

FINANCIAL AID

**CALIFORNIA STATE UNIVERSITY,
DOMINGUEZ HILLS**

**Report Number 02-24
November 20, 2002**

Members, Committee on Audit

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ABBREVIATIONS

CSU	California State University
CSU Dominguez Hills	California State University, Dominguez Hills
FERPA	Family Educational Rights and Privacy Act of 1974
FY	Fiscal Year

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 other 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 not 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 identifying 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.

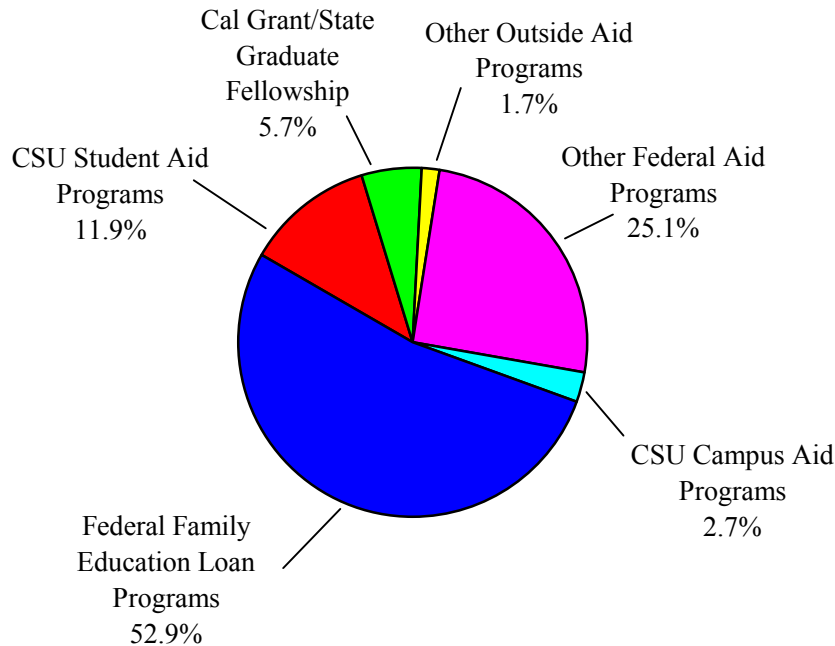
Work-study is a "self-help" program in the form of part-time employment during the student's college career.

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, the 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, Dominguez Hills (CSU Dominguez Hills), the financial aid office, which reports through enrollment services to the vice president for student affairs, determines and authorizes need-based financial aid. Financial aid is then disbursed by the financial aid accounting office, which

reports through accounting services to the vice president for administration and finance. CSU Dominguez Hills maintains financial aid records in Banner, a vendor product developed by Systems & Computer Technology Corporation.

OPINION

We visited CSU Dominguez Hills from April 2, 2002, through May 3, 2002, and audited the controls, procedures, and systems in effect at that time.

In our opinion, the financial aid program at CSU Dominguez Hills is capably administered. However, a certain area can be improved. Specifically, we noted that consumer information is not disclosed in direct notices.

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 [6]

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

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL/CONTROL ENVIRONMENT

Certain consumer information was not disclosed in direct individual notices.

With three exceptions, the campus relied upon the availability of consumer information in the campus catalog and at various website addresses for disclosure purposes. We noted that completion, graduation, and transfer rates; Family Educational Rights and Privacy Act of 1974 (FERPA) rights; and athletic participation rates/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 requires direct individual notices of prescribed information to certain target audiences including: prospective students; currently enrolled students; current employees; parents, coaches, and counselors of prospective student athletes; and the general public. The disclosures are to include general school information, crime/security statistics, student completion/graduation/transfer rates, FERPA privacy/security rights, financial aid program information, and 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.

Regulatory guidance repeatedly states that web presentation by itself is not an acceptable disclosure.

The director of financial aid indicated that certain consumer information disclosure information was not sent directly to prospective and continuing students.

The lack of individual direct notice of prescribed financial aid 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 add the following to the existing direct individual consumer information notices: 1) completion graduation and transfer rates; 2) Family Educational Rights and Privacy Act of 1974 (FERPA) rights; and 3) athletic participation rates/financial support. A notice identifying the CSU Dominguez Hills website for campus disclosure information will be included in materials individually distributed to prospective students by the university's Outreach Services. This information will be distributed by Outreach Services beginning February 2003. For enrolled students, the campus is developing a single website which will contain all required disclosure consumer information. It is planned that an individual mailing will be sent to enrolled students that will give the website location. It is anticipated that this new website and the individual mailing will be completed by May 2003. In the interim, the campus will include the website locations for the required disclosure consumer information along with individual student registration confirmations for the spring 2003 term. This information will be sent to students by February 2003.

**APPENDIX A:
PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
James E. Lyons, Sr.	President
Boice Bowman	Vice President, Student Affairs
Constance Chambers	Assistant Director, Financial Aid
Lisa Chavez	Associate Director, Accounting
Brian Dahm	Director, Accounting Services
Kathleen Hughes	Director, Business Process Management
Delores Lee	Director, Financial Aid
Al Rodriguez	Associate Vice President, Student Affairs
James Woods	Director, Admissions and Records



California State University
Dominguez Hills

Office of the Vice President of Administration and Finance
Carson, CA 90747 (310) 243-3750 FAX: (310) 243-3869

December 18, 2002



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

Dear Mr. Mandel:

Enclosed please find California State University, Dominguez Hills' response to Financial Aid Audit 02-24. The campus is committed to addressing and resolving the audit recommendation identified in the audit report.

If you have any questions or would like additional information, please contact Boice Bowman at (310) 243-3784.

Sincerely,

George A. Pardon
Vice President of Administration
and Finance

Boice M. Bowman
Vice President of Student Affairs

c: James E. Lyons, Sr., President
Alonzo Rodriguez, Associate Vice President of Student Affairs
Delores Lee, Director, Financial Aid
Kathleen Hughes, Director, Business Process Management

**CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS
FINANCIAL AID AUDIT 02-24
December 18, 2002**

RECOMMENDATION 1

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

Campus Response

We concur. The campus will add the following to the existing direct individual consumer information notices: 1) completion graduation, and transfer rates; 2) Family Education Rights and Privacy Act of 1974 (FERPA rights; and 3) athletic participation rates/financial support. A notice identifying the CSUDH website for campus disclosure information will be included in materials individually distributed to prospective students by the university's Outreach Services. This information will be distributed by Outreach Services beginning February 2003. For enrolled students, the campus is developing a single website which will contain all required disclosure consumer information. It is planned that an individual mailing will be sent to enrolled students that will give the website location. It is anticipated that this new website and the individual mailing will be completed by May 2003. In the interim, the campus will include the website locations for the required disclosure consumer information along with individual student registration confirmations for the Spring 2003 term. This information will be sent to students by February 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

FROM: Charles B. Reed
Chancellor

HAYWARD

HUMBOL

SUBJECT: Draft Final Report Number 02-24 on *Financial Aid*,
California State University, Dominguez Hills

LONG BEACH

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, Dominguez Hills.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

Enclosure

SAN BERNARDINO

SAN DIEGO

cc: Dr. James E. Lyons, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS