

FINANCIAL AID

SAN DIEGO STATE UNIVERSITY

**Report Number 02-23
November 11, 2002**

Members, Committee on Audit

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ABBREVIATIONS

CBRS	Campus Billing and Receivables System
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
COE	College of Education
CobiT	Control Objectives for Information and related Technology
CSU	California State University
EADA	Equity in Athletics Disclosure Act
ERST	Enrollment Reporting Services for Teachers
FERPA	Family Educational Rights and Privacy Act
FISAP	Fiscal Operations Report and Application to Participate
Foundation	San Diego State University Foundation
FY	Fiscal Year
OFAS	Office of Financial Aid and Scholarships
OMB	Office of Management and Budget (Federal)
RIX	Office of Financial Aid and Scholarships Database
SAM	State Administrative Manual
SDS	Scholarships for Disadvantaged Students
SIMS/R	Student Information Management System/Relational

INTRODUCTION

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of the student financial aid program and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Initiatives have recently been undertaken or completed to improve the effectiveness, efficiency, and economy of financial aid operations and maximize financial aid resources.
- ▶ Adequate consumer information on financial aid has been disclosed.
- ▶ Financial aid is supported by adequate automated record-keeping systems.
- ▶ Provisions have been made for safeguarding financial aid data and automated systems from inappropriate disclosure and loss.
- ▶ Complete, correct, and consistent information is circulated on financial aid.
- ▶ Other campus offices adequately coordinate with the financial aid office.
- ▶ The campus protects against overcommitment or underutilization of financial aid resources.
- ▶ Standard student budgets and cost of attendance are appropriately established.
- ▶ Financial aid recipients were eligible to receive assistance.
- ▶ The campus has complied with federal and state requirements and conditions stipulated by financial aid resource providers.
- ▶ Financial aid is packaged in accordance with applicable policies and procedures.
- ▶ Fee waivers have been factored into financial aid awards.
- ▶ Work-study limits have not been exceeded.
- ▶ Separation of duties is adequate between awarding and disbursing.

SCOPE AND METHODOLOGY

The management review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. Fiscal year (FY) 2001-02 and the financial aid cycles for fall 2001 and spring 2002 were the primary periods reviewed. In certain instances, we were concerned with representations of annualized data, and it was necessary to look at the last full fiscal year completed prior to the start of the audit (FY 2000-01).

Our primary focus involved the internal administrative, compliance, and operational controls over the management of the student financial aid program. Specifically, we reviewed and tested policies, procedures, and processes for:

- ▶ Identifying financial aid resources.
- ▶ Distributing information to potential applicants.
- ▶ Calculating student budgets.
- ▶ Establishing student eligibility.
- ▶ Packaging financial aid awards.
- ▶ Managing financial aid funds.
- ▶ Securing financial aid applicant and recipient information.
- ▶ Safeguarding financial aid automated systems.

During the audit, we interviewed personnel involved in financial aid; reviewed financial aid policies, procedures, and systems; and tested financial aid records on awards and disbursements.

BACKGROUND

As a result of a systemwide risk assessment conducted by the Office of the University Auditor in the last quarter of 1999, the Board of Trustees, at its January 2002 meeting, directed that *Financial Aid* be reviewed in 2002. The Office of the University Auditor last reviewed *Financial Aid* in 1994 on six campuses.

The proposed scope of the audit as presented in Attachment B, Audit Item 2 of the January 29-30, 2002, meeting of the Committee on Audit stated that the review would include identifying financial aid resources, establishing student budgets, packaging financial aid awards, managing financial aid funds, complying with federal and state program requirements, securing financial aid applicant information, and preparing financial aid reports.

Financial aid programs provide support for students to help meet the costs of obtaining a college education. The federal government, state governments, colleges and schools, and a variety of other public and private sources provide funding for financial aid programs. There are two main categories of

financial aid, differentiated primarily by the basis upon which they are awarded, as follows:

Achievement-based aid is awarded to students who have a special characteristic, skill, talent, or ability. Typically, achievement-based aid is in the form of scholarships.

Need-based aid is provided to students who demonstrate financial need. Most financial aid, particularly public-funded aid, is awarded on the basis of financial need determined through the application process and in accordance with a prescribed federal formula.

Financial aid is available in four basic types of programs as follows:

Scholarships are “gift aid” which do not have to be repaid. Scholarships typically include criteria such as academic performance or special talents.

Grants are “gift aid” and generally do not include criteria other than financial need.

Work-study is a “self-help” program in the form of part-time employment during the student’s college career.

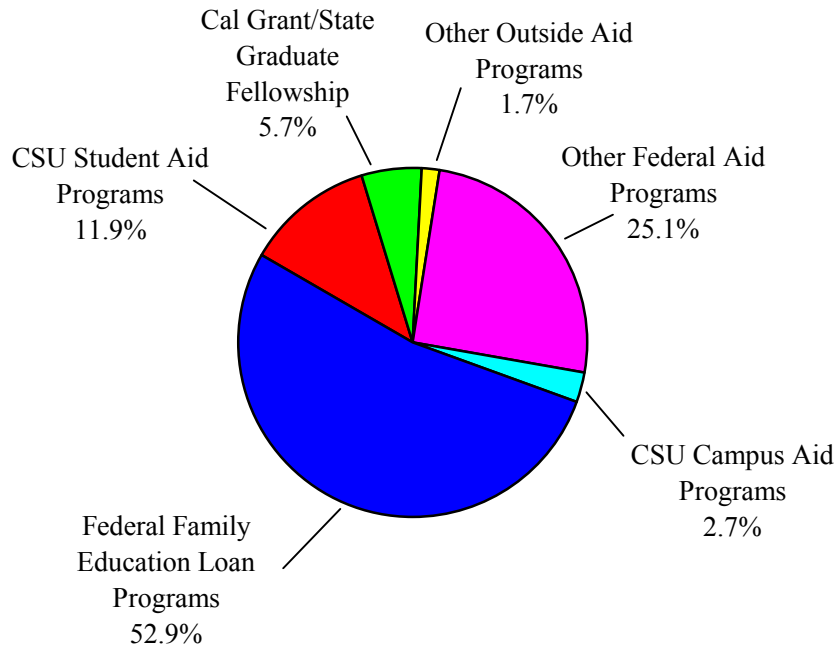
Loans are a form of “self-help” since they represent borrowed money that must be paid back over a period of time, typically after the student leaves school.

Federal financial aid programs provide over 70% of the funding currently available for student financial aid. On an annual basis, federal financial aid programs are audited as part of the California State University (CSU) single audit as required by the Office of Management and Budget (OMB) Circular A-133. At June 30, 2001, the student financial assistance cluster in the single audit report by KPMG Peat Marwick included:

PROGRAM	AMOUNT
Federal Supplemental Opportunity Grants	\$12,636,585
Federal Family Educational Loan	\$325,886,005
Federal Work Study	\$16,358,009
Federal Perkins Loan – Federal Capital Contributions	\$17,060,565
Federal Pell Grant	\$246,059,734
Federal (William Ford) Direct Loan	\$280,164,585
TOTAL	\$ 898,165,483

Nonfederal financial aid programs include those funded by the state through the California Student Aid Commission, programs administered by the CSU, and campus administered funds. The state administers Cal Grants and certain loan assumption programs. The CSU provides need-based assistance through state university grants and educational opportunity program grants. Certain other funds are available through the campuses such as local scholarships. In the CSU Statistical Abstract for FY

2000-01, financial aid funds by source are graphically represented as follows:



For financial aid purposes, campuses establish standard student budgets or cost of attendance allowances that vary depending on where a student lives during the academic year (e.g., at home with parents or relatives, in university or campus housing (residence halls), or off-campus in an apartment or other housing). Costs include fees and tuition, books and supplies, meals and housing, transportation, and other miscellaneous personal expenses. Students who are not classified as residents of the state of California must also pay nonresident tuition. Allowances for expenses, other than tuition and fees, are based largely on statewide survey data about the average expenses of students in California and information on the local or regional costs in the area served by particular campuses.

At the beginning of 2002, CSU campuses managed financial aid through a variety of record-keeping and automated database systems, which will be replaced by PeopleSoft as part of the CSU's Common Management System. Six CSU campuses are implementing the PeopleSoft Student Administration module in 2002 and have been excluded for purposes of this audit because of the significant implementation workload.

At San Diego State University, the office of financial aid and scholarships, which reports through enrollment support to student affairs, determines and authorizes need-based financial aid. Financial aid is then disbursed by student financial services, which reports through the university controller to the vice president for business and financial affairs. San Diego State University maintains financial aid records in a locally developed database called RIX. The director of financial aid reports through the associate vice president for enrollment services to the vice president for student affairs.

OPINION

We visited San Diego State University from February 25, 2002, through April 12, 2002, and from July 22, 2002, through July 25, 2002, and audited the controls, procedures, and systems in effect at that time.

In our opinion, with the exception of two issues on grants to teacher credential candidates and Fiscal Operations Report and Application to Participate (FISAP) reporting, the financial aid program at San Diego State University was capably administered and in compliance with applicable regulations. The campus has made a substantial investment in automation within the office of financial aid and scholarships (OFAS) including accessibility through AidLine (telephone access) and AidLink (internet access), which has added to the effective management of the program. However, our review disclosed certain areas of the program that needed improvement. Specifically, we noted that consumer information was not disclosed in direct notices, the OFAS lacked a department level disaster recovery/business continuity plan, and changes were needed to more closely integrate scholarship disbursements with other types of financial aid.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

GENERAL/CONTROL ENVIRONMENT [8]

FISAP OVERSTATEMENT [8]

The office of financial aid and scholarships (OFAS) inadvertently overstated certain data reported on the Fiscal Operations Report and Application to Participate (FISAP) that caused an excessive allocation of federal funds to the campus. Adequate documentation of the computer system logic, programming code, and program changes reduces the risk of FISAP reporting errors and supports business objectives.

CONSUMER INFORMATION [9]

Certain consumer information was not disclosed in direct individual notices. Disclosure of consumer information meets requirements for continuation of institutional eligibility to participate in federal financial aid programs.

DISASTER RECOVERY/BUSINESS CONTINUITY PLAN [10]

The OFAS did not have a department level disaster recovery/business continuity plan. A department plan would augment plans developed at the campus-wide and student affairs division levels and assist in recovery/restoration of computer system data and operations within a reasonable time frame.

FISCAL AND PROGRAM OVERSIGHT/COORDINATION [11]

AMERICORPS PROGRAM [11]

Federal funding from the AmeriCorps program was not reported on the campus schedule of federal expenditures. Inclusion of these funds complies with the Single Audit Act and improves systemwide comparisons of federal funding.

CLUSTER REPORTING [12]

Financial aid reporting was fragmented because certain financial aid funds received from the federal government were processed through San Diego State University Foundation (Foundation) accounts. Consolidation of these funds in the CSU Trust Fund improves report presentation of the financial aid cluster.

AWARDING/DISBURSING [13]

SCHOLARSHIPS [13]

Duties related to the handling of scholarship checks were not appropriately segregated. In addition, scholarship disbursement information was not entered into the Campus Billing and Receivables System (CBRS) cashiering system. Proper separation of duties reduces the risk that errors and irregularities will not be prevented or detected in a timely manner.

PELL GRANTS FOR TEACHING CREDENTIAL STUDENTS [14]

Differences in teaching credential program terminology may have resulted in the awarding of Pell grants to ineligible students since fall 1998. A review of past practices was underway. Adequate control over data used to determine grant eligibility reduces the risk that financial aid will be awarded to ineligible students.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL/CONTROL ENVIRONMENT

FISAP OVERSTATEMENT

The office of financial aid and scholarships (OFAS) inadvertently overstated certain data reported on the Fiscal Operations Report and Application to Participate (FISAP) that caused an excessive allocation of federal funds to the campus.

A detailed analysis of FISAP data by the chancellor's office access and retention department disclosed a potential discrepancy in San Diego State University reported data, which was subsequently confirmed by the campus in June 2002. The process for generating the annual FISAP reports was automated through the OFAS RIX system, and the campus determined that the system contained some faulty programming code, which erroneously counted financial aid applicants that did not enroll.

The campus went back three years, to fiscal year (FY) 1999-2000, to revise the FISAP data and estimate the correct federal calculation. Results of this initiative were communicated to federal authorities on June 26, 2002, and July 2, 2002, and the campus was awaiting a final determination from federal authorities as to the amount of federal funds that it will have to return or forego in future allocations (currently estimated at \$1.7 million).

In *Control Objectives for Information and related Technology (CobiT)*, the Information Systems Audit and Control Foundation prescribes a framework of good practices for the effective management of information and related technology. For managing changes, CobiT states that management should ensure that all requests for changes and system maintenance are standardized and subject to formal change management procedures.

Although the campus was unable to specifically establish the origination of the errant programming code, the assistant director for financial aid indicated that there have always been concerns over RIX system documentation which have not been adequately addressed because of position turnover and the higher priority of issuing checks to students.

Inadequate documentation of program changes increases the risk that systems will neither support business objectives nor produce correct results.

Recommendation 1

We recommend that the campus:

- a. Finalize the amount of excessive allocation of federal funds and obtain a final resolution from federal authorities regarding the return of such funds/forfeiture of future allocations.
- b. Establish change management procedures and standards for programming code/logic in the RIX computer system.

Campus Response

We concur.

- a. The campus has submitted all documentation requested from the department of education to settle the excessive allocation of campus-based funds. The campus is unable to determine when a final resolution will be reached. The chancellor's office will be notified of the department of education's decision.
- b. The campus has implemented new quality management procedures and programming code/logic standards. The new procedures were used to complete the FISAP for 2003-04.

CONSUMER INFORMATION

Certain consumer information was not disclosed in direct individual notices.

For disclosure purposes, the campus usually relied upon the availability of consumer information in the campus catalog and at various website addresses. Two exceptions to this methodology were the inclusion of a financial aid brochure in the mailing of admission acceptance letters to prospective students and the distribution of crime statistics to current employees.

The federal Higher Education Act, the federal Equity in Athletics Disclosure Act (EADA), and regulatory guidance provided in the Code of Federal Regulations (CFR) require direct individual notices of prescribed information to certain target audiences including: prospective students; currently enrolled students; current employees; parents, coaches and counselors of prospective student athletes; and the general public. The disclosures are to include general school information, crime/security statistics, student completion/graduation/transfer rates, Family Educational Rights and Privacy Act (FERPA) privacy/security rights, financial aid program information, and gender-specific information on athletic participation and financial support.

At a minimum, direct individual notices must:

- ▶ Identify the required information disclosures.
- ▶ Provide the exact electronic website address where the information can be found.
- ▶ State that, upon request, a person is entitled to a paper copy containing the required information.
- ▶ Inform students and others how to request a paper copy.

Regulatory guidance repeatedly states that web presentation by itself is not an acceptable disclosure.

The assistant director for financial aid indicated that the campus would not have an economical and efficient method for individual notices until it had valid e-mail addresses for intended recipients.

The lack of individual direct notice of prescribed financial aid information jeopardizes the institutional eligibility of the campus to participate in federal financial aid programs.

Recommendation 2

We recommend that the campus establish procedures to disclose consumer information by direct individual notice.

Campus Response

We concur. Direct individual notices have been distributed for 2002-03, and a regular schedule of distribution will be observed in future years.

DISASTER RECOVERY/BUSINESS CONTINUITY PLAN

The OFAS did not have a department level disaster recovery/business continuity plan.

We noted that the campus was revising its campus-wide disaster recovery/business continuity plan. Although the division of student affairs had a draft disaster recovery plan dated January 2001 covering the division database and servers in the basement of the business administration and mathematics building, the plan specifically stated that it did not address recovery procedures required by departments within the division.

State Administrative Manual (SAM) §4843.1 requires each state agency to establish and maintain both an operational recovery plan to protect its information assets in the event of a disaster or serious disruption to its operations and a plan for resuming operation following a disaster affecting those applications.

Executive Order No. 696, *Implementation of the CSU Emergency Preparedness Program*, dated January 29, 1999, states, in part, that each campus president is delegated the responsibility for the implementation of an emergency management system program on campus and shall ensure that management activities including, but not limited to, maintenance and regular updating of the institutional emergency management system plan and determination, acquisition, and maintenance of facilities, equipment, and related supplies required for emergency preparedness are accomplished.

The assistant director for financial aid indicated that a department plan has not been developed because there are plans at the campus-wide and division levels.

Without a detailed disaster recovery plan and business continuity procedures based on assumptions in the campus-wide and division level plans, the OFAS may not be able to recover/restore computer operations within an acceptable time frame.

Recommendation 3

We recommend that the campus OFAS prepare a disaster recovery/business continuity plan to complement similar activities at the campus-wide and student affairs division levels.

Campus Response

We concur. The OFAS department specific disaster recovery plan will be completed by June 30, 2003.

FISCAL AND PROGRAM OVERSIGHT/COORDINATION

AMERICORPS PROGRAM

Federal funding from the AmeriCorps program was not reported on the campus schedule of federal expenditures.

San Diego State University received funding through the federal AmeriCorps program of approximately \$100,000 in FY 2001/02. Heretofore, these funds had not been included in the campus schedule of federal expenditures.

The Single Audit Act of 1984 established requirements for audits of states, local governments, and Indian tribal governments that administer federal financial assistance programs. In 1985, the federal Office of Management and Budget (OMB) issued OMB Circular A-128, *Audits of State and Local Governments*, to provide implementing guidance. In 1990, the OMB administratively extended the single audit process to universities by issuing OMB Circular A-133, *Audits of Institutions of Higher Education and Other Non-Profit Organizations*. Subpart C, Section 310(b) and 310(b)(1) of this circular requires the auditee (campus) to prepare a schedule of federal award expenditures within program clusters, broken down by individual programs and identified by the Catalog of Federal Domestic Assistance (CFDA) numbers.

The manager of student financial services indicated that AmeriCorps was not reported because the checks were handled through uncleared collections and not the same series of CSU Trust Fund accounts as other federal funds.

Incomplete reporting of federal expenditures increases the risk of noncompliance with the Single Audit Act and limits systemwide comparisons of federal funding.

Recommendation 4

We recommend that the campus include AmeriCorps funding on the audited schedule of federal awards expended.

Campus Response

We concur. AmeriCorps funding will be included on the audited schedule of federal awards expended.

CLUSTER REPORTING

Financial aid reporting was fragmented because certain financial aid funds received from the federal government were processed through San Diego State University Foundation (Foundation) accounts.

At San Diego State University, the majority of federal financial aid was recorded in the CSU Trust Fund. However, we noted that the Scholarships for Disadvantaged Students (SDS), CFDA number 93.925, were recorded in accounts at the Foundation. According to the June 30, 2001, audited schedule of federal expenditures for the Foundation, financial aid received under this program totaled \$362,016 for FY 2000/01.

OMB Circular A-133, *Compliance Supplement*, identifies clusters of programs including student financial aid by CFDA numbering. These clusters are defined because they are closely related programs that share common compliance requirements. The SDS program is part of the financial aid cluster.

The director of business information management indicated that the Foundation was involved because SDS is captioned as a grant.

Splitting federal financial aid funds between the campus and the Foundation diminishes the value of cluster reporting and presentation of consolidated information.

Recommendation 5

We recommend that the campus review Foundation accounts for other federal financial aid funds and consolidate all federal financial aid funds in the CSU Trust Fund.

Campus Response

We concur. The campus will review Foundation accounts and determine whether consolidation of all federal financial aid funds is a viable option in the CSU Trust Fund. This review will be completed by May 31, 2003.

AWARDING/DISBURSING

SCHOLARSHIPS

Duties related to the handling of scholarship checks were not appropriately segregated. In addition, scholarship disbursement information was not entered into the Campus Billing and Receivables System (CBRS) cashiering system.

Scholarship funds were maintained in Foundation accounts for the Campanile Foundation. Scholarships funds originated from different sources but principally donors who could be community philanthropists, local companies, or employees who wish to support a particular program. Scholarship recipients were selected in a variety of ways including, for example, screening by a committee in a certain academic department or review of applicants by the donor. The scholarship office coordinated the selection of scholarship recipients and sent check requests to the Foundation. The Foundation produced the scholarship checks and returned them to the scholarship office, which subsequently routed them to student financial services for student distribution.

SAM §8080 states that checks will not be routed for mailing or distribution through the person who authorized the disbursement or prepared the check.

The manager of student financial services indicated that this system was scheduled to change in fall 2002 such that the campus will write scholarship checks from CBRS after funds are transferred from the Foundation.

Inadequate separation of duties increases the risk that errors and irregularities will not be prevented or detected in a timely manner.

Recommendation 6

We recommend that the campus finalize the changes in scholarship disbursement processing so that checks are:

- a. Produced through CBRS.
- b. Not routed back through the OFAS.

Campus Response

We concur. The campus is currently reengineering the scholarship process to strengthen internal controls.

- a. Payments (checks produced for mailing or direct deposits) are currently generated through the automated CBRS process.
- b. The OFAS is constructing a process to prevent the return of scholarship checks to personnel in the office. This process will be instituted no later than June 30, 2003.

PELL GRANTS FOR TEACHING CREDENTIAL STUDENTS

Differences in teaching credential program terminology may have resulted in the awarding of Pell grants to ineligible students since fall 1998. A review of past practices was underway.

Under the Higher Education Amendments of 1998, Pell grant eligibility was extended to post baccalaureate students enrolled in courses required for the initial teaching credential, beginning in fall 1998. In April 2002, the San Diego State University OFAS, graduate division, and college of education (COE) became aware that the Student Information Management System/Relational (SIMS/R) coding for students seeking teaching credentials changed in 1998 and became concerned that incorrect coding may have resulted in the awarding of Pell grants to ineligible students. In response, the campus established a well-structured process involving several different offices to address past practices in stages including:

- ▶ OFAS identification of 7,883 records for students who received financial aid for teacher credential programs dating back to fall 1998.
- ▶ A COE designed database that was populated with records from three different computer systems: financial aid from the OFAS database (RIX), credential status information from the COE Enrollment Reporting Services for Teachers (ERST) database, and admissions and enrollment information from SIMS/R.
- ▶ COE clarification of courses that were credential program prerequisites or co-requisites.
- ▶ The prioritization of database records to address the most recent terms first.
- ▶ COE screening of records in priority order and flagging of those in need of further review.
- ▶ OFAS review of COE flagged records, recording of results in a spreadsheet, and pursuit of any needed resolution such as canceling a Pell grant or notifying lenders of loans that may already be in repayment status.

Our assessment of the above process indicated that it was well structured except that records not flagged by the COE were not subjected to any further review. Although the timeline for completion of this process was still uncertain at the time of our visit, the campus assured us that completion was being pursued as expeditiously as possible.

The campus committee examining the teaching credential issue concluded that financial aid relied upon SIMS/R data that was different than what was maintained in the COE.

Inadequate control over data used to determine grant eligibility increases the risk that financial aid will be awarded to ineligible students.

Recommendation 7

We recommend that the campus:

- a. Complete and finalize its review of financial aid to teaching credential candidates using the existing methodology augmented by an audit of files initially omitted by COE evaluation to reduce the risk of errors and ensure the integrity of the review process.
- b. Establish ongoing procedures to review the appropriateness of data used in the financial aid evaluation process, especially when changes to eligibility criteria occur.

Campus Response

- a. The campus has confirmed the eligibility of teaching credential candidates for financial aid. Definitions for coding teaching credential candidates have been agreed upon by appropriate San Diego State University officials and will be implemented to reduce the risk of errors and ensure the integrity of the review process.
- b. The COE and graduate division have implemented new procedures to ensure that student status is identified and reported correctly in the financial aid evaluation process, especially when changes to eligibility criteria occur.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Stephen Weber	President
Alan Bailey	Chief Financial and Information Officer, University Advancement
Reba Bailey	Supervisor, Registrar's Public Information Area
Cyndee Batzler	Accounting Technician, University Cashiers
Bill Boyd	Associate Vice President, Enrollment Support
Kevin Carter	Director, Information Systems Management (Student Affairs)
Valerie Carter	Tax and Audit Coordinator, Business Information Management
Gus Chavez	Director, Educational Opportunity/Ethnic Affairs
Chris Collins	Assistant Director, Financial Aid
Sandra Cook	Executive Director, Enrollment Services
Kathleen Deaver	Director of Admissions
Helen Duffy	Director, Credential Office
Chrys Dutton	Director, Financial Aid
Julie Fitzgerald	Student-Athlete Coordinator, Intercollegiate Athletics
Ellene Gibbs	Director, Business Information Management
Merle Harmon	Interim Registrar
Sandy Kahn	Programmer/Analyst, College of Education
Cathy Mills	Contracts Manager, Housing and Residential Life
Margo Olander	Team Leader - Student Service Analyst Evaluations, Financial Aid Office
Chip Pierce	Administrative Analyst, Financial Aid
Debbie Quiett	Manager, Student Financial Services
Kathie Ross	Scholarship Director
Sally Roush	Vice President for Business and Financial Affairs
Deborah Sandy	Business Analyst, Business Information Management
Ethan Singer	Associate Vice President for Academic Affairs
Lisa Winters	Payroll Technician



A Century Of Learning 1897•1997
THE PRESIDENT

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February 11, 2003

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802



Dear Mr. Mandel:

The following is San Diego State University's response to Report Number 02-23, *Financial Aid*. For ease of reference, the report's recommendations have been included with our responses.

Recommendation 1

We recommend that the campus:

- a. Finalize the amount of excessive allocation of federal funds and obtain a final resolution from federal authorities regarding the return of such funds/forfeiture of future allocations.
- b. Establish change management procedures and standards for programming code/logic in the RIX computer system.

Campus Response

We concur

- a. The campus has submitted all documentation requested from the Department of Education to settle the excessive allocation of campus-based funds. The campus is unable to determine when a final resolution will be reached. The Chancellor's Office will be notified of the Department of Education's decision.

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- b. The campus has implemented new quality management procedures and programming code/logic standards. The new procedures were used to complete the FISAP for 2003-04.

Recommendation 2

We recommend that the campus establish procedures to disclose consumer information by direct individual notice.

Campus Response

We concur. Direct individual notices have been distributed for 2002-03, and a regular schedule of distribution will be observed in future years.

Recommendation 3

We recommend that the campus Office of Financial Aid and Scholarships (OFAS) prepare a disaster recovery/business continuity plan to complement similar activities at the campus-wide and student affairs division levels.

Campus Response

We concur. The OFAS department specific disaster recovery plan will be completed by June 30, 2003.

Recommendation 4

We recommend that the campus include AmeriCorps funding on the audited schedule of federal awards expended.

Campus Response

We concur. AmeriCorps funding will be included on the audited schedule of federal awards expended.

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Recommendation 5

We recommend that the campus review Foundation accounts for other federal financial aid funds and consolidate all federal financial aid funds in the CSU Trust Fund.

Campus Response

We concur. The campus will review Foundation accounts and determine whether consolidation of all federal financial aid funds is a viable option in the CSU Trust Fund. This review will be completed by May 31, 2003.

Recommendation 6

We recommend that the campus finalize the changes in scholarship disbursement processing so that payments are:

- a. Generated through the automated Campus Billing and Receivables System (CBRS) process.
- b. Payments are not routed back through the OFAS.

Campus Response

We concur. The campus is currently reengineering the scholarship process to strengthen internal controls.

- a. Payments (checks produced for mailing or direct deposits) are currently generated through the automated CBRS process.
- b. The OFAS is constructing a process to prevent the return of scholarship checks to personnel in the office. This process will be instituted no later than June 30, 2003.

Recommendation 7

We recommend that the campus:

- a. Complete and finalize its review of financial aid to teaching credential candidates using the existing methodology augmented by an audit of files initially omitted by

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COE evaluation to reduce the risk of errors and ensure the integrity of the review process.

- b. Establish ongoing procedures to review the appropriateness of data used in the financial aid evaluation process, especially when changes to eligibility criteria occur.

Campus Response

- a. The campus has confirmed the eligibility of teaching credential candidates for financial aid. Definitions for coding teaching credential candidates have been agreed upon by appropriate SDSU officials and will be implemented to reduce the risk of errors and ensure the integrity of the review process.
- b. The COE and Graduate Division have implemented new procedures to ensure that student status is identified and reported correctly in the financial aid evaluation process, especially when changes to eligibility criteria occur.

Documentation of policy and control changes relative to Recommendations 1, 2, 6a, and 7 will follow under separate cover.

Sincerely,


Stephen L. Weber
President

SLW/jsh

- c: Sally F. Roush, Vice President, Business and Financial Affairs
Ethan A. Singer, Associate Vice President, Academic Affairs
William D. Boyd, Associate Vice President, Enrollment Services
Ellene J. Gibbs, Director, Business Information Management
Valerie J. Carter, Tax and Audit Coordinator

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

February 27, 2003

CHANNE SLANDS

CHIC

MEMORANDUM

DOMINGUEZ HILLS

FRESNO

TO: Mr. Larry Mandel
University Auditor

LERTON

HAYWARD

FROM: Charles B. Reed
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 02-23 on *Financial Aid*,
San Diego State University

LOS ANGI

MARITIME ACADEMY

In response to your memorandum of February 27, 2003, I accept the response as submitted with the draft final report on *Financial Aid*, San Diego State University.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/bh

SACRAMENTO

Enclosure

SAN BERNARDINO

SAN DIEGO

cc: Ms. Ellene J. Gibbs, Director, Business Information Management
Dr. Stephen L. Weber, President

SAN FRANCISC

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOM.

STANISLAUS