Year Ended
June 30, 2017**

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
INDEPENDENT PERKINS PROGRAM LIQUIDATION AUDIT REPORT
June 30, 2017

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INDEPENDENT PERKINS PROGRAM LIQUIDATION AUDIT REPORT
June 30, 2017

INFORMATION SHEET

School Information

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Santa Ana, CA 92706

Phone: (714) 564-6000

OPEID # 00128400
DUNS # 076070283

Auditor Information

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INDEPENDENT PERKINS PROGRAM LIQUIDATION AUDIT REPORT

Board of Trustees
Rancho Santiago Community College District
2323 N. Broadway
Santa Ana, CA 92706

Report on Perkins Program Liquidation

The Independent Perkins Program Liquidation for the Rancho Santiago Community College District (the District) presents the results of the audit performed by CliftonLarsonAllen (CLA). The purpose of the audit was to determine whether the District administered the Title IV program in accordance with selected requirements of the Higher Education Act of 1965, as amended (HEA). We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we evaluated the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2017. Additionally, we evaluated the District's compliance with requirements and procedures described in the Federal Student Aid Electronic Announcement entitled Federal Perkins Loan Liquidation Procedures for the explicit purpose of closing the District's Federal Perkins Loan Program. Our review covered the period July 1, 2016 through June 30, 2017.

Background

Rancho Santiago Community College District is located in Orange County and is home of one of the state's oldest community colleges, Santa Ana College, and also one of its newest, Santiago Canyon College. Both colleges provide education for academic transfer and careers, courses for personal and professional development, and customized training for business and industry. The district serves a population of more than 700,000 residents in the communities of Anaheim Hills, Orange, Santa Ana, Villa Park and portions of Anaheim, Costa Mesa, Irvine, Fountain Valley, Garden Grove and Tustin. The District is accredited by the Western Association of Schools and Colleges. The District participates in the following HEA, Title IV programs: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Perkins Loan and Federal Direct Loan.

INDEPENDENT PERKINS PROGRAM LIQUIDATION AUDIT REPORT

Audit Results

The District complied with the requirements governing the return of Title IV funds and Title IV disbursements, GAPS, and Cash Management and Administrative Capability listed in Section II of the U.S. Department of Education's Audit Guide. Based on the evidence we reviewed, the District had internal controls in place to ensure accurate award calculations, timing of Title IV disbursements, calculation of unearned Title IV funds for withdrawn students, and the return of Title IV funds.

A. Federal Perkins Loan Program Liquidation - Verification

As of June 30, 2017, the District had completed steps 1-5 of the Federal Perkins Loan Program liquidation procedures with the award year ending June 30, 2017. As part of our compliance attestation examination of the Title IV Student Financial Assistance Programs, we have examined the District's assertions that it had complied with specific requirements applicable to the Federal Perkins Loan Program, including procedures set forth in the electronic announcement titled, Federal Perkins Loan Liquidation Procedures. Based on this examination, CLA believes that the information shown below is accurately stated.

Specifically, CLA verified the following:

1. All loans for the total of 2,460 borrowers in the portfolio have been accounted for.
 - a. There were 1,899 borrowers whose loans were fully retired. None of these loans were purchased by the District.
 - b. There were 561 borrowers whose loans were assigned and accepted by the Department. CLA validated that the computed accumulated interest charged on these loans was accurately calculated.
2. The service cancellation data on Section A and all of the data on Section C or Part III of the District's latest submitted FISAP for award year ending June 30, 2017.
 - a. The service cancellation data in Section A was accurately reported upon our review of the District's records.
 - b. The data in Section C was accurately reported upon our review of the District's records. The final FISAP closeout form was completed on line on March 8, 2017 and reflected 561 borrowers whose loans were assigned and accepted by the Department.
3. The federal capital contribution (FCC).
 - a. The FCC was accurately reported upon review of the District's records.

INDEPENDENT PERKINS PROGRAM LIQUIDATION AUDIT REPORT

A. Federal Perkins Loan Program Liquidation – Verification (continued)

4. The institutional capital contribution (ICC).
 - a. The ICC was accurately reported upon review of the District’s records.
5. Overall cash on hand as of December 31, 2016 was \$31,104.
 - a. The reported cash on hand was verified against the District’s ledger for the Fund.

B. Determining Share Distributions

The U.S. Department of Education’s Federal share of a District’s revolving fund was calculated using the following formula:

$$\frac{(\text{Net FCC})}{(\text{Net FCC} + \text{Net ICC})} \times \text{Cash on hand} = \text{Final Capital Distribution}$$

Definitions and Numerical Explanation

FCC: Federal capital contribution added to the fund by the U.S. Department of Education over a period of time. For the year ended June 30, 2017, the FCC was \$1,437,520.

Repayments of fund capital to Federal government: For the year ended June 30, 2017, repayments of fund capital to the Federal Government was \$949,092.

Net FCC: FCC minus repayments of fund capital to Federal government. For the year ended June 30, 2017, net FCC was \$488,429.

ICC: District capital contribution added to the fund by the District over a period of time was \$323,358 for the year ended June 30, 2017.

Repayments of fund capital to school: For the year ended June 30, 2017, repayments of fund capital to school was \$25,748.

Net ICC: ICC minus repayments of Fund capital to school. For the year ended June 30, 2017, net ICC was \$297,610.

Cash on hand: This amount is the cash the District still has on hand or in depository for the Federal Perkins Loan Program, including any funds returned to the fund for the purpose of purchasing unassignable loans. At December 31, 2016, this amount was \$31,104.

INDEPENDENT PERKINS PROGRAM LIQUIDATION AUDIT REPORT

B. Determining Share Distributions (continued)

Results of Share Calculation Amount Returned to the Department

$$\begin{array}{r} \$488,429 \\ \hline \$786,039 \end{array} \times \$31,104 = \$19,327 \text{ Final Capital Contribution}$$

The final capital contribution from the District was made in accordance with Title IV, Part C, Section 466(c) of the Higher Education Act of 1965, as amended (HEA). We have verified that the federal share of the District's Federal Perkins Loan revolving fund was \$19,327 and the amount owed to the Department. This amount was returned on January 19, 2017. The remaining cash on hand as reported on the June 30, 2017 FISAP is \$11,777.

Objective, Scope and Methodology

The audit objective was to determine whether the District administered Title IV programs in accordance with selected requirements of the HEA. Specifically, we evaluated the District's compliance with requirements for the purpose of liquidating its Federal Perkins Loan Program fund for the period July 1, 2016 through June 30, 2017.

To accomplish our objectives, CLA:

- Reviewed requirements in the HEA, regulations and Departmental guidance applicable to the audit objectives;
- Completed the financial statement audit and a compliance audit of the District's federal major programs for the fiscal year ended June 30, 2017 and issued our reports thereon;
- Interviewed the Manager, Fiscal Services and other school officials;
- Obtained an understanding of the District's policies and procedures regarding the administration of the Federal Perkins Loan Program;
- Reviewed the District's Perkins Loan general ledger for the audit period; and
- Analyzed the FISAP data reporting and derived the return of final capital contribution according to the overtime calculation of cash on hand.

CLA conducted fieldwork from May 25, 2017 through October 15, 2017 at locations both on and off campus. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

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Conclusion

We have verified the District's Federal Perkins Loan account, records and Part III of the Fiscal Operations Report (FISAP) and believe the data was accurately reported. We do not find any substantial discrepancies with the reported data; the discrepancies noted above in our verification of the latest FISAP were accounted for in the verification detail above. It is our opinion the District will not need to amend the latest submitted FISAP and can proceed with submitting a final FISAP to the Department.

This report is intended solely for the information and use of the District's management, Board of Trustees, others within the entity, the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP
Glendora, CA
November 20, 2017