## STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL



PERFORMANCE AUDIT

OF THE

### FLORIDA STUDENT ASSISTANCE GRANTS PROGRAM

ADMINISTERED BY THE DEPARTMENT OF EDUCATION

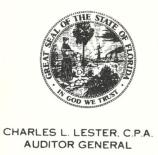
**DECEMBER 13, 1990** 

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#### STATE OF FLORIDA

#### OFFICE OF THE AUDITOR GENERAL



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December 13, 1990

The President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee

I have directed that a performance audit be made of the Florida Student Assistance Grants Program administered by the Department of Education. The results of the audit are presented to you in this report. This audit was made in accordance with Chapter 90-302, Section 28, Laws of Florida.

Respectfully yours,

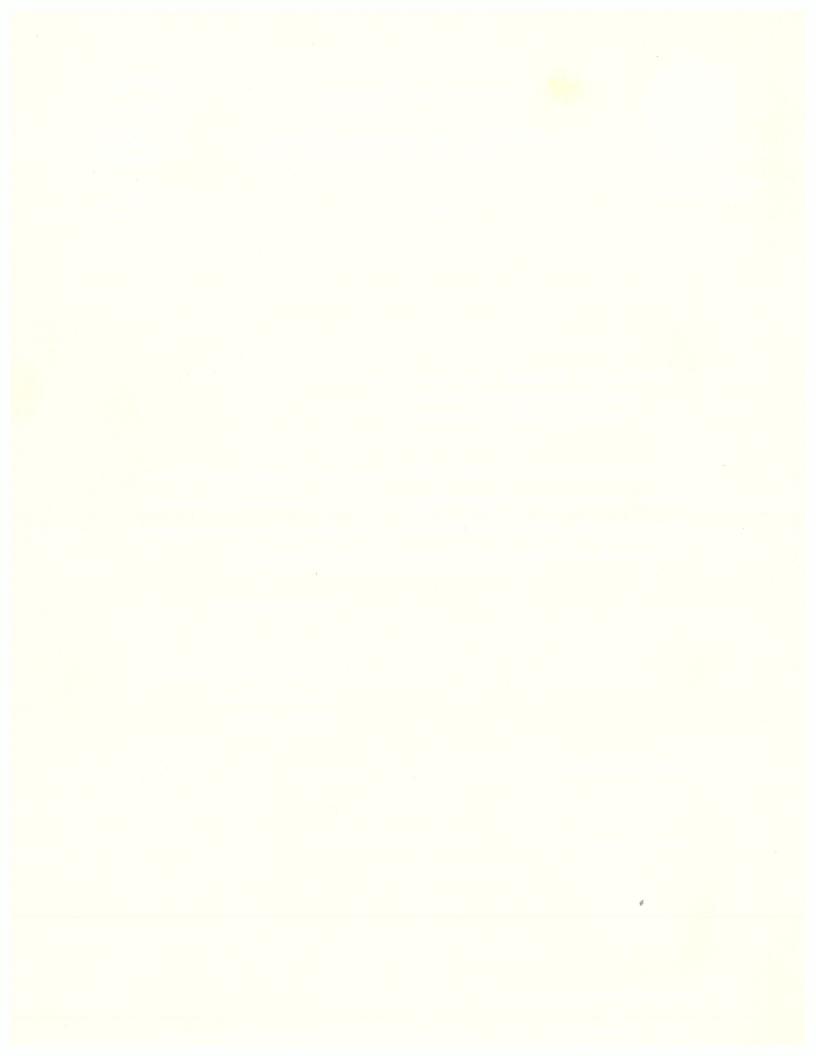
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# PERFORMANCE AUDIT OF THE FLORIDA STUDENT ASSISTANCE GRANTS PROGRAM ADMINISTERED BY THE DEPARTMENT OF EDUCATION

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### FLORIDA STUDENT ASSISTANCE GRANTS PROGRAM

#### PURPOSE AND SCOPE

This audit reviews the Florida Student Assistance Grants Program (FSAG) within the Department of Education. In general it focuses on the problems associated with the centralized administration of the FSAG Program. Particularly it examines whether the decentralization of administration would solve the problems experienced by the Florida Public Student Assistance Grant sector of the FSAG Program. Our specific objectives were:

- To examine the overall administration of the current FSAG Program and evaluate whether the policies and procedures regarding the awarding of funds clearly define both the duties and responsibilities of the Department and institutions, and the prerequisites for student eligibility;
- To examine the current methods of allocation and system of internal controls of the FSAG Program, and assess the effects these methods and controls have on the disbursements to public institutions and their students; and
- To assess the strengths and weaknesses of centralized and decentralized administration of FSAG and evaluate what potential effects they are likely to have on the allocation of funds to public institutions.

This audit was requested by Ch. 90-302, s. 28, Laws of Florida.

#### BACKGROUND

The FSAG Program has three major components, the Florida Public Student Assistance Grant Fund, authorized by s. 240.409, F.S., the Florida Private Student Assistance Grant Program, authorized by s. 240.4095, F.S., and the Florida Postsecondary Student Assistance Grant Fund authorized by s. 240.4097, F.S. The FSAG Program was established to provide grants ranging from \$200 to \$1,500 to full-time Florida undergraduate students with demonstrated financial need. According to ss. 240.409(2)(a), 240.4095(2)(a), and 240.4097(2)(a), F.S., recipients of the Florida Student Assistance Grant awards must meet the general requirements for student eligibility as provided in s. 240.404, F.S. To be eligible a student must be a resident in the state for no less than one year preceding the award; comply with Selected Services System registration; participate in the college-level communication and computation skills testing program; and submit certification attesting to the accuracy, completeness, and correctness of

information provided to demonstrate eligibility to receive state financial awards. To renew awards, students must earn at least 12 credits per term and maintain a minimum cumulative grade point average of 2.0 on a 4.0 scale. In addition to these requirements, students applying for Florida Public Assistance Grant funds must also apply for the Pell Grant. Pell grants shall be considered when conducting an assessment of the student's total family resources.

The FSAG Program is supervised by the Office of Student Financial Assistance which administers and coordinates all student financial assistance programs that are the responsibility of the Florida Department of Education. In relation to the FSAG Program, the Office receives and processes student applications for FSAG funds; notifies students and institutions of application statuses; prepares listings of eligible students for institutional use; and allocates FSAG funds to institutions for disbursement to awarded students. From fiscal year 1988-89 to 1989-90, total funding for the FSAG Program increased 10%. In fiscal year 1990-91, total funding for the Program was \$26,839,882.

#### **RESULTS IN BRIEF**

Some program inefficiencies result from the process of determining student financial need on a statewide basis. However, decentralization of the allocation process will not effectively correct problems with delays in packaging student aid without compromising some of the Program's primary objectives. Decentralization would necessitate changing the Program's current objective of allocating FSAG funds based on a statewide financial needs determination to an institutionally based needs determination. Institutionally based needs determination would not ensure that the most needy eligible students statewide receive funds, and would prevent students who transfer between institutions from retaining their priority eligibility status for grants. The Department could establish a more efficient allocation process by developing and implementing a more defined set of eligibility criteria.

#### **FINDINGS**

The Department has not developed a program manual that defines the Department's and institutions' roles and responsibilities in the administration of the FSAG Program. To facilitate Program administration the Department has developed operational procedures and guidelines for Department use and memorandums for institutions' use. The operating procedures manual provides guidance to Program staff on processing financial aid applications, ranking applicants, and reconciling accounts of institutions that receive FSAG funds. The memorandums developed for institutions provide specific information on how institutions are to complete reports, and when these reports

should be returned to the Department. While these documents outline the separate functions of DOE staff and institutions staff, they do not indicate how institutional functions fit into the FSAG process, clarify applicant priority groups, or student appeal processes. Without a manual to guide Program operations, many institutions find the FSAG awards process to be unclear.

DOE's current system of needs determination for FSAG awards contributes to Program inefficiencies. DOE commits FSAG funds based on an assessment of statewide needs. Because of the process of needs determination, DOE is not able to inform institutions early in the year which students will be committed grant funds. To ensure that priority in the distribution of grant funds is given to the applicants with the lowest total family resources, DOE processes preliminary eligibility data and then ranks all applicants in the state in order to commit grant funds. DOE must rely on institutions to correct needs determinations that are based on limited information. This process is time consuming and causes DOE to notify institutions late in the year which students will be committed FSAG awards. Late notification of awards limits the institutions ability to develop the most beneficial financial aid package for the student.

Revision to the FSAG process of determining needy students eligibility for awards, rather than decentralization of administration, would better correct inefficiencies of the FSAG Program. According to the Postsecondary Education Planning Commission (PEPC) report on student financial aid administration, institutions strongly urged that the current FSAG system of administration be decentralized to allow each institution to determine awards rather than continue awarding from the State's Office of Student Financial Assistance. We found that both centralized and decentralized administrations have weaknesses which cannot be resolved by replacing one system with the other. Unlike the current administration which can assess statewide needs, we found that a decentralized system will only permit the processing of student applications according to different needs analysis used by the various institutions. While a decentralized FSAG administration, would enable institutions to package students financial aid on a more timely basis, it would not ensure the disbursement of funds to the neediest students Decentralization would also limit students choices of statewide. institutions they wish to attend since eligibility determination would be campus based. While the delays in the FSAG award process are linked to the centralized administration, these delays seem to be due to the eligibility needs determination process rather than problems with the centralized administration. A centralized administration more so than a decentralized one ensures more control over the allocation and disbursement of funds.

#### RECOMMENDATIONS

We recommend the Department establish comprehensive written policies and procedures that clearly define the roles and responsibilities of the Department and the institutions in relation to the goals and objectives of the FSAG Program. The policies and procedures should also guide the Department and institutions in implementing the priorities established by the Legislature. The policies should establish conditions for student appeal of Department award decisions and should outline the process students must follow when filing an appeal.

Given that the length of time taken to process awards is associated with assessing compliance with eligibility requirements, we recommend that the FSAG Program's current centralized administration be retained, and that DOE amend student eligibility criteria to include predetermined criteria with specified cut-off points for grant awards. We also recommend that DOE continue to determine statewide need and that awards be tied to a sliding scale as a way to simplify the eligibility requirements and needs determination. DOE is in a position to apply consistent eligibility criteria on a statewide basis which is needed to ensure that all applicants are treated equally in the awarding of financial aid. In addition, we recommend that DOE produce a listing of eligible students to be used by institutions to disburse awards to students or make linear reduction to grant awards when funding is insufficient. DOE should produce this listing to ensure that students receiving awards by the institution meet basic statewide eligibility criteria. DOE should request any legislative actions necessary to implement these recommendations.

For institutions, we recommend that they award financial aid to students who have met all eligibility requirements in accordance with the criteria and rules provided by DOE. We also recommend that institutions establish procedures for verifying the accuracy of family contributions. The public institutions should keep accurate documentation of all awards disbursed and make this information readily available to DOE for monitoring purposes.

#### **AGENCY RESPONSE**

The Commissioner of Education, in her response to our preliminary and tentative audit findings and recommendations, indicated specific actions taken or to be taken in response to our recommendations. The Department has agreed to develop an FSAG program manual to develop an alternative financial need methodology that permits an early determination of student eligibility.

#### **CHAPTER I**

#### Introduction: Purpose and Scope, Methodology

#### Purpose and Scope

Chapter 90-302, s. 28, Laws of Florida, requires the Auditor General to conduct a program audit of the Florida Public Student Assistance Grant Program, the Florida Private Student Assistance Grant Program, and the Florida Postsecondary Student Assistance Grant Program. These programs make up the Florida Student Assistance Grants Program (FSAG). The bill also requires the audit to examine and make recommendations concerning the feasibility of decentralizing administration of the Florida Public Assistance Grant Program within the FSAG Program.

In this audit we focused on the centralized administration of the grants program within the Department of Education (DOE). We placed particular emphasis on the Florida Public Student Assistance Grants Program to assess the feasibility of decentralizing administration. Our specific objectives were:

- To examine how the FSAG Program is administered and to evaluate whether the policies and procedures regarding the awarding of funds clearly define both the duties and responsibilities of DOE and institutions, and the prerequisites for student eligibility;
- To examine the FSAG Program's current methods of allocation and system of internal controls, and assess the effects these methods and controls have on the disbursements to institutions and their students; and
- To assess the strengths and weaknesses of centralized and decentralized administration of FSAG and evaluate what potential effects they are likely to have on the allocation of funds to public institutions.

#### Methodology

This audit was made in accordance with generally accepted government auditing standards and accordingly included appropriate performance audit and evaluation methods. Audit fieldwork was conducted from July to September 1990.

To determine how the Programs are currently administered we reviewed Program documents and procedure manuals, and interviewed program staff. We conducted a mail survey of all institutions and a follow-up telephone survey of ten randomly selected institutions' staff responsible for FSAG awards. We also interviewed the education committee legislative staff. In addition, we analyzed 1990-91 ranking reports produced by DOE to determine how student ranking occurs.

To examine the current methods of allocation and the system of internal controls, we interviewed staff and analyzed data collected from our survey of institutions concerning the allocation and accounting methodology. We also reviewed reports submitted to DOE by institutions participating in the Programs to verify the allocation policies and procedures. In addition, we reviewed a random sample of 35 student financial aid records at one institution to determine if and why eligible students received grant awards.

To assess the strengths and weaknesses of centralized and decentralized administration, we interviewed DOE staff concerning how the current administration would be changed if a decentralized administration were implemented. We also analyzed the survey data gathered from institutions receiving grant funds to determine whether they supported centralized or decentralized administration of the Programs and why. In addition, we interviewed financial aid officials at the State level in Georgia and Alabama regarding their state's recent efforts to decentralize the administration of their state grant program. We also reviewed literature on centralization and decentralization to determine the advantages and disadvantages of each system.

#### **CHAPTER II**

#### **Background: Program Design and Organization**

#### **Program Design**

The Florida Student Assistance Grants (FSAG) Program, as modified by Ch. 89-367, Laws of Florida, is a State program that provides need based grants ranging from \$200 to \$1,500 to full-time Florida undergraduate students with demonstrated financial need. Although a state administered program, the FSAG Program receives partial funding from the federal State Student Incentive Grant Program (SSIG). The SSIG Program, authorized under Title IV of the Higher Education Act of 1965, is a matching-funds program that encourages states to develop student aid programs. Under the SSIG Program, the United States Department of Education provides funds to states to establish a state grant program to provide assistance to students who demonstrate substantial financial need, and each state matches the federal funds on at least a 50-50 ratio.

The FSAG Program has three major components, the Florida Public Student Assistance Grant Fund authorized by s. 240.409, F.S., the Florida Private Student Assistance Grant Fund, authorized by s. 240.4095, F.S., and the Florida Postsecondary Student Assistance Grant Fund authorized by s. 240.4097, F.S. According to s. 240.409(2)(a), F.S., recipients of the Florida Public Student Assistance Grant Fund must have been accepted at a state university or community college authorized by Florida law. Section 240.4095, F.S., requires that recipients of the Florida Private Student Assistance Grant Fund must have been accepted at a baccalaureate-degree-granting independent nonprofit college or university, which is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. Section 240.4097(2)(a), F.S., requires that recipients of the Florida Postsecondary Student Assistance Grant Fund must have been accepted at a postsecondary institution that is located in and chartered as a domestic corporation by the State. The

institution can either be a private nursing diploma school approved by the Florida Board of Nursing, an institution either licensed by the State Board of Independent Colleges and Universities or exempt from licensure pursuant to s. 246.085(2)(a), F.S., or an institution licensed by the State Board of Independent Postsecondary Vocational, Technical, Trade, and Business Schools that offers baccalaureate degrees or associate of arts or associate of science degrees.

Sections 240.409(2)(a), 240.4095(2)(a), and 240.4097(2)(a), F.S., require all students receiving grant awards to be full-time students and to meet the general requirements for student eligibility for aid as provided in s. 240.404, F.S., which include:

- Participation in the college-level communication and computation skills testing program;
- Residency in the state for no less than one year preceding the award of aid;
- Compliance with Selective Service System registration requirements pursuant to s. 240.4045, F.S.;
- Submission of certification attesting to the accuracy, completeness, and correctness of information provided to demonstrate eligibility to receive state financial aid awards; and
- For renewal students, earning at least 12 credits per term and maintenance of a minimum cumulative grade point average of 2.0 on a 4.0 scale.

In addition to the above requirements ss. 240.409(2) and (3), 240.4095(2) and (3), and 240.4097(2) and (3), F.S., require that students applying for FSAG funds must also apply for the Pell Grant, and that Pell Grants shall be considered when conducting an assessment of the student's total family resources. Pell Grants are need-based federal financial assistance provided to postsecondary students with demonstrated financial need. Pell Grants are considered the first source of aid to students, and other sources of aid should supplement Pell Grants. According to federal regulations, other sources of aid, including

state grants and campus based aid, in combination with Pell Grants should not exceed the students cost of attendance.

To assist in determining students in need of FSAG awards, DOE has contracted the Multiple Data Entry (MDE) processors agency to conduct preliminary student needs analysis. MDE processors are also contracted by the federal government to perform needs analyses for federal financial assistance programs.

#### **Program Organization**

The FSAG Program is administered by the Department of Education (DOE). DOE is governed by the State Board of Education which is composed of the Governor and Cabinet. The Governor is Chairman of the Board and the Commissioner of Education is the Secretary of the Board and Executive Officer of the Department of Education. Betty Castor was elected Commissioner of Education and assumed office on December 31, 1986.

The FSAG Program is administered by the Office of Student Financial Assistance which administers and coordinates all student financial assistance programs that are the responsibility of the Florida Department of Education. In relation to the grant programs, the Office receives and processes student applications for grant funds; notifies students and institutions of application statuses; prepares listings of eligible students for institutional use; and allocates grant funds to institutions for disbursement to students. As shown in Exhibit 1, the Office is organizationally placed within the Deputy Commissioner's Office of Educational Planning, Budgeting, and Management.

#### Exhibit 1

## Organization Chart for the Office of Student Financial Assistance within the Department of Education

## Commissioner of Education

#### **Assistant Commissioner**

Deputy Commissioner for Education Planning, Budgeting, and Management

## Office of Student Financial Assistance

- Administers and coordinates student financial assistance programs, including scholarships and loans sponsored by the State and/or Federal government, and
- Coordinates with students, parents, secondary schools, post-secondary schools, lenders, and collection agencies in the administration of financial aid programs.

Source: Department of Education.

#### **Program Resources**

Grants are funded from both state and federal sources. States receive annual State Student Incentive Grant Program allotments from the United States Department of Education based on each state's eligible postsecondary education enrollments. The federal allotment must be matched by funds appropriated by the state. In Florida, the state contributes a larger percentage than the federal match. Although federal funding decreased over the last three fiscal years, state funding and the overall funding level steadily increased. From fiscal year 1988-89 to 1989-90, total funding for grants increased 10%, and from fiscal year 1989-90 to 1990-91, total funding increased 25% (see Exhibit 2).

Exhibit 2

Sources of Revenue for the Florida Student Assistance Grant Program for Fiscal Years 1988-89 Through 1990-91					
	Percent of Percent of				
Fiscal Years	Federal	Total Funding	State	Total Funding	Total
1988-89	\$2,275,856	12%	\$17,278,880	88%	\$19,554,736
1989-90	2,248,551	10	19,278,880	90	21,527,431
1990-91	1,851,069	7	24,988,813	93	26,839,882

Source: Office of the Auditor General based on Department of Education documents.



#### CHAPTER III

#### **Findings and Recommendations**

#### Finding 1.1

The Department of Education has not developed a program manual that clearly explains the roles and responsibilities of the Florida Student Assistance Grants Program and institutional staff.

## The Florida Student Assistance Grants Program Administrative Policies and Procedures

Sections 240.409, 240.4095, and 240.4097, F.S., direct the Department of Education (DOE) to administer the Florida Student Assistance Grants Program (FSAG). To facilitate program administration, DOE has developed operating procedures and guidelines for Department use and memorandums for institutional use.

Although DOE has established operating procedures and guidelines for its use, and memorandums for institutional use, it has not developed a program manual that explains how DOE and institutions responsibilities are linked in the FSAG award process, clarifies applicants priority definitions, or outlines student appeals procedures. The operating procedures and guidelines developed for DOE's use provide instructions to staff on the daily operation of the Program. Among the topics covered in the operating procedures and guidelines are processing financial aid applications, ranking applicants, and reconciling accounts of institutions that receive grant funds. DOE's memorandums developed for institutions' use are usually attached to the various student eligibility reports DOE sends to the institutions each semester. These memorandums provide specific information on how institutions are to complete the reports, and when these reports should be returned to DOE. Other memorandums are sent to the institutions by DOE that amend or clarify information previously provided by DOE. None of these documents, however, outline the overall

purpose, policies, and procedures of the Program and how these are linked at DOE's level of the decision making process.

#### **Institutional Functions in Relation to FSAG Award Process**

For many institutions, the FSAG awards process is not clear. A telephone survey of ten randomly selected public institutions indicated that none received from DOE a program policies and procedures manual to guide them in the FSAG funding process. institutions are to contribute to the effectiveness of the FSAG Program they must clearly understand their's and DOE's responsibilities in the FSAG awards process. For example, DOE screens applicants to determine their preliminary eligibility status while institutions must verify the eligibility status of each student to receive a disbursement award. However, DOE has not developed a document or program manual that explains how the eligibility functions performed by DOE relate to that of the institutions, or how the information provided by institutions is used by DOE in making FSAG awards decisions. The absence of such explanations may have contributed to the lack of understanding expressed by staff in some institutions regarding the awards process. Eight of ten institution staff surveyed said they do not understand how the various reports relate to one another, and one said the deadline dates are confusing. Only one institution staff said the awards process is clear. A program policies and procedures manual developed by DOE could improve understanding of the Program by clearly stating the Program intent, its goals and objectives, and the responsibilities DOE and institutions are expected to fulfill in effectively achieving these goals and objectives.

#### **Applicant Priority Groups**

Because the policies regarding priority groups for FSAG awards are not clearly defined by DOE, some equally eligible students may have been given unequal priority for awards. Neither DOE's operating guidelines and procedures, nor the instructional memorandums clearly define the applicant priority groups established in the Florida Statutes. Section 240.409(3), F.S., requires that among first-time applicants, priority in the

distribution of grant moneys should be given to first-time freshmen and community college transfers. A community college transfer could be defined as one who completes two years of study at the community college level then transfers to a four-year institution, or one who transfers from one community college to another.

According to the director of Financial Aid Programs, DOE has no written definition of community college transfer. He explained that the classification of community college transfer was intended for students who transfer from community college to the university level. DOE, however, allows anyone who checks the community college transfer box on their application form to be classified as a community college transfer. As a result a student who has transferred to another community college, and indicates that he is a community college transfer student, is given greater priority and therefore has a greater probability of receiving FSAG awards than the student who remains at the same community college.

An analysis of the ranking of 1990-91 applicants indicates that 2,284 community college transfer students who indicated they were community college transfer students but were currently enrolled in community college were committed FSAG funds. Given the Director's explanation of who is a community college transfer, these students should not have been prioritized as community college transfers. A program manual could help clarify the definitions of priority groups to better ensure that eligible students have equal probability of being selected for awards.

#### **Student Appeals**

DOE has not developed policies and procedures to enable students to appeal their denial of FSAG funding, in the event of an error by DOE, institutions, or the multiple data entry processors. <sup>1</sup> Students have no formal policies or procedures to follow in

Multiple data entry processors are contracted by the federal government to perform needs analysis for federal financial assistance programs.

inquiring into their denial of funds since the responsibilities of these agencies have not been outlined. A telephone survey of ten randomly selected public institutions staff responsible for FSAG awards indicated that none had received any written procedures regarding student appeals. DOE staff explained that students cannot appeal directly to DOE and they have established an informal policy whereby students must go through the institutions financial aid office if they have questions regarding their awards. Students must therefore attempt to resolve any questions regarding their denial of funds by contacting their institutions which must in turn contact DOE.

The absence of formal guidance for appeals could be frustrating to students who sometimes seek assistance outside DOE and institutions in efforts to resolve their cases. For example, legislative education committee staff informed us, and DOE staff confirmed, that one eligible student did not receive funds because her application for funding was not submitted on time. After submitting proof to DOE regarding her timely application and soliciting assistance from legislative staff, it was discovered that the error was made by a multiple data entry processing agency contracted to process student needs information. Another student who was denied a grant award sought assistance from his legislative representative. This student lost his award because he transferred from one institution to another after the May 1 grant deadline. An established appeals process would provide students with standard procedures for formally appealing need determination decisions made by DOE and institutions, or the preliminary needs assessment done by the multiple data entry processors. This process would help to ensure that students are not penalized because of an error committed by someone else, and that appeals of denial of funds are addressed in a consistent manner.

#### Recommendations

We <u>recommend</u> DOE establish comprehensive written policies and procedures that clearly define the roles and responsibilities of DOE and the institutions in relation to the goals and objectives of the FSAG Program. The policies and procedures should also guide DOE and institutions in implementing the priorities established by the Legislature. In

addition, the policies should establish conditions for student appeal of DOE and institutions award decisions, the preliminary needs assessment done by multiple data entry processors, and should outline the process students must follow when filing an appeal.

#### Finding 1.2

The Department of Education's current process of needs determination for Florida Student Assistance Grants Program awards contribute to Program inefficiencies.

The process of determining statewide needs creates inefficiencies in the FSAG Program and contributes to delays in packaging financial aid to eligible needy students. Because DOE commits FSAG funds based on an assessment of statewide needs, DOE is not able to inform institutions before August which students will be committed grant funds for the school year beginning in the Fall semester. In order to ensure that priority in the distribution of grant funds is given to the applicants with the lowest total family resources, DOE processes preliminary eligibility data and then ranks all applicants in the state in order to commit grant funds. DOE must rely on institutions to correct needs determinations that are based on limited information. This correction process is inefficient since only the institutions have the information and the ability to determine needs for their own students. This correction process causes DOE to notify institutions late in the year which students will be committed FSAG awards. Late notification of awards limits the institutions ability to develop the most beneficial financial aid package for the student because institutions are not aware which students will be receiving grant awards.

#### **Limited Information**

The statewide needs determination process employed by DOE requires information exchange between DOE and institutions and can be time consuming. Institution staff indicate that the paperwork flow between DOE and institutions is burdensome. According to s. 240.409, F.S., DOE shall award grants to eligible students for the amount of

unmet need for tuition and fees not to exceed a total of \$1,500 per academic year, or as specified in the General Appropriations Act. In order to calculate students' unmet need, DOE subtracts the resources available to the student from the cost of education. However, when totaling the resources available, DOE is only aware of the family resources and the Pell Grant. DOE does not have information on the other sources of aid the student may be awarded, such as scholarships, campus based aid, and loans. Aid from scholarships or loans could change a student's need and this information is maintained at the institutional level. Institutions maintain financial aid records on all the different sources of aid received by each student. They have the ability to determine unmet needs for their students and do so for other federal financial aid programs. Since DOE does not have all the student information necessary to determine need, it must rely on institutions to provide such information. This process of student needs determination results in student rosters being sent back and forth between DOE and institutions for information verification and adjustment.

#### **Verification of Student Grades and Hours**

Institutions are required to verify student grades and hours, a process which has contributed to delays in making grant awards. As part of the needs determination process, institutions must verify students' eligibility for awards since a student can be in need yet not be eligible for the grant award. For example, a student may have the greatest possible need and yet not meet the statutory grade and hour requirements to be eligible for the receipt of funds. Among the statutory requirements necessary to meet eligibility standards for grant awards is earning at least 12 credits per term and maintaining a minimum cumulative grade point average of 2.0 on a 4.0 scale (s. 240.404(1)(b)2., F.S.). Since student files are kept by the attending institutions, these institutions are statutorily required to determine the eligibility status of each student. DOE sends student rosters to institutions for verification of their grade and hours. The verification of students grades and hours takes time and is sometimes not completed by some institutions before the allocation of funds. Delays in grant awards can sometimes cause some students to seek alternative sources of financial aid.

#### **Packaging Financial Aid**

The process of needs determination affects institutions timely packaging of financial aid to students. While DOE starts determining students needs in January of each year, this process does not end until August, when most institutions have already begun to package student awards. Under the current system of needs determination, DOE processes eligibility data and commits funds for all applicants in the State prior to generating the Student Eligibility Report. Since generating this report takes time, institutions do not generally receive the report early enough to facilitate effective packaging of financial aid. Institutions indicated that they begin packaging financial aid for the upcoming school early in the year, from February through July. Because DOE does not send the Student Eligibility Report until August, institutions are not certain which student will receive FSAG funds when they are making financial aid packaging decisions. Institutions, therefore, have difficulty developing financial aid packages that most benefit the student. Exhibit 4, page 16, shows the FSAG awarding process from the determination of needs to the distribution of funds to students.

Exhibit 4

## Florida Student Assistance Grant Awarding Process DOE determines basic eligibility and need. (January - May) DOE determines academic eligibility of renewals. (June - July) DOE allocates preliminary funds to institutions. (August) Institutions confirm student eligibility and need and make adjustments. (August - October) Institutions disburse funds to students. (August - October) Institutions request additional funds or submit refunds. (September - December) Institutions disburse additional funds. (September - December)

Source: Developed by the Office of the Auditor General based on information from the Department of Education.

#### **Awarding Student Loans Rather Than Grant Funds**

The current process of needs determination may have caused some eligible needy students to be awarded loans instead of FSAG funds. Because of statutory deadlines for this report, it was not possible to conduct a detailed analysis of student financial aid records at all institutions to find out whether delays in needs determination result in some students receiving loans instead of FSAG awards. We did, however, review 35 randomly selected student financial aid records from one institution to determine if and why eligible needy students received loans instead of FSAG funds. Of these, 20 students received full grant awards, 5 had their awards reduced, while 10 were denied awards. Of the 15 students who had their awards reduced or denied, 9 received loans instead of the FSAG award. According to institutional staff and documentation in the files, many of the loans were given to eligible needy students because the institution did not know the student would be receiving an FSAG grant at the time the student's financial aid package was prepared.

#### Recommendations

Recommendations for this finding are contained in Finding 1.3.

#### Finding 1.3

Revision to the Florida Student Assistance Grants Program process of determining needy student eligibility for awards rather than decentralization of administration would alleviate inefficiencies in the Florida Student Assistance Grants Program.

Both centralized and decentralized administrations have weaknesses which cannot be resolved by replacing one system with the other. A decentralized FSAG administration, would enable institutions to develop students financial aid packages on a more timely basis. However, it would not ensure the disbursement of funds to the neediest students statewide. Decentralization would also limit students choices of institutions they wish to attend since eligibility determination would be campus based. While the delays in the FSAG award process is linked to the centralized administration, these delays seem to be

due to the process of determining needy students eligibility for awards rather than problems with the centralized administration. A centralized administration, more so than a decentralized one, ensures more control over the allocation and disbursement of funds.

#### Benefits of the Current FSAG Administration

The current FSAG system of administration facilitates uniform statewide policy implementation and greater coordination. Administrative authority and decision making is concentrated within DOE and this enables Program staff to apply similar criteria to determine student needs statewide and make allocations to institutions on a uniform basis. Under the current system of statewide needs determination, a student can choose to attend any institution since his or her eligibility is not tied to one particular institution. In addition, the current FSAG administration facilitates greater control over the allocation and disbursement of funds. Since institutions must return undisbursed funds to DOE, Program staff were able to redistribute these funds to other needy students who meet the statewide eligibility criteria. Without centralized control, fund redistribution would be difficult. The number of institutions not returning funds in time may also increase. According to the Operational Performance Audit Report (No. 11125) of the Florida Department of Education, January 1, 1987, through February 29, 1988, 14 institutions participating in FSAG owed DOE refunds and did not submit these refunds in a timely manner.

#### **Untimeliness of Present System**

Because current statewide needs determination require information on other funding sources for all applicants, and grades and credit hours for renewal applicants, student rosters are often sent back and forth between DOE and institutions for information verification. As mentioned in Finding 1.2, institutions have criticized this process as being time consuming, involving too much paperwork flow between DOE and institutions, and resulting in the untimely disbursal of awards to students.

#### **Discussion and Conclusion**

The delays found in the allocation and disbursement of FSAG awards can be traced to DOE's current process of determining needy students eligibility for grant awards. Since we were specifically required to examine and make recommendations concerning the feasibility of decentralizing the Florida Public Student Assistance Grant sector of the FSAG Program administration, we examined whether the current Program weaknesses can be solved through decentralization, and what would be the potential effects of this administrative change.

According to the Postsecondary Education Planning Commission 1990 report on Student Financial Administration, institutions strongly urged that the current FSAG system of administration be decentralized to allow each institution to determine awards rather than continue awarding from the State's Office of Student Financial Assistance. From a survey we conducted of the 37 public institutions, 29 said that the current system of FSAG disbursement should be changed while 8 said it should not. Asked why they think the disbursement system should be changed, 24 of the institutions said it will improve efficiency, and the timely disbursal of funds. While a decentralized administration is likely to result in more timely awards, the disadvantages associated with this system indicate that decentralization may not serve the neediest students statewide.

Unlike the current administration which can assess statewide needs, we found that a decentralized system will only permit the processing of student applications according to different need analyses used by the various institutions. FSAG disbursements will have to be made in accordance with the institutions varied determinations of need and not by a statewide system. Under a decentralized administration a needy student who transfers to another institution cannot transfer his or her eligibility since this will be separately determined by each institution. If legislative intent is to disburse FSAG funds to needy students at each institution rather than to students in need on a statewide basis regardless of the institution attended, then decentralized administration would achieve this intent.

#### **DOE's Proposed Changes**

The untimeliness and paper-work flow experienced by institutions participating in the FSAG Program can be reduced without changing the centralized administration and statewide needs determination. DOE recognizes that some time delays occur in the current system of awarding FSAG funds and has proposed changes that simplify the statewide Under DOE's proposed changes, student eligibility eligibility determination process. information would not have to be sent back and forth between DOE and institutions for Institutions will have one list of all their eligible students from which to verification. disburse awards. DOE will no longer require institutions to verify and return to DOE, students grade and hour rosters prior to the allocation of funds. Verification of student eligibility will be done while institutions are preparing financial aid packages which will be based on either the gross family income, expected family contribution, or Pell Grant eligibility. Student awards will vary depending on where they fall within the sliding scale established by DOE. Use of a sliding scale would establish criteria to enable institutions to make timely decisions on students eligibility and award amounts. If funding is insufficient to grant full awards to all eligible students, institutions will be able to linearly reduce awards on a pro rata basis for all students. One of the advantages of this proposed change is that it establishes an administrative system similar to award programs already in place such as the Pell Grants. Institutions presently do not have this option. Exhibit 5, page 21, is an example of a sliding scale based on family gross income.

Exhibit 5

## An Example of a Sliding Scale That Bases the Award of Grant Funds on the Levels of Gross Family Income

Family	Number of Dependent Children					
Gross Income	1	2	3	4	5 or more	
\$7,000 and under	\$1,326	\$1,326	\$1,326	\$1,326	\$1,326	
7,001 - 8,000	1,194	1,326	1,326	1,326	1,326	
8,001 - 9,000	1,056	1,194	1,326	1,326	1,326	
9,001 - 10,000	930	1,056	1,194	1,326	1,326	
10,001 - 11,000	798	930	1,056	1,194	1,326	
11,001 - 12,000	660	798	930	1,056	1,194	
12,001 - 13,000	534	660	798	930	1,056	
13,001 - 16,000	402	534	660	798	930	
16,001 - 19,000	324	402	534	660	798	
19,001 - 22,000	264	324	402	534	660	
22,001 - 25,000	246	264	324	402	534	
25,001 - 27,000	216	246	264	324	402	
27,001 and Over						

Source: Ohio Instructional Grant Manual, January 1990, Ohio Board of Regents.

#### Recommendations

Given that the length of time taken to process awards is associated with assessing compliance with eligibility requirements, we recommend that the FSAG Program's current centralized administration be retained, and that DOE amend student eligibility criteria to include predetermined criteria with specified cut-off points for grant awards. We also recommend that DOE continue to determine statewide need and that awards be tied to a sliding scale as a way to simplify the eligibility requirements and needs determination. DOE is in a position to apply consistent eligibility criteria on a statewide basis which is needed to ensure that all applicants are treated equally in the awarding of financial aid. In addition, we recommend that DOE produce a listing of eligible students to be used by institutions to disburse awards to students or make linear reductions to grant awards when funding is

insufficient. DOE should produce this listing to ensure that students receiving awards by the institution meet basic statewide eligibility criteria. DOE should request any legislative actions necessary to implement these recommendations.

For institutions, we <u>recommend</u> that they award financial aid to students who have met all eligibility requirements in accordance with the criteria and rules provided by DOE. We also <u>recommend</u> that institutions establish procedures for verifying the accuracy of family contributions. The public institutions should keep accurate documentation of all awards disbursed and make this information readily available to DOE for monitoring purposes.

### Appendices

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#### Appendix A

#### Primary Steps of the Florida Student Assistance Grant Process

The Florida Student Assistance Grant (FSAG) process is comprised of six primary steps: processing applications; determining student need; verifying renewal eligibility; ranking applicants and committing funds; allocating FSAG funds to institutions; and confirming student eligibility and need.

#### 1. Processing Applications

- Students apply for the FSAG Program by filling out the financial aid form used to apply for federal financial aid. To be considered for the FSAG Program, the student checks a designated box on the financial aid form.
- The financial aid form is sent to Multiple Data Entry (MDE) processors who are contracted by the federal government to perform needs analysis using a Congressionally approved methodology. The MDE uses the information on the financial aid form to calculate the student's family contribution towards the cost of education.
- The MDE transmits the needs analysis data to DOE's data base. DOE then screens out those applicants who do not meet basic eligibility requirements, such as Florida residency.

#### 2. Determining Student Needs

- Using the information transmitted by the MDE, DOE calculates the financial need for each student by totaling the parent's and student's contribution towards the cost of education and the Pell Grant and subtracting this sum from the cost of education.
- DOE uses the calculated student financial need to estimate the amount of FSAG funds that each applicant is eligible for, screening out those who are ineligible because of a need of less than \$200.
- DOE then informs students that their applications have been evaluated, that their preliminary eligibility has been reported to their educational institutions, and that the final determination of eligibility to receive awards and the amount of the awards will be determined by their

institutions. DOE also reports to the institutions which of the FSAG applicants that are planning to attend their school have been found preliminarily eligible or ineligible.

#### 3. Verifying Renewal Eligibility

- DOE sends each institution a listing of renewal applicants who are planning to attend that particular institution. A renewal applicant is one who received FSAG funds for at least one term the previous academic year.
- For each student listed, the institutions report to DOE the number of semester hours taken and the grade point average maintained for the last academic year.
- DOE identifies those renewal applicants who have not earned at least 24 semester hours for the academic year or 12 semester hours per term and maintained a 2.0 grade point average. These applicants are considered ineligible for FSAG funding for the current academic year.

# 4. Ranking Applicants and Committing Funds

- When ranking applicants and committing funds, DOE commits 160 percent of the total appropriations for the Program. DOE projects that this level of commitment will result in actual award disbursements at or below available appropriations. Based on past experience, DOE calculates the level of attrition from all causes, including earning insufficient credit hours or grades, registering for less than full-time, and receiving other financial aid that meets the student's full need before committing funds.
- DOE first takes all eligible applicants and separates them into renewal applicants and initial applicants.
- DOE ranks the renewal applicants from the least total family resources to the greatest total family resources and commits FSAG funds to all of the renewal applicants who have at least \$200 worth of financial need.
- DOE then separates the initial applicants into freshmen, community college transfer students, sophomores, juniors, and seniors. Applicants within each of these groups are ranked from the least total family resources to the greatest total family resources.

- DOE establishes cut-off points within the freshmen and community college transfer students, and then makes award commitments to students with total family resources at or below the established cut-off point.
- The remaining available FSAG funds are then divided equally among sophomores, juniors, and seniors, with awards going to students with the lowest total family resources.
- DOE then lists, for each institution, the students to whom FSAG funds have been committed. This listing is titled the Student Eligibility Report and institutions disburse award dollars based on this report.

### 5. Allocating FSAG Funds to Institutions

- DOE allocates funds to institutions in advance of each term's registration period for disbursement to eligible students. These allocated funds are known as the preliminary disbursement. The amount of each school's preliminary disbursement is based on the amount of FSAG funds committed to students at that particular institution, which is listed on the Student Eligibility Report.
- DOE sends the institution a percentage of the total amount committed to its students. DOE sends only a portion of the total committed, taking into consideration that after the drop-add period some of the students will not be eligible because they do not enroll full time or receive financial aid from other sources.
- If the preliminary disbursement amount sent by DOE is not sufficient to award all eligible students, then the school must request additional funds from DOE. If the amount of the funds sent by DOE is more than is needed to award eligible students, then the schools are responsible for returning the excess funds to DOE.

# 6. Confirming Student Eligibility and Need

At the conclusion of the drop-add period, each institution is required to review the Student Eligibility Report in order to verify that each student is eligible, meaning the student has enrolled full time and has not received other financial aid that fully met the student's needs. The institutions are also required to adjust the FSAG amount awarded if, based on the information maintained at the institution, such an adjustment is needed. An adjustment would be required, for example,

if a student received other financial aid that reduced his need. The institution, however, may not increase the award amount unless the institution can document that the family resource data used by DOE is not accurate.

- If a student is found to be eligible, then the institution awards the student. If an adjustment is needed in the amount of FSAG funds to which a student is entitled, then the institution awards the adjusted amount. The institution may only award those students listed on the Student Eligibility Report and must return any funds that are not disbursed due to student ineligibility.
- The institution must return the Student Eligibility Report to DOE noting all the adjustments made.

#### Appendix B

#### Literature Reviewed

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### Appendix C

# Response from the Department of Education

In accordance with the provisions of s. 11.45(7)(d), F.S., a list of preliminary and tentative audit findings was submitted to the Commissioner of the Department of Education for her review and response.

The Commissioner's written response is reprinted herein beginning on page 31.



# FLORIDA DEPARTMENT OF EDUCATION Betty Castor

Commissioner of Education

November 30, 1990

Mr. Charles L. Lester Auditor General 111 West Madison Street Tallahassee, Florida 32302

Dear Mr. Lester:

In response to the preliminary and tentative audit report on the Florida Student Assistance Grant Program attached to your letter of November 15, 1990, I am submitting the enclosed statement of explanation concerning the findings in Chapter III.

For each finding, the enclosure indicates the specific action taken or to be taken in response to your recommendations.

I appreciate your cooperation and assistance and will gladly provide any additional information you may require.

Sincerely

Betty Castor Commissioner

BC/tl

Enclosure

# RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT REPORT FLORIDA STUDENT ASSISTANCE GRANT PROGRAM

#### Response to Finding 1.1, page 9

The Department acknowledges that it has not developed a program manual for the Florida Student Assistance Programs (FSAG). As reported, the Department has established detailed written operating procedures and guidelines for its internal use and has provided written instructions in the form of program memoranda to schools outlining specific institution responsibilities and clarifying institution questions. The Department agrees that a compilation of its policies and procedures in a single reference manual will benefit the financial aid community and has long planned to develop such a resource. The rapid growth of new financial aid programs and the constant revision of existing ones has, however, required the complete attention and full energies of all available staff.

The Department remains committed to the development of an FSAG program manual and will begin such work after decisions concerning program administrative revision are made. These decisions will be influenced by the recommendations for change made by the auditors and presented under finding 1.3 of the report. The Department anticipates that the effort to produce a program manual can be completed within six months.

#### Response to Findings 1.2 and 1.3, pages 13 and 17

The Department consistently reevaluates its processing requirements for the FSAG programs each year. Such past examinations have resulted in the simplification of academic reporting requirements, a reduction in the number of institution reports to be completed, and the advancement of funds to institutions prior to student registration. As in prior years, the Department has recently examined its current processing practices and has developed some preliminary proposals for change which are similar to and consistent with a number of the recommendations presented in the auditors' report.

The Department concurs that under the current method of assessing student financial eligibility to receive grant awards, final determinations are necessarily delayed. Unfortunately, until the entire population of eligible applicants is known, it is not possible to determine whether available appropriations are sufficient to meet the needs of all eligible students. Under current practice, the least needy students are denied awards when the total need exceeds available funding.

The Department agrees with the auditors that administrative efficiencies could be achieved if predetermined financial need criteria were established for the FSAG programs. The Department

is aware, however, that the FSAG programs are not entitlement programs and that the setting of such predetermined criteria may result in an overcommitment of available funds. The Department is also aware that some participating institutions would strongly prefer not to have predetermined financial eligibility criteria established if the establishment of such criteria would require a subsequent proration of grant awards when funds were insufficient to make full awards to all eligible students. These institutions generally wish to avoid any process that requires revisions to be made to student awards after student financial aid packaging is completed. With these constraints in mind, the Department, in consultation with the financial aid community, will develop an alternative financial need methodology that permits an early student eligibility. determination of If necessary, the Department will seek legislative approval for such change.



