

2000-01 AUDIT GUIDE

COLORADO FUNDED STUDENT AID

COLORADO STUDENT AID

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COLORADO STUDENT AID AUDIT GUIDE

GENERAL INSTRUCTIONS

This guide is to be used in conducting performance and financial audits at Colorado postsecondary education institutions that are participating in one or more state-funded student assistance programs.

The audit will examine:

1. The institution's administrative performance.
2. The institution's commitment to serving students
3. The institution's compliance with state policy and guidelines.
4. The institution's ability to handle funds in accordance with standard accounting practices
5. The institution's fiscal stability.

Audits are to be conducted every two years, unless a prior audit contains audit findings. Institutions with audit findings are subject to annual audit review to maintain financial aid eligibility. CCHE will provide a letter that releases an institution from annual review.

Institutional audits should include both federal and state financial assistance programs.

Reports are due March 31, 2001 for 1999-2000 calendar year

Reports are due March 31, 2002 for 2000-01 calendar year.

Step 1: Prior to the audit visit, the auditors should collect:

1. CCHE's Financial Aid Policy in effect for the fiscal year being audited. For 2000-01, use the policy adopted prior to April 2000 for all funds awarded prior to July 1, 2000 and the Financial Aid Policy in adopted April 2000 and in effect July 1, 2000 for all awards made after July 1, 2000.
2. CCHE's Guidelines for 2000-01.
3. State budget parameters for 2000-01 (attached)
4. The prior audit report, including the findings, and recommendations.
5. An institution's plan to address the recommendation and its implementation's schedule.
6. A compliance sample drawn from the Student Unit Record Data System (SURDS) Financial Aid Report. Contact CCHE staff for the sample.
7. A statement from CCHE indicating concerns or special areas of interest for the fiscal year or institution.

Step 2: Complete the questionnaire

Step 3: Conduct the audit

Step 4: Sign the audit statements

Step 5: Send copies to the appropriate parties.

Questions about definitions or policy interpretation for the Colorado student aid programs should be directed to:

Ginny Feagler, CCHE Financial Aid Director

Sharon M. Samson, CCHE Director, Academic and Student Affairs 303/866-2723.

COLORADO STUDENT AID

DEFINITIONS

- 2.01 "State-funded student assistance" includes funds provided under the following programs:
- A. Need-based Programs
 - Colorado Student Grant
 - Colorado Leveraging Educational Assistance Program (CLEAP) Grant
 - SLEAP Grant
 - Colorado Work-Study
 - Governor's Opportunity Scholarship
 - Colorado Nursing Scholarship Program
 - B. Non-need-based Programs
 - Colorado Merit Program
 - Colorado No-Need Work-Study
 - Perkins Student Loan
 - Health Professions/Nursing Student Loan Matching
- 2.02 "Colorado resident student" means a student who is eligible for in-state tuition classification as defined in Title 23, Article 7, C.R.S., for public institutions. For non-public institutions the tuition classification statute has been interpreted for financial aid purposes only.
- 2.03 "Self-supporting" or "independent student" means a student who meets the requirements for self-supporting or independent student status as defined in regulations and policy governing the Federal campus-based financial aid programs (cit. Public Law 99-498 Section 480).
- 2.04 "Dependent student" means a student who does not qualify as a self-supporting or independent student under Section 2.03.
- 2.05 "Eligible institution" means an educational institution operating in Colorado that meets requirements specified in C.R.S. 23-3.3-101, as verified through the "Application to Participate in State-Funded Student Assistance Programs" submitted to the Colorado Commission on Higher Education.
- 2.06 "Eligible program" means a program of education or training which:
- Admits as regular students only persons having a certificate of graduation from a secondary school (high school graduates), the recognized equivalent of that certificate (GED), or persons beyond the age of compulsory school attendance in the State of Colorado who have been shown to have the ability to benefit from the education or training offered.
 - Leads to a bachelors, associate, professional, or higher degree, or
 - Is at least a two-year program which is acceptable for full credit toward a bachelors degree, or

- Is at least a one-year program leading to a certificate or degree that prepares a student for gainful employment in a recognized occupation, or
- Is, for a proprietary institution or a postsecondary vocational institution, a program of at least six months (16 semester or trimester hours, or 24 quarter hours, or 600 clock hours) duration leading to a certificate or degree which prepares students for gainful employment in a recognized occupation.

2.07 "Undergraduate student" means a U.S. Citizen or permanent resident who is in attendance at an institution of postsecondary education and is enrolled in an eligible program leading to a postsecondary certificate, associate degree or baccalaureate degree. This definition does not exclude students who already hold an associate or baccalaureate degree and who have enrolled in another undergraduate program.

- Students admitted as special students may be considered to be undergraduates for one term only if it is anticipated that the student will be enrolled in a regular undergraduate degree program in the following term.
- This definition includes students who are enrolled in basic skills courses designed to correct spot deficiencies concurrent with enrollment in courses that can be counted toward the certificate or degree.
- Students enrolled solely in Adult Basic Education, General Education Development Courses (A.B.E./G.E.D.), or equivalent pre-college programs are not considered to be undergraduates and are not eligible for any program of state-funded student assistance. Students enrolled concurrently in A.B.E./G.E.D. courses and regular college level courses are undergraduates, but their enrollment status (full-time, half-time, less than half-time) is based only on their courses that bear credit attributable toward a postsecondary degree or certificate.
- Students concurrently enrolled in high school courses are not eligible for state financial aid assistance (e.g., Post-secondary options, fast-track)

2.08 "Special Attendance Categories" means undergraduate students may be considered to be in attendance at a "home institution," when they are enrolled in study abroad, cash-funded courses, or consortium courses. The enrollment must meet all four following tests:

- the student is admitted and enrolled in a degree or certificate program at the home institution;
- the credits earned in a special attendance category are applicable toward the program as if the credits were earned in regular courses at the home institution.
- the student's transcript at the home institution shows the individual classes taken; and
- when another institution offers the courses, agreements exist between the institutions describing the acceptance of the courses toward the program to which the student is

admitted prior to that enrollment.

- 2.09 "Graduate student" means a student who is in attendance at an institution of higher education and is enrolled in an academic program of instruction above the baccalaureate level. The term includes any portion of a program leading to either a degree beyond the baccalaureate, or a first professional degree when at least three years of study at the pre-baccalaureate degree level are required for entrance into a program leading to such a degree. Students admitted as special/provisional graduate students may be considered as eligible students for one term only if it is anticipated they will enroll in a regular graduate program in the following term.
- 2.10 "Professional student" means a student who is in attendance at an institution of higher education and is enrolled in veterinary medicine, law, dentistry, pharmacy (Pharm. D. only), and medicine (M.D. program only).
- 2.11 "Secondary student" means a student who is enrolled in high school or enrolled solely in Adult Basic Education (A.B.E.) or General Educational Development courses (G.E.D.).
- 2.12 "Full-time student" means an undergraduate student who is carrying 12 or more credits per semester or a graduate student who is enrolled in 9 or more credits per semester.
- 2.13 "Half-time student" means a student who is carrying any combination of courses, research, or special studies that are attributable toward a postsecondary certificate or degree, including remedial courses for students enrolled at community colleges or other institutions with a two-year role and mission.
- for undergraduate students:
 - 6 semester or quarter hours per regular academic term; or
 - 12 clock hours per week;
 - or graduate students:
 - 4 semester or quarter hours per regular academic term.
- 2.14 "Less than half-time student" means a student who is not enrolled at least half-time as defined in Section 2.13.
- 2.15 "Documented financial need" means the difference between the student's budget and the family's resources as evaluated by the formula known as "Federal Needs Analysis Methodology" specified in federal law.
- 2.16 "Over-award" means the total resources exceed financial need by \$1.00 (one dollar) or more at the end of the academic year.
- 2.17 "Tolerance" – the degree that a need based recipient's award package may exceed the actual need: Under the Colorado guidelines, there are two situations in which a student's award may exceed the student's need.
- A need-based recipient that receives an undergraduate merit scholarship may exceed the total need if the over-award is less than \$300. The scholarship recipient's award

package must be adjusted if the over-award exceeds \$300.

- Colorado Work-Study Program permits a \$300 tolerance.
- 2.18 "Over-payment" means any money disbursed to the student in excess of the award, or in excess of need.
- 2.19 "Refund" means funds for tuition, fees, room, board, and/or other institutional charges that are released by the institution, usually as a result of the student leaving school.
- 2.20 "Repayment" means those cash funds that the student received for a specific academic period that are not attributable to educational costs incurred for that period, and consequently the student owes to the institution.
- 2.21 "Eligible Student" means an undergraduate, graduate, or professional student enrolled in an eligible postsecondary certificate or degree program who:
- maintains satisfactory academic progress toward the degree or certificate, as defined by an institution in accordance with state and federal guidelines.
 - for need-based programs signs a statement that money received through the Colorado State-Funded Student Assistance Programs will be used solely for expenses related to attendance at an institution of higher education.
 - does not owe a repayment, and is not in default on an educational grant or loan.
- 2.22 "Award year" means the fiscal year, July 1 through June 30, from which funds are allocated. Awards may be for one or more academic terms occurring within that fiscal year period. Summer enrollment must begin before the close of the fiscal year or end within the fiscal year to be included (e.g., A student who enrolls in a summer term course that begins prior to July 1, 2001 may be considered enrolled in the 2000-01 fiscal year. A student who is enrolled in a course that ends after July 1, 2000 may be considered enrolled in 2000-01 fiscal year. .
- 2.23 "Documentation" means the practice of collecting information to support applications for need-based financial need.
- 2.24 "Verification" means the process of comparing information obtained from diverse sources and deterring that the information is accurate and/or compatible.

COLORADO FINANCIAL AID

Part 1 The institution's administrative performance.

Institution _____

FYE June 30, 2001

I. General Administration

List name of the individual who has the responsibility for:

Name

A. Coordination of all student assistance
at the institution:

B. Development of institutional plans for:

C. Sub-allocations of funds among department or
programs for the assistance program listed in
(B) above, if the institution has decided to
make such sub-allocations:

D. Selection of recipients and offering of awards for:

1) Need-based, undergraduate student assistance
programs

2) Each program listed in B

E. Payment authorization for assistance awards:

1) Need-based

2) merit programs

3) work study programs

F. Disbursement of awards:

G. Maintenance of records for State-Funded programs: _____

H. Maintenance of accounting records: _____

I. Establishment of levels of expenditure: _____

II. Financial Aid Committee

A. Has the institution established a financial aid committee to advise the
financial aid director regarding institution policies for state-funded
student aid?

B. List Members of committee

Has the institution

- (1) identified a procedure by which students can appeal decisions of the financial aid office?
- (2) disseminated that information to students?

III. Student Consumer Information Requirements

- A. Are students fully informed of the availability of all State-funded student aid programs? Are students made aware that (1) the Colorado General Assembly is the source of undergraduate merit funds; and (2) Colorado Leveraging Educational Assistance Program consists of state and federal funds?
- B. How are students informed?
- C. Does information include, at the minimum:
 - 1) Names of the programs?
 - 2) The amount of assistance from each program?
 - 3) The eligibility requirements for each program?
 - 4) The criteria used to select recipients from the group of eligible applicants?
 - 5) The application process for each program?
 - 6) The packaging policy of the institution?
 - 7) What the student must do to retain eligibility, including "Standards of Satisfactory Academic Progress for Financial Aid?" (Section 3.03.01)
 - 8) What penalties may be imposed for fraud or abuse?
 - 9) Procedures for appeal of disputed decisions?

Part 2 The institution's commitment to serving students

IV. Notice of Status

- A. Are students who submit written applications for state-funded student assistance notified of the status of their application?
- B. Is notification given on all need based award offers?
- C. Are notifications of awards provided in:
 - 1) Written form?
 - 2) Verbal?
 - 3) Other?
 - 4) For verbal notification, is conversation documented by note to file with date, time, and message?
- D. Are all written application forms and award status notices maintained in the financial aid office?

V. Acceptance of Award

- A. Are students required to submit written acceptance of state funded assistance offered?
 - 1) need-based
 - 2) non-need-based

VI. Satisfactory Progress

- A. Has the institution established "Standards of Satisfactory Academic Progress" which must be met if students are to continue to receive State-funded student assistance?
- B. Do the standards address both:
 - 1) good standing
 - 2) academic progress
- C. Do the standards provide for:
 - 1) the grade point for need-based programs (or academic status if grade point is not calculated for the program) which must be achieved each term and/or the cumulative grade point (or academic status) which must be maintained to continue to be eligible for state-funded student assistance.

- 2) The cumulative grade point (3.0 or above) for merit programs that must be achieved to continue to be eligible for state merit grants.
- 3) The number of hours attributable toward a degree or certificate which must be completed each term or academic year to continue to be eligible for state-funded student assistance, and the maximum number of hours or terms that may be supported by state or federally funded student aid at each degree level.
- 4) the penalties for failure to achieve the above standards, including whether or not a probationary period is allowed, the process for removal of the penalty and reinstatement to full eligibility, and the process to appeal any penalty or decision concerning continuation of aid; and
- 5) the procedures and timetable used to monitor each recipient's academic standing and progress;
- 6) the policies and procedures for monitoring repeated courses, remedial courses, and the treatment of the incremental measurement requirement.

VII. Withdrawal Procedures

- A. Has the institution established internal procedures to provide prompt notification to the financial aid office whenever a student withdraws? Do the procedures:
 - 1) ensure that refunds of tuition or institutional room and board charges paid from student aid funds are returned to those funds, not to the student, according to institutional policies developed in response to Section 3.05?
 - 2) provide an opportunity to discuss with the student whether other funds received from student aid have been fully utilized to meet educational costs or whether a repayment is due according to institutional policies developed in response to Section 3.05?
 - 3) provide an opportunity for required exit interviews?
 - 4) provide an opportunity to discuss the implications of the satisfactory progress policy and procedures for

reapplying for aid at a later date?

Part 3 The institution's compliance with state policy and guidelines.

VIII. Policies for Need-Based Funds

- A. Do the application policies require use of the U.S. Department of Education Free Application for Federal Student Aid (FAFSA).
- B. Do the need-based programs consider the amount of PELL funds a student is entitled to receive as a resource regardless of whether the student has applied for the PELL grant?
- C. To be considered for aid, do independent students submit documentation to their school's financial aid office in accordance with federal requirements.
- D. Are students required to submit a financial aid transcript from other postsecondary institutions whether or not they received aid?
 - 1) need based aid (required)
 - 2) non-need based aid (recommended)
- E. Are all discrepancies between the FAFSA and the income tax return resolved?
- F. Has the financial aid office obtained information regarding students certified for:
 - 1) a) veterans benefits?
 - b) other public benefits?
 - 2) Are benefits compared with the financial aid application and apparent discrepancies resolved?
- G. Is it institutional policy that no State-funded, need-based student assistance is disbursed until a complete application is submitted containing:
 - 1) All required application signatures?
 - 2) Required certification by student that (he/she) does not owe a repayment to any institution and is not in default on any educational loan to any institution?
 - 3) application has sufficient information to determine eligibility?
 - 4) sufficient information and detail on application to evaluate need using The FAFSA?
 - 5) application contains statements of penalties for intentionally providing incorrect information?

H. Is the institutional student budget constructed using parameters recommended by CCHE to include costs described in I, J, K below?

If not, was justification sent to CCHE?

I. Does the budget include the current year's tuition and fees, recognizing difference in charges for:

- 1) Full-time enrollment
- 2) Half-time enrollment
- 3) Less than half-time enrollment

J. Does the budget include books and supplies and recognize difference in costs for:

- 1) Full-time enrollment?
- 2) Half-time enrollment?
- 3) Note: Less than half-time enrollment is no longer eligible for state aid.

K. Does the budget provide the cost of living for student and include the following expenses:

- 1) housing?
- 2) food?
- 3) transportation?
- 4) clothing, personal maintenance, recreation and entertainment?
- 5) medical care?
- 6) child care?

L. Required packaging policy elements:

- 1) Are offers of financial aid always equal to or less than documented need?
- 2) **Does the institution have procedures to give highest priority to the neediest Colorado residents?**

Note: The audit team must make a statement regarding this packaging element, explicitly stating how the institution implements its priority.

- 3) Is the PELL which the student is entitled to receive counted as a resource, whether or not the student has applied for it?

- 4) Only students with a need greater than \$900 per academic year (\$100/mo.) are eligible for CLEAP.

M. Does the institution's written packaging policy address the following elements:

- 1) Use a published financial aid application deadline or process applications on a rolling award basis?
- 2) The method by which aid is awarded to less than full-time students.
- 3) The methodology for making need-based awards
 - a) Award some aid to all eligible applicants?
 - b) Award some aid to all the neediest students (e.g., EFC =0), but provides aid to other lower-need students if funds are available?
 - c) Attempts to meet full need of the neediest students

Note: The audit team must include a statement in the compliance report, explicitly describing the institution's packaging priority for need-based applicants.

Part 4 The institution's ability to handle funds in accordance with standard accounting practices

IX. Fraud and Abuse

A. Has the institution taken reasonable measures to prevent fraud and abuse in State-funded aid programs by at least requiring:

- 1) student signature on acceptance form?
- 2) collection of supporting documentation?
- 3) reconciliation of apparent discrepancies in information submitted in support of an application for State-funded student aid?
- 4) establishment of due process procedures for students suspected of fraud and penalties for proven fraud?
 - a) procedures established to notify student of the process and penalties?
- 5) separation of award authorization and disbursement functions?
- 6) whether priority is given to students based on whether they are entering or continuing students or their year in school?
- 7) the philosophy by which grant, work, and loan are combined in packages of assistance and the maximum

total package any one student may receive, recognizing that different policies for pro-portions and maximums may exist for different categories of students? (For example, lower-division vs. upper-division.)

N. Do all state-funded award notices for student assistance contain:

- 1) the period for which aid is granted?
- 2) the awards offered, including the full name of the award?
- 3) award conditions including:
 - a) compliance with the Standards of Satisfactory Academic Progress policy?
 - b) conditions specific to a particular program, including agreement to repay any loan?

O. Does the acceptance form for need-based State-funded student assistance provide for:

- 1) a mechanism by which the student can accept or reject each component of the aid package?
- 2) a statement that the student has read, understands, and agrees to the award conditions?
- 3) a statement that the funds will be used for educational purposes?

P. Does the institution revise awards in response to changes in a student's:

- 1) period of enrollment
- 2) level of enrollment (e.g., full-time)
- 3) costs
- 4) resources
(Whenever student is over-awarded)

Q. Does the institution fully document in the individual file any action taken to amend or suspend an award after initial offer and acceptance?

- 1) Does the file clearly specify the reason for change?

R. Does the institution have procedures to insure that students cannot receive more than:

- 1) \$5000 per year from CLEAP?
- 2) \$5000 per year from CSG?
- 3) \$5000 per year from Graduate Grant?
- 4) Tuition plus \$5000 per year from Graduate fellowship?

- 5) Tuition and mandatory fees each year from the Undergraduate Merit Award Program?

Part 3 AUDIT PROGRAM

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

Institution _____

FYE June 30, 2001

This Audit Program includes:

Done W/P
By Date Ref.

- I. Audit Objectives
- II. Audit Steps
- III. FINANCIAL COMPLIANCE PROGRAMS
 - A. Leveraging Education Assistance Partnership (CLEAP & SLEAP)
 - B. Colorado Student Grant Program
 - C. Colorado Work-Study Program
 - D. Colorado Merit Program
 - E. Governor's Opportunity Scholarship
- IV. Work-Study Payroll Procedures
- V. Award Payments
- VI. Accounting, Recordkeeping, and Reporting
- VII. Program Policy Records
- VIII. Reporting Requirements
- IX. Program Reviews
- X. Adjustments to Level of Expenditures (Transfer between Funds)
- XI. Packaging Policy Review

Note: Copy of the Colorado Commission on Higher Education's *Financial Aid Policy and Guidelines for State-Funded Student Assistance Programs* and applicable statutory provisions are published at CCHE's website.

I. AUDIT OBJECTIVES

The objectives of this audit are to determine whether:

- a. The institution has established procedures for coordinating assistance provided under all state student aid programs in which it participates.
- b. The institution has established systems of internal control, accounting, and reporting, and has exercised proper controls in the operation of and accounting for the funds provided for the programs.
- c. The institution has established and has followed policies and procedures to ensure that the funds provided are being used only for the purposes set forth in the CCHE's Financial Aid Policy and Guidelines for State-Funded Student Assistance Programs.
- d. The institution has established a control and self-evaluation system intended to monitor and evaluate the programs to determine if its objectives are met.

II. AUDIT STEPS Internal Controls

Review the system of internal controls applicable to the State Programs of Financial Aid to determine whether the policies and procedures established by the institution are written, and provide for appropriate segregation of responsibilities and controls that are reasonable in the circumstances over:

- a. The determination of awards,
- b. The receipt and disbursement of funds,
- c. The recording of transactions,
- d. The reporting process to CCHE

Results of the review of the system of internal controls should be considered by the auditor in determining the extent of testing needed to provide the adequate data for evaluating the effectiveness of the established procedures.

EXAMINATION OF ACCOUNTS

Obtain a trial balance as of June 30 of the accounts maintained by the institution for its programs. This should include a disbursement run for all financial aid programs as reported on the Fiscal Report of Expenditures submitted to CCHE.

- a. Agree totals of disbursement run to institutions general ledger. Check arithmetical accuracy.
- b. Agree total of disbursements run to amounts transferred from CCHE or satisfactorily reconcile same.
- c. Select, from the Student Unit Record Data System (SURDS) financial aid report, a representative number of students receiving awards from each program per disbursement run. Review documentation contained in student's financial aid file. Verify eligibility by determining compliance with existing guidelines and/or statutory provision for each program that follows.
- d. Agree totals of state financial aid programs reported on Fiscal Report of Expenditure with fund totals contained on the SURDS report.

III. FINANCIAL COMPLIANCE PROGRAMS

A. LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP GRANT (CLEAP & SLEAP)

The Colorado Leveraging Educational Assistance Partnership Grant (CLEAP & SLEAP) program is the name given to the Federal education grant program known as CLEAP, formerly CSIG. The Federal program makes incentive grants to states to stimulate expansion of grant assistance to undergraduate students with substantial need. Student grants made under this program are comprised of portions of Federal and non-Federal funds.

Student Eligibility

To be eligible to receive a Colorado Student Incentive Grant, students must submit a written application and meet the following eligibility criteria:

- 1) U.S. citizen, a national of the United States, be in the United States for other than a temporary purpose and intend to become a permanent resident thereof, according to federal requirements or be a permanent resident of the Trust Territory of the Pacific (Palau);

- 2) Resident of the State of Colorado as determined by the institution's tuition classification officer in accordance with applicable State law;
- 3) Undergraduate student.
- 4) Enrolled at least half-time;
- 5) In good standing and demonstrate academic progress according to the institution's published policy regarding Standards of Satisfactory Academic Progress for financial aid purposes;
- 6) Show substantial financial need; for purposes of this program, a student will be deemed to have substantial financial need when the difference between the student's costs of education and the total resources reasonably available to the student (based on the nationally recognized methodology of determining expected available resources) is at least \$900 per academic year or \$100 per month.
- 7) If required, be registered with the Selective Service System.

Limitation on Awards

CLEAP and SLEAP Grants shall not exceed \$5,000 during any twelve month period.

Statutory Authority

Federal statutory authority for the SSIG program is found under Section 415 A-D, Higher Education Act of 1965 as amended. State authorizing legislation is through C.R.S. 23-3.5-102. Appropriations are enacted through the annual processes at the Federal and State levels.

B. COLORADO STUDENT GRANT PROGRAM

Colorado Student Grant program is the name given to the undergraduate need-based program funded by annual state appropriations.

The purpose of the need-based grant program is to make graduate education at the masters, doctorate, and professional levels more readily available to well qualified Colorado resident students who need financial assistance in order to pursue their studies.

Student Eligibility

In order to receive a Colorado Student Grant, students must submit a written application and meet the following eligibility criteria:

- 1) Colorado resident, as determined by the institution's tuition classification officer in accordance with applicable State law;
- 2) Undergraduate student or graduate student.
- 3) In good standing and demonstrate academic progress according to the institution's policy regarding Standards of Academic Progress for financial aid purposes;
- 4) Show financial need according to the Federal Needs Analysis Methodology.

Limitations on Awards

a) Students Enrolled on Full-time or Half-time Basis

Degree seeking students who are enrolled either full-time or half-time may be awarded Colorado need-based grants up to but not in excess of \$5,000 in any fiscal year or the level of need remaining after all resources, including other sources of financial aid, have been taken into account, whichever amount is less. Need-based grants shall not exceed the documented financial need of the student.

An institution may not require award recipients to perform services as a condition of receipt of a grant. However, receipt of a grant does not necessarily preclude a student from also being employed by the institution or from receiving other forms of financial assistance, so long as the total assistance received from all sources does not exceed the student's documented financial need.

Statutory Authority

Statutory authority for this program is contained in C.R.S. 23-3.3-501.

C. **COLORADO WORK-STUDY PROGRAM**

In 1969, the 47th General Assembly of the State of Colorado authorized the establishment of a work-study program for resident, undergraduate students attending State institutions of higher education. In 1971, the program was expanded through legislative action to include the local district junior colleges, and further amendment in 1973 authorized payment for jobs provided by non-profit organizations and governmental agencies through student employment contracts.

Student Eligibility

In order to participate in the Colorado Work-Study Program, students must submit a written application and meet the following eligibility requirements:

1. Colorado resident, as determined by the institution's tuition classification office in accordance with applicable State law;
2. Undergraduate student.
3. Enrolled at least half-time.
4. In good standing and demonstrate academic progress according to the institution's published Standards of Satisfactory Academic Progress for financial aid purposes.

Financial Need Requirement

At least 70 percent of work study funds (see amount in final allocation notice) must be used to find job opportunities for students with demonstrated financial need. The remaining 30 percent may be awarded without regard to need for the purpose of finding job opportunities for students without regard for need. Accordingly, financial need must be an eligibility factor for a substantial number of student recipients, such that the total gross compensation paid to such students will equal at least seventy percent of the institution's allocation for the program. Colorado Work-Study funds used as match for the Federal CWS program may be included in calculating the percentage of funds used for need-based awards. The Federal Needs Analysis shall be the system used to determine the financial need of students for the need-based portion of the program. No standard application procedure has been established for the non-need portion.

In rare instances, CCHE may have approved an institution's request to deviate from the above percentages of need/no-need awards. **No requests were received or approved for the 2000-01 FY.**

Statutory Authority

The applicable legislation has been codified under C.R.S. 23-3.3-401.

D. UNDERGRADUATE MERIT AWARD PROGRAM

The merit program is a statewide effort to recognize undergraduate Colorado resident students attending public and private institutions of higher education for outstanding academic achievement.

It also includes providing institutions with funds to assist them in recruiting

highly qualified graduate students.

Student Eligibility

In order to be eligible to receive a merit award, students must meet the following eligibility criteria:

1. Enrolled degree seeking undergraduate or graduate student;
2. Enrolled full-time.
3. In good standing according to the Standards of Progress for graduate students;
4. meet such other eligibility criteria as established by the institution of attendance in its Institutional Plan.

Limitations on Awards

Institutions may use not use funds for out-of-state undergraduate students, except for continuing athletes who were protected for three years or until graduation, which ever comes first. In either case, no more than 12 percent of undergraduate merit funds can be awarded to out-of-state students.

Institutions may award merit funds to out-of-state graduate students. Institutions may award partial awards.

Institution policy must clearly state the 2000-01 change in eligibility criteria. This information and application process must be available to students for the program.

Students receiving Need-Based Assistance through State and/or Federal need-based financial aid programs shall not be precluded from receiving Undergraduate Merit awards. However, the amount of the scholarship is included in total amount of funds awarded to meet a student's need.

Renewal Awards

Should institutional policy allow for renewal of awards, any statement that such an award will continue beyond one year must include the provision that such awards are contingent upon the criteria defined in CCHE's Financial Aid Policy and the availability of funds.

Statutory Authority

Authority for the Undergraduate Merit Award Program is contained in C.R.S. 23-3.3-501.

F.. **COLORADO NURSING SCHOLARSHIP**

The Colorado Nursing Scholarship is a program developed in 1988-89 in recognition of legislative intent to reduce the nursing shortage in the State by attracting and retaining individuals in the nursing profession in Colorado. Awards are to be reported as "Specialty Grant" on SURDS.

Student Eligibility

Students must be enrolled, or accepted for enrollment, in an associate, baccalaureate, or masters degree nursing program and must have documented financial need.

Program Change in 2000-01

The Nursing Scholarship recipients are selected by CCHE. Institution policy must clearly state the change in eligibility criteria. This information and application process must be available to students for the program. No other audit requirements.

G. **GOVERNOR'S OPPORTUNITY SCHOLARSHIP (formerly COLORADO DIVERSITY GRANT)**

Colorado Diversity Grant was a set-aside established in 1988-89 as a state-wide effort to increase diversity of the student population in the Colorado higher education system. Approximately 25% of undergraduate need-based and merit allocations were reserved for diversity applicants. The program was supplanted by the Governor's Opportunity Scholarship in 1999-2000.

Institutions who awarded state funds under the diversity program to continuing students prior to the change in policy were instructed to report the awards in the need-based or merit line depending on the students' qualifications.

In order to be eligible to receive a Governor's Opportunity Scholarship, a student must meet the following criteria:

1. Demonstrate high financial need (i.e., EFC = 0, family income < 26,000).
2. Colorado resident student for tuition classification purposes.
3. Degree-seeking undergraduate student.
4. Enrolled full time.

5. Be in good standing and demonstrate academic progress according to the institution's published Standards of Satisfactory Progress for financial aid purposes.

Limitation on Awards

The award may not exceed \$10,000 per award year, and awards for less than a full academic year must be prorated on an equal pre-term distribution basis.

IV. WORK-STUDY PAYROLL PROCEDURES

From those student files selected in Audit Step II-C, determine for all students receiving aid under the Colorado Work-Study Program the following: (Note - the following procedures should be coordinated with the Federal audit of Student Compensation Earned.)

Select a representative sample of payroll disbursements and perform the following audit steps:

- A. Determine whether the following records are being maintained by the institution for the payroll account:
 1. Time record form.
 2. Payroll voucher form.
 3. Individual earnings record or master card for each student.
 4. Non-cash contribution record, if applicable.
- B. Obtain confirmation of student participation and salary earned in the CWS Program by direct communication with the students. Where this is not practicable the auditor should perform additional audit work to obtain adequate evidence to satisfy himself as to student participation and salary earned.
- C. Obtain confirmation of student participation and salary earned in the CWS Program by direct communication with the off-campus agencies and on-campus supervisors. Where this is not practicable the auditor should perform additional work to obtain adequate evidence to satisfy student participation and salary earned at the off-campus agencies.
- D. Determine whether individual earnings records agree with the amounts shown on W-2's.
- E. Determine that the total amount paid from Colorado Work-Study funds did not exceed the amount authorized in the student's award by more than \$300.

- F. Determine whether the payments were properly supported by time sheets that:
1. Signed by the student and certified by the responsible official;
 2. Reflect the actual hours worked by the students.

Note: The student cannot be compensated for such items as paid sick leave, vacation pay, holiday pay, or travel for athletic purposes. If the time sheets consistently show the maximum hours authorized, the auditor should inquire about the institution's policy relating to the payment for sick leave, vacation pay, etc.

- G. Determine the manner in which CWS checks are distributed to recipients. In any instances in which the checks are not distributed or mailed direct but are given to a department (athletic, art, etc.) for further distribution to the recipient:

1. Determine how the department makes such distribution;
2. Examine canceled checks to determine whether the department (athletic, art etc.) is shown as a second endorsement. If so, determine the reason. (Note: The auditor should be alert for any unusual second endorsements which come to his attention and satisfy himself that they are not improper.)

- H. Determine whether the individual earnings record for each student selected reflect:

1. The proper hourly rate to be paid.
2. The hours worked and paid under the Work Study Program were within the limitations, i.e., no more than 40 hours per week;
3. Deductions were properly and correctly computed (such as withholding taxes, state and local taxes, FICA, etc.).

Note: Neither the Federal nor the required matching funds can be used to pay the employer's contribution to retirement, workmen's compensation, social security or any other welfare or insurance program.

- I. Determine whether the checks evidencing payment of wages were:

1. Identified to the CWS Program (if no separate checking account is maintained);
2. Made out to the individual student employee;
3. Signed by the properly designated official of the institution;

4. Endorsed by the indicated payee;
5. For the same amount reflected on the payroll voucher.

Note: If canceled checks are not available, other acceptable proof of payment should be on file.

- J. When considered necessary (e.g. weak internal controls) attend a payroll payoff and observe the controls in payroll disbursement procedures.

Compare the payroll voucher totals with the general ledger control account. Any differences should be reconciled and explained.

V. AWARD PAYMENTS

From those student files selected in Audit Step II-C, determine for all students receiving aid under the Colorado:

Student Grant Program
Merit Award Program
Governor's Opportunity Scholarship
CLEAP & SLEAP

- A. that annual award limitations have not been exceeded;
- B. that amounts paid do not exceed awards;
- C. that Federal and State match are proper, where applicable.

VI. ACCOUNTING, RECORDKEEPING, AND REPORTING

Accounting and record keeping activities are required to create accurate records of the use made of funds and of the basis for decisions. Such records are needed for documentation, for audit purposes, for planning, and for guidance to new or replacement personnel. Records must be retained by the institutions until they have been audited or for five years, whichever occurs first.

The following accounting records should be maintained in the business office:

- A. copies of all notices of allocation of state funds;
- B. separate account records for each State-funded student assistance program;
- C. income and expenditure records for each program separated by fiscal year;
- D. Institutional accounting records reflecting all transactions with respect to the program including allowable transfers among program and account balances on a monthly basis;
- E. Student acknowledgment of receipt of funds. (May be endorsement on check or opportunity to acknowledge credit to tuition account).

Audit Steps

- A. Determine that notices of allocation of State funds are on file and that file is complete. For the year under review, agree total of notices to amount allocated per CCHE.
- B. Determine that separate account records for each State-funded student assistance program are maintained. For the year under review agree the records to existing control accounts at June 30.
- C. Determine that income and expenditure records are maintained for each State-funded student assistance program, and can be properly tracked to each student recipient. For the year under review, agree totals to general ledger controls at June 30.
- D. Determine that the institution's accounting records reflect all transactions with respect to the program including allowable transfers among programs and are balanced on a monthly basis. Test a representative number of transfers for propriety.

- E. Determine that student acknowledgment of receipt of funds are on file. Compare a representative number of receipt acknowledgments to institutional accounting records and to student aid package.

VII. PROGRAM POLICY RECORDS

Program records should document the basis for decisions and the policies in use. Such records should be maintained in the financial aid office.

Determine that the following program records are maintained:

- A. documentation of the basis for the amount established for the various components of the student budget;
- B. a copy of the packaging policy used;
- C. a copy of the standards of satisfactory academic progress for financial aid purposes;
- D. Institutional plans for selection of Colorado no-need work-study, Merit Award recipients, and Governor's Opportunity Scholarship.

Individual Student Records

Individual student records (electronic or paper) must be maintained by the financial aid office for each student, whether or not enrolled, who either filed an application for student aid or received any award from State-funded student aid. This includes records for students who apply and are refused awards, or who fail to accept award offers, or who did not enroll.

Audit Steps

Select a representative number of individual student records and by examination of contents determine that:

- A. For those programs requiring it, the file contains a written application form.
- B. For those programs not requiring written applications, the institution documented that all eligible students were given consideration;
- C. Each file contains a record of disposition, including an award letter (or copy) if funds were offered;
- D. Each file for students who receive need-based funds contain in addition to A, B, C, above:

1. documentation of student resources;
 2. a record of the calculation of need;
 3. a financial aid transcript for any student who has attended another post secondary institution (Transcript is required for need-based aid awards and is recommended for merit-based awards.);
- E. information in the file is consistent with that reported to CCHE on the Student Unit Record Data System (SURDS).

VIII. REPORTING REQUIREMENTS

Several reporting requirements exist for State-funded student assistance. The requirements must be met to create adequate documentation of the use of State funds for purposes of auditing and for reporting to the legislature.

To determine that the institution is complying with the reporting requirements in each of the following:

- A. Report of Utilization; (submitted to CCHE May 1).
- B. Student Unit Record Data System (SURDS) Report.

A SURDS Report is required for all institutions. The report must reach the Commission on or before September 15, 2001.

- D. Fiscal Report of Expenditures Report (to be submitted to CCHE in July 31, 2001). The report must be signed by the Chief Fiscal Officer or a designated representative of the business office.

IX. ADJUSTMENTS TO LEVEL OF EXPENDITURES (TRANSFER BETWEEN FUNDS)

2000-01 Award Year

Beginning with 2000-01, institutions do not have authority to transfer funds among the Colorado student assistance programs.

Audit Steps

- A. Ascertain if such transfers were made during the year under review.
- B. Write up audit finding for any transfer.

X. PACKAGING POLICY REVIEW

The financial aid director establishes the packaging policy for the institution. The policy is in writing and is used in the determination of assistance rendered to students. The review of the institution's policy should determine that required elements are addressed as set forth in items (L) and (M) of the Colorado Financial Aid Questionnaire.

[name of college]

STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2000 AND 2001

I certify that full copies of this report have been distributed to:

Colorado Commission on Higher Education (2)

If possible, file one copy as an electronic file to Sharon.Samson@state.co.us

State Auditor's Office (1)

College President (1)

Joint Legislative Library (1)

State Archivist (1) [private and proprietary institutions are exempt from filing this copy]

Signed: _____

Report Control Number XXXXXXXX

STATE OF COLORADO

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

FOR THE YEARS ENDED JUNE 30, 2000 AND 2001

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
NOTES TO FINANCIAL STATEMENTS**

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[name of college]

STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2000 AND 2001
STATEMENT OF ASSURANCES

INTRODUCTION

XXXXXXXXXX College is a state-supported institution of higher education located in XXXXXX, Colorado.

Our financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2001, was directed toward the objectives and criteria set forth in CCHE's Financial Aid Policy, adopted April 2000. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the two years ended June 30, 2000 and 2001.

STATE FUNDED ASSISTANCE PROGRAMS

The various state-funded student assistance programs at the College include the Colorado Grant Program, Merit Program, Colorado Work-Study Program, Governors' Opportunity Scholarship, Perkins Student Loan Matching Program, CLEAP, SLEAP.

The state-funded student assistance awards made by the College were \$XXXXXX during the fiscal year ended June 30, 2000 and \$XXXXXX during fiscal year ended June 30, 2001. In addition, total state-funded matching funds of \$XXXXX during fiscal year 2000 and \$XXXXXX during fiscal year 2001 were transferred to the Perkins Student Loan Fund.

The Director of Financial Aid is responsible for administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period, XXXXXX College obtained authorizations to award federal student financial aid funds of \$XXXXXXX in the Pell Grant Program, \$XXXXXX in the Supplemental Educational Opportunity Grant Program, \$XXXXXXXXXX in the College Work-Study Program, and \$XXXXXX in the Perkins Student Loan Program.

[name of college]

STATE OF COLORADO

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

FOR THE YEARS ENDED JUNE 30, 2000 AND 2001

STATEMENT OF ASSURANCES

During the audit period, XXXXXX College was authorized to award Colorado student financial aid funds of \$XXXXXX in the CLEAP & SLEAP Programs, \$XXXXXX in the Colorado Need-based Grant Program, \$XXXXXX in the Colorado Merit Program, \$XXXXXX in Loan Match, \$XXXXXX in Governor's Opportunity Scholarship, \$XXXXXX in Colorado Work Study, and \$XXXXXX in Colorado Nursing Scholarship, .

STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2000 AND 2001
STATEMENT OF ASSURANCES

REPORT SUMMARY

PURPOSE AND SCOPE OF AUDIT

Our audit of the state-funded student assistance programs was performed in accordance with the financial compliance elements of "Standards for Audits of Governmental Organizations, Programs, Activities, and Functions" issued by the Comptroller General of the United States, 19X revision. The purpose of the audit was to formulate an opinion on the statement of student aid program appropriations, expenditures, and reversions for the fiscal years ended June 30, 2000 and 2001 and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and CCHE directives which were set forth in the handbook.

Our examination included:

- Expressing an opinion on the statements of student aid program appropriations, expenditures and reversions.
- Evaluation of the policies, procedures, and practices used to administer these programs.
- Determination of compliance with applicable sections of the CCHE guidelines, 2001 version.

SUMMARY OF CURRENT YEAR COMMENTS

The audit covered the period July 1, 2000 through June 30, 2001 and field work was performed during the period June 1, 2001 through April 20, 2002 at the campus Business and Student Financial Aid Offices.

[name of college]

STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2000 AND 2001

STATEMENT OF ASSURANCES

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 1999, included ___ recommendations.
The disposition of these audit recommendations at _____, was as follows:

Implemented
Partially Implemented
Not Implemented

Total

[name of college]

STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2000 AND 2001
STATEMENT OF ASSURANCES

BASIS OF ACCOUNTING

XXXXXXX College's accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Offices in their revised publication College and University Business Administration, as supplemented by the American Institute of Certified Public Accountants industry audit guide Audits of Colleges and Universities.

The Perkins Student Loan Direct Student Loan matching requirement from general funds, as approved by the Colorado Commission on Higher Education, is recorded as a transfer from general funds to loan funds, and not as a general fund expense and loan fund revenue.

All student aid is expensed on a cash basis, except for Perkins Student Loan and the College Work-Study Program (CWS). Perkins Student Loans are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

NOTE A

Colorado CLEAP consists of state funds and federal funds. The amount shown is the combined total.

STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2000 AND 2001
STATEMENT OF ASSURANCES

AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL

Members of the Legislative Audit Committee:

We have examined the financial statements of the State-Funded Student Assistance Programs of XXXXXXXX College for the years ended June 30, 2000 and 2001. As part of our examination, we made a study and evaluation of the system of internal accounting control of XXXXXXXX College to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards of financial and compliance audits contained in the U. S. General Accounting Office:

- Receipt and Disbursement of Funds
- Eligibility of Recipients and Award Amounts
- Reports to the Colorado Commission

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of XXXXXXXXXXXX College is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system.

[name of college]

STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2000 AND 2001
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Accordingly, we do not express an opinion on the system of internal accounting control of XXXXXXXXXXXX College taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness in relation to the University's (College's) financial information.

This report is intended solely for the use of XXXXXXXXXXXX College, members of the Legislative Audit Committee and Colorado Commission on Higher Education, and should not be used for any other purpose. This restriction is not intended to limit distribution of this report which, upon release by the Legislative Audit Committee, is a matter of public record.

[name of college]

STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2000 AND 2001
STATEMENT OF ASSURANCES

REQUIRED STATEMENTS, COMMENTS, & RECOMMENDATIONS

The institution's packaging priority for need-based applicants is required to give the highest priority to the neediest students.. During fiscal year 2001, [name of institution]'s packaging plan is structured to:

[describe]

CCHE's Financial Aid Policy and Guidelines for State Financial Assistance Programs issued by the Colorado Commission on Higher Education (CCHE) does not allows institutions receiving allocations for financial aid programs to transfer funds between those programs.

FINDING

RECOMMENDATION NO. 1

COLLEGE'S RESPONSE: