SANTA BARBARA CITY COLLEGE
SANTA BARBARA, CALIFORNIA

AUDIT REPORT

STUDENT FINANCIAL ASSISTANCE PROGRAMS
For the Two Years Ended June 30, 1984

ROBERT M. MOSS ACCOUNTANCY CORPORATION

Enc. 1
Item 5.3-a
3-14-85
Auditor's Report on Statement of Changes in SFA Program Fund Balances and Supplementary Schedule of Disbursements and Expenditures for each SFA Program .................. 1

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The Board of Trustees
Santa Barbara City College
Santa Barbara, California 93109

We have examined the accompanying statement of changes in Student Financial Assistance program fund balances of Santa Barbara City College for the two year period ended June 30, 1984. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying statement was prepared for the purpose of complying with the audit requirement relating to the Student Financial Assistance Programs of the U.S. Department of Education and is limited to activities related to these programs.

In our opinion, the statement referred to above presents fairly the changes in SFA program fund balances of Santa Barbara City College for the two year period ended June 30, 1984 in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made for the purposes of forming an opinion on the accompanying statement of changes in SFA program fund balances taken as a whole. The information included in the supplementary schedule of disbursements and expenditures for each SFA program for the two year period ended June 30, 1984, is presented for purposes of additional analysis and is not a required part of the accompanying statement of changes in SFA program fund balances. The information has been subjected to the auditing procedures applied in the examination of the accompanying statement of changes in SFA program fund balances of Santa Barbara City College, and in our opinion, is fairly stated in all material respects in relation to the accompanying statement taken as a whole.

ROBERT M. MOSS ACCOUNTANCY CORPORATION

Paul B. Moe, C.P.A.
SANTA BARBARA CITY COLLEGE  
Statement of Changes in SFA Program Fund Balances  
For the Two Year Period Ended June 30, 1984

<table>
<thead>
<tr>
<th>Grant and College Work Study</th>
<th>Student Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pell</td>
<td>SEOG</td>
</tr>
<tr>
<td>Fund balances - June 30, 1982</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal awards</td>
<td>948,710</td>
<td>298,235</td>
</tr>
<tr>
<td>Total additions</td>
<td>948,710</td>
<td>298,235</td>
</tr>
<tr>
<td>Deductions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>948,710</td>
<td>301,257</td>
</tr>
<tr>
<td>Wages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts returned to government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan cancellations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions for doubtful loans</td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total deductions</td>
<td>948,710</td>
<td>301,457</td>
</tr>
<tr>
<td>Other Changes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institution matching grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal and interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers among programs</td>
<td></td>
<td>3,222</td>
</tr>
<tr>
<td>Total other changes</td>
<td></td>
<td>3,222</td>
</tr>
<tr>
<td>Net increase (decrease) in fund balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balances - June 30, 1984</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

(1) Basis of Presentation

The accompanying statement of changes in SFA program fund balances for the two year period ended June 30, 1984, has been prepared in accordance with generally accepted accounting principles and the format as set forth in the publication, Audit Guide for Student Financial Assistance Programs. The purpose of the statement is to present, in summary form, SFA activities of the Santa Barbara City College for the two year period ended June 30, 1984, which have been financed by the U. S. Department of Education. Except as described in the following paragraph, generally accepted accounting principles are in agreement with the accounting practices prescribed for such programs by the Department of Education's fiscal control and fund accounting procedures.

The prescribed practices for the NDSL Program do not provide for a provision of allowances for doubtful loans. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are cancelled or written-off in conformity with NDSL Program requirements. These practices do not conform with generally accepted accounting principles.

In order to fully disclose the financial position of the NDSL loan fund, an allowance for doubtful loans was reported in the statement; however, the amounts are not included in the data submitted to the Department of Education on the Fiscal Operations Report for the NDSL Program.

Because the statement presents only a selected portion of the activities of the Santa Barbara City College, it is not intended to and does not present either the financial position, changes in fund balances or the current funds, revenues, expenditures, and other changes in fund balances of the Santa Barbara City College.
<table>
<thead>
<tr>
<th>Disbursements</th>
<th>Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1983</td>
</tr>
<tr>
<td>National Direct Student Loan Program</td>
<td>$21,212</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>1983</th>
<th>1984</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Work Study Program</td>
<td>433,655</td>
<td>386,286</td>
</tr>
<tr>
<td>Supplemental Educational Opportunity Grant Program</td>
<td>150,410</td>
<td>151,047</td>
</tr>
<tr>
<td>Pell Grant Programs</td>
<td>464,492</td>
<td>484,218</td>
</tr>
</tbody>
</table>
January 7, 1985

The Board of Trustees
Santa Barbara City College
Santa Barbara, California

RE: INTERNAL ACCOUNTING CONTROL BASED SOLELY ON A STUDY AND EVALUATION MADE AS PART OF AN AUDIT REQUIRED FOR THE SFA PROGRAMS OF THE U. S. DEPARTMENT OF EDUCATION

We have examined the statement of changes in SFA program fund balances for the two year period ended June 30, 1984 and have issued our reports thereon dated January 7, 1985. As part of our examination, we made a study and evaluation of the system of internal accounting control of Santa Barbara City College to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U. S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs Activities and Functions.

Under these standards, the purpose of our study and evaluation was to determine the nature, timing and extent of performing the auditing procedures necessary for expressing an opinion on the statement of changes in SFA program fund balances. 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.

The management of Santa Barbara City 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 management with reasonable, but not absolute, assurance that assets are safeguarded against 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 would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Santa Barbara City College taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management and the U. S. Department of Education and should not be used for any other purpose.

ROBERT M. MOSS ACCOUNTANCY CORPORATION

Paul B. Moe, C.P.A.
The Board of Trustees  
Santa Barbara City College  
Santa Barbara, California  

We have examined the accompanying statement of changes in SFA program fund balances of Santa Barbara City College for the two year period ended June 30, 1984, and have issued our report thereon dated January 7, 1985.

As part of our examination, we made a study and evaluation of those internal administrative methods and procedures established by Santa Barbara City College to administer and account for Student Financial Assistance Programs in accordance with significant administrative requirements of the Department of Education's March 1984 Audit Guide for Student Financial Assistance Programs, Section II and the following compliance requirements:

I    Cash Management
II   Financial Reporting
III  Institutional Eligibility and Participation
IV   Coordination of Student Aid Programs
V    Student File Maintenance Fiscal Procedures and Record Keeping
VI   Student Eligibility
VII  Institutional Disbursements to Award Recipients
VIII Refund Calculation and Overpayment Determination Procedures

We understand that procedures and systems in conformity with the criteria contained in these significant administrative requirements are considered by Education to be adequate for its purposes in accordance with the provisions of the Higher Education Act as amended. Based on this understanding and our study and evaluation, we believe the Santa Barbara City College's procedures and systems were adequate for Education's purposes, except for conditions that we believe are not in conformity with the criteria referred to above which are described in the schedule of findings and questioned costs.
January 7, 1985
Santa Barbara City College

In addition, our examination also included test of controls to ensure compliance with the provisions of certain major program terms and conditions identified in Section II-Compliance Requirements of the Guide. Based upon our examination, we found that for the items tested, the institution complied with material terms and conditions of the SFA award agreements.

Further, based on our examination and the procedures referred to above, except as discussed in the preceding paragraph, nothing came to our attention to indicate the Santa Barbara City College had not complied with the material terms and conditions of SFA programs.

This report is intended solely for the use of the Santa Barbara City College, the cognizant audit agency and other Federal audit agencies and should not be used for any other purpose.

ROBERT M. MOSS ACCOUNTANCY CORPORATION

Paul B. Moe, C.P.A.
Finding No. 1 - Fiscal Operations Report (ED Form 646-1)

Cash on hand and in depository as reported in part III NDSL, Section A column C amounting to $1,788 was incorrectly reported as a debit balance when it actually was a credit balance of $(1,788).

Recommendation

Notify the State Department of Education about this minor error.

College's Comment

This report is sufficient notification.

Finding No. 2 - Default Rate on Student Loans

The default rate on NDSL notes receivable is still in excess of 10%, even though it has been reduced from 38.68% in 1982 to 30.94% in 1984.

Recommendation

Try additional methods of collection.

College Response

The college has assigned additional past due notes to collection agencies and turned others over to the Franchise Tax Board for collection.
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 year finding that has not been totally remedied is repeated on page 9, number 2.