

RIVERSIDE: AUDIT & ADVISORY SERVICES

June 12, 2014

To: Jose Aguilar, Director
Financial Aid Office

Subject: Internal Audit of Undergraduate Financial Aid

Ref: R2014-13

We have completed our audit of Undergraduate Financial Aid in accordance with the UC Riverside Audit Plan. Our report is attached for your review.

We appreciate the cooperation and assistance provided by you and your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Gregory Moore
Director

cc: Audit Committee
Associate Vice Chancellor Lundgren
CFAO Eckman

UNIVERSITY OF CALIFORNIA AT RIVERSIDE
AUDIT & ADVISORY SERVICES
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2014-13
UNDERGRADUATE FINANCIAL AID

JUNE 2014

Approved by:

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**UC RIVERSIDE
UNDERGRADUATE FINANCIAL AID
INTERNAL AUDIT REPORT R2014-13
JUNE 2014**

I. MANAGEMENT SUMMARY

Based upon the results of work performed within the scope of the audit, it is our opinion that, overall, the system of internal controls over Undergraduate Financial Aid is operating satisfactorily and is generally in compliance with University policies and procedures.

Financial Aid Office administrative practices, fiscal policies, and operating procedures to manage financial aid processes appear adequate and effective and reasonably ensure overall compliance with University policies and procedures as well as federal and state regulations.

Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

II. INTRODUCTION

A. PURPOSE

University of California, Riverside (UCR) Audit & Advisory Services, as part of its Audit Plan, performed a review of UCR Financial Aid Office operations to evaluate whether management practices, operating procedures, and internal controls are in compliance with University policy and procedures as well as federal and state regulations on student financial aid.

B. BACKGROUND

The Financial Aid Office is committed to making UCR possible for all admitted students, regardless of income. Financial aid programs provide support for students to help meet the costs of obtaining higher education. The federal and state governments, UCR colleges and schools, and a variety of other public and private sources provide funding for financial aid programs. There are two general types of financial aid: gift-aid and self-help aid. Gift-aid includes grants and scholarships that do not have to be repaid or earned. Self-help aid includes loans that must be repaid and work-study funds, which must be earned. A student financial aid package may comprise any combination of these kinds of financial aid.

The Financial Aid Office administers financial aid awards for both undergraduate and graduate students. Financial support in the form of fellowships, scholarships, academic appointments, research stipends, partial fee remissions, health insurance waivers, and other assistance for graduate students are awarded by the Graduate Division and coordinated with the Financial Aid Office.

As of November 2013, the Financial Aid Office disbursed \$333,736,840 in undergraduate financial aid for the academic year 2013-2014. The following table summarizes the types of aid, the number of undergraduate students who received each type of aid, and the total amount of aid disbursed.

Source: 2013-14 UCR Campus Profile (Undergraduate) – Financial Aid Office

Type of Aid (Undergraduate)	Count* of Recipients	%** of Enrolled	Total \$ Amount	Average \$ Amount
Scholarships				
Regents	44	0.2%	\$ 220,000	\$ 5,000
Chancellors	308	1.6%	767,500	2,492
Highlander Excellence	305	1.6%	305,000	1,000
Outside Agency	671	3.6%	2,329,264	3,471
Institutional	1,402	7.5%	4,378,331	3,123
Total Scholarships	2,574	13.8%	\$ 8,000,095	\$ 3,108
Grants				
Cal Grants	8,584	45.9%	\$ 102,970,803	\$ 11,996
Pell Grants	10,765	57.6%	48,277,710	4,485
SEOG Grants	222	1.2%	885,333	3,988
UCR/USAP Grants	9,784	52.3%	68,672,282	7,019
Total Grants	13,578	72.6%	\$ 220,806,128	\$ 16,262
Loans				
Perkins	1,814	9.7%	\$ 3,128,597	\$ 1,725
Direct Stafford	9,809	52.5%	40,784,666	4,158
Direct Unsub. Stafford	7,096	38.0%	21,884,306	3,084
PLUS Loans	2,799	15.0%	26,801,134	9,575
Private Loans	171	0.9%	2,226,587	13,021
Total Loans	11,009	58.9%	\$ 94,825,290	\$ 8,613
Total Work-Study	3,099	16.6%	\$ 4,581,806	\$ 1,478
Fee Deferments				
Fee Deferments/Remissions	39	0.2%	\$ 624,918	\$ 16,024
Voc Rehab	5	0.0%	29,586	5,917
Cal Vet	304	1.6%	3,650,731	12,009
Total Fee Deferments	348	1.9%	\$ 4,305,235	\$ 12,371
VA/GI Bill				
VA Voc Rehab	4	0.0%	\$ 36,877	\$ 9,219
VA Chapter 33	77	0.4%	1,265,056	16,429
Total VA/GI Bill	81	0.4%	\$ 1,301,934	\$ 16,073
TOTAL AY AID	16,006	85.6%	\$ 333,736,840	\$ 20,851
Total Summer 2013 Aid	3,020	45.1%	\$ 11,975,239	\$ 3,965

Type of Aid (Undergraduate)	Count* of Recipients	%** of Enrolled	Total \$ Amount	Average \$ Amount
Fall Enrolled Headcount	18,694			
Summer Enrolled Headcount	6,701			
* Totals by Type of Aid represent counts of recipients without duplication. Column does not add up.				
** Percentage of Fall Enrolled Headcount, except for Summer 2013 Aid, which is a percentage of Summer Enrolled Headcount.				

C. SCOPE

The scope of the audit was limited to the review of UCR Financial Aid Office operations to manage and administer the undergraduate financial aid program. The review and evaluation of business processes and administrative procedures focused on activities and operating practices in place during the current fiscal year as well as the prior fiscal year. The review included the following major areas of financial aid program operations:

- Financial Aid Eligibility Evaluation and Verification
- Financial Aid Award Process
- Disbursement of Financial Aid Awards
- Program Compliance
- Cash Management and Fund Reconciliation
- Business Continuity Planning

A preliminary risk assessment of financial aid program operations was performed to inform the decision to select particular high-risk areas and activities for specific tests and procedures. The assessment entailed a systematic approach that considered management feedback, professional judgment on potential adverse events or conditions, and other pertinent information, including results of past audits of the financial aid program. Activities deemed to involve higher risks were assigned higher review priorities. As a result, not all activities were selected for detailed review and analysis. Because of the nature of the audit's overall perspective, sampling methodology, and other inherent limitations, the procedures could not be relied on to ensure that errors or irregularities are detected, especially minor or isolated incidents.

D. INTERNAL CONTROLS AND COMPLIANCE

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- * effectiveness and efficiency of operations

- * reliability of financial reporting
- * compliance with applicable laws and regulations

Substantive audit procedures were performed during October 2013 through May 2014. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

III. OBSERVATIONS

Based on results of work performed within the scope of the audit, in our opinion, UCR Financial Aid Office internal control over undergraduate financial aid is operating satisfactorily and is generally in compliance with University policies and procedures as well as federal and state regulations.

Our assessment is based on results of the following procedures:

- Interviewed management, discussed audit objectives and scope as well as details of potential areas of concern.
- Obtained and evaluated management responses to an internal control questionnaire for financial aid operations.
- Reviewed present Financial Aid Office organizational structure, delegations of authority, job descriptions, roles and responsibilities, supervision, review and reporting relationships, management processes and reports, and training and development programs. Evaluated the following:
 - Appropriateness of the assignment of responsibilities and accountabilities for operating results;
 - Adequacy of separation of incompatible duties;
 - Effectiveness of management activities or methods for continuously monitoring and improving current operations;
 - Quality of training / professional development opportunities and their suitability to maintain or enhance the proficiency of staff.
- Evaluated the effectiveness of existing processes for understanding, promoting, ensuring, and verifying compliance with various student financial aid program requirements (i.e., University policies and procedures as well as federal and state regulations).
- Verified that supervisory review and control practices are operating as prescribed by Financial Aid Office management in the following areas:
 - Evaluating and verifying student eligibility for financial aid;
 - Preparing financial aid award packages;
 - Disbursing financial aid to awardees;
 - Managing cash drawdowns and reconciling funds;
 - Coordinating and communicating with other Campus units;
 - Ensuring continuity of financial aid program operations.