Section IV

Findings
SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weakness(es)? No

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weakness(es)? No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance with OMB Circular A-133? Yes

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>1. Research and Development Cluster</th>
<th>Various</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Student Financial Assistance Cluster</td>
<td>Various</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

Auditee qualified as a low-risk auditee? Yes

SECTION II - FINANCIAL REPORTING FINDINGS

No matters are reportable.
California Institute of Technology
Independent Auditors' Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2003

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 03-1 Student Status Changes not Reported in a Timely Manner

Condition
From a total of 10 direct loan recipients who withdrew during the 2002-2003 school year, 8 of the 10 student status changes were not reported within the required time period.

Questioned Costs
None.

Criteria
The Institute is required to submit student status changes within 30 days of the status change.

Citation
Code of Federal Regulations 34CFR668.22

Effect
Student status changes were not reported in a timely manner.

Recommendation
We recommend that the Institute ensure all student status changes are reported in a timely manner.

Management Response
A new Registrar was hired in May 2004 who has initiated a business process review of the drop and withdrawal procedures to ensure that all transactions are processed internally in a timely fashion. The Institute will join the National Student Loan Clearinghouse (NSLC) who will do the reporting to NSLDS on the Institute's behalf. The Institute will arrange to report at least four times a term to the NSLC as of the Fall 2004 term. All changes for the Student Status Confirmation Report (SSCR) as well as the deferment requests will be reported through the NSLC on the Institute’s behalf within the 30 day statutory requirement.
SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 03-2 Procurement Policies

Condition
The Institute did not comply with procurement policies for one of the twenty purchase orders selected for testing. Policies set require certain dollar thresholds not to be exceeded by respective buyer's title and level.

Questioned Costs
None.

Criteria
The Institute is responsible for implementation of: (a) oversight required for high dollar, lengthy, or other sensitive procurement contracts; (b) clear assignment of authority for issuing purchasing orders for goods and services.

Citation
OMB Circular A-133 Compliance Supplement March 2003, Part 3-I and OMB Circular A-110 Section 44 (a)(1)

Effect
Purchase order noted above was not within the buyer's authorized limits according to the Institute's procurement policies.

Recommendation
Ensure that purchase orders are completed and reviewed by appropriate personnel for compliance with the Institute's procurement policies.

Management Response
The Institute has reinforced its purchase order review policy to the affected staff. This appears to be an isolated incident that occurred due to a "rush" order coupled with staff absences. In the future, staff will obtain the appropriate approvals.
Finding 02-1 Close-Out Procedures

The Institute continues to emphasize the importance of performing close-out procedures in a timely fashion. No finding noted during the testing in fiscal year 2003.
May 25, 2004

PricewaterhouseCoopers LLP  
400 South Hope Street  
Los Angeles, California 90071-2889

Subject: California Institute of Technology Corrective Action Plan

Reference: OMB Circular A-133 Audit for Fiscal Year 2003

Dear Sirs:


Please feel free to call me if any further information or clarification is required.

Sincerely,

[Signature]

Sharon E. Patterson
Associate Vice President for Finance and Controller

Enclosure
<table>
<thead>
<tr>
<th>Finding Number</th>
<th>Condition</th>
<th>Corrective Action Plan</th>
<th>Responsible Individual</th>
<th>Planned Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>03-1</td>
<td>The Institute did not comply with procurement policies for one of the twenty purchase orders selected for testing. Policies set require certain dollar thresholds not to be exceeded by respective buyer's title and level.</td>
<td>The Institute has reinforced its purchase order review policy to the affected staff. This appears to be an isolated incident that occurred due to a &quot;rush&quot; order coupled with staff absences. In the future, staff will obtain the appropriate approvals.</td>
<td>Director of Procurement</td>
<td>May 2004</td>
</tr>
<tr>
<td>03-2</td>
<td>From a total of 10 direct loan recipients who withdrew during the 2002-2003 school year, 8 of the 10 students status changes were not reported within the required time period.</td>
<td>A new Registrar was hired in May 2004 who has initiated a business process review of the drop and withdrawal procedures to ensure that all transactions are processed internally in a timely fashion. The Institute will join the National Student Loan Clearinghouse (NSLC) who will do the reporting to NSLDS on the Institute's behalf. The Institute will arrange to report at least four times a term to the NSLC as of the Fall 2004 term. All changes for the Student Status Confirmation Report (SSCR) as well as deferment requests will be reported through the NSLC on the Institute's behalf within the 30 days statutory requirement.</td>
<td>Registrar</td>
<td>September 2005</td>
</tr>
</tbody>
</table>