

FINANCIAL AID

SAN DIEGO STATE UNIVERSITY

**Audit Report 10-42
November 23, 2010**

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ABBREVIATIONS

| | |
|-----------|---|
| Blue Book | U.S. Department of Education, <i>Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs</i> |
| Cal Grant | California Grant |
| CFR | Code of Federal Regulations |
| CMS | Common Management Systems |
| COE | College of Education |
| CSU | California State University |
| EO | Executive Order |
| EOPG | Extended Opportunity Grant |
| FERPA | Family Educational Rights and Privacy Act |
| FSA | Federal Student (Financial) Aid |
| FWS | Federal Work Study |
| HEA | Higher Education Act |
| OFAS | Office of Financial Aid and Scholarships |
| OUA | Office of the University Auditor |
| SAM | State Administrative Manual |
| SDSU | San Diego State University |
| Secretary | Secretary of Education |
| SUG | State University Grant |
| TEACH | Teacher Education Assistance for College and Higher Education |

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2009, the Board of Trustees, at its January 2010 meeting, directed that *Financial Aid* be reviewed. *Financial Aid* was previously audited in 2002.

We visited the San Diego State University (SDSU) campus from May 17, 2010, through June 17, 2010, and audited the procedures in effect at that time.

Our study and evaluation did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on financial aid activities. However, we did identify other reportable weaknesses that are described in the executive summary and body of this report. In our opinion, the operational and administrative controls for financial aid activities in effect as of June 17, 2010, taken as a whole, were sufficient to meet the objectives stated in the "Purpose" section of this report.

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

The following summary provides management with an overview of conditions requiring 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 ENVIRONMENT [6]

The Office of Financial Aid and Scholarships (OFAS) had not documented its federal student (financial) aid program risk management policy, nor had a formal risk assessment been documented to address various compliance risks in the areas of Title IV financial aid award funding, financial aid funds management, information security/technology, and operational risks. The OFAS did not have adequate physical security and environmental controls for departmental systems. Administration of access for internally developed OFAS systems needed improvement. For example, user account access reviews were not completed to verify user access rights granted to OFAS and campus employees for the OFAS systems. In addition, certain consumer information was not disclosed in direct individual notices.

FISCAL AND PROGRAM OVERSIGHT AND COORDINATION [11]

OFAS record retention and disposition practices needed improvement. For example, record retention and disposition procedures had not been finalized and approved by management.

AWARDING AND DISBURSING [13]

Federal work-study (FWS) agreements between the campus and two off-campus FWS employers were not completed for the 2008/09 financial award year, nor for the majority of the 2009/10 financial award year.

INTRODUCTION

BACKGROUND

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 publicly 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” that 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.

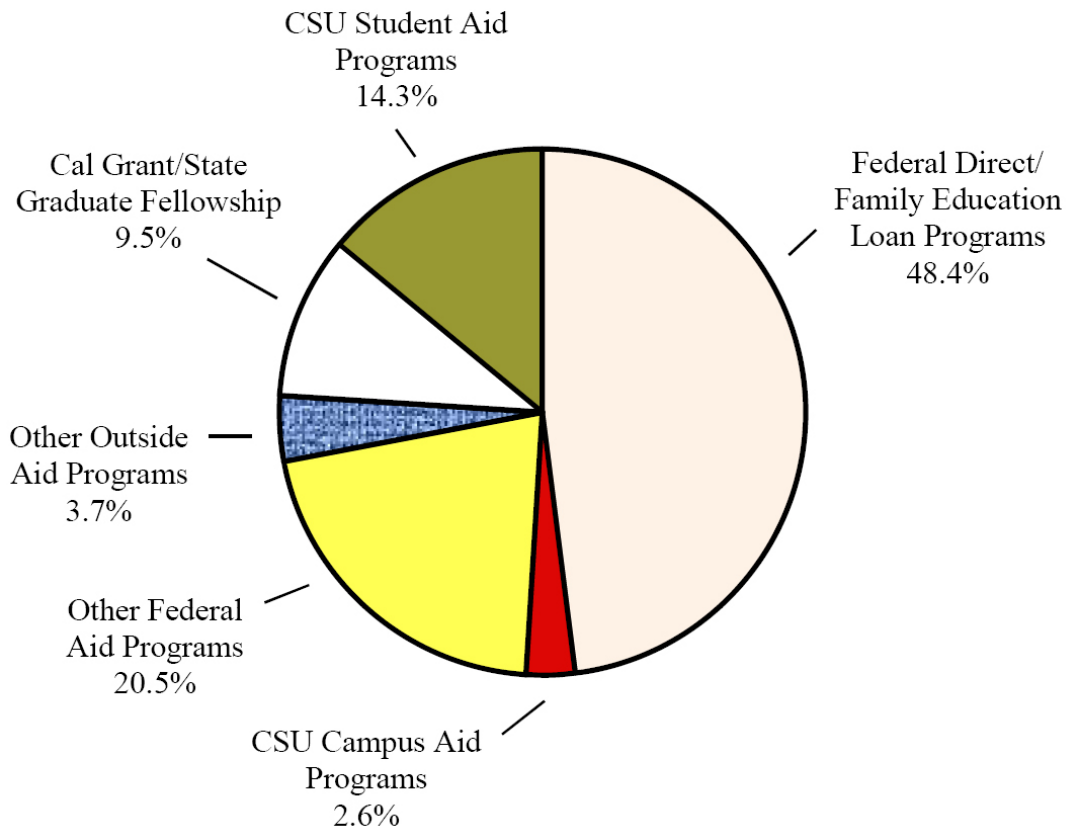
Work-study is a “self-help” program in the form of part-time employment during the student’s college career.

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 almost 69 percent 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 Circular A-133. As of June 30, 2009, the student financial assistance cluster in the Single Audit Report by KPMG included:

| PROGRAM | AMOUNT |
|--|-----------------|
| Federal Supplemental Educational Opportunity Grants | \$11,400,683 |
| Federal Family Educational Loans | \$636,997,465 |
| Federal Work Study | \$15,596,904 |
| Federal Perkins Loan – Federal Capital Contributions | \$15,778,922 |
| Federal Pell Grants | \$423,149,456 |
| Federal (William Ford) Direct Loans | \$498,770,599 |
| Academic Competitiveness Grants | \$12,410,868 |
| National Science and Mathematics Grants | \$7,196,104 |
| TEACH Grants, Nursing Loans, and Disadvantaged Student Loans | \$653,568 |
| Total Student Financial Assistance: | \$1,621,954,569 |

Non-federal financial aid programs include mainly 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, and the CSU provides need-based assistance through state university grants and educational opportunity program grants. Certain other funds, such as local scholarships, are available through the campuses. In the CSU Statistical Abstract for fiscal year 2007/08, 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 such as 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 non-resident 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.

Beginning in calendar year 2010, the Office of the University Auditor (OAU) audit risk assessment methodology changed, based on a fiscal year 2009/10 systemwide risk assessment. Using the new procedure, the OAU worked with CSU campus executive management to identify high-risk areas in each campus. As a result of this change in risk assessment, financial aid was identified as an area for review.

PURPOSE

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

Within the audit objective, specific goals included determining whether:

- ▶ Campuses are administratively capable with regard to financial aid.
- ▶ Campuses have undertaken or completed initiatives to improve financial aid operations, maximize financial aid resources, and ensure compliance with federal regulatory requirements.
- ▶ Adequate consumer information on financial aid has been disclosed.
- ▶ Provisions have been made for securing financial aid data from inappropriate disclosures.
- ▶ Financial aid is supported by adequate automated recordkeeping systems.
- ▶ There is complete, correct, and consistent information circulated on financial aid.
- ▶ Other campus offices adequately coordinate with the financial aid office.
- ▶ Campuses avoid overcommitment or underutilization of financial aid resources.
- ▶ Financial aid operations are economical, efficient, and effective.
- ▶ Standard student budgets and cost of attendance are appropriately established.
- ▶ There is a process for validating the eligibility of financial aid applicants to receive assistance.
- ▶ The campus has complied with federal and state requirements and conditions stipulated by other financial aid resource providers.
- ▶ Financial aid is packaged in accordance with applicable policies and procedures.
- ▶ Financial aid decisions are made based on accurate verifications.
- ▶ Fee waivers have been factored into financial aid awards.
- ▶ Work-study program limits have not been exceeded.
- ▶ Separation of duties between awarding and disbursing is adequate.
- ▶ Disbursements are adequately controlled.

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment A, Audit Agenda Item 2 of the January 26 and 27, 2010, meeting of the Committee on Audit stated that financial aid includes the identification of financial aid resources, establishing student budgets, packaging financial aid awards, coordinating financial aid benefits, managing financial aid funds, complying with federal and state program requirements, securing financial aid applicant information, and preparing financial aid reports.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative. This 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. The audit focused on procedures in effect from July 1, 2008, through April 30, 2010. In instances wherein it was necessary to review annualized data, academic years 2008/09 and 2009/10 were the periods reviewed.

A preliminary risk assessment of campus financial aid operations was used to select for our audit testing those areas or activities with highest risk. This assessment was based upon a systematic process using prior audits, management's feedback, and professional judgments on probable adverse conditions and other pertinent information, including prior audit history in this area. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- ▶ The financial aid organization.
- ▶ Physical and logical security for sensitive financial aid information.
- ▶ Safeguarding financial aid automated systems.
- ▶ Recordkeeping for financial aid.
- ▶ Coordination between the financial aid department and other campus departments.
- ▶ Procedures used to avoid overcommitment or underutilization of financial aid resources.
- ▶ Establishing and calculating student budgets and cost of attendance.
- ▶ Establishing student eligibility for financial aid.
- ▶ Campus policies and professional judgment used for awarding of financial aid.
- ▶ Information verification procedures for financial aid applications.
- ▶ Work-study program payment compliance with federal regulations and campus guidelines.
- ▶ Appropriate separation of duties for awarding and disbursing financial aid.
- ▶ Disbursement procedures for financial aid payments.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL ENVIRONMENT

FEDERAL STUDENT AID PROGRAM RISK MANAGEMENT

The Office of Financial Aid and Scholarships (OFAS) had not documented its federal student (financial) aid (FSA) program risk management policy, nor had a formal risk assessment been documented to address various compliance risks in the areas of Title IV financial aid award funding, financial aid funds management, information security/technology, and operational risks.

U.S. Department of Education, *Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs* (Blue Book), Chapter 12, dated July 2005, states that, in addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the FSA programs include an adequate system of internal controls or checks and balances. Internal control consists of five interrelated components derived from the way a school is managed, including risk assessment. Risk assessment is the identification and analysis of risks that have the potential to negatively affect a school's satisfactory management of the FSA programs, its strength, its public image, and the overall quality of its programs and services.

Federal Student Aid Handbook, Volume 2, *School Eligibility and Operations*, 2009-2010, states that the institution must identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction, or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks. At a minimum, the school's risk assessment should include consideration of risks in each relevant area of operations, including:

- ▶ Employee training and management.
- ▶ Information systems, including network and software design, as well as information processing, storage, transmission, and disposal.
- ▶ Detecting, preventing, and responding to attacks, intrusions, or other systems failures.

Executive Order (EO) 715, *California State University Risk Management Policy*, dated October 27, 1999, delegated authority and responsibility to the campus president to implement campus risk management policies consistent with the California State University (CSU) risk management policy guidelines. This includes an ongoing process to identify risks, analyze the frequency and severity of the potential risks, and select the best management techniques to manage the risks.

The OFAS director stated that risk assessment procedures are an integral part of her daily work and that of the management team and that the system of checks and balances built into the organizational structure reflects the risk management policy of the OFAS; however, the policy and procedures have not been expressed in writing.

Failure to adequately assess and address FSA risks increases the exposure to improper disclosure of private information or loss from inappropriate acts.

Recommendation 1

We recommend that the campus:

- a. Document the OFAS FSA program risk management policy and procedures.
- b. Document the results of the OFAS risk assessment to address Title IV compliance risks.

Campus Response

We concur. The campus will document the OFAS FSA program risk management policy and procedures by May 30, 2011. The results of the OFAS risk assessment will also be documented by May 30, 2011.

PHYSICAL SECURITY AND ENVIRONMENTAL CONTROLS

The OFAS did not have adequate physical security and environmental controls for departmental systems.

We found that:

- ▶ An adequate fire suppression system had not been installed to protect OFAS systems. The current sprinkler system could cause water damage to all of the OFAS systems and could negatively impact ongoing operations.
- ▶ The OFAS systems were located in a room containing fire hazard materials.
- ▶ Adequate climate control was not provided to manage elevated temperatures.

Code of Federal Regulations (CFR), Title 34, *Standards of Administrative Capability*, §668.16 (b)(4)(c)(1), states that to begin and continue participating in any Title IV Higher Education Act (HEA) program, an institution shall demonstrate to the Secretary of Education (Secretary) that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution administers Title IV HEA programs with adequate checks and balances in its system of internal controls.

State Administrative Manual (SAM) §5330 states that physical security practices prevent unauthorized physical access, damage, and interruption to an agency's assets. Physical security practices for each facility must be adequate to protect the most sensitive information technology application housed in that facility. Agencies must take the appropriate physical security measures to provide for:

- ▶ Management control of physical access to information assets (including personal computer systems, computer terminals, and mobile devices) by agency staff and outsiders.
- ▶ Prevention, detection, and suppression of fires.
- ▶ Prevention, detection, and minimization of water damage.
- ▶ Protection, detection, and minimization of loss or disruption of operational capabilities due to electrical power fluctuations or failure.

SAM §5305 requires state agencies to ensure the integrity of computerized information resources by protecting them from unauthorized access, modification, destruction, or disclosure and to ensure the physical security of these resources.

The California Office of Information Security & Privacy Protection, *Information Security Program Guide for State Agencies*, dated April 2008, states that safeguards to take into account are the general operating location and environmental factors, and further states that system components used to deliver mission-critical, confidential, or sensitive programs should be in a strategically placed location with limited access and in an environmentally controlled area. The placement might include an access that is restricted and temperature-controlled.

The OFAS assistant director for systems stated his belief that the sprinkler system was sufficient for fire suppression and in accordance with the University Information Security Plan Section 3.11.3. He further stated that most protected, mission-critical financial aid/scholarship student data is stored on, and accessed from, database servers in the university computer operations.

Failure to provide adequate physical security and environmental controls for OFA non-CMS systems increases the risk of data breaches that could have a severe impact on the OFA department operations, as well as privacy liability related to the Family Educational Rights and Privacy Act (FERPA).

Recommendation 2

We recommend that the campus evaluate the feasibility of installing a combination climate control and fire/smoke suppression system and removing fire hazard materials for the OFAS departmental systems to compensate for the existing sprinkler system.

Campus Response

We concur. The campus will evaluate the feasibility of installing a climate control and fire/smoke suppression system and removing fire hazard materials for the OFAS departmental systems. The evaluation will be completed by May 30, 2011.

SEGREGATION OF DUTIES

Administration of access for internally developed OFAS systems needed improvement.

We found that:

- ▶ User account access reviews were not completed to verify user access rights granted to OFAS and campus employees for the OFAS systems (financial aid system, scholarship management system, and federal work-study system).
- ▶ The OFAS director was incorrectly assigned the power user role within the production environment of the OFAS systems, which granted her access to modify/compile production application code in those systems. We noted that the OFAS director's power user role was deleted during the audit.

San Diego State University *OFAS Change Control Policy and Procedures*, dated March 12, 2009, states that, to ensure proper segregation of duties, only the assistant director and configuration control/security analyst will have access to compile code in the production database.

34 CFR, *Standards of Administrative Capability*, §668.16(b)(4)(c)(1), states that to begin and continue participating in any Title IV HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution administers Title IV HEA programs with adequate checks and balances in its system of internal controls.

The Blue Book, Chapter 12, dated July 2005, states that, in addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the FSA programs include an adequate system of internal controls or checks and balances. Internal control consists of five interrelated components derived from the way a school is managed, including control activities and monitoring. Control activities are the policies and procedures that help ensure a school's administrative directives are followed. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities and other actions employees take in performing their duties. The Blue Book, Chapter 12, further states that the institution has the responsibility to establish reasonable electronic data processing such as:

- ▶ Segregation of computer duties and responsibilities, including granting appropriate levels of access to staff and limiting an employee's access only to those functions necessary to perform his/her assigned job duties.
- ▶ Establishing adequate software-security controls and audit functions.
- ▶ User identification, entry-point tracking, and system surveys (these security controls should be sufficient to indicate or detect possible misuse, abuse, or unauthorized activity on the system), and conducting random audits of the system using the aforementioned functions.

- ▶ Conducting security tests of code access and physical security.

Government Code §13400 et seq. requires state agencies to establish and maintain a system of internal accounting and administrative control. It further requires the control system be evaluated on an ongoing basis and weaknesses to be promptly corrected.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

The OFAS director stated that although a list of user accounts was reviewed periodically, the access level of each person was not routinely checked. She further stated that the responsibilities of her prior position had required her to provide systems development oversight and that her level of access had not been changed to reflect her current position due to oversight.

Inadequate segregation of duties over financial aid systems increases the potential for campus exposure to loss from inappropriate acts.

Recommendation 3

We recommend that the campus perform user account access reviews for all of the OFAS systems to verify user access rights and remove any unnecessary OFAS system access.

Campus Response

We concur. The campus will perform user account access reviews for all of the OFAS systems by May 30, 2011.

CONSUMER INFORMATION

Certain consumer information was not disclosed in direct individual notices.

At the time of audit, the campus did not provide evidence of consumer information direct individual notice disclosures for areas such as: special facilities and services available to disabled students, the school's fire safety report, and certain other specific information for which direct individual disclosure is required. We found that, substantially, the campus relied upon the availability of consumer information at various campus website addresses for disclosure purposes, which constitutes mass notification rather than individual disclosures.

The federal HEA, the Higher Education Opportunity Act, the federal Equity in Athletics Disclosure Act, regulatory guidance provided in the CFR, and the guidance provided in the 2009/10 Federal Student Aid Handbook 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, 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.

The director of communications, enrollment services stated that she relied on other departments to provide her with updated consumer information requirements and that she relied on various campus website links and the police department's website to communicate crime statistics to prospective and current students.

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 4

We recommend that the campus disclose consumer information in direct individual notices and, at a minimum:

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

Campus Response

We concur. The campus will disclose consumer information in direct individual notices and include the minimum requirements referenced by May 30, 2011.

FISCAL AND PROGRAM OVERSIGHT AND COORDINATION

OFAS record retention and disposition practices needed improvement.

Specifically, we found that:

- ▶ Record retention and disposition procedures had not been finalized and approved by management. They were still in "draft" form at the time of audit.
- ▶ The annual review of records required by California State University (CSU) policy had not been conducted.
- ▶ Certain records and files were retained longer than the CSU record retention and disposition requirements, without proper disposal.

- ▶ The draft information retention policy did not include timelines for disposal of data.

34 CFR, *Standards of Administrative Capability*, §668.16(b)(4)(c)(1), states that to begin and continue participating in any Title IV HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution administers Title IV HEA programs with adequate checks and balances in its system of internal controls.

EO 1031, *Systemwide Records/Information Retention and Disposition Schedules Implementation*, dated February 27, 2008, states, in part, that each campus must:

- ▶ Formally designate an official campus custodian(s) for each type of record.
- ▶ Ensure that the designation of a vital record/information is consistent with the campus' business continuity plans.
- ▶ Establish procedures regarding the modification of retention and disposition schedules, as needed, to incorporate records unique to each campus.
- ▶ Continue to secure its records/information in accordance with applicable campus and CSU policy.
- ▶ Ensure appropriate and timely disposal of records/information in accordance with retention and disposition schedule time frames. The campus is responsible for instituting a process for reviewing its records/information as listed on the schedules to determine if they should be destroyed or maintained. At minimum, this review should be conducted once a year.

The Blue Book, Chapter 7, dated July 2005, states that a school must keep comprehensive, accurate program and fiscal records related to its use of FSA program funds. The importance of maintaining complete, accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures. For example, records for each FSA recipient must clearly show that the student was eligible for the funds received, and that the funds were disbursed in accordance with program regulations.

34 CFR, *Student Assistance, General Provisions - Record Retention and Examinations*, §668.24, provides three-year record retention guidelines for program and fiscal records in sufficient detail to determine FSA record retention and disposition requirements.

The OFAS associate director stated that a retention policy and implementation plan was developed in response to the Information Security audit; however, it was in draft form and awaiting final approval.

Failure to comply with CSU record retention and disposition policies increases the risk of inappropriate and untimely disposal of records/information. An excessive retention of student

information could impact the campus compliance with federal regulations and CSU record retention standards.

Recommendation 5

We recommend that the campus:

- a. Finalize and approve retention and disposition procedures.
- b. Conduct an annual review of records to ensure appropriate record retention and disposal.
- c. Ensure that records and files are disposed of properly, within the time frames required by CSU policy.
- d. Ensure that the OFAS information retention policy includes timelines for disposal of data.

Campus Response

We concur. The campus will finalize and approve retention and disposition procedures for the OFAS. This will include an annual review of records and proper disposal within the CSU required time frames. A documented process will be completed by May 30, 2011.

AWARDING AND DISBURSING

Agreements between the campus and off-campus FWS employers were not always completed.

We found that agreements between the campus and two off-campus FWS employers, America Reads and America Counts, were not completed for the 2008/09 financial award year, nor for the majority of the 2009/10 financial award year.

34 CFR, *Eligible Employers and General Conditions and Limitation of Employment*, 675.20(a), states that eligible FWS employers are the following:

- ▶ The institution in which the student is enrolled.
- ▶ A federal, state, or public agency.
- ▶ A private nonprofit organization.
- ▶ A private for-profit organization.

34 CFR, *Agreement Between the Institution and Organization*, §675.20(b)(1), states that if an institution wishes to have its students employed by a federal, state, or local public agency, or a private nonprofit or for-profit organization, it shall enter into a written agreement with that agency or organization.

The Federal Student Aid Handbook, Volume 6, *Managing Campus-Based Programs*, 2009-2010, states that if a school would like an off-campus organization to employ FWS students, the school

must enter into a written agreement, which is a contract with the off-campus organization. A written agreement is required with the off-campus organization even if the school is considered the employer of the FWS student.

The OFAS associate director stated that he was unaware that FWS off-campus employer agreements were required for the schools participating in SDSU's America Reads and America Counts tutoring programs.

The absence of complete agreements between the campus and off-campus FWS employers increases the risk of misunderstandings and non-compliance with federal FWS requirements.

Recommendation 6

We recommend that the campus complete and execute agreements with all FWS off-campus employers, including the schools participating in the America Reads and America Counts tutoring programs.

Campus Response

We concur. The campus will complete and execute agreements with all FWS off-campus employers by May 30, 2011.

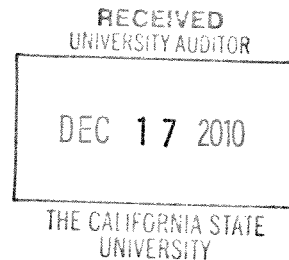
APPENDIX A: PERSONNEL CONTACTED

| <u>Name</u> | <u>Title</u> |
|--------------------|---|
| Stephen L. Weber | President |
| Chris Bronsdon | Director, Financial Reporting |
| Scott Burns | Associate Vice President, Financial Operations |
| Kevin Carter | Associate Director, Information Systems Management, Student Affairs |
| Valerie Carter | Director, Audit and Tax |
| Rosie Castaneda | Student Services Professional, Office of Financial Aid and Scholarships (OFAS) |
| Tony Chung | Director, Information Systems Management, Student Affairs |
| Chris Collins | Associate Director, OFAS |
| Colleen Conniff | Administrative Analyst Specialist, OFAS |
| Chrys Dutton | Director, OFAS |
| Melanie Falkenberg | Multiple Subjects Admissions Coordinator, College of Education (COE) |
| Pat Francisco | Director, Housing Administration |
| Sue Goulet | Student Services Professional, OFAS |
| Jessica Hasson | Student Services Professional, OFAS |
| Laura Heimbach | Manager, OFAS |
| Edgar Hodge | Director, University Computer Operations |
| Sandi Jordan | Configuration Control/Security Analyst, OFAS |
| Sandy Kahn | Data Systems and Reporting Manager, COE |
| Luisa Larios-Ruiz | Federal Work-Study Coordinator, OFAS |
| Lorretta Leavitt | University Controller |
| Janifer Leung-Lau | Financial Aid Accountant, Student Account Services |
| Lisa McCully | Director, COE |
| Julie Messer | Administrative Analyst Specialist, Student Account Services |
| Rose Pasenelli | Assistant Director of Administrative Oversight, OFAS |
| Rich Pickett | Senior Director and Chief Information Officer, Enterprise Technology Services |
| Chip Pierce | Assistant Director, OFAS |
| Kimberlee Reilly | Manager, Student Account Services |
| Sally Roush | Vice President, Business and Financial Affairs |
| Marti Ruel | Associate Vice President, Student Affairs |
| Peter Strachwitz | State Grants Coordinator, OFAS |
| Leah Singer | Director of Communications, Enrollment Services |
| Felecia Vlahos | Information Security Officer |
| Rayanne Williams | Registrar |
| Cyndie Winrow | Director, Business Information Systems |



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Sally Roush
Vice President

December 15, 2010

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

Dear Mr. Mandel:

Attached is San Diego State University's response to Audit Report 10-42, *Financial Aid*. Documentation of policy and control changes will follow under separate cover.

Should you have any questions or require additional information, please contact Valerie Carter, Audit and Tax Director, at 619-594-5901.

Sincerely,



Sally F. Roush
Vice President for Business and Financial Affairs

Attachment

- c: Stephen L. Weber, President
- James Kitchen, Vice President for Student Affairs
- Marti Ruel, Associate Vice President, Student Affairs
- Scott Burns, Associate Vice President, Financial Operations
- Chrys Dutton, Director, Office of Financial Aid and Scholarships
- Valerie Carter, Director, Audit and Tax

FINANCIAL AID
SAN DIEGO STATE UNIVERSITY
Audit Report 10-42

GENERAL ENVIRONMENT

FEDERAL STUDENT AID PROGRAM RISK MANAGEMENT

Recommendation 1

We recommend that the campus:

- a. Document the OFAS FSA program risk management policy and procedures.
- b. Document the results of the OFAS risk assessment to address Title IV compliance risks.

Campus Response

We concur. The campus will document the OFAS Federal Student Aid program risk management policy and procedures by May 30, 2011. The results of the OFAS risk assessment will also be documented by May 30, 2011.

PHYSICAL SECURITY AND ENVIRONMENTAL CONTROLS

Recommendation 2

We recommend that the campus evaluate the feasibility of installing a combination climate control and fire/smoke suppression system and removing fire hazard materials for the OFAS departmental systems to compensate for the existing sprinkler system.

Campus Response

We concur. The campus will evaluate the feasibility of installing a climate control and fire/smoke suppression system and removing fire hazard materials for the OFAS departmental systems. The evaluation will be completed by May 30, 2011.

SEGREGATION OF DUTIES

Recommendation 3

We recommend that the campus perform user account access reviews for all of the OFAS systems to verify user access rights and remove any unnecessary OFAS system access.

Campus Response

We concur. The campus will perform user account access reviews for all of the OFAS systems by May 30, 2011.

CONSUMER INFORMATION**Recommendation 4**

We recommend that the campus disclose consumer information in direct individual notices and, at a minimum:

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

Campus Response

We concur. The campus will disclose consumer information in direct individual notices and include the minimum requirements referenced by May 30, 2011.

FISCAL AND PROGRAM OVERSIGHT AND COORDINATION**Recommendation 5**

We recommend that the campus:

- a. Finalize and approve retention and disposition procedures.
- b. Conduct an annual review of records to ensure appropriate record retention and disposal.
- c. Ensure that records and files are disposed of properly, within the time frames required by CSU policy.
- d. Ensure that the OFAS information retention policy includes timelines for disposal of data.

Campus Response

We concur. The campus will finalize and approve retention and disposition procedures for the OFAS. This will include an annual review of records and proper disposal within the CSU required time frames. A documented process will be completed by May 30, 2011.

AWARDING AND DISBURSING

Recommendation 6

We recommend that the campus complete and execute agreements with all FWS off-campus employers, including the schools participating in the America Reads and America Counts tutoring programs.

Campus Response

We concur. The campus will complete and execute agreements with all FWS off-campus employers by May 30, 2011.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

January 14, 2011

CHICO

MEMORANDUM

DOMINGUEZ HILLS

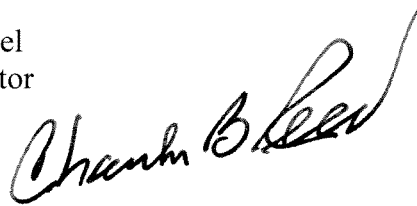
EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 10-42 on *Financial Aid*,
San Diego State University

LONG BEACH

LOS ANGELES

In response to your memorandum of January 14, 2011, I accept the response as submitted with the draft final report on *Financial Aid*, San Diego State University.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS