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October 2, 2015

Dr. Tomás D. Morales, President
California State University, San Bernardino
5500 University Parkway
San Bernardino, CA 92407-2393

Dear Dr. Morales:

Subject: Audit Report 15-46, Admissions, California State University, San Bernardino

We have completed an audit of *Admissions* as part of our 2015 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to the Office of Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Larry Mandel
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor

CSU Campuses

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ADMISSIONS

**California State University,
San Bernardino**

Audit Report 15-46
September 10, 2015

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to the admissions function and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor (CO) directives, and campus procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, except for the effect of the observations described below, administrative and financial controls for admissions as of July 23, 2015, taken as a whole, were sufficient to meet the objectives of this audit.

In general, the audit did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on admissions operational, administrative, and financial controls. Overall, we found that controls over the admissions function were sound. However, the review did identify opportunities for improvement in some areas, such as systemwide reporting, information management practices, background checks, redirection, and application fee controls.

Although the objectives of this audit were met, the observations discussed below indicate that some attention is needed to ensure that admissions financial, operational, and administrative operations are in conformance with existing policies and to a level necessary to meet management expectations. Most observations represent opportunities to improve admissions administrative and financial controls at California State University, San Bernardino (CSUSB).

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. BACKGROUND CHECKS

OBSERVATION

Campus policies and procedures related to background checks needed improvement.

We reviewed 15 employees who had access to sensitive data within the PeopleSoft Student Administration system used for admissions, and we found that:

- Background checks were not performed for three staff-level employees and eight student employees in the enrollment management offices. Further, we noted that current human resources policy did not require background checks for these employees.
- Documentation to show evidence of background checks was not consistently retained and was not available for four employees reviewed.

We also noted that the current human resources policy for background checks was outdated, as it was last updated in 1993, and did not reflect current practices.

Proper administration of background checks decreases the campus exposure to improper use of personally identifiable information.

RECOMMENDATION

We recommend that the campus:

- a. Update its background check policy to require background checks for staff-level employees and student employees in the enrollment management offices who have access to sensitive data and to ensure that the policy reflects current campus practices.
- b. Retain evidence of background checks.

MANAGEMENT RESPONSE

We concur. The campus plan is to:

- a. Update its background check procedures to require background checks for newly appointed staff-level employees and student employees in the enrollment management offices who have access to sensitive data, and to ensure that the policy reflects current campus procedures.
- b. Retain evidence of background checks.

The anticipated implementation date for these objectives is December 31, 2015.

2. REDIRECTION

OBSERVATION

The campus did not have a process to manage the redirection of eligible Student Transfer Achievement Reform (STAR) Act transfers who met CSU-minimum admission requirements but were denied admission to the campus due to impaction.

We found that eligible STAR Act students who did not meet the impaction criteria for the program that they applied to at CSUSB but were CSU-eligible were given the opportunity to be reconsidered for admission to a different, non-impacted program at the campus. However, the campus did not redirect these students to other CSU campuses, and as a result, also did not identify and code these students for systemwide reporting purposes.

When the campus does not redirect eligible transfers, it increases the risk of noncompliance with state regulations, and when it does not identify and code these transfers correctly, it increases the risk that data used by the CO to create systemwide reports for management, the legislature, and other interested parties will be inaccurate.

RECOMMENDATION

We recommend that the campus develop and document a process to manage the redirection and coding of eligible STAR Act transfers.

MANAGEMENT RESPONSE

We concur. The campus action plan is to develop and document a process to manage the redirection and coding of eligible STAR Act transfers. The anticipated implementation date for this objective is December 31, 2015.

3. APPLICATION FEE CONTROLS

OBSERVATION

Application fee collection and security procedures needed improvement.

We found that:

- The campus did not require that application fees be collected before admissions applications were processed and did not always collect fees from non-enrolled applicants, resulting in an estimated \$22,440 in uncollected fees for fall 2013.
- Checks and money orders were not restrictively endorsed upon receipt.

Insufficient controls over application-fee processing increases the risk that the campus will perform work for which they are not properly compensated and increases the risk of loss or misappropriation of assets.

RECOMMENDATION

We recommend that the campus:

- a. Reassess the practice of not collecting application fees before admissions applications are processed to determine whether this is in the best interest of the campus.
- b. Restrictively endorse checks and money orders upon receipt.

MANAGEMENT RESPONSE

We concur. The campus plans to:

- a. Reassess the practice of not collecting application fees before admissions applications are processed to determine whether this is in the best interest of the campus. The anticipated implementation date is December 31, 2015.
- b. Restrictively endorse checks and money orders upon receipt. This objective is complete as of September 30, 2015.

4. SYSTEMWIDE REPORTING

OBSERVATION

Admissions data reported to the CO was not always accurate.

We reviewed 30 applicants who were denied admission in fiscal year (FY) 2014/15 and found that:

- Twelve applicants who were appropriately denied because they failed to meet either CSU or CSUSB admissions criteria had incorrect codes regarding the type of denial.
- Ten applicants who were appropriately denied based on the aforementioned criteria had an incorrect accommodation status identifying the final status of their application due to a mapping error made when the reporting system was implemented at the campus.

We also reviewed 30 freshmen who were admitted and enrolled for FY 2014/15 and found that four of these freshmen, although appropriately admitted, had incorrect codes regarding the basis for admission.

Reporting inaccurate data regarding admissions to the CO increases the risk that systemwide reports for management, the legislature, or other interested parties will be inaccurate.

RECOMMENDATION

We recommend that the campus:

- a. Remind admissions evaluators of the importance of accurate data that will be used for systemwide reporting, emphasizing the areas noted above.
- b. Review the mapping of the accommodation status field and make any necessary updates to ensure that the correct information is reported to the CO.

MANAGEMENT RESPONSE

We concur. The campus plans to:

- a. Remind admissions evaluators of the importance of accurate data that will be used for systemwide reporting, emphasizing the areas noted in the audit observation. This objective is complete as of September 30, 2015.
- b. Review the mapping of the accommodation status field and make any necessary updates to ensure that the correct information is reported to the CO. The anticipated implementation date for this objective is December 31, 2015.

5. STUDENT RECORD PRIVACY AND SECURITY

OBSERVATION

Although information management practices concerning student records were informally reviewed on a periodic basis, documented formal reviews were not performed at least every two years, as required by campus and systemwide policy.

The lack of a documented review of information management practices increases the risk of regulatory violations and negative publicity in the event of privacy violations or complaints.

RECOMMENDATION

We recommend that the campus perform and document a review of information management practices concerning student records on a biennial basis.

MANAGEMENT RESPONSE

We concur. Management plans to perform and document a review of information management practices concerning student records on a biennial basis. The anticipated implementation date for this objective is December 31, 2015.

GENERAL INFORMATION

BACKGROUND

The California Master Plan for Higher Education, originally adopted in 1960, established a framework for higher education in the state of California that differentiated the functions of the three segments – the California Community Colleges, the California State University (CSU) system, and the University of California system – and established the principle that California high school graduates would have access to at least one of these segments. According to the plan, the top one-third of graduating California high school students, as determined by systemwide screening criteria such as grade point average and completion of specific course subjects, would be eligible for admission to the CSU system.

In recent years, due to both a lack of state funding and an increase in student admission demand, a number of campuses have not had the capacity to accommodate all CSU-eligible students who apply. This can occur at the campus level or in a specific program or major and is designated as impaction. Campus-level impaction restricts admissions to the campus for a specific enrollment category (e.g., first-time freshmen or transfer students), based on the instructional resources and physical capacity available at the campus. Program or major impaction restricts admission to a designated discipline, division, or major. In both cases, more rigorous supplementary screening criteria are used for admissions decisions. Before declaring impaction at the campus, program, or major level, or before making significant changes to its screening criteria, a campus must provide a series of public hearings and notifications and obtain approval from the CO. As of FY 2015/16, 17 of the 23 CSU campuses were impacted at the first-time freshmen level, and 14 campuses were impacted at the upper-division transfer level.

The STAR Act, signed into legislation in 2010, focuses on admission for students who wish to transfer from a community college to the CSU. This bill created new Associate in Arts and Associate in Science degrees that can be earned at a community college and are designed to provide a clear pathway to a CSU degree. Students who have earned these degrees are eligible for admission with junior standing into the CSU system, and upon enrollment, are eligible to graduate once they complete 60 semester units in their chosen major. Students are guaranteed admission to the CSU system, but not to a specific CSU campus or major. However, they are given priority admission consideration to their local CSU campus and to a program or major that is similar to their transfer degree.

Systemwide, for the fall 2014 semester, there were approximately 785,056 duplicated applications (a number that includes applications from the same student to multiple campuses) processed for new undergraduates, which resulted in approximately 115,778 new undergraduates enrolled. Total enrollment for the CSU system in the 2014 fall semester was approximately 460,200.

At CSUSB, the campus has been impacted at the freshman and transfer levels since fall 2010. In addition, four majors are impacted at the undergraduate level: criminal justice, kinesiology – Allied Health, social work, and nursing. For freshmen and upper division students, California applicants from high schools and community colleges within CSUSB's defined local area are admitted based on the minimum CSU systemwide requirements. California applicants outside the local area are subject to higher admissions criteria based on eligibility index (freshman) or

grade point average (transfers). These criteria are adjusted annually based on available space. Additional screening criteria for the four impacted majors differs depending on the major, but some of the requirements may include a supplementary application, higher GPAs, higher eligibility indices, or completion of pre-requisite courses. The nursing program only accepts California residents.

SCOPE

We visited the CSUSB campus from June 22, 2015, through July 23, 2015. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative at CSUSB. The audit focused on procedures in effect from January 1, 2013, through July 23, 2015. Our review did not consider graduate programs, continuing and extended education, or international students.

Specifically, we reviewed and tested:

- Admission evaluations for first-time freshmen and upper-division transfer students.
- Approval and documentation of admissions exceptions.
- Processes for the notification and approval of impaction decisions.
- Residency determinations and processing of residency exceptions and fee waivers.
- Controls surrounding application fee processing and the granting of fee waivers.
- Processes to ensure that admissions data reported to the CO is current and accurate.
- Protection of application and admission records.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology was designed to provide a review of key operational and administrative controls, which included detailed testing on a limited number of transactions. Our review did not examine all aspects of the admissions process.

CRITERIA

Our audit was based upon standards as set forth in CSU Board of Trustee policies; CO policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Executive Order (EO) 523, *Modified Eligibility Indices for Admission to the CSU*
- EO 563, *Impacted Programs and Campuses*
- EO 796, *Privacy and Personal Information Management – Student Records Administration*

- EO 962, *Undergraduate Admissions Exceptions*
- Coded Memorandum Academic Affairs (AA) 2006-30, *Identification and Classification of CSU Students Not Required to Pay Non-Resident Fees*
- AA 2010-10, *Transfer Grade Point Averages and the Enrollment Reporting System*
- AA 2010-20, *CSU Local Admission Areas and Designated Service Areas for School College Relations*
- AA 2011-17, *Admissions Appeals Process*
- AA 2012-22, *Impacted Programs, 2014-15*
- AA 2014-20, *Admission Exception Allocations, 2014-15 and 2015-16*
- Integrated California State University Administrative Manual §8000, *Information Security*
- California Code of Regulations, Title 5, Division 5, Chapter 1, Subchapter 3, *Admission Requirements*
- Education Code (EC), §66201-§66207, *Donahoe Higher Education Act – Admissions*
- Assembly Bill 2402, *CSU Admissions Procedural Requirements*, codified in EC §89030.5
- Senate Bill 1440 and 440, *Student Transfer Achievement Reform Act*, codified in EC §66745-§66749
- EC §68000-§68134, *Uniform Student Residency Requirements*
- CSUSB *Policy and Procedures for Student Records Administration*

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