

**FINANCIAL AID**  
**CALIFORNIA STATE UNIVERSITY,**  
**FULLERTON**

**Audit Report 10-39**  
**September 28, 2010**

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## ABBREVIATIONS

BCP/DRP	Business Continuity Plan/Disaster Recovery Plan
Blue Book	U.S. Department of Education, <i>Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs</i>
CFR	Code of Federal Regulations
CMS	PeopleSoft Common Management System
CSU	California State University
EDP	Electronic Data Processing
EO	Executive Order
FAModule	Financial Aid Module
FERPA	Family Educational Rights and Privacy Act
FileNet	FileNet Imaging System
FSA	Federal Student (Financial) Aid
GC	Government Code
HEA	Higher Education Act
ITS	Information Technology Services
OFA	Office of Financial Aid
OUA	Office of the University Auditor
SAM	State Administrative Manual
Secretary	Secretary of Education
SIS	Student Information System
TEACH	Teacher Education Assistance for College and Higher Education

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## EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last two quarters 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 California State University, Fullerton campus from April 12, 2010, through April 30, 2010, and audited the procedures in effect at that time.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following areas: general environment, fiscal and program oversight and coordination, and awarding and disbursing. These conditions, along with other weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses described above, the operational and administrative controls for financial aid activities in effect as of April 30, 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 [7]

Federal student (financial) aid (FSA) program risk assessment procedures needed improvement. Campus office of financial aid (OFA) policies and procedures needed improvement. For example, the 2008/09 and 2009/10 financial advisory committee meeting minutes were not available to verify approved OFA management changes and adoption dates for OFA policies and procedures. The OFA did not have an adequate department level business continuity plan/disaster recovery plan. Certain consumer information was not disclosed in direct individual notices. User accounts in the OFA FileNet imaging system (FileNet) were not always well maintained. In addition, the campus had not conducted a user access review of FileNet and other OFA systems/applications and electronic file servers that supported OFA daily operations. Administration of the OFA Common Management System (CMS) student administration system needed improvement. For example, the acting financial aid director, one associate director, one financial aid employee, and one programmer consultant had the financial aid module lead system role in the CMS student administration production environment, which allows a user to update access to main financial aid for all pages, menus, and objects within main financial aid and to run financial aid batch processes and batch jobs. In addition, the OFA did not have adequate physical security and environmental controls for OFA non-CMS systems. OFA critical operational data was backed up on the same physical machines and was not encrypted.

## **FISCAL AND PROGRAM OVERSIGHT AND COORDINATION [19]**

Record retention and disposition policies were not always followed. In addition, formalized policies and procedures had not been developed to ensure adequate oversight of FSA funds, thereby protecting against overcommitment or underutilization of financial aid resources.

## **AWARDING AND DISBURSING [22]**

FSA professional judgment reviews were not always performed and documented.

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## 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.

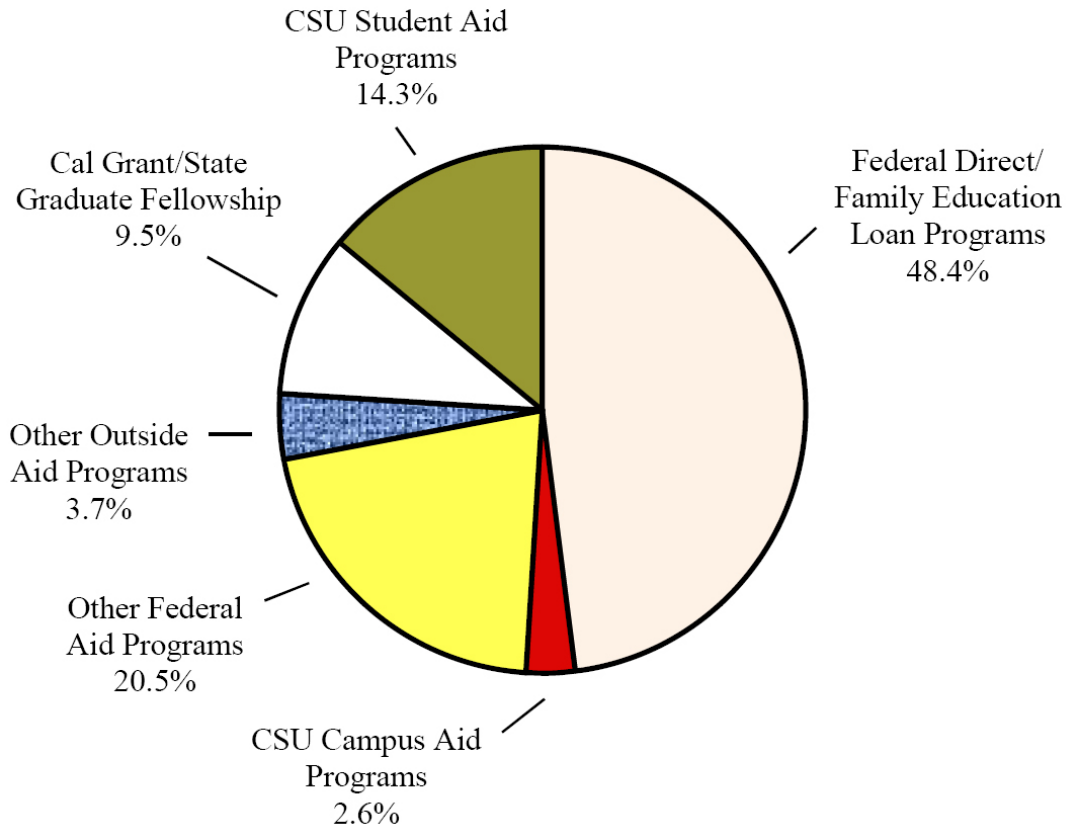
**Work-study** is a “self-help” program in the form of part-time employment during the student’s college career.

**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, fiscal 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 the 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.

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## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

### GENERAL ENVIRONMENT

#### FEDERAL STUDENT AID PROGRAM RISK MANAGEMENT

Federal student (financial) aid (FSA) program risk assessment procedures needed improvement.

We found that an FSA program risk assessment had not been conducted 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. Additionally, the financial aid department had not developed and implemented a set of procedures to guide their risk assessment activities.

The 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.

The acting financial aid director stated that failure to conduct an FSA program risk assessment and develop risk assessment procedures was due to an oversight resulting from time-resource conflicts because she performed line management operational duties to ensure timely disbursements of financial aid awards and quality customer service to students.

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. Develop specific risk assessment procedures for the financial aid department.
- b. Conduct a formalized FSA program risk assessment.

### **Campus Response**

We concur.

- a. The office of financial aid (OFA) will develop a specific risk assessment procedure for the department by December 1, 2010.
- b. OFA will conduct a formalized FSA program risk assessment by February 1, 2011.

## **FEDERAL STUDENT AID POLICIES AND PROCEDURES**

Campus OFA policies and procedures needed improvement.

We found that:

- ▶ The 2008/09 and 2009/10 financial advisory committee meeting minutes were not available to verify approved OFA management changes and adoption dates for OFA policies and procedures.
- ▶ Some OFA administrative policies and procedures referenced the Legacy Student Information System (SIS) Plus screen numbers and data entry procedures, even though SIS Plus was retired in May 2008.
- ▶ The existing quality control procedures to allow for periodic audits of student files/employee transactions to ensure continued consistency and compliance were not updated to allow adequate student file reviews with the new OFA PeopleSoft/Common Management System (CMS) student administration system.

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.

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. Control activities are the policies and procedures that help ensure a school's administrative directives are followed.

Government Code (GC) §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which include documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

State Administrative Manual (SAM) §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are non-existent.

The acting financial aid director stated that the financial advisory committee meeting minutes were not retained due to management oversight. She added that the financial advisory committee was dissolved several years ago, and no alternative version control administrative system was in place to record changes and adoption dates of OFA policies and procedures. She further stated that policies and procedures were developed in stages, but were not completed due to the financial aid system conversion from SIS Plus to the OFA CMS student administration system.

Failure to update policies and procedures limits the effectiveness of administrative capability and increases the risk of misunderstandings regarding employees' responsibilities and the campus' financial aid office's ability to adequately administer an FSA program.

## **Recommendation 2**

We recommend that the campus:

- a. Ensure that financial advisory committee meeting minutes address topics such as approved OFA management changes and adoption dates for OFA policies and procedures, and that the minutes are available for review.
- b. Update OFA administrative policies and procedures to remove reference to SIS Plus screen numbers and data entry procedures.
- c. Update the existing quality control procedures to allow for periodic audits of student files/employee transactions to allow adequate student file reviews of the new OFA PeopleSoft/CMS student administration system.

## **Campus Response**

We concur.

- a. Effective immediately, the vice president for student affairs will ensure that financial advisory committee meeting minutes address topics such as approved OFA management changes and adoption dates for OFA policies and procedures, and that the minutes are available for review.

- b. OFA will review and update OFA administrative policies and procedures to remove reference to SIS Plus screen numbers and data-entry procedures by November 1, 2010.
- c. OFA will review and update the existing quality control procedures to allow for periodic audits of student files/employee transactions to allow adequate student file reviews of the new OFA PeopleSoft/CMS student administration system by December 1, 2010.

## **BUSINESS CONTINUITY PLAN/DISASTER RECOVERY PLAN**

The OFA did not have an adequate department level business continuity plan/disaster recovery plan (BCP/DRP).

We found that the existing OFA BCP/DRP did not have business impact analysis and risk assessment documented as required by CSU policy. Additionally, we found that:

- ▶ Financial aid vital records were not all documented in the BCP/DRP.
- ▶ Assets that contained confidential/sensitive information were not documented in the BCP/DRP.
- ▶ Evidence of the annual review required by CSU policy was not documented in the BCP/DRP.
- ▶ IT disaster recovery procedures were not developed for OFA departmental systems.

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 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. Control activities are the policies and procedures that help ensure a school's administrative directives are followed. The Blue Book, Chapter 12, further states that the institution has the responsibility to establish reasonable electronic data processing (EDP) controls, such as adequate system and data-file backup and contingency, disaster recovery, and business resumption plans.

EO 1014, *California State University Business Continuity Program*, dated October 8, 2007, states that each campus president, or his/her designee, has the responsibility for implementing and maintaining an ongoing program on each campus that ensures the continuity of essential functions or operations following or during the recovery phase of a catastrophic event. The campus business continuity program shall include a business impact analysis and a risk assessment.

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.

CSU *Information Security Policy*, dated April 19, 2010, states that campuses must have plans and procedures for the protection of data against natural, accidental, and intentional disasters, including a disaster recovery plan.

The associate vice president for student affairs stated that the existing departmental BCP/DRP had been submitted to the campus police department chief, the designated emergency preparedness coordinator, some time ago, and since there has been turnover in the emergency preparedness coordinator position, he was waiting to hear from the new coordinator as to when the next update would be, and if the same template would be used.

Failure to implement an OFA BCP/DRP based on assumptions in the campus-wide and division-level plans could result in the OFA not being able to conduct manual operations and not being able to recover/restore computer operations within an acceptable time frame.

### **Recommendation 3**

We recommend that the campus and OFA management implement an approved BCP/DRP that meets CSU policy requirements.

### **Campus Response**

We concur. OFA will implement the approved BCP/DRP by December 1, 2010.

## **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 such areas as: athletic graduation rates; special facilities and services available to disabled students; crime statistics data, 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 in the campus catalog and at various website addresses for disclosure purposes, which constitutes mass notification rather than individual disclosures.

The federal Higher Education Act, 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 acting financial aid director stated that she was aware of consumer information requirements but relied on the course catalog, 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 a direct individual notice.

- a. The campus will identify the required information disclosures by January 1, 2011.
- b. The campus will provide the exact electronic website address where the information can be found by January 1, 2011.
- c. Effective immediately, the campus will state that upon request, a person is entitled to a paper copy containing the required information.
- d. Effective immediately, OFA will inform students and others how to request a paper copy.

#### **ADMINISTRATION OF THE OFA FILENET IMAGING SYSTEM**

Administration of the OFA FileNet imaging system (FileNet) needed improvement.

We noted that:

- ▶ User accounts in FileNet were not always well maintained. We noted user accounts for various separated employees, including the prior financial aid director who separated from the position in May 2009, but still had access to FileNet as of April 22, 2010.
- ▶ The campus had not conducted a user access review of FileNet and other OFA systems/applications and electronic file servers that supported OFA daily operations.

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 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 ongoing 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 and 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 EDP controls, such as:

- ▶ Establishing adequate software-security controls and audit functions.
- ▶ Utilizing 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.

CSU *Information Security Policy*, dated April 19, 2010, states that campus policies and procedures should provide for:

- ▶ Individual unique user ID/passwords (no shared IDs).
- ▶ Access privileges controlled on a need-to-know basis.
- ▶ Password security requirements.
- ▶ Assignment of responsibilities (access privileges granted).
- ▶ Reassignment of responsibilities (access privileges reviewed).
- ▶ Termination of employment (access privileges removed).

CSU Fullerton, *Presidential Directive 13*, dated August 2008, requires campus departments and personnel to secure information protected by federal, state, and CSU policies and procedures.

SAM §4842.2 states that appropriate risk management procedures should be implemented to provide termination practices that ensure information assets are not accessible to former employees. Effective termination practices include removal of system access upon employee termination or transfer.

The acting financial aid director stated that a user access review to verify access rights and identify separations was not conducted due to other competing priorities such as the OFA CMS student administration conversions and various departmental financial aid packaging deadlines.

Inadequate user account deletion could lead to unauthorized personnel having access to sensitive data. Failure to periodically perform and document a review of user access to systems containing confidential/protected data increases the risk of inappropriate access.

### **Recommendation 5**

We recommend that the campus:

- a. Reevaluate the current account expiration process to ensure it remains effective in controlling unauthorized user access, and remove users with inappropriate access, including terminated or separated employees.
- b. Conduct and document periodic reviews of user access to systems containing confidential/protected data, at least annually.

### **Campus Response**

We concur.

- a. While separated and terminated employee access to FileNet is restricted due to loss of portal access upon separation, IT will reevaluate the current account expiration process to ensure it remains effective in controlling unauthorized user access and remove users with inappropriate access, including terminated or separated employees, by December 1, 2010.
- b. The university will review and document periodic reviews. The initial review will be completed by November 1, 2010, and will be completed annually each December.

## **SEGREGATION OF DUTIES**

Administration of the OFA CMS student administration system needed improvement.

We noted that:

- ▶ The acting financial aid director, one associate director, one financial aid employee, and one programmer consultant had the financial aid module (FAModule) lead system role in the CMS student administration production environment. We found that the FAModule lead system role allows a user to update access to main financial aid for all pages, menus, and objects within main financial aid so that this role is equivalent to administrator access. Additionally, we found that the FAModule lead role allows the user to run financial aid batch processes and batch jobs.
- ▶ The programmer consultant's security access form showed that access was temporary, but no end date was specified. Additionally, the business justification information on the access form was not adequate because it only specified access roles requested for approval.

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 EDP 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.

GC §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 acting financial aid director stated that her system access and the access of the other two OFA employees were needed to monitor the various system conversions and enhancements applied in the production environment. Additionally, she stated that the programmer consultant assisted the OFA department in writing enhancements for the CMS student administration system and needed access for troubleshooting.

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

### **Recommendation 6**

We recommend that the campus:

- a. Review employees' job functions and remove unnecessary or excessive OFA student administration system access.
- b. Review all OFA student administration user access forms to ensure the campus business justification and system access roles requested for approval are appropriately documented.
- c. Develop and implement monitoring procedures for the programmer consultant that supports the OFA student administration production environment.

### **Campus Response**

We concur.

- a. The information security officer has conducted a review of employees' job functions and request forms to verify that individuals having excessive access require such access to perform their assigned job functions.
- b. The information security officer and OFA will review all OFA student administration user access forms to ensure the campus business justification and system access roles requested for approval are appropriately documented by December 1, 2010.
- c. The information security officer and OFA will develop and implement monitoring procedures for the programmer consultant that supports the OFA student administration production environment by December 1, 2010.

## **PHYSICAL SECURITY AND ENVIRONMENTAL CONTROLS**

The OFA did not have adequate physical security and environmental controls for OFA non-CMS systems.

We found that:

- ▶ OFA non-CMS systems that contained student confidential and critical department operational data were located in an office in a publicly accessible area that was not adequately secured.
- ▶ The office did not have adequate climate control. During two separate visits to the office, the observed temperatures were 80.4 and 79.1 degrees.
- ▶ An adequate fire suppression system was not in place to protect the financial aid departmental systems, and the room contained fire hazard materials.

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.

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 IT 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 acting financial aid director stated that she had previously worked with the campus to address this issue by implementing an alternative solution, such as a ceiling cooling fan in the office to address the climate control (heat) issue, but this item was still being reviewed by the campus. She stated her belief that the existing sprinkler system was sufficient for fire suppression, and she relied on the OFA IT staff in the same location to monitor access to the office during the day.

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 7**

We recommend that the campus:

- a. Secure OFA systems that contain student confidential and critical department operational data.
- b. Ensure adequate climate control for the subject OFA non-CMS systems.
- c. Ensure adequate fire suppression and a hazard-free environment for the subject OFA non-CMS systems.

### **Campus Response**

We concur.

- a. The campus will secure OFA systems that contain student confidential and critical department operational data by December 1, 2010.
- b. The campus will ensure adequate climate control for the subject OFA non-CMS systems by December 1, 2010.
- c. The campus will ensure adequate fire suppression and a hazard-free environment for the subject OFA non-CMS systems by December 1, 2010.

## **COMPUTER SYSTEM BACKUPS**

OFA computer system backup procedures needed improvement.

We found that OFA critical operational data was backed up on the same physical machines and was not encrypted. A rotation of backup tapes to an outside location was not utilized to ensure against a single point of failure.

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 the institution has the responsibility to establish reasonable EDP controls such as providing adequate system and data-file backup, contingency, disaster recovery, and business resumption.

SAM §4841 requires state agencies to provide for the proper use and protection of its information assets by establishing appropriate policies and procedures for preserving the integrity and security of automated files and databases.

The acting financial aid director stated that resources were primarily dedicated to the OFA student administration system and these risks were not considered.

Inappropriate storage of backup data increases the risk of data loss, disclosure of confidential information, and disruption of operations, should a disaster occur. Inadequate security for system backups increases the risk of inappropriate access to protected data and the possible ramifications of required public notifications should backups be lost when unencrypted.

### **Recommendation 8**

We recommend that the campus OFA:

- a. Evaluate the benefits of contracting with an off-campus backup storage facility or the opportunity to merge backup processes with the campus information technology department.
- b. Encrypt system backups containing confidential/protected data.

### **Campus Response**

We concur.

- a. OFA will evaluate the benefits of contracting with an off-campus backup storage facility or the opportunity to merge backup processes with the campus information technology department by January 30, 2011.
- b. OFA will encrypt system backups containing confidential/protected data by December 1, 2010.

## **FISCAL AND PROGRAM OVERSIGHT AND COORDINATION**

### **RECORD RETENTION AND DISPOSITION**

Record retention and disposition policies were not always followed.

We found that OFA management did not always follow existing CSU and campus record retention and disposition policies and procedures, and did not complete the annual review of records required by CSU policy. Additionally, we noted that student financial aid documentation was stored indefinitely in FileNet.

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.

CSU Fullerton, *Presidential Directive 13*, dated August 2008, requires that campus departments adhere to record retention and disposition requirements stated in CSU policies and executive orders.

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 acting financial aid director stated that she was aware of the CSU record retention and disposition policies; however, current OFA practices had not yet been revised to mirror CSU policies and procedures.

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 9**

We recommend that the OFA:

- a. Adopt and follow CSU and campus record retention and disposition policies and procedures.
- b. Conduct an annual review of all OFA managed records, including records in FileNet, to determine the appropriate disposition for the records.

### **Campus Response**

We concur.

- a. OFA has adopted and will follow CSU and campus record retention and disposition policies and procedures by February 15, 2011.
- b. OFA will conduct an annual review of all OFA managed records, including records in FileNet, to determine the appropriate disposition for the records. The initial review will be completed by February 15, 2011, and it will be completed annually in December.

## **MANAGEMENT OF FEDERAL STUDENT AID FUNDS**

Formalized policies and procedures had not been developed to ensure adequate oversight of FSA funds, thereby protecting against overcommitment or underutilization of financial aid resources.

The Blue Book, Chapter 12, dated July 2005, states that creating policies and procedures is critical to establishing internal controls and ensuring effective and efficient operation of a school's FSA program.

The acting financial aid director stated that she communicated via e-mail information necessary for the management of FSA funds to the student financial services department prior to each award period, (absent written policies and procedures), and stated her belief that her communications included sufficient information regarding how to avoid over-commitment and underutilization of FSA funds.

Failure to implement documented funds management and allocation policies and procedures describing fund management methodology and techniques for overcommitment or underutilization of financial aid resources puts the campus at risk of inappropriately managing financial aid funds.

### **Recommendation 10**

We recommend that the campus develop and implement policies and procedures to manage potential overcommitment and underutilization of financial aid resources.

### **Campus Response**

We concur. OFA will develop and implement policy and procedures to manage potential overcommitment and underutilization of financial aid resources by December 1, 2010.

## **AWARDING AND DISBURSING**

FSA professional judgment reviews were not always performed and documented.

We found that the OFA had not conducted a review of professional judgment since the OFA CMS student administration implementation in May 2008. The previous campus operational practice was to conduct a manual documented annual review of professional judgment. Additionally, management was not employing OFA CMS student administration system reporting capabilities to identify and review the exercise of professional judgment by financial aid staff.

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. 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 7, states that a school must maintain records for each FSA recipient that include, but are not limited to, documentation of all professional judgments.

Federal Student Aid Handbook, *Application and Verification Guide*, 2009-2010, states that an administrator may use professional judgment, on a case-by-case basis only, to alter the data used to calculate the expected family contribution. The alteration is valid only at the school making it. The administrator should submit a professional judgment change electronically, via "financial aid administrators access to central processing system online" or third-party software, and may do it without a signature from the student or parent. The reason for the adjustment must be documented in the student's file, and it must relate to the special circumstances that differentiate him, and not to conditions that exist for a whole class of students.

SAM §20050 states that management is responsible for an effective system of internal review.

The acting financial aid director stated that a review of professional judgment was not conducted due to the significant amount of time and resources dedicated to the OFA CMS student administration system updates and the validation of new system enhancements.

Failure to periodically review the exercise of professional judgment increases the risk that errors and irregularities would occur or go undetected.

**Recommendation 11**

We recommend that the campus perform and document the exercise of professional judgment on an appropriate periodic basis.

**Campus Response**

We concur. OFA will update and implement the revised process to review the exercise of professional judgment on an appropriate periodic basis by December 20, 2010.

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Milton A. Gordon	President
Victoria Agnew	Office Manager, Office of Financial Aid (OFA)
John Beisner	Director of University Risk Management
Debra Blackley	Assistant Director, OFA
Julie Bowse	Assistant Director of Athletics, Compliance
Kerry Boyer	Information Security Officer
Pat Carroll	Executive Assistant to the President
Andrea Cowser	Scholarships Financial Aid Counselor
Kelly England	Associate Director, OFA
Naomi Goodwin	Assistant Vice President for Administration and Finance
Wayne Goodwin	Analyst Programmer, OFA
William Hagan	Vice President of Administration
Bahram Hatefi	Director of Internal Audit
Rommel Hidalgo	Director, Information Technology Services (ITS), Common Management System, Network Infrastructure
Brian Jenkins	Associate Vice President of Finance
Denise Johnson	Human Resources Director
Dean Kulju	Director, Student Financial Aid Services and Programs, Chancellor's Office
Joe Luzzi	Enterprise Resource Planning Director
Robert Palmer	Vice President for Student Affairs
Michelle Proctor	Senior Financial Aid Counselor, OFA
Jessica Schutte	Acting Financial Aid Director, OFA
Shu-Yuan Shie	ITS Consultant
Jerome Shiohama	Analyst Programmer, OFA
Sarah Song	Director of Budget Operations
Naga Vadlakunta	ITS Consultant
Howard Wang	Associate Vice President for Student Affairs
Melissa Whatley	University Registrar
Leslie Wolbers	Associate Student Financial Services Director
Sally Yassine	Associate Director, Contracts and Procurement
Steven Yim	Controller



## CALIFORNIA STATE UNIVERSITY, FULLERTON

Office of the President

Internal Audit

P.O. Box 6810, Fullerton, CA 92834-6810 / T (657) 278-7299 / F (657) 278-5099

RECEIVED  
UNIVERSITY AUDITOR

OCT 29 2010

THE CALIFORNIA STATE  
UNIVERSITY

**DATE:** October 20, 2010

**TO:** Larry Mandel  
University Auditor

**FROM:** Milton A. Gordon  
President *Mal*

**SUBJECT:** Response for the Financial Aid Audit Report 10-39

I am pleased to forward California State University, Fullerton's official response to the eleven (11) recommendations in the Financial Aid Audit Report 10-39.

Once again, we would like to thank the University Auditor and his staff for conducting the audit in a professional manner in identifying meaningful ways to improve the operational and administrative controls for financial aid activities to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

The Campus Auditor, Bahram Hatefi, will also forward the responses to you electronically for your convenience. Should you have questions, please contact Bahram at (657) 278-7299 or [bhatefi@fullerton.edu](mailto:bhatefi@fullerton.edu).

## Attachments

cc: Ryan Alcantara, Assistant Vice President for Student Affairs  
Pat Carroll, Executive Assistant to the President  
Bahram Hatefi, Director of CSUF Internal Audit  
Goodwin, Naomi, Assistant Vice President Administration & Finance  
Robert Palmer, Vice President, Student Affairs

**FINANCIAL AID**  
**CALIFORNIA STATE UNIVERSITY,**  
**FULLERTON**

**Audit Report 10-39**

**GENERAL ENVIRONMENT**

**FEDERAL STUDENT AID PROGRAM RISK MANAGEMENT**

**Recommendation 1**

We recommend that the campus:

- a. Develop specific risk assessment procedures for the financial aid department.
- b. Conduct a formalized FSA program risk assessment.

**Campus Response**

- a. Concur. OFA will develop a specific risk assessment procedure for the department by December 1, 2010.
- b. Concur. OFA will conduct a formalized FSA program risk assessment by February 1, 2011.

**FEDERAL STUDENT AID POLICIES AND PROCEDURES**

**Recommendation 2**

We recommend that the campus:

- a. Ensure that financial advisory committee meeting minutes address topics such as approved OFA management changes and adoption dates for OFA policies and procedures, and that the minutes are available for review.
- b. Update OFA administrative policies and procedures to remove reference to SIS Plus screen numbers and data entry procedures.
- c. Update the existing quality control procedures to allow for periodic audits of student files/employee transactions to allow adequate student file reviews of the new OFA PeopleSoft/CMS student administration system.

**Campus Response**

- a. Concur. Effective immediately, the Vice President for Student Affairs will ensure that financial advisory committee meeting minutes address topics such as approved OFA management changes

and adoption dates for OFA policies and procedures, and that the minutes are available for review.

- b. Concur. OFA will review and update OFA administrative policies and procedures to remove reference to SIS Plus screen numbers and data entry procedures by November 1, 2010.
- c. Concur. OFA will review and update the existing quality control procedures to allow for periodic audits of student files/employee transactions to allow adequate student file reviews of the new OFA PeopleSoft/ CMS student administration system by December 1, 2010.

## **BUSINESS CONTINUITY PLAN/DISASTER RECOVERY PLAN**

### **Recommendation 3**

We recommend that the campus and OFA management implement an approved BCP/DRP that meets CSU policy requirements.

#### **Campus Response**

Concur. OFA will implement the approved BCP/DRP by December 1, 2010.

## **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**

Concur. The campus will disclose consumer information in a direct individual notice.

- a. The campus will identify the required information disclosures by January 1, 2011.
- b. The campus will provide the exact electronic website address where the information can be found by January 1, 2011.
- c. Effective immediately, the campus will state that upon request, a person is entitled to a paper copy containing the required information.
- d. Effective immediately, OFA will inform students and others how to request a paper copy.

## ADMINISTRATION OF THE OFA FILENET IMAGING SYSTEM

### Recommendation 5

We recommend that the campus:

- a. Reevaluate the current account expiration process to ensure it remains effective in controlling unauthorized user access, and remove users with inappropriate access, including terminated or separated employees.
- b. Conduct and document periodic reviews of user access to systems containing confidential/protected data, at least annually.

### Campus Response

- a. Concur. While separated and terminated employee access to FileNet is restricted due to loss of portal access upon separation, IT will reevaluate the current account expiration process to ensure it remains effective in controlling unauthorized user access, and remove users with inappropriate access, including terminated or separated employees by December 1, 2010.
- b. Concur. The university will review and document periodic reviews. The initial review will be completed by November 1, 2010, and will be completed annually each December.

## SEGREGATION OF DUTIES

### Recommendation 6

We recommend that the campus:

- a. Review employees' job functions and remove unnecessary or excessive OFA student administration system access.
- b. Review all OFA student administration user access forms to ensure the campus business justification and system access roles requested for approval are appropriately documented.
- c. Develop and implement monitoring procedures for the programmer consultant that supports the OFA student administration production environment.

### Campus Response

- a. Concur. The Information Security Officer has conducted a review of employees' job functions and request forms, to verify that individuals having excessive access require such access to perform their assigned job functions.
- b. Concur. The Information Security Officer and OFA will review all OFA student administration user access forms to ensure the campus business justification and system access roles requested for approval are appropriately documented by December 1, 2010.

- c. Concur. The Information Security Officer and OFA will develop and implement monitoring procedures for the programmer consultant that supports the OFA student administration production environment by December 1, 2010.

## PHYSICAL SECURITY AND ENVIRONMENTAL CONTROLS

### Recommendation 7

We recommend that the campus:

- a. Secure OFA systems that contain student confidential and critical department operational data.
- b. Ensure adequate climate control for the subject OFA non-CMS systems.
- c. Ensure adequate fire suppression and hazard-free environment for the subject OFA non-CMS systems.

### Campus Response

- a. Concur. The campus will secure OFA systems that contain student confidential and critical department operational data by December 1, 2010.
- b. Concur. The campus will ensure adequate climate control for the subject OFA non-CMS systems by December 1, 2010.
- c. Concur. The campus will ensure adequate fire suppression and hazard-free environment for the subject OFA non-CMS systems by December 1, 2010.

## COMPUTER SYSTEM BACKUPS

### Recommendation 8

We recommend that the campus OFA:

- a. Evaluate the benefits of contracting with an off-campus backup storage facility, or the opportunity to merge backup processes with the campus information technology department.
- b. Encrypt system backups containing confidential/protected data.

### Campus Response

- a. Concur. OFA will evaluate the benefits of contracting with an off-campus backup storage facility, or the opportunity to merge backup processes with the campus information technology department by January 30, 2011.
- b. Concur. OFA will encrypt system backups containing confidential/protected data by December 1, 2010.

## **FISCAL AND PROGRAM OVERSIGHT AND COORDINATION**

### **RECORD RETENTION AND DISPOSITION**

#### **Recommendation 9**

We recommend that the OFA:

- a. Adopt and follow CSU and campus record retention and disposition policies and procedures.
- b. Conduct an annual review of all OFA managed records, including records in FileNet, to determine the appropriate disposition for the records.

#### **Campus Response**

- a. Concur. OFA has adopted and will follow CSU and campus record retention and disposition policies and procedures by February 15, 2011.
- b. Concur. OFA will conduct an annual review of all OFA managed records, including records in FileNet, to determine the appropriate disposition for the records. The initial review will be completed by February 15, 2011, and it will be completed annually in December.

## **MANAGEMENT OF FEDERAL STUDENT AID FUNDS**

#### **Recommendation 10**

We recommend that the campus develop and implement policies and procedures to manage potential over commitment and underutilization of financial aid resources.

#### **Campus Response**

Concur. OFA will develop and implement policy and procedures to manage potential over commitment and underutilization of financial aid resources by December 1, 2010.

## **AWARDING AND DISBURSING**

#### **Recommendation 11**

We recommend that the campus perform and document the exercise of professional judgment on an appropriate periodic basis.

#### **Campus Response**

Concur. OFA will update and implement the revised process to review the exercise of professional judgment on an appropriate periodic basis by December 20, 2010.

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR



BAKERSFIELD

CHANNEL ISLANDS

November 24, 2010

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel  
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed  
Chancellor

HUMBOLDT

SUBJECT: Draft Final Report 10-39 on *Financial Aid*,  
California State University, Fullerton

LONG BEACH

LOS ANGELES

In response to your memorandum of November 24, 2010, I accept the response as submitted with the draft final report on *Financial Aid*, California State University, Fullerton.

MARITIME ACADEMY

MONTEREY BAY

CBR/amd

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS