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, 1981
and June 30, 1982
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BACKGROUND

The National Direct Student Loan Program was established at Santa Barbara City College in 1962. Our audit covered the years ended June 30, 1981, in which forty-one students received loans amounting to $19,625, and June 30, 1982, in which thirty-nine students received loans amounting to $17,725.

The College Work-Study Program was established at Santa Barbara City College in 1965. Our audit covered the years ended June 30, 1981, in which two hundred ninety-eight students were employed resulting in expenditures of $386,740, and June 30, 1982, in which two hundred sixty-one students were employed resulting in expenditures of $373,309.

The Supplemental Educational Opportunity Grants Program was established in 1970 at Santa Barbara City College. Our audit covered the years ended June 30, 1981, in which grants were awarded to three hundred sixty-one students amounting to $143,932, and June 30, 1982, in which grants were awarded to three hundred eighty-six students amounting to $149,742.

SCOPE

Our 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 statements 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 system 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 our audit we obtained confirmation from selected students on NDSL loans, SEOG awards and students participating in the CWS Program. We mailed out 75 requests for confirmation to students participating in the campus based programs. We received 24 confirmations from the students which were correct. Students failed to respond or return 36 confirmations. The balance of 15 were returned by the Post Office with the notation "moved, left no forwarding address". Alternate methods of verifying payments were taken to satisfy ourselves that the students actually received the amounts reported.

The audit covered the period July 1980 through June 30, 1982, and the field work was performed during the month of November 1982. The audit was conducted on the campus of Santa Barbara City College in the Office of Financial Aids.
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 DHEW Federal regulations and directives. However, there were a few minor discrepancies discovered. These matters are discussed more fully in the "Findings and Recommendations" section of this report, see Page 17. As to our opinion on the financial statements and schedules, see Page 3.
Santa Barbara City College  
Santa Barbara, California

We have examined the balance sheets of the National Direct Student Loans (NDSL), College Work-Study (CWS), and Supplemental Educational Opportunity Grants (SEOG), Programs of Santa Barbara City College as of June 30, 1982, and the related statements of changes in fund balance for the two-year period then ended. Our examination was made in accordance with the "Standards for Audits of Governmental Organizations, Programs and 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 June 1980, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our 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, 1982, and the changes in fund balances for the two-year period then ended, in conformity with generally accepted accounting principles on a basis consistent with that of the preceding years.

ROBERT M. MOSS ACCOUNTANCY CORPORATION

[Signature]
# SANTA BARBARA CITY COLLEGE
## NATIONAL DIRECT STUDENT LOAN PROGRAM
### BALANCE SHEET
#### June 30, 1982

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in depository</td>
<td>$8,703</td>
</tr>
<tr>
<td>Student loans receivable (see Schedule 1)</td>
<td>$256,290</td>
</tr>
<tr>
<td>Less allowance for doubtful loans</td>
<td>(7,689)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$257,304</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND FUND BALANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>$-</td>
</tr>
<tr>
<td>Fund Balances (Deficit):</td>
<td></td>
</tr>
<tr>
<td>Capital:</td>
<td></td>
</tr>
<tr>
<td>Federal contributions:</td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>260,402</td>
</tr>
<tr>
<td>Repaid</td>
<td>(2,565)</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td><strong>257,837</strong></td>
</tr>
<tr>
<td>Institutional contributions:</td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>29,049</td>
</tr>
<tr>
<td>Repaid</td>
<td>(285)</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td><strong>28,764</strong></td>
</tr>
<tr>
<td>Non-capital deficit (Exhibit A-1)</td>
<td>(29,297)</td>
</tr>
<tr>
<td><strong>Total fund balances</strong></td>
<td><strong>$257,304</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and fund balances</strong></td>
<td><strong>$257,304</strong></td>
</tr>
</tbody>
</table>

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See notes to financial statements.
SANTA BARBARA CITY COLLEGE
NATIONAL DIRECT STUDENT LOAN PROGRAM
STATEMENT OF CHANGES IN FUND BALANCES
For the Two-Year Period Ended June 30, 1982
and the Period January, 1959 through June 30, 1982

Non-Capital Fund Balance

Additions:
  Interest on loans collected $ 14,688 $ 6,512
  Reimbursement on loans canceled 311 212

Total additions 14,999 6,724

Deductions:
  Loan principal and interest canceled:
    Teaching service 2,777 226
    Military service 223 
    Death 1,599 224
    Bankruptcy 5,515 
    Other 250 
  Administrative expense 12,643 601
  Other collection costs 11,766 10,282
  Provision for doubtful loans 7,689 (210)
  Cost of collection of loans assigned to U.S. 1,834 1,834

Total deductions 44,296 12,957

Net decrease for period (29,297) (6,233)
Fund deficit, beginning of period (23,064)
Non-Capital fund deficit,
June 30, 1982 $(29,297) $(29,297)

CONTRIBUTIONS

<table>
<thead>
<tr>
<th>For the Period</th>
<th>Year Ended</th>
</tr>
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<tbody>
<tr>
<td>January 1959-</td>
<td>June 30, 1982</td>
</tr>
<tr>
<td>June 30, 1982</td>
<td>June 30, 1982</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Federal</th>
<th>Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Fund Balances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balance, beginning of period</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Add authorized contribution</td>
<td>260,402</td>
<td>29,049</td>
</tr>
<tr>
<td>Fund balance, June 30, 1982 (End of Period)</td>
<td>$260,402</td>
<td>$29,049</td>
</tr>
</tbody>
</table>

See notes to financial statements.
## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$34,080</td>
</tr>
<tr>
<td>Total assets</td>
<td>$34,080</td>
</tr>
</tbody>
</table>

## FUND BALANCE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balance</td>
<td>$34,080</td>
</tr>
<tr>
<td>Total fund balance</td>
<td>$34,080</td>
</tr>
</tbody>
</table>

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, 1981

Additions:
  Total Grant Award authorizations $337,174

Deduct:
  Amount of Grant Award not requested
    (unexpended CWS Grant Award authorization)

Balance - funds provided by Federal Government 337,174

Add:
  Funds provided by Institution 77,348

Total funds provided 414,522

Deductions:
  Wages:
    On Campus:
      Federal share $144,892
      Institution share 36,223  $181,115

    Off Campus:
      Federal share 164,500
      Institution share 41,125  205,625

  Administrative expenses
  Funds transferred to SEOG

  Total deductions 407,362

Net increase (decrease) for year 7,160

Fund balance beginning of year

Fund balance end of year $ 7,160

See notes to financial statements.
Additions:
  Total Grant Award authorization $344,233

Deduct:
  Amount of Grant Award not requested
    (unexpended CWS Grant Award authorization) __________

Balance - funds provided by Federal Government 344,233

Add:
  Funds provided by Institution 74,661

Total funds provided 418,894

Deductions:
  Wages:
    On Campus:
      Federal share $166,866
      Institution share 41,716  $208,582
    Off Campus:
      Federal share 131,782
      Institution share 32,945  164,727

Administrative expenses 18,665
Funds transferred to SEOG __________

Total deductions 391,974

Net increase (decrease) for year 26,920
Fund balance beginning of year 7,160
Fund balance end of year $ 34,080

See notes to financial statements.
SANTA BARBARA CITY COLLEGE
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
BALANCE SHEET
June 30, 1982

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, 1981

Additions:
   Total Grant authorization $150,925

Deduct:
   Amount of Grant Award not requested or deposited
   (unexpended SEOG Grant Award authorization) —

Balance - funds provided by Federal Government 150,925
Add:
   Funds transferred from CWS —

Total funds provided 150,925

Deductions:
   Initial Awards $100,810
   Continuing Awards 43,122
   Administrative expenses 6,993
   Funds transferred to CWS —

Total deductions 150,925

Net increase (decrease) for year —

Fund balance beginning of year —

Fund balance end of year —

See notes to financial statements.
Additions:
Total Grant authorization $158,996

Deduct:
Amount of Grant Award not requested or deposited
(unexpended SEOG Grant Award authorization) 1,767

Balance - funds provided by Federal Government 157,229
Add:
Funds transferred from CWS

Total funds provided 157,229

Deductions:
Initial Awards $104,704
Continuing Awards 45,038
Administrative expenses 7,487
Funds transferred to CWS

Total deductions 157,229

Net increase (decrease) for year
Fund balance beginning of year
Fund balance end of year $-

See notes to financial statements.
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<tr>
<th>Description</th>
<th>For Period January 1959 through June 30, 1982</th>
<th>Two-Year Period ended June 30, 1982</th>
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<tr>
<td>Balance, beginning of period</td>
<td>$ -</td>
<td>$263,170</td>
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<tr>
<td>Funds advanced to students</td>
<td>426,178</td>
<td>37,350</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>426,178</td>
<td>300,520</td>
</tr>
<tr>
<td><strong>Less Credits:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collections</td>
<td>158,552</td>
<td>42,313</td>
</tr>
<tr>
<td>Cancellations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teaching service</td>
<td>2,475</td>
<td>209</td>
</tr>
<tr>
<td>Military service</td>
<td>219</td>
<td></td>
</tr>
<tr>
<td>Death</td>
<td>1,582</td>
<td>208</td>
</tr>
<tr>
<td>Bankruptcy</td>
<td>5,310</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Principal amount on loans assigned to U.S.</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total credits</strong></td>
<td>169,888</td>
<td>44,230</td>
</tr>
<tr>
<td><strong>Balance - June 30, 1982</strong></td>
<td>$256,290</td>
<td>$256,290</td>
</tr>
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See notes to financial statements.
PRINCIPAL OUTSTANDING ON LOANS IN DEFAULT

Total amount advanced on loans in default $161,463
Deduct:
    Principal amount repaid or canceled 11,463
Total remaining principal amount which has neither been paid nor canceled on all notes in default $150,000

TOTAL AMOUNT OF MATUERED PRINCIPAL

Total amount advanced - all borrowers $426,178
Deduct:
    Amounts not in repayment status:
        Student status at Santa Barbara City College or another institution $32,150
        Grace period (armed forces, Peace Corps, Vista, hardship) 6,175
Total amount not in repayment status 38,325
Total amount of matured principal $387,853

Percentage of loans in default 38.68%

\[
\frac{150,000}{387,853} = 38.68\%
\]
Cash balance at beginning of year $ 8,551

Add:
- Federal contributions $ -
- Institution's contribution -

Reprogrammed Funds:
- Sustained audit adjustments -
- Program refunds -

Collections
- Reimbursements on loans canceled 42,313
- Interest on loans collected 629
- Defaulted principal assigned to U.S. 6,512
- 1,500

Total cash available for the period 59,505

Funds Applied:
- Funds advanced to students' 37,350
- Administrative expenses 601
- Other collection costs 10,282
- Refunds 285
- Costs of loan cancellations 2,284

Total funds applied 50,802

Cash balance at end of period $ 8,703
Total administrative costs allowance
(NDSL, CWS, and SEOG) $ 54,653

Deduct total or allocated portion of expenditures related to administering all Title IV Federal Student Financial Aid Programs:

Salaries, supplies and services 54,653

Balance of cost allowance $ -
SANTA BARBARA CITY COLLEGE
NATIONAL DIRECT STUDENT LOAN PROGRAM
COLLEGE WORK-STUDY PROGRAM
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 1981
and June 30, 1982

(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) Funds provided by the Institution included amounts provided by outside agencies.
(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 1981 and 1982.

(2) NDSL 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.
We have examined the financial statements of the NDSL, CWS and SEOG Programs of Santa Barbara City College for the years ended June 30, 1981 and 1982. Our opinion on the above statements is contained on page 3 of this report. As part of our examination, we reviewed and tested the college's system of internal accounting control to the extent we 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.

We have also made a study of those internal accounting control and administrative control procedures of Santa Barbara City College that we 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 June 1980. Our study included tests of compliance with such procedures during the period from July 1, 1980 through June 30, 1982.

We 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 our study, we 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.

ROBERT M. MOSS ACCOUNTANCY CORPORATION
(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. We suggested to the Financial Aid Director that he should fill out the NASFAA forms.

PRIOR AUDIT REPORTS

The Institution 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.