

UC MERCED AUDIT AND ADVISORY SERVICES

May 2, 2016

To: Charles Nies – Interim Vice Chancellor for Student Affairs
Subject: Audit of the Office of Financial Aid and Scholarships
Ref: Report No. M16A005

Internal Audit has completed an audit of the Office of Financial Aid and Scholarships (OFAS) which was part of the Fiscal Year 2015 – 2016 audit plan.

We appreciate the help we received from the OFAS staff and from various staff in Student Business Services, Development and Alumni Relations, and Research Accounting Services.



Todd Kucker
Director of Internal Audit

Attachment

cc: SVP Vacca
Chancellor Leland
Associate Chancellor Putney
Associate Vice Chancellor Orcutt
Director Radney
Associate Director Nardello

**UNIVERSITY OF CALIFORNIA, MERCED
AUDIT AND ADVISORY SERVICES**

Office of Financial Aid and Scholarships
Report No. M16A005

May 2, 2016

Work performed by:
Todd Kucker – Internal Audit

Management Summary

Effective and efficient financial aid processes have a significant impact on student success. Many students rely upon financial aid to attend UC Merced and the expertise of the Office of Financial Aid and Scholarships staff is very important to students and to the campus.

Internal Audit has completed an audit of the Office of Financial Aid and Scholarships. During the audit, we completed a risk assessment of the department and evaluated the effectiveness of current procedures and controls.

From our audit, we concluded that the Office of Financial Aid and Scholarships has set up effective procedures to assure compliance with federal, state, and University requirements. The department works collaboratively with other campus units to promote student success.

The following report provides an overview of the audit testing and our conclusions. Overall, it appears that the Office of Financial Aid and Scholarships is a highly functional area at UC Merced and, as the campus population continues to grow, it is important to be proactive in evaluating staffing needs and resources to maintain this.

Objectives and Scope

Internal Audit has completed an audit of the Office of Financial Aid and Scholarships, which was part of the Fiscal Year 2015 – 2016 audit plan. The purpose of the audit was to evaluate the effectiveness of the internal controls established for the management of student financial aid at UC Merced.

The audit reviewed current procedures in the following areas:

- Financial Aid Eligibility and Verification;
- Awarding of Financial Aid;
- Disbursing Financial Aid;
- Program Compliance; and,
- Cash Management, including reconciliation, drawdown, and cash controls.

A general overview and risk assessment was completed during the audit in order to select areas for additional focus and audit testing.

The following were the specific audit objectives:

- Obtain a detailed understanding of significant processes and practices employed in administering the financial aid function for undergraduate and graduate students;
- Evaluate the accuracy and integrity of financial reporting;
- Evaluate compliance with requirements governing federal, state, University and outside aid; and,
- Review operational effectiveness and efficiency in awarding financial aid and administrative processes.

To complete these objectives, we identified and evaluated internal controls by discussing current processes with department staff and employees from other departments who work closely with the Office of Financial Aid and Scholarships. We reviewed system documentation related to financial aid from the Academic Year 2014 – 2015.

Background

The Office of Financial Aid and Scholarships (OFAS) awards or coordinates all forms of financial support to both undergraduate and graduate students at UC Merced. The following is their mission: “The Office of Financial Aid and Scholarships is committed to the success of our students by providing financial aid and advising services that support student recruitment, retention, and timely degree completion, and ensures that a world-class education remains within reach for all eligible students who need financial assistance to achieve their educational goals.”

The effective and compliant administration of financial aid is crucial to the success of UC Merced. By reviewing financial aid statistics, it is easy to see the significance of financial aid to UC Merced students and to the University. One external report which annually reports financial aid information is the “Common Data Set” which is a collaborative effort of the higher education community and publishers. The following tables present data from UC Merced’s academic year 2014 – 2015 published information:

	Need-based \$	Non-need-based \$
Scholarships/Grants		
Federal	\$17,625,739	\$65,137
State	\$40,409,220	\$113,352
Institutional	\$32,402,989	\$643,508
External	\$1,010,733	\$136,280
Total Scholarships/Grants	\$91,448,681	\$958,277
Self Help		
Student Loans and Federal Work Study	\$22,724,628	\$3,166,510
Parent Loans	\$762,509	\$5,735,369

The following is an overview of the number of enrolled students awarded aid:

	Full-time Undergraduates	% of Full-time Undergraduates
Number of degree seeking undergraduate students	5,811	
Number of students who applied for need-based financial aid	5,410	93%
Number of students determined to have financial need	5,044	87%
Number of students awarded financial aid	5,002	86%
Average annual Financial Aid Package	\$22,919	

Based upon these statistics, OFAS has an important impact on the college experience of most UC Merced students.

OFAS is made up of sixteen staff employees, which includes a Director, Associate Director, four assistant directors who manage different department functions, financial aid advisors, information technology staff, a scholarship coordinator, and administrative staff. The department reports to the Assistant Vice Chancellor for Enrollment Management within the Student Affairs division. The department works closely with many other campus units that have a role in financial aid, which include the Student First Center, Student Business Services, Student Information Systems within the Office of Information Technology, Development Services, and the Graduate Division.

There are many compliance requirements, annual schedules, and due dates for evaluating and administering financial aid. The U.S. Department of Education establishes policies on federal financial aid for distributing and monitoring the financial aid funds. Other government agencies, such as the California Student Aid Commission, also establish requirements related to the aid they provide.

With the amount of financial aid and the many compliance requirements, OFAS is the most frequently audited department at UC Merced. Compliance with Federal requirements is audited annually in the A-133 audit of the UC system and the department has periodically managed other external audits and evaluations.

Conclusion

From our overview of the control environment and the testing of controls, we did not identify issues or control weaknesses. From our review, it appears that OFAS is a well-designed and effective department at UC Merced. As with many areas at UC Merced, there has been limited staffing in OFAS as the campus grew and the number of students has increased. Throughout their history, the department has been committed to effectively utilizing technology and keeping staff up to date with training.

During the audit, we reviewed the last external review of OFAS that was completed during 2013. We noted that the external reviewers recommended various potential improvements which the department's management agreed to take actions upon. The following were some of the areas of focus and recommendations of the external reviewers:

- As OFAS has a very lean staff, the department should increase cross training so the department is not heavily dependent upon particular staff.
- Define the roles and expectations for the Students First Center staff and financial aid advisors in presenting financial aid information to inquiring students.
- Hire a scholarship coordinator who can manage both outside scholarships and the growing number of internal scholarships.
- Set up meeting space where students feel comfortable having sensitive conversations about financial aid.

Since the 2013 review many of the recommendations have been implemented by the department even while they have been short-staffed and without a permanent director. OFAS should continue to increase the use of cross training of employee functions so the department is not depending upon one particular employee to provide necessary expertise.

Overall, it appears that OFAS effectively manages their very important role and responsibilities. To keep up with the increasing requirements of a growing campus, UC Merced should continue to be proactive (rather than reactive) in evaluating and increasing staffing and resources available to this important area.