

Section IV

Findings

**California Institute of Technology
Independent Auditors' Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003**

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:	

CFDA Number

1. Research and Development Cluster	Various
2. Student Financial Assistance Cluster	Various
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.

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 03-2 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.

California Institute of Technology
Independent Auditors' Schedule of Disposition of Prior-Year Findings
and Questioned Costs
For the Year Ended September 30, 2003

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.

CALIFORNIA INSTITUTE OF TECHNOLOGY

Pasadena, California 91125

Office of the Associate Vice President for Finance & Controller
Financial Services Administration Building, Mail Code 229-15
626-395-3937

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:

Enclosed is the California Institute of Technology's OMB Circular A-133 Corrective Action Plan for fiscal year ended September 30, 2003.

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

Sincerely,



Sharon E. Patterson
Associate Vice President for Finance and Controller

Enclosure

California Institute of Technology
(Exclusive of Jet Propulsion Laboratory)
Fiscal Year 2003 OMB Circular A-133 Audit
Corrective Action Plan

Fiscal Year 2002

Finding Number	Condition	Corrective Action Plan	Responsible Individual	Planned Completion Date
03-1	<p>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.</p>	<p>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.</p>	<p>Director of Procurement</p>	<p>May 2004</p>
03-2	<p>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.</p>	<p>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.</p>	<p>Registrar</p>	<p>September 2005</p>