

FINANCIAL AID
CALIFORNIA STATE UNIVERSITY,
HAYWARD

Report Number 02-25
November 15, 2002

Members, Committee on Audit

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BOARD OF TRUSTEES
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ABBREVIATIONS

Blue Book	Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs, June 2001, U.S. Department of Education
CSU	California State University
CSU Hayward	California State University, Hayward
FY	Fiscal Year
SIS+	Student Information System

INTRODUCTION

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of the student financial aid program 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.

Within the overall audit objective, specific goals included determining whether:

- ▶ Initiatives have recently been undertaken or completed to improve the effectiveness, efficiency, and economy of financial aid operations and maximize financial aid resources.
- ▶ Adequate consumer information on financial aid has been disclosed.
- ▶ Financial aid is supported by adequate automated record-keeping systems.
- ▶ Provisions have been made for safeguarding financial aid data and automated systems from inappropriate disclosure and loss.
- ▶ Complete, correct, and consistent information is circulated on financial aid.
- ▶ Other campus offices adequately coordinate with the financial aid office.
- ▶ The campus protects against overcommitment or underutilization of financial aid resources.
- ▶ Standard student budgets and cost of attendance are appropriately established.
- ▶ Financial aid recipients were eligible to receive assistance.
- ▶ The campus has complied with federal and state requirements and conditions stipulated by financial aid resource providers.
- ▶ Financial aid is packaged in accordance with applicable policies and procedures.
- ▶ Fee waivers have been factored into financial aid awards.
- ▶ Work-study limits have been exceeded.
- ▶ Separation of duties is adequate between awarding and disbursing.

SCOPE AND METHODOLOGY

The management review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. Fiscal year (FY) 2001/02 and the financial aid cycles for fall 2001 and spring 2002 were the primary periods reviewed. In certain instances, we were concerned with representations of annualized data, and it was necessary to look at the last full fiscal year completed prior to the start of the audit (FY 2000/01).

Our primary focus involved the internal administrative, compliance, and operational controls over the management of the student financial aid program. Specifically, we reviewed and tested policies, procedures, and processes for:

- ▶ Identifying financial aid resources.
- ▶ Distributing information to potential applicants.
- ▶ Calculating student budgets.
- ▶ Establishing student eligibility.
- ▶ Packaging financial aid awards.
- ▶ Managing financial aid funds.
- ▶ Securing financial aid applicant and recipient information.
- ▶ Safeguarding financial aid automated systems.

During the audit, we interviewed personnel involved in financial aid; reviewed financial aid policies, procedures, and systems; and tested financial aid records on awards and disbursements.

BACKGROUND

As a result of a systemwide risk assessment conducted by the Office of the University Auditor in the last quarter of 1999, the Board of Trustees, at its January 2002 meeting, directed that *Financial Aid* be reviewed in 2002. The Office of the University Auditor last reviewed *Financial Aid* in 1994 on six campuses.

The proposed scope of the audit as presented in Attachment B, Audit Item 2 of the January 29-30, 2002, meeting of the Committee on Audit stated that the review would include identification of financial aid resources, establishing student budgets, packaging financial aid awards, managing financial aid funds, complying with federal and state program requirements, securing financial aid applicant information, and preparing financial aid reports.

Financial aid programs provide support for students to help meet the costs of obtaining a college education. The federal government, state governments, colleges and schools, and a variety of other public and private sources provide funding for financial aid programs. There are two main categories of financial aid, differentiated primarily by the basis upon which they are awarded, as follows:

Achievement-based aid is awarded to students who have a special characteristic, skill, talent, or ability. Typically, achievement-based aid is in the form of scholarships.

Need-based aid is provided to students who demonstrate financial need. Most financial aid, particularly public-funded aid, is awarded on the basis of financial need determined through the application process and in accordance with a prescribed federal formula.

Financial aid is available in four basic types of programs as follows:

Scholarships are "gift aid" which does not have to be repaid. Scholarships typically include criteria such as academic performance or special talents.

Grants are "gift aid" and generally do not include criteria other than financial need.

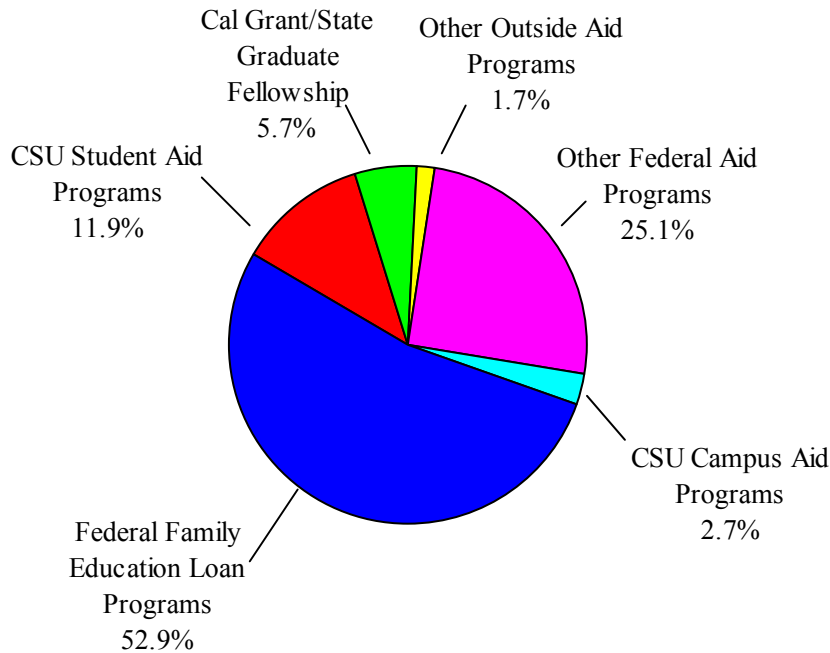
Work-study is a "self-help" program in the form of part-time employment during the student's college career.

Loans are a form of "self-help" since they represent borrowed money that must to be paid back over a period of time, typically after the student leaves school.

Federal financial aid programs provide over 70% of the funding currently available for student financial aid. On an annual basis, federal financial aid programs are audited as part of the California State University (CSU) Single Audit as required by the Office of Management and Budget Circular A-133. At June 30, 2001, the student financial assistance cluster in the Single Audit Report by KPMG included:

PROGRAM	AMOUNT
Federal Supplemental Opportunity Grants	\$12,636,585
Federal Family Educational Loan	\$325,886,005
Federal Work Study	\$16,358,009
Federal Perkins Loan – Federal Capital Contributions	\$17,060,565
Federal Pell Grant	\$246,059,734
Federal (William Ford) Direct Loan	\$280,164,585
TOTAL	\$898,165,483

Nonfederal financial aid programs include those funded by the state through the California Student Aid Commission, programs administered by the CSU, and campus-administered funds. The state administers Cal Grants and certain loan assumption programs. The CSU provides need-based assistance through state university grants and educational opportunity program grants. Certain other funds are available through the campuses such as local scholarships. In the CSU Statistical Abstract for FY2000/01, financial aid funds by source are graphically represented as follows:



For financial aid purposes, campuses establish standard student budgets or cost of attendance allowances that vary depending on where a student lives during the academic year (e.g., at home with parents or relatives, in university or campus housing (residence halls), or off-campus in an apartment or other housing). Costs include fees and tuition, books and supplies, meals and housing, transportation, and other miscellaneous personal expenses. Students who are not classified as residents of the state of California must also pay nonresident tuition. Allowances for expenses, other than tuition and fees, are based largely on statewide survey data about the average expenses of students in California and information on the local or regional costs in the area served by particular campuses.

At the beginning of 2002, CSU campuses managed financial aid through a variety of record-keeping and automated database systems, which will be replaced by PeopleSoft as part of the CSU's Common Management System. Six CSU campuses are implementing the PeopleSoft Student Administration module in 2002 and have been excluded for purposes of this audit because of the significant implementation workload.

At California State University, Hayward (CSU Hayward), the financial aid office, which reports through enrollment services to the vice president for academic affairs, determines and authorizes need-based, financial aid. After award, financial aid is disbursed by student financial services, which reports through the university controller to the vice president for administration and business affairs. CSU Hayward maintains financial aid records in a comprehensive database software application called Student

Information System (SIS+), which is used to capture admissions, student records, and financial aid information. The associate director of enrollment services is responsible for financial aid and reports through the executive director for enrollment services to the assistant vice president for enrollment services. The assistant vice president for enrollment services reports to the provost - vice president for academic affairs.

OPINION

We visited CSU Hayward from June 10, 2002, through July 18, 2002, and audited the controls, procedures, and systems in effect at that time.

In our opinion, the financial aid program at CSU Hayward is capably administered. However, certain areas can be improved. Specifically, we noted that on-campus scholarship awards need improved oversight; there is a need for periodic review of professional judgment exercised by senior campus financial aid officers as well as a review of enrollment information for teacher credential program postgraduate students; changes are required to more closely integrate changes in campus housing with the financial aid office; and disclosures need to be implemented regarding the availability of the required annual Equity in Athletics Disclosure Act report.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

GENERAL/CONTROL ENVIRONMENT [7]

Certain consumer information was not disclosed in direct individual notices. Disclosure of athletic participation information meets requirements for continuation of institutional eligibility to participate in federal financial aid programs.

FISCAL AND PROGRAM OVERSIGHT/COORDINATION [7]

Fiscal and program oversight/coordination required improvement. Independently evaluated on-campus scholarship awards and properly communicating required financial information to the financial aid office reduce the risk that errors and irregularities will go undetected and increase the likelihood of an equitable distribution of financial aid based on financial need.

STUDENT ELIGIBILITY [9]

Some students in graduate-level teacher credential programs received levels of financial aid that supported enrollment in nonqualifying course work. Compliance with federal Pell Grant requirements helps ensure the equitable distribution of financial aid to students with financial need.

AWARDING/DISBURSING [10]

The financial aid office did not periodically review professional judgment exercised by financial aid counselors once they had completed their first two years in the positions. Periodically reviewing the exercise of professional judgment reduces the risk that errors and irregularities will go undetected.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL/CONTROL ENVIRONMENT

Certain consumer information was not disclosed in direct individual notices.

With one exception, the campus relied upon the availability of consumer information in the campus catalog, at various website addresses, and via direct mailing for disclosure purposes. We noted that athletic participation rates and financial support were not being disclosed directly to the respective constituencies.

The federal Higher Education Act, the federal Equity in Athletics Disclosure Act, and regulatory guidance provided in the Code of Federal Regulations require direct individual notices of prescribed information to certain target audiences including: prospective students; currently enrolled students; parents, coaches and counselors of prospective student athletes; and the general public. The disclosures are to include gender-specific information on athletic participation and financial support.

At a minimum, direct individual notices must:

- ▶ Identify the required information disclosures.
- ▶ Provide the exact electronic website address where the information can be found.
- ▶ State that upon request, a person is entitled to a paper copy containing the required information.
- ▶ Inform students and others how to request a paper copy.

The director of athletics indicated that this information is made available to interested individuals, but that at the current time, notification was not being distributed as required.

The lack of individual direct notice of prescribed athletic participation information jeopardizes the institutional eligibility of the campus to participate in federal financial aid programs.

Recommendation 1

We recommend that the campus disclose consumer information by direct individual notice.

Campus Response

We concur. The campus will disclose consumer information by direct individual notice.

Anticipated Completion Date: March 31, 2003

FISCAL AND PROGRAM OVERSIGHT/COORDINATION

Fiscal and program oversight/coordination required improvement.

We found that:

- ▶ The campus did not have on-campus scholarship awards evaluated independently of the awarding departments.
- ▶ The financial aid office did not receive notification when students left campus housing before the end of a term.

Chapter 2 of the U.S. Department of Education's Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs (Blue Book), June 2001, *General Institutional Responsibilities*, states, in part, that a campus president must ensure that a school has established clear lines of responsibility among the pertinent school offices and has good communication and cooperation among personnel in the pertinent school offices.

The Federal Student Aid Handbook, Volume 4: Campus Based Common Provisions, requires that campuses include all available expense and income information when determining financial aid award levels.

The executive director of enrollment services and financial aid stated that the enrollment services area had recently agreed to perform the review of on-campus scholarship awards. She further stated that the financial aid office needed to improve communication with the housing office.

The risk of errors and irregularities increases when on-campus scholarship awards are not independently evaluated and required financial information is not communicated to the financial aid office; this also increases the risk that errors and irregularities will go undetected and that financial aid awards to some students may be too high, limiting the availability of award monies to other students with financial need.

Recommendation 2

We recommend that the campus:

- a. Establish a process that ensures the evaluation of on-campus scholarship awards independent of the awarding departments.
- b. Ensure notification from the housing office to the financial aid office when students leave campus housing prior to the end of a term.

Campus Response

We concur. The campus will:

- a. Establish a process that ensures the evaluation of on-campus scholarship awards independent of the awarding departments.
- b. Ensure notification from the housing office to the financial aid office when students leave campus housing prior to the end of a term.

Anticipated Completion Date: May 31, 2003

STUDENT ELIGIBILITY

Some students in graduate-level teacher credential programs received levels of financial aid that supported enrollment in nonqualifying course work.

Three of twenty-seven students enrolled in graduate-level teacher credential programs, who received Pell Grants during the 2002 spring quarter, also received levels of financial aid that supported enrollment in nonqualifying course work. Two of the twenty-seven students were enrolled in study abroad under a qualifying (bilingual cross-cultural, language, and academic development) multiple subject teacher credential program and were not taking qualifying course work.

The federal government allows students who are enrolled in postbaccalaureate teacher certification programs to receive a Pell Grant, but stipulates that they be enrolled in courses required to receive a teaching credential necessary for employment as a teacher in an elementary or secondary school.

The associate director of enrollment services stated that the financial aid office needed to implement procedures to ensure that teacher credential students receiving Pell Grants are enrolled in qualifying courses.

Failure to comply with federal Pell Grant requirements can lead to overawards to some students and can increase the risk of inequitable distribution of financial aid.

Recommendation 3

We recommend that the campus implement procedures to verify that students who are enrolled in postbaccalaureate teacher certification programs and receive a Pell Grant are enrolled in courses required for a teaching credential.

Campus Response

We concur. The campus will implement procedures to verify that students who are enrolled in postbaccalaureate teacher certification programs and receive a Pell Grant are enrolled in courses required for a teaching credential.

Anticipated Completion Date: May 31, 2003

AWARDING/DISBURSING

The financial aid office did not periodically review professional judgment exercised by financial aid counselors once they had completed their first two years in the positions.

Blue Book, Chapter 2, *General Institutional Responsibilities*, identifies functions carried out by financial aid administrators, including a responsibility to manage and report on activities that involve financial aid funds.

The executive director of enrollment services and financial aid stated that the staff position responsible for reviewing exercise of judgment has been vacant for an extended period of time. She further stated that during their first two years of employment, all junior financial aid officers' exercise of professional judgment is reviewed by senior staff, supervisors, or management.

The risk of errors and irregularities increases when exercise of professional judgment is not periodically reviewed; this also increases the risk that errors and irregularities will go undetected.

Recommendation 4

We recommend that the campus implement procedures to periodically review the exercise of professional judgment by campus financial aid counselors, including any overrides of standard budgets and dependency classifications.

Campus Response

We concur. The campus will implement procedures to periodically review the exercise of professional judgment by campus financial aid counselors, including any overrides of standard budgets and dependency classifications.

Anticipated Completion Date: May 31, 2003

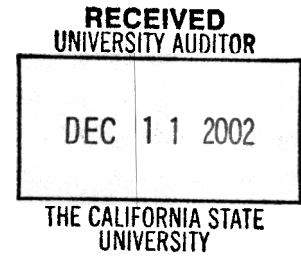
APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Norma S. Rees	President
John Abbey	Assistant Controller
Jack Azevedo	Student Financial Services Officer
Yvonne Brandenburg	Accounts Receivable Manager
Frank Correia	Server and Network Operations Director
Maria De Anda-Ramos	Director of Enrollment Services, Admissions and Recruitment
Debby DeAngelis	Director of Athletics
Jan Giovannini-Hill	Work-Study Coordinator
Elizabeth Graw	Director of Advancement Services, CSU Hayward Educational Foundation
Betty Harris	Executive Director of Enrollment Services and Financial Aid
Neal Hoss	Controller; Associate Vice President, Business and Financial Services
Mary Hubins	Director of Enrollment Services, Registration and Records
Amy Huie	Financial Aid Systems Coordinator
Rhonda Johnson	Associate Director of Enrollment Services
Robert Mahoney	Interim Executive Director, Student Academic Services
Regina Metoyer	Director Housing and Residential Life
Richard Metz	Vice President of Administration and Business Affairs
Joyce Montgomery	Executive Director, University Union and Associated Students/ Interim Executive Director, CSU Hayward Foundation
Monica Pacheco	Special Projects Coordinator, CSU Hayward Auxiliaries
Leone Rodriguez	Assistant Vice President, Institutional Research and Analysis
Marilyn Stager	Controller, CSU Hayward Foundation
Sandy Willett	Accounting Technician, Financial Aid Accounting



Office of the President
Telephone: (510) 885-3877

Fax: (510) 885-3808



December 6, 2002

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802

Subject: **Campus Response to Recommendations of Financial Aid Audit 02-25
California State University, Hayward**

Dear Mr. Mandel,

Please find enclosed California State University, Hayward's response to the recommendations resulting from our Financial Aid Audit 02-25. For each recommendation, we have included a corrective action plan and an anticipated date for implementation.

We appreciate the efforts of you and your staff during the process and the professional manner in which the audit and the related special investigation were performed.

Sincerely,

Norma S. Rees
President

Enclosure

Cc: Chancellor Reed
Vice President Metz

GENERAL/CONTROL ENVIRONMENT

Recommendation 1

We recommend that the campus disclose consumer information by direct individual notice.

Campus Response

We concur. The campus will disclose consumer information by direct individual notice.

Anticipated Completion Date: March 31, 2003

FISCAL AND PROGRAM OVERSIGHT/COORDINATION

Recommendation 2

We recommend that the campus:

- a. Establish a process that ensures the evaluation of on-campus scholarship awards independent of the awarding departments.
- b. Ensure notification from the housing office to the financial aid office when students leave campus housing prior to the end of a term.

Campus Response

We concur. The campus will:

- a. Establish a process that ensures the evaluation of on-campus scholarship awards independent of the awarding departments.
- b. Ensure notification from the housing office to the financial aid office when students leave campus housing prior to the end of a term.

Anticipated Completion Date: May 31, 2003

STUDENT ELIGIBILITY

Recommendation 3

We recommend that the campus implement procedures to verify that students who are enrolled in postbaccalaureate teacher certification programs and receive Pell Grant are enrolled in courses required for a teaching credential.

California State University, Hayward
Responses to Financial Aid Audit 02-25

Campus Response

We concur. The campus will implement procedures to verify that students who are enrolled in postbaccalaureate teacher certification programs and receive a Pell Grant are enrolled in courses required for a teaching credential.

Anticipated Completion Date: May 31, 2003

AWARDING/DISBURSING

Recommendation 4

We recommend that the campus implement procedures to periodically review the exercise of professional judgment by campus financial aid counselors, including any overrides of standard budgets and dependency classifications.

Campus Response

We concur. The campus will implement procedures to periodically review the exercise of professional judgment by campus financial aid counselors, including any overrides of standard budgets and dependency classifications.

Anticipated Completion Date: May 31, 2003

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

January 13, 2003

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

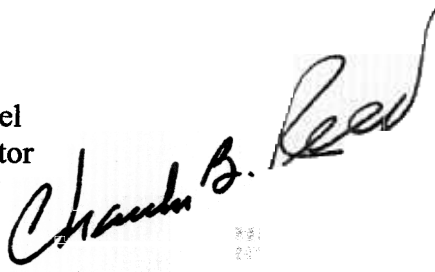
FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 02-25 on *Financial Aid*,
California State University, Hayward

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of January 13, 2003, I accept the response as submitted with the draft final report on *Financial Aid*, California State University, Hayward.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

Enclosure

SAN BERNARDINO

SAN DIEGO

cc: Mr. Richard Metz, Vice President, Administration and Business Affairs
Dr. Norma S. Rees, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS