SANTA BARBARA CITY COLLEGE
SANTA BARBARA, CALIFORNIA

AUDIT REPORT

NATIONAL DIRECT STUDENT LOAN PROGRAM
COLLEGE WORK - STUDY PROGRAM
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
For the Years Ended June 30, 1979
and June 30, 1980

ROBERT M. MOSS ACCOUNTANCY CORPORATION
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ROBERT M. MOSS ACCOUNTANCY CORPORATION
BACKGROUND:

The National Direct Student Loan Program was established at Santa Barbara City College in 1962. My audit covered the years ended June 30, 1979 in which forty-eight students received loans amounting to $18,800 and June 30, 1980 in which fifty-one students received loans amounting to $20,765.

The College Work-Study Program was established in Santa Barbara City College in 1965. My audit covered the years ended June 30, 1979 in which three hundred ninety-three students were employed resulting in expenditures of $317,887 and June 30, 1980 in which three hundred seventy-one students were employed resulting in expenditures of $409,801.

The Supplemental Educational Opportunity Grants Program was established in 1970 at Santa Barbara City College. My audit covered the years ended June 30, 1979 in which grants were awarded to three hundred six students amounting to $100,693 and June 30, 1980 in which grants were awarded to four hundred forty-nine students amounting to $146,013.

SCOPE:

My audit of the National Direct Student Loan Program, College Work-Study Program and Supplemental Educational Opportunity Grants Program was performed in accordance with "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General in June 1972 (1974 reprint) and the Audit Guide prescribed by the Department of Health, Education and Welfare. The purpose of the audit was to formulate an opinion on the basic financial statements as a whole and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements and OE directives. The audit included:

1. Expressing an opinion on the Balance Sheets, related Statement of Changes of Fund Balances, and supplementary schedules.

2. Evaluation of the institution's policies, procedures, and practices used to administer the program.

3. Determination of compliance with applicable sections of the acts, related Federal regulations, and Office of Education policies and procedures.

4. Evaluation of the institution's systems of internal control, accounting, and reporting, and the controls maintained in the operation of and accounting for the funds provided for the programs.

5. Reconciliation of the information reported on the appropriate financial statements, with OE Form 646 for the years audited.

As part of my audit I obtained confirmation from selected students on NDSL loans, SEOG awards and students participating in the CWS Program. I mailed out 74 requests for confirmation to students participating in the campus based programs. I received 14 confirmations back from the students which were correct. 37 of the confirmations were not returned by the students and the balance of 23 were returned by the Post Office with the notation "moved, left no forwarding address". Alternate methods of verifying payments were taken to satisfy myself that the students actually received the amounts reported.

The audit covered the period July 1978 through June 30, 1980 and the field work was performed during the month of August, 1980. The audit work was conducted on the campus of Santa Barbara City College in the office of Financial Aids.

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ROBERT M. MOSS ACCOUNTANCY CORPORATION
HIGHLIGHTS OF AUDIT RESULTS

Our audit disclosed that the institution generally administered its student aid programs (NDSL, CWS and SEOG) in a satisfactory manner and in accordance with the DHÉW federal regulations and directives pertaining to the above-named programs. However, there were a few minor discrepancies discovered. These matters are discussed more fully under the "Findings and Recommendations" section of this report, see page 17. As to our opinion on the Financial Statements and Schedules, see page 3.
December 6, 1980

Santa Barbara City College
Santa Barbara, California

I have examined the Balance Sheets of the National Direct Student Loan (NDSL), College Work-Study (CWS), and Supplemental Educational Opportunity Grants (SEOG), Programs of Santa Barbara City College as of June 30, 1980, and the related statements of changes in fund balance for the two-year period then ended. My examination was made in accordance with the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued in June 1972 (1974 reprint) by the Comptroller General (GAO), applicable to examination of financial operations and reviews of compliance with applicable laws and regulations, and with the audit requirements set forth in the Audit Guide issued by the Department of Health, Education, and Welfare dated July, 1978 and accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the financial statements referred to above present fairly the financial position of the NDSL, CWS, and SEOG Programs, of Santa Barbara City College at June 30, 1980, and the changes in fund balances for the two-year period then ended, in conformity with generally accepted accounting principles.

ROBERT M. MOSS ACCOUNTANCY CORPORATION

[Signature]

9595 WILSHIRE BOULEVARD • SUITE 801 • BEVERLY HILLS, CALIFORNIA 90212 • (213) 278-2248
SANTA BARBARA CITY COLLEGE
NATIONAL DIRECT STUDENT LOAN PROGRAM
BALANCE SHEET, June 30, 1980

ASSETS

CASH ON HAND AND IN DEPOSITORY $ 8,551

STUDENT LOANS RECEIVABLE (see Schedule 1) $ 263,170

Less allowance for doubtful loans (7,899) 255,271

TOTAL ASSETS $ 263,822

LIABILITIES AND FUND BALANCES

LIABILITIES

$ -

FUND BALANCES (DEFICIT):

Capital:
Federal contributions;
Authorized 260,402
Repaid 2,565

Balance 257,837

Institutional contributions:
Authorized 29,049
Repaid -

Balance 29,049

Noncapital deficit (Exhibit A-1) (23,064)

Total fund balances 263,822

TOTAL LIABILITIES AND FUND BALANCES $ 263,822

See Notes to Financial Statements.
NATIONAL DIRECT STUDENT LOAN PROGRAM
STATEMENT OF CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDED June 30, 1980
AND THE PERIOD January, 1959
THROUGH June 30, 1980

For Period
January, 1959-
June 30, 1980

Two-Year Period
Ended
June 30, 1980

<table>
<thead>
<tr>
<th>NON-CAPITAL FUND BALANCE</th>
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</thead>
<tbody>
<tr>
<td>ADDITIONS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on loans collected</td>
<td>$ 8,176</td>
<td>$ 2,882</td>
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<tr>
<td>Reimbursement on loans canceled</td>
<td>99</td>
<td>60</td>
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<td>TOTAL ADDITIONS</td>
<td>8,275</td>
<td>2,942</td>
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<tr>
<th>DEDUCTIONS:</th>
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<tbody>
<tr>
<td>Loan principal and interest canceled</td>
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<td></td>
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<tr>
<td>Teaching service</td>
<td>2,551</td>
<td>605</td>
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<td>Military service</td>
<td>223</td>
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<td>Death</td>
<td>1,375</td>
<td>1,198</td>
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<td>Bankruptcy</td>
<td>5,515</td>
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<td>Other</td>
<td>250</td>
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<td>Administrative expense</td>
<td>12,042</td>
<td>1,583</td>
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<tr>
<td>Other collection costs</td>
<td>1,484</td>
<td>354</td>
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<tr>
<td>Provision for doubtful loans</td>
<td>7,899</td>
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<tr>
<td>TOTAL DEDUCTIONS</td>
<td>31,339</td>
<td>3,837</td>
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<tr>
<td>Net decrease for period</td>
<td>(23,064)</td>
<td>(895)</td>
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<tr>
<td>Fund deficit, beginning of period</td>
<td></td>
<td>(22,169)</td>
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NON-CAPITAL FUND DEFICIT,
June 30, 1980

For Period
January, 1959-
June 30, 1980

<table>
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<tr>
<th>CONTRIBUTIONS</th>
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<table>
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<tr>
<th>CAPITAL FUND BALANCES:</th>
<th>Federal</th>
<th>Institutions</th>
<th>Federal</th>
<th>Institutions</th>
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</thead>
<tbody>
<tr>
<td>Fund Balance, Beginning of Period</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 260,402</td>
<td>$ 29,049</td>
</tr>
<tr>
<td>Add Authorized Contribution</td>
<td>260,402</td>
<td>29,049</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance, June 30, 1980 (End of Period)</td>
<td>$260,402</td>
<td>$29,049</td>
<td>$260,402</td>
<td>$29,049</td>
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See Notes to Financial Statements.
# SANTA BARBARA CITY COLLEGE
## COLLEGE WORK-STUDY PROGRAM
### BALANCE SHEET
#### June 30, 1980

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$—</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$—</td>
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<table>
<thead>
<tr>
<th>FUND BALANCE</th>
<th></th>
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<tbody>
<tr>
<td>Fund Balance</td>
<td>$—</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>$—</td>
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</tbody>
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See Notes to Financial Statements
SANTA BARBARA CITY COLLEGE  
COLLEGE WORK-STUDY PROGRAM  
STATEMENT OF CHANGES IN FUND BALANCE  
For the Year Ended June 30, 1979

Additions:  
Total Grant Award Authorization $352,595

Deduct:  
Amount of Grant Award Not Requested (Unexpended CWS Grant Award Authorization) 254

Balance - Funds Provided by Federal Government 352,341

Add - Funds Provided by Institution $75,687  
Funds Transferred from SEOG  - 75,687

Total Funds Provided 428,028

Deductions:  
Wages:  
On Campus:  
Federal Share $115,544  
Institution Share 28,886

Off Campus:  
Federal Share 187,205  
Institution Share 46,801 378,436

Administrative Expenses 15,138  
Funds Transferred to SEOG 34,454

Total Deductions 428,028

Net Increase (Decrease) for Year -

Fund Balance Beginning of Year -

Fund Balance End of Year $-

See Notes To Financial Statements

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ROBERT M. MOSS ACCOUNTANCY CORPORATION
SANTA BARBARA CITY COLLEGE
COLLEGE WORK-STUDY PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
For the Year Ended June 30, 1980

Additions:
  Total Grant Award Authorization $ 374,908

Deduct:
  Amount of Grant Award Not Requested
    (Unexpended CWS Grant Award Authorization) 10,061

Balance - Funds Provided by Federal Government 364,847

Add - Funds Provided by Institution
  Funds Transferred from SEOG $ 81,960
  Total Funds Provided 81,960

Deductions:
  Wages:
    On Campus:
      Federal Share $ 134,980
      Institution Share 33,745
    Off Campus:
      Federal Share 192,861
      Institution Share 48,215 409,801

Administrative Expenses 16,392
Funds Transferred to SEOG 20,614

Total Deductions $446,807

Net Increase (Decrease) for Year

Fund Balance Beginning of Year

Fund Balance End of Year $ __________

See Notes to Financial Statements

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ROBERT M. MOSS ACCOUNTANCY CORPORATION
SANTA BARBARA CITY COLLEGE
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
BALANCE SHEET
June 30, 1980

ASSETS

Cash

Total Assets

$___

$___

FUND BALANCE

Fund Balance

Total Fund Balance

$___

$___

See Notes to Financial Statements
SANTA BARBARA CITY COLLEGE
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
For the Year Ended June 30, 1979

Additions:
Total Grant Authorization $ 70,267

Deduct:
Amount of Grant Award Not Requested or Deposited (Unexpended SEOG Grant Award Authorization) $

Balance - Funds Provided by Federal Government 70,267
Add - Funds Transferred from CWS 34,454

Total Funds Provided 104,721

Deductions:
Initial Awards $ 72,773
Continuing Awards 27,920
Administrative Expenses 4,028

Funds Transferred to CWS $

Total Deductions 104,721

Increase (Decrease) During Year $
Fund Balance Beginning of Year $
Fund Balance End of Year $ 

See Notes to Financial Statements

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## SANTA BARBARA CITY COLLEGE
### SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
### STATEMENT OF CHANGES IN FUND BALANCE
### For the Year Ended June 30, 1980

**Additions:**

Total Grant Authorization $131,239

**Deduct:**

Amount of Grant Award Not Requested or Deposited (Unexpended SEOG Grant Award Authorization) 0

Balance - Funds Provided by Federal Government 131,239
Add - Funds Transferred from CWS 20,614

Total Funds Provided 151,853

**Deductions:**

Initial Awards $107,530
Continuing Awards 38,483
Administrative Expenses 5,840

Funds Transferred to CWS 0

Total Deductions 151,853

Increase (Decrease) During Year 0

Fund Balance Beginning of Year 0

Fund Balance End of Year 0

See Notes to Financial Statements
<table>
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<th></th>
<th>For Period</th>
<th>Two-Year Period</th>
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<tr>
<td></td>
<td>January 1959</td>
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<td></td>
<td>Through</td>
<td>June 30, 1980</td>
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<td></td>
<td>June 30, 1980</td>
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<tr>
<td><strong>BALANCE, BEGINNING OF PERIOD</strong></td>
<td>$ -</td>
<td>$ 260,074</td>
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<tr>
<td><strong>FUNDS ADVANCED TO STUDENTS</strong></td>
<td>388,828</td>
<td>39,815</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>388,828</td>
<td>299,889</td>
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<td><strong>LESS CREDITS:</strong></td>
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<td>Collections</td>
<td>116,239</td>
<td>35,052</td>
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<td>Cancellations:</td>
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<td>Teaching service</td>
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<td>Military service</td>
<td>219</td>
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<td>Death</td>
<td>1,374</td>
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<td>Bankruptcy</td>
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<td>Other</td>
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<tr>
<td>Principal amount on loans assigned on OE</td>
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<tr>
<td><strong>Total Credits</strong></td>
<td>125,658</td>
<td>36,719</td>
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<tr>
<td><strong>BALANCE, at June 30, 1980</strong></td>
<td>$ 263,170</td>
<td>$ 263,170</td>
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SANTA BARBARA CITY COLLEGE
NATIONAL DIRECT STUDENT LOAN PROGRAM
COMPUTATION OF DEFAULT RATE
As of June 30, 1980
(Cumulative Information)

PRINCIPAL OUTSTANDING ON LOANS IN DEFAULT

Total amount advanced on loans in default $158,200
Deduct:
Principal amount repaid or cancelled $10,269

Total remaining principal amount which has neither been paid nor cancelled on all notes in default $147,931

TOTAL AMOUNT OF MATURER PRINCIPAL

Total amount advanced - all borrowers $388,828
Deduct - amounts not in Repayment status:
Student status at Santa Barbara City College $60,025
Student status at another Institution 5,100
Grace period (armed forces, Peace Corps, Vista, hardship) 2,500

Total amount not in repayment status $67,625
Total amount of matured principal $321,203

PERCENTAGE OF LOANS IN DEFAULT

$147,931 $321,203 = 46.05%
SANTA BARBARA CITY COLLEGE
NATIONAL DIRECT STUDENT LOAN PROGRAM
ANALYSIS OF CASH FLOW
Two-Year Period Ended June 30, 1980

CASH BALANCE at beginning of year $ 12,445

ADD

Federal Contributions
Institution's Contribution

REPROGRAMMED FUNDS

Sustained Audit Adjustments
Program Refunds

Collections 35,052
Reimbursements on loans cancelled 60
Interest on Loans - Collected 2,882

TOTAL CASH AVAILABLE for the period 50,439

FUNDS APPLIED

Funds Advanced to Students 39,815
Administrative Expenses 1,583
Other Collection Costs 354
Refunds 136

TOTAL FUNDS APPLIED 41,888

Cash balance at end of period $ 8,551
TOTAL ADMINISTRATIVE COST ALLOWANCE
(NDSL, CWS, and SEOG) $ 42,981

Deduct Expenditures Related to Student Consumer Information Service:
  Preparation of information dissemination topics 3,425
  Dissemination of information to students 2,055
  Salaries and wages of employees 37,501

Total expenditures related to Student Consumer Information Services 42,981

Balance of Allowance $  

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(1) Except for amounts reported for the allowance for doubtful loans, the amounts reported on the Statements of Changes in Fund Balance for the NDSL, CWS and SEOG Programs agree with the amounts reported on the Office of Education Fiscal Operations Reports, ED Form 646 as amended.

(2) Transfers between programs were made during the year and are in accord with the 10 per cent limitation recorded in the federal regulations.

(3) Funds provided by the Institution included amounts provided by outside agencies.
FINDINGS AND RECOMMENDATIONS
FINANCIAL

(1) As shown on Schedule 2 page 13 the institution has a default rate in excess of 10%. The college has taken corrective action by assigning all past-due accounts in May and July 1977 to an independent collection agency. Additional assignments were made in 1979 and 1980.

(2) NDSSL Promissory Notes and Student Ledgers on hand at the institution are not kept in locked fire-proof containers. Fire-proof file cabinets should be installed. In all other respects student files are kept in excellent condition.

(3) An incorrect cash balance was reported for the NDSSL Program at June 30, 1980. The student finance office was instructed to submit an amended page 10 to the Fiscal Operations Report. This audit ties in to that amended report.
CONCLUSIONS ON INTERNAL ACCOUNTING
AND ADMINISTRATIVE CONTROL AND COMPLIANCE INFORMATION

I have examined the financial statements on the NDSL, CWS and SEOG Programs of Santa Barbara City College for the years ended June 30, 1979 and 1980. My opinion on the above statements is contained on page 3 of this report. As a part of my examination, I reviewed and tested the college's system of internal accounting control to the extent I considered necessary to evaluate the system as required by "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General (GAO) in June 1972 (1974 reprint). Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

I have also made a study of those internal accounting control and administrative control procedures of Santa Barbara City College that I considered relevant to the criteria established by the Department of Health, Education, and Welfare as set forth in section 3.2, 3.3, and 3.4 of its Audit Guide issued July 1978. My study included tests of compliance with such procedures during the period from July 1, 1978 through June 30, 1980.

I understand that procedures in conformity with the criteria referred to in the second paragraph of this report are considered by the Department of Health, Education and Welfare to be adequate for its purpose in accordance with the provisions of the Higher Education Act of 1965 and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on my study, I believe the Santa Barbara City College procedures were adequate for the Department's purposes.

This report is intended for use in connection with the grant to which it refers and should not be used for any other purposes.
FINDING AND RECOMMENDATIONS
COMPLIANCE AND INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

(1) The college has not filled out a NASFAA self-evaluation system check-list as suggested in the Audit Guide. The Financial Aids Department has an ongoing self-evaluation system of their own which results in a more detailed evaluation and better records. An EOPS audit review of student records for 1977-1978 revealed this fact. I suggested to the Financial Aid Director that he should fill out the NASFAA Forms.

PRIOR AUDIT REPORTS

The District acted on all prior year findings and recommendations in a positive way and corrective action has been taken or is being considered. The prior findings that have not yet been totally remedied are repeated on page 17, numbers (1) and (2) and on this page as shown above.

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ROBERT M. MOSS ACCOUNTANCY CORPORATION