



UCSB Audit and Advisory Services
Internal Audit Report

**Graduate Financial Aid &
Graduate Student Fee Remission**

April 21, 2015

Performed by:

Amin Berrah, Senior Auditor
Laurie Liao, Staff Auditor

Approved by:

Robert Tarsia, Director

Report No. 08-15-0008

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AUDIT AND ADVISORY SERVICES
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April 21, 2015

To: Michael Miller, Director, Office of Financial Aid and Scholarships
Carol Genetti, Dean, Graduate Division

Re: **Graduate Financial Aid & Graduate Student Fee Remission
Audit Report No. 08-15-0008**

As part of the 2014-15 annual audit services plan, Audit and Advisory Services has completed our audit of Graduate Financial Aid and Graduate Student Fee Remission. Enclosed is the report detailing the results of our work.

The primary purpose of the audit was to ensure that the Office of Financial Aid and Scholarships (OFAS) and the Graduate Division have implemented appropriate processes and internal controls related to graduate financial aid and fee remissions to ensure compliance with University and U.S. Department of Education regulations and requirements.

The scope of our audit included graduate financial aid awards for the 2013-14 academic year. Our review of Graduate Division fellowship and graduate student fee remission procedures and internal controls focused on 2014-15 awards and adjustments.

Based on the results of the work performed within the scope of the audit, both OFAS and the Graduate Division have established effective internal controls over the calculation and disbursement of graduate financial aid awards. Additionally, both departments had procedures in place to identify changes in circumstances requiring adjustments to financial aid awards in a timely manner and to recoup aid awards, when necessary. This report therefore includes no audit findings.

We greatly appreciated the assistance on this project provided by OFAS and Graduate Division personnel. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert Tarsia".

Robert Tarsia
Director
Audit and Advisory Services

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cc: Chancellor Henry Yang

Executive Vice Chancellor David Marshall

Vice Chancellor Administrative Services Marc Fisher

UCSB Audit Committee

Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca

Mary Jacob, Acting Vice Chancellor for Student Affairs

Bill McTague, Executive Director, Resource Planning, Information Technology, Student Affairs

Nicole Dominguez, Quality Assurance Manager, OFAS

Nathan Cook, Associate Director of Compliance, Administration, Systems, OFAS

Chris Dixon, Director, Financial Support, Graduate Division

Christian Villasenor, Assistant Dean, Graduate Division

PURPOSE

The primary purpose of the audit was to ensure that the University of California, Santa Barbara (UCSB) Office of Financial Aid & Scholarship (OFAS) and Graduate Division have implemented appropriate processes and internal controls related to graduate financial aid and fee remissions to ensure compliance with University and U.S. Department of Education regulations and requirements. This audit is part of our fiscal year 2014-15 audit services plan.

SCOPE, OBJECTIVES AND METHODOLOGY

The scope of this audit focused on evaluating processes and internal controls for major OFAS and Graduate Division aid award procedures, including eligibility and verification, financial aid awards, award adjustments, program compliance, and graduate student fee remission. Our review of financial and graduate aid awards focused on 2013-14 academic year disbursements; we also included transactions from the 2014-15 academic year as part of our review of procedures and internal controls over graduate fee remissions.

The objectives of this audit were to determine whether there are adequate procedures and controls in the following areas:

- Financial aid award eligibility and verification.
- Determination and award of graduate student fee remission.
- Changes in eligibility and award.
- Return of Title IV funds in compliance with Department of Education requirements.

Our preliminary work emphasized:

- Gaining an understanding of OFAS and Graduate Division operations.
- Gaining and documenting an understanding of critical compliance requirements relevant to the scope of the audit, including applicable laws, regulations, policies, and procedures.
- Reviewing other audits and reviews relevant to this audit, including work by UCSB Audit and Advisory Services and other UC campuses.

Our audit fieldwork included:

- Testing a sample of OFAS financial aid awards to determine whether OFAS had established appropriate procedures for financial aid eligibility determination, calculation, and disbursement.
- Evaluating OFAS and Graduate Division procedures and internal controls for monitoring student enrollment and attendance, and adjusting financial aid awards, as necessary.
- Evaluating Graduate Division procedures and internal controls for graduate student fee remission eligibility determination, calculation, and disbursement, as well as safeguards in place to ensure actual outcomes met minimum eligibility requirements at the conclusion of the academic quarter, as required.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

BACKGROUND

Office of Financial Aid & Scholarships (OFAS)

The primary mission of OFAS is to provide students and their families with the financial resources to enable access to higher education for those who would not otherwise be able to attend UCSB. In order to accomplish its mission, OFAS offers federal, state, and University aid. The Office of Federal Student Aid, an office of the U.S. Department of Education, ensures that all eligible individuals can benefit from federally funded financial assistance for education beyond high school. Federal student aid programs are authorized under Title IV of the Higher Education Act of 1965. Title IV programs include federal grants, loans, and work-study programs.

To receive financial assistance from Title IV programs, students are required to complete the Free Application for Federal Student Aid (FAFSA). The federal deadline to submit the FAFSA is June 30 of each year; however, students who want to be considered for state and UC financial aid need to submit their FAFSA by March 2 of each year. With the information provided on the FAFSA, the Central Processing System, a federal contractor, calculates the applicant's expected family contribution (EFC) and checks the application for inconsistencies, contradictions, and missing data. The EFC effectively determines whether students qualify for financial assistance, and is a key factor in determining how much financial assistance students receive.

According to the 2014-2015 UCSB Campus Profile published by Institutional Research and Planning, graduate students received \$66,959,402 in financial aid for academic year 2013-14, with 2,731 students being awarded some form of assistance (including scholarships, fellowships, grants, loans, work-study etc.). Of this total, OFAS disbursed \$10,198,227 in loans to 734 graduate students.

OFAS uses multiple systems to transfer financial aid data between OFAS, the Department of Education, and other University systems. One of the main systems used for financial aid processing is EDEExpress. EDEExpress is an application provided by the Department of Education to process and package financial aid awards and to manage Title IV student financial aid records. Wave, another system that is integral to OFAS financial aid processing, is an internally developed system that includes the student's grade point average, demographic and registration information, completed units, document tracking, conference notes, disbursement information, and packaging summary. It is our understanding that new financial aid systems, scheduled for completion in fiscal year 2015-16, will reduce risks by eliminating the transfer of information between EDEExpress and Wave, as well as providing real-time information about Graduate Division aid awards, resulting in reductions a reduction in the number of instances of required adjustments to aid.

In addition to aid provided under Title IV, graduate students may be employed by academic departments as student employees in positions such as Graduate Student Researcher (GSR), and be eligible for mandatory fee and mandatory tuition remissions based on the number of hours worked per term.

Graduate Division

The Graduate Division is comprised of several operating units, including Admissions & Outreach, Academic Services, Financial Support, and Career & Professional Development. The Department administers graduate certificate and degree programs.

The Financial Support unit oversees fellowship programs and certifies student eligibility for fellowship funding and graduate student academic appointments. The Fellowship staff is responsible for administering University fellowships; department block grants; government and federally funded fellowships; and private, foundation, and corporate awards. The Graduate Division's financial support unit also coordinates graduate student fee remissions earned by students with Academic Student Employee (ASE) positions:

- Graduate Student Researcher
- Associate In (Academic Subject)
- Teaching Assistant
- Reader
- Tutor/Remedial Tutor

These positions may all be eligible for fee remission based on the number of hours worked per quarter. With some exceptions, appointments or combined appointments are limited to 50% time (an average of 20 hours per week) during the academic quarter.

ASEs whose appointment is at least 25% time (100 hour minimum) qualify for a partial fee remission (tuition and student services fees) and payment of health insurance (GSHIP).¹ GSRs qualify for full fee and GSHIP remission if they are appointed for at least 35% (140 hours) in all GSR appointments combined over the three months of the quarter. GSRs hired at 25% (100 hours) to 34% (139 hours) qualify for partial fee remission.

Full fee and tuition remission includes the payment of fees (tuition, student services fee, and campus-based fees), health insurance for all eligible students, and non-resident supplemental tuition, as applicable. Partial fee remission includes payment of certain fees (tuition and student service fee) and health insurance. These amounts must be paid from the funding source that pays the student's salary. The Graduate Division uses a dedicated software program that allows departments to enter ASE and GSR appointments at the anticipated percentage rate, and a corresponding credit is applied to the student's account. The Graduate Division is then responsible for monitoring work hours to validate the fee remission, and for ensuring that costs are recouped from the appropriate funding source.

According to Graduate Division records reviewed during our audit, a total of 2,863 graduate students received some form of graduate aid (fellowship, fee remission, stipend etc.) during the 2013-14 academic year.

Relevant Policies

Laws, regulations, policies, and procedures considered most relevant to the scope of this audit include:

- *Title IV of the Higher Education Act of 1965* (34 CFR Parts 668, 673, 682 and 685) covers the administration of the federal student financial aid programs. This includes eligibility and verification requirements, the administration of loan and other aid programs (including documentation and reconciliation requirements), as well as return of Title IV funds and annual closeout procedures.
- *The Academic Personnel Procedures for University of California Santa Barbara* (The Red Binder), Section IV: Student Academic Titles, outlines the appointment criteria, conditions of employment, compensation, and approval authority for each student academic title.

¹ GSHIP stands for Graduate Student Health Insurance Plan.

- The *Agreement Between the Regents of the University of California and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), AFL-CIO Academic Student Employees Unit* governs student appointments to Associates, Reader, Tutor/Remedial Tutor, and Teaching Assistant titles pursuant to the provisions of the Higher Education Employer-Employee Relations Act (HEERA).

SUMMARY OPINION

Based on the results of the work performed within the scope of the audit, both the Office of Financial Aid and Scholarships and the Graduate Division have established effective procedures and internal controls over the calculation and disbursement of graduate financial aid awards. Additionally, both departments had procedures in place to identify changes in circumstances requiring adjustments to financial aid awards in a timely manner and to recoup aid awards, when necessary. This report therefore includes no audit findings.