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DAVID S. SPENCE  
EXECUTIVE VICE CHANCELLOR  
CHIEF ACADEMIC OFFICER

October 31, 2003  
Code: AA 2003-34

Response Due By:  
November 21, 2003

**To:** CSU Presidents  
**From:** David S. Spence *David S*  
**Subject:** Recommendations from Student Financial Aid Audit

The California State University Office of the University Auditor recently concluded a systemwide audit of CSU student financial aid programs (Audit Report Number 02-22). The audit objective was to determine the effectiveness of existing policies and procedures related to the administration of the student financial aid programs and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures. The University Auditor visited ten campuses and audited procedures in effect during the period of February 2002 through December 2002.

In the opinion of the University Auditor, except for the non-disclosure of certain consumer information and the awarding of grants to teacher credential candidates for non-qualifying course work, the financial aid programs were capably administered and generally in compliance with applicable regulations. However, the University Auditor indicated that certain areas need attention and improvement. It was noted that comparison with industry staffing standards and policies and procedures addressing coordination of information, clarification of benefits available to resident assistants, and documentation of some student budget adjustments might benefit from more consistent adherence to best practices identified within the CSU. These and other areas that warrant attention are in the audit report at

[http://www.calstate.edu/Audit/Audit\\_Reports/0222FASystemwide.pdf](http://www.calstate.edu/Audit/Audit_Reports/0222FASystemwide.pdf).

The audit recommendations fall into the following seven categories:

1. Direct individual notice of consumer information,

2. Accuracy in campus reporting of information and Chancellor's Office review process,
3. Periodic comparisons against industry standards for financial aid staffing,
4. Coordination of information between the financial aid office and other campus departments,
5. Implementation of procedures to ensure that post-baccalaureate students receive Federal Pell Grants only for qualifying courses,
6. Ensuring that benefits to resident assistants are treated consistently for purposes of student financial aid, and
7. Ensuring use of best practices for budget adjustments and professional judgment determinations.

Several audit recommendations indicated that the Chancellor's Office should either remind campuses about existing requirements or encourage them to cooperate voluntarily with what are regarded as good business procedures or best practices. Attachment A to this memorandum fulfills our agreement with the University Auditor to remind campuses about the importance of these recommendations. Attachment B to this memorandum requests that each campus provide our office, by November 21, 2003, with information that will assist us in formulating additional responses to the audit recommendations.

We appreciate the efforts campuses make to provide quality financial aid services to CSU students, and we are confident that campus actions taken as a result of this memorandum will improve these services further.

Questions about the Financial Aid, Systemwide (Report Number 02-22) or the attachment may be directed to Ms. Mary L. Robinson, Associate Director for Student Financial Aid, Academic Affairs, Student Academic Support, at (562) 951-4737 or [mlrobinson@calstate.edu](mailto:mlrobinson@calstate.edu).

DSS/mlr

Attachments

cc: Provosts/Vice Presidents of Academic Affairs  
Vice Presidents of Administration  
Vice Presidents of Student Affairs  
Directors of Financial Aid  
Financial Aid Business Officers  
Directors of Residence Life  
Mr. Allison G. Jones  
Ms. Mary L. Robinson

**Financial Aid, Systemwide  
Audit Report Number 02-22**

**Management's Response and Plans**

**Consumer Information**

In response to the audit recommendation, the Chancellor's Office will be providing campuses with additional guidance on satisfying responsibilities for the disclosure of consumer information by direct individual notice. Meanwhile campuses should review the *Code of Federal Regulations* (CFR), specifically the requirements of 34 CFR 668.41, 668.42, 668.43, 668.44, 668.45, 668.46, 668.47, and 668.48, to ensure campus compliance.

**Erroneous Reporting and Chancellor's Office Review Process**

The Chancellor's Office is in the process of revising the edit and review process for campus-submitted financial aid database reports in an effort to further increase assurances that the data are consistent with other reports of financial aid activity at the campuses. Information regarding the revised edits and review process will be communicated to campus financial aid directors by December 1, 2003.

**Industry Comparisons of Financial Aid Staffing**

As a condition of participation in Federal Title IV student financial aid programs authorized by the Higher Education Act of 1968 (HEA), as amended, postsecondary educational institutions must designate a capable individual to be responsible for administering all the Title IV programs in which it participates and for coordinating those programs with the institution's other Federal and non-Federal programs of student financial assistance. Regulations regarding administrative capability in 34 *Code of Federal Regulations* (CFR) section 668.16 further provide that the institution must also agree to use an adequate number of qualified persons to administer the Title IV, HEA programs in which the institution participates. Factors that the Secretary of Education uses to determine whether an institution uses an adequate number of qualified persons are:

- The number and types of programs in which the institution participates;
- The number of applications evaluated;
- The number of students who receive any student financial assistance at the institution and the amount of funds administered;
- The financial aid delivery system used by the institution;
- The degree of office automation used by the institution in the administration of the Title IV, HEA programs;

- The number and distribution of financial aid staff; and
- The use of third-party servicers to aid in the administration of the Title IV, HEA programs.

While the Department of Education has not provided guidelines on what constitutes “an adequate number” for staffing various financial aid offices, the National Association of Student Financial Aid Administrators (NASFAA) has developed a self-assessment model to assist institutions in analyzing their financial aid office staffing needs. The model is based on survey data of characteristics of NASFAA member institutions, financial aid administrators, and the functions they perform. The institutional data collected through the survey instrument formed the basis of the staffing model.

During the audit of CSU financial aid programs during 2002, the University Auditor found that CSU financial aid offices did not make extensive use of the NASFAA staffing model for purposes of industry comparison with their own staffing levels. In accordance with the response to the recommendation of the University Auditor, we encourage campuses to participate in surveys for purposes of updating the staffing and salary model and to periodically complete the self-assessment model. Specifically, financial aid directors are encouraged to complete the staffing self-assessment as of June 30, 2003 and provide the results on a spreadsheet that will be provided by the Chancellor’s Office. The data for all CSU campuses will then be distributed to CSU financial aid directors for purposes of comparison. Once the NASFAA models have been updated or by June 30, 2005, we will request another self-assessment and comparison of CSU results.

### **Coordination of Information Between the Financial Aid Office and Other Campus Departments**

34 CFR section 668.16 (3) includes as a factor of administrative capability institutional communication to the individual designated to be responsible for administering Title IV, HEA programs, “all the information received by any institutional office that bears on a student's eligibility for Title IV, HEA program assistance.” It is incumbent on all offices and departments on campus to communicate this information with the campus financial aid office. The Chancellor’s Office will be working with a group of financial aid directors to compile an inventory of the interdependencies for campus-wide data related to financial aid eligibility and award coordination as a training guide and for use by campuses in reviewing and evaluating current practices.

### **Postbaccalaureate Credential Students and Federal Pell Grants**

The 1998 Reauthorization of the Higher Education Act provided, notwithstanding the provision that Federal Pell Grants be restricted to students seeking the first undergraduate baccalaureated degree:

the Secretary may allow, on a case-by-case basis, a student to receive a Federal Pell Grant if the student--

(A) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education; and

(B) is enrolled or accepted for enrollment in a postbaccalaureate program that does not lead to a graduate degree, and in courses required by a State in order for the student to receive a professional certification or licensing credential that is required for employment as a teacher in an elementary school or secondary school in that State, except that this paragraph shall not apply to a student who is enrolled in an institution of higher education that offers a baccalaureate degree in education.

The University Auditor found that some students had received Pell Grants for work completed in non-qualifying courses and recommended that the Chancellor's Office require each campus to establish and implement procedures to ensure that Pell Grants are awarded only for qualifying courses.

While the Chancellor's Office works to ensure that appropriate procedures are identified and implemented to ensure that postbaccalaureate students enrolled in teaching credential programs do not receive Federal Pell Grants in excess of their eligibility, campuses are reminded of the above statutory language and should make efforts to ensure that they are complying with the provisions and limiting any potential liability for noncompliance.

#### **Appropriate Treatment of Resident Assistant Benefits for Financial Aid Purposes**

The University Audit recommended that the Chancellor's Office establish the basis for treatment of Resident Assistant/Advisor (RA) room and board for financial aid purposes. While federal guidelines govern how various types of benefits are treated for student aid purposes, in order to assess how CSU RA benefits are to be treated, we are requesting information on Attachment B regarding current campus provisions for compensation or other remuneration of students in RA or similar positions.

#### **Best Practices for Budget Adjustments and Professional Judgment Determinations**

The University Auditor recommended that the Chancellor's Office establish a means to assure that campuses periodically evaluate supporting documentation in comparison to best business practices for adding extra housing allowances, augmenting budgets for computer purchases, and exercising professional judgment. Campuses are encouraged to undertake the recommended evaluation of campus practices while the Chancellor's Office, in consultation with campus financial aid personnel, compiles a summary of current policies and procedures and commences efforts to agree upon best practices.

**Financial Aid, Systemwide  
Audit Report Number 02-22**

**Request for Information on  
Campus Resident Assistant Benefits**

In an effort to establish how various types of Resident Assistant/Advisor (RA) benefits are to be treated for financial aid purposes, the Chancellor's Office needs information on what types of benefits are provided to RAs at various CSU campuses. Therefore we are asking campuses to identify the benefits currently provided to students in Resident Assistant, Resident Advisor, or similar positions.

The Director of Residence Life or Director of Housing should forward the following information by **November 21, 2003** to Mary L. Robinson, Associate Director for Student Financial Aid, Academic Affairs, Student Academic Support, Office of the Chancellor, at [mlrobinson@calstate.edu](mailto:mlrobinson@calstate.edu).

Please list the working titles and position classifications (if applicable) of students employed as Resident Assistants, Resident Advisors, or similar positions in on-campus residential facilities.

For each working title, list the manner in which the student is compensated and/or the benefits the student receives including:

- Student receives "in-kind" room
- Student receives "in-kind" meal plan
- Student paid wages (or salary) for which a W-2 is issued
- Student provided with payment of fees (indicate which fees are covered)
- Student receives a stipend or grant-in-aid in return for services
- Student receives other benefits, payments, services (please describe)

Questions regarding this request may be directed to Ms. Robinson at (562) 951-4737 or the e-mail address listed above.