

Coded Memo ASA-2016-10

MEMORANDUM

DATE: July 7, 2016

TO: Presidents

FROM: Loren J. Blanchard, Ph.D.
Executive Vice Chancellor 

SUBJECT: **Scholarship Administration Guidelines**

The Chancellor's Office of Audit and Advisory Services completed scholarship audits of several campuses as part of their 2015 Audit Plan. In response to specific observations and recommendations made by the auditors, the Chancellor's Office is providing the following scholarship administration guidelines which may not be inclusive of every aspect of scholarship administration. These guidelines are designed to best serve our scholarship recipients and to strengthen the administration of scholarship funds for all administrative and academic departments involved in scholarship administration.

Scholarships

Clearly designated administrators and written guidelines maintain consistency, objectivity, and transparency in the administration of scholarship funds. Written guidelines would apply to the financial aid office, foundation, academic departments, and any other departments involved in the awarding and administration of the scholarship. Each scholarship administered by the campus should have a written portfolio of information related to the administration of that scholarship.

Scholarship Master List

Campuses should have a master list of all scholarship accounts controlled and administered by the campus. A scholarship master list should include, at a minimum, the following pertinent information related to each scholarship:

- The name(s) of department and staff responsible for administration of each scholarship.
- The amount of scholarship, the number of awards available per year.
- An annual review of personnel changes in college/department administrators and academic personnel that may affect who is authorized to approve a scholarship disbursement.
- An annual review and update of any foundation/auxiliary signer forms.

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

Administration

Transparent, consistent, and unbiased written details on applying, selection criteria, award restrictions, and disbursement for each scholarship award facilitate a fair and open process. Campuses should have a portfolio of information for each scholarship containing, at a minimum the following pertinent information related to the administration of those scholarship funds:

- Clear method(s) for students to apply for scholarships, including when, how, and where each scholarship will be advertised to students.
- Advertisements of scholarship opportunities should be in an accessible public format with eligibility criteria detailed and deadlines clearly displayed.
 - Additional targeted communications can accompany public advertisements.
- Scholarship application details, restrictions, and related deadlines should be clearly defined and published.
 - Campuses should include awarding criteria and have a process for documenting award decisions.
 - Scholarship application criteria should not include race, gender, color, ethnicity or national origin.¹ Application criteria should also not include religion or sexual orientation.²
 - When financial need must be demonstrated, a campus should use federal need analysis established in the Free Application for Federal Student Aid (FAFSA) or the California Dream Application (CADA). A comparable methodology approved and administered by Financial Aid should be used to address qualifying international or undocumented students not otherwise eligible to establish need using the aforementioned applications.
- Documented process, schedule, and composition of convening a scholarship committee.

Scholarship Committee(s)

The objective of the scholarship committee is to identify eligible recipients and, from a pool of applicants, select the best candidate(s) for the scholarship.

- Campuses utilizing scholarship application software should consistently use that software across all scholarships to the extent possible and make content accessible to committee members.
- The scholarship record should detail that a scholarship committee should be composed of at least three persons and include the names and titles of the committee members.
 - An annual review of the composition of scholarship committee members may be required to account for personnel changes.
- It is important to note that scholarship committee members are appointed by the university or auxiliary organization, not a donor, and no combination of donors or donor advisors (or related persons) directly or indirectly control the committee.
- A donor and their representatives may not represent a majority of the committee.

¹ Per CA Proposition 209, SEC. 31. (a) of the California Constitution provides, “the state shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting.” More information on CA Proposition 209 will be available soon.

² CA Education Code sections 66262 and 66262.7.

Fund Management

It is the responsibility of the fund authority to assure that funds are used for their intended purposes.

- The campus should maintain a record of gift funds, gift agreements, and other documents that indicate the intended purpose of the gift including any scholarship distribution preferences.
- Maintenance of each scholarship requires periodic review for outdated policy or provisional requirements that the campus cannot legally adhere to.
- When restrictions exist, the scholarship awarding criteria should be updated/reflect those restrictions so that recipient selection is accurate.
- Policy manuals should be reviewed periodically for changes, outdated information, dormant scholarships, awarding processes, et al.
- There should be an established procedure for review of fund activity and balances.
- When a criteria becomes illegal or impractical, potential amendments to donor intentions should be reviewed with legal counsel and may be executed through mutual agreement with the donor or certain legal remedies through the Attorney General's Office or probate court.

Record Retention

Similar to section 4.2.8 of the records/information retention and disposition schedule as referenced in Executive Order 1031, campuses should retain student scholarship records for 3 years from the end of the award year.

- It should be documented in the scholarship portfolio which department is responsible for records retention and where they will be stored/accessibility.
- Records pertaining to the application and awarding of funds for each scholarship paid must be retained as well as the length of records retention must be noted. This includes maintaining the methodology used to make final selections.

Scholarship Disbursement

Campuses should have written policy and procedures on the authorization and disbursement of scholarship funds.

- Campuses should detail how information is communicated between a scholarship committee and the financial aid office related to awarding and disbursement of funds.
- Financial Aid departments are responsible for coordination of scholarship funds with other aid which may result in changes in financial aid award packages
- Financial Aid department is responsible for confirming eligibility at the time of disbursement. Students found to be ineligible may not be disbursed scholarship funds.
- If a scholarship award disbursement requires an authorized signature, then that signature must correspond to the actual approved signers prior to any disbursement.
- Award requests from academic departments for scholarship funds held at the Financial Aid department must confirm that the requester, by name not just by title, is authorized to initiate a disbursement.
- Assign one department/entity responsibility for holding and processing scholarship payments.
 - If specific scholarships disbursement(s) will deviate from the standard establish written policy that clearly outlines the criteria the scholarship meets that requires it be disbursed from this other department/entity.
- Scholarship payments may be subject to taxation due to federal and state law. Campus accounting offices have more information on taxation, non-resident alien taxation, and 1098-T reporting.

Dormant Scholarship

Identify scholarship funds that are not actively being awarded to students in a given year(s).

- Appoint an area of responsibility to review inactive accounts to ensure that funds are not being awarded for justifiable reasons.
- May require legal counsel or foundation/auxiliary review of endowments and probate law.

For additional information or clarification, please contact Dean Kulju, Director of Financial Aid, at (562) 951-4737, dkulju@calstate.edu or Lori Redfearn, Assistant Vice Chancellor of Advancement Services, at (562) 951-4815, lredfearn@calstate.edu.

- c:
- CSU Provosts/Vice Presidents for Academic Affairs
 - CSU Vice Presidents for Student Affairs
 - Chief Administrators/Business Officers
 - CSU Vice Presidents of Advancement
 - Directors of Financial Aid
 - Directors of Auxiliary/Foundation
 - Directors of Undergraduate Studies
 - Directors of Graduate Studies