

June 4, 2024

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**Subject: *Financial Aid FISAP Reporting
Report 2024-08***

The final report for Financial Aid FISAP Reporting, Report 2024-08, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

Christa Perkins
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Attachment

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AUDIT & MANAGEMENT ADVISORY SERVICES

Financial Aid FISAP Reporting
Report No. 2024-08
June 2024

FINAL REPORT

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ATTACHMENT A – FISAP Data Gathering and Submission Process

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Financial Aid FISAP Reporting as part of the approved audit plan for Fiscal Year 2023-24. The objective of our review was to perform an overall assessment of the FISAP reporting process to determine whether internal controls for the units involved provide reasonable assurance that processes support accurate reporting, roles are clearly identified, and processes are efficient.

Based on our review, we concluded that internal controls for the units involved need improvement to provide reasonable assurance that processes support accurate reporting, roles are clearly identified, and processes are efficient. We noted that campus offices have worked closely since the initial FISAP reporting errors were identified to evaluate the cause, discuss roles and responsibilities, and integrate new team members into the process. These collaborations should allow the offices to be better positioned for more effective processes going forward. However, errors in this initial filing indicated opportunities for improvement in validation, quality assurance practices, and process documentation.

The 2024-25 FISAP contained inaccuracies, as campus partners overlooked a final adjustment document from ED in March 2023, which was needed to accurately update ECSI reports. SFS was not up to date with monthly reconciliations to provide validation of ECSI reports. Because the final adjusted figures were not submitted to ECSI, ECSI's annual report back to UCSD did not contain this information. As a result, UCSD understated cash on hand by \$98 thousand in the 2024-25 FISAP submitted in September 2023, and incorrectly added this amount to cancellations. The error was identified by ED, which notified the campus. The incorrect figures were updated for the December 2023 submission. Also, FAS is updating the FISAP to submit to ED due to other minor reporting errors.

Finally, we noted some gaps related to FISAP processes and documentation remained. Before this review, SFS did not have a process document outlining their responsibilities in supplying ECSI with timely information and how their department supports the overall FISAP process. SFS documented its FISAP process during this review but did not include steps to provide ECSI with the final FISAP after the December submission. SFS also did not have a process to confirm the student collections and cancellations that ECSI reports are accurate. ICA had not yet documented its FISAP process to validate ECSI's figures. Management Action Plans to address our findings are summarized below.

A. ECSI Data Validation

1. FAS will participate in additional training from ECSI on end of year report figures and how reports are prepared to ensure that the data validation of the figures is complete and accurate.
2. FAS corrected the inaccurate data submitted in September in the December submission.
3. SFS ensured ECSI received all relevant documents by fiscal year-end including the final FISAP, Distribution of Assets letter, and any adjustments made after the final FISAP is submitted.
4. SFS has completed monthly reconciliations to ensure validation of ECSI data is accurate.

B. FAS Quality Assurance Process

1. FAS updated its procedures to include a review of source documentation and validation steps.
2. FAS will submit a change request to update the final FISAP figures that were incorrectly reported.
3. FAS will implement a process to ensure data is transferred accurately and figures are validated against available FAS reports in the next FISAP cycle.

C. Documented Processes

1. ICA has documented its FISAP procedures.
2. SFS will update their procedures to include providing ECSI with a copy of the FISAP and collaborating with FAS as needed to determine if any adjustments are needed prior to the June 30th fiscal year end.
3. SFS will develop a validation process to review and confirm the student data ECSI reports.
4. FAS will work with ICA and SFS to develop a responsibility assignment matrix (RACI) to describe the participation by various roles in completing tasks, validations, and deliverables for the FISAP.

Observations and related management action plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of Financial Aid FISAP Reporting as part of the approved audit plan for Fiscal Year 2023-24. This report summarizes the results of our review.

Federal regulations require schools that spent Campus-Based Federal Supplemental Educational Opportunity Grant (FSEOG¹) and Federal Work-Study (FWS²) program funds or schools that had a Federal Perkins Loan Fund³ in the prior fiscal year to submit a Fiscal Operations Report to the Department of Education (ED) annually. Additionally, schools must file an annual application to participate in the Campus-Based programs for the upcoming year. Schools use the Fiscal Operations Report and Application to Participate (FISAP) to meet these two requirements.

Financial Aid & Scholarships (FAS) is ultimately responsible for preparing and submitting the FISAP; however, the process of gathering the data for this report requires the coordination of multiple departments to obtain and verify data, including:

- Student Financial Solutions (SFS);
- Internal Controls and Accounting (ICA);
- Enrollment Management (EM) Analytics;
- Student Employment Office (SEO);
- Campus Budget Office (CBO);
- Cash & Merchant Services; and
- Health Sciences Financial Aid Office (HSFAO).

In addition to the above departments, the FISAP process also involves input and coordination with the external campus loan servicer Heartland ECSI, Inc. (ECSI⁴), which provides data for the FISAP. However, the accuracy of certain data that ECSI provides is dependent upon receiving accurate and timely information from SFS. SFS is responsible for providing ECSI updated figures for the cumulative amounts for cash on hand, service cancellations and reimbursements, and loan principal assigned via the prior years' FISAP, and the ED's Letter of Distribution of Assets which is sent to the campus after the final FISAP is submitted, and any additional adjustments to the final FISAP.

ICA's primary responsibility in the FISAP process is to compare ECSI's reported figures to what has been booked in the general ledger regarding cash on hand and any payments to or from ED. A flowchart of the campus' FISAP process is provided at **Attachment A**.

The annual FISAP submission process involves two key dates:

¹ The FSEOG Program offers grants to the neediest students.

² The FWS Program provides part-time employment for students.

³ The authority to award new Perkins Loans to students has expired and no further disbursements were permitted after June 30, 2018. Schools are permitted to continue servicing their Perkins Loan portfolio and must continue to report information about their Perkins Loan program on its annual FISAP.

⁴ ECSI is responsible for servicing the University's campus-based student loans including, but not limited to sending student loan billing statements, processing student loan payments, forbearance, deferment, and cancellation request forms, and providing quality customer service to student loan borrowers.

- October 1st⁵ is the deadline to submit the initial FISAP, which must be signed by the Chancellor, and
- December 15th is when the Final FISAP is due. This report does not require the Chancellor signature and may be submitted online. This version allows any corrections for final summer figures, disbursements, and processing of PELL grants, as well as finalizing the cash on hand number for Perkins loans.

In November 2022, management became aware of a number of lapses in the FISAP reporting process that required corrections of three prior-year FISAP reports. FAS completed the correction process in May 2023, which resulted in refunds to UCSD from ED to correct discrepancies in the Perkins loan cash on hand amount. The errors were a result of a number of factors, including:

- A change in campus loan service providers from another vendor to ECSI in 2018, which affected reports of the cash on hand figure and resulted in overpayments to the government totaling approximately \$5 million,
- A change in the campus financial system to Oracle in fiscal year 2020 that resulted in recreating the journal entry process,
- A loss of institutional knowledge from critical campus staff turnover during COVID-19,
- A lack of documented FISAP processes regarding collecting, reviewing, and validating the figures from the loan servicer, and
- Gaps in roles and responsibilities across FAS, ICA, and SFS.

Since the errors were discovered, FAS, ICA, and SFS have come together to review and document FISAP processes, meeting frequently to review and revise numbers prior to each FISAP deadline.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to perform an overall assessment of the FISAP reporting process to determine whether internal controls for the units involved provide reasonable assurance that processes support accurate reporting, roles are clearly identified, and processes are efficient. In order to achieve our objective, we performed the following:

- Reviewed:
 - Fiscal Operations Report for 2022–23 and Application to Participate for 2024–25 (FISAP⁶) Instructions and Desk Reference;
 - The Fiscal Operations Report for 2021-22 and Application to Participate for 2023-24 (prior year report);
 - Supporting documentation used by campus departments and FAS to generate the FISAP;
- Interviewed the following:
 - Executive Director, FAS;
 - Senior Associate Director, FAS;
 - Fiscal Analysts, FAS;

⁵ Or the final business day in September if October 1st falls on a weekend.

⁶ Referred to as the 2024-25 FISAP in this report.

- Director, SFS;
- Assistant Director, Financial Support and Student Engagement, SFS;
- Loan Administrative Analyst, Loan Administration and Collections Office, SFS
- Senior Director, Campus Accounting and General Ledger, ICA;
- Manager, Financial Controls/Campus Accounting, ICA,
- Reviewed and evaluated documented campus FISAP processes and procedures;
- Evaluated whether:
 - Department roles and responsibilities are clearly defined and documented;
 - Reporting is accurate and supported with documentation; and
 - FAS submitted the FISAP by 2023 published deadlines.

IV. CONCLUSION

Based on our review, we concluded that internal controls for the units involved need improvement to provide reasonable assurance that processes support accurate reporting, roles are clearly identified, and processes are efficient.

We noted that campus offices have worked together closely since the initial FISAP reporting errors were identified to evaluate the cause of the errors, discuss roles and responsibilities, and integrate new team members into the process. These collaborations should allow the offices to be better positioned for more effective processes going forward. Campus partners provided data for FAS to complete the 2024-25 FISAP by the initial September filing deadline and enabled timely submission on or prior to each submission date, however, errors in this initial filing were noted. Therefore, there are still opportunities for improvement in validation, quality assurance practices, and process documentation.

We noted that the 2024-25 FISAP contained inaccuracies, as campus partners overlooked a final adjusted figure from ED in March 2023, which was needed to accurately update ECSI reports, and SFS was not up to date with monthly reconciliations in order to provide validation of ECSI reports. Because the final adjusted figures were not submitted to ECSI, ECSI's annual report back to UCSD did not contain this information. As a result, UCSD understated cash on hand by \$98 thousand in the 2024-25 FISAP submitted in September 2023, and incorrectly added this amount to cancellations. The error was identified by ED, which notified the campus. The incorrect figures were updated for the December 2023 submission; however, FAS is updating the FISAP to submit to ED with a change request due to other minor reporting errors discussed in this report.

The FISAP report also contained some minor errors due to a lack of quality assurance review by FAS for data received by campus partners. Figures provided by SEO and HSFAO had not been validated against financial aid sources, and some figures had been rounded down to the nearest dollar instead of being rounded up. We also noted FAS transferred some figures incorrectly from financial aid reports onto the FISAP document, which appeared to be human error. These minor errors did not affect the substance of the report.

Finally, we noted some gaps related to FISAP processes and documentation remained. FAS had documented their FISAP process and identified roles and responsibilities for campus partners as well as notable deadlines throughout the year; however, prior to this review, SFS did not have a process

document that outlined their responsibilities in supplying ECSI with timely information and how their department supports the overall FISAP process. During the course of the review, SFS documented its FISAP process; however, the document did not include steps to provide ECSI with the final FISAP after the December submission. SFS also did not have a process to confirm the student collections and cancellations that ECSI reports are accurate. ICA was in the process of documenting its FISAP process to compare ECSI's figures to the general ledger.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	ECSI Data Validation
	A misunderstanding of ECSI reporting elements and an oversight in providing adjusted data to ECSI resulted in submitting the 2024-25 FISAP with inaccurate information in September.
	Risk Statement/Effect
	Inaccurate FISAP submission may result in fines, limitation, suspension, or termination of participation eligibility in the Campus-Based programs.
	Management Action Plans
A.1	FAS will participate in additional training from ECSI on end of year report figures and how reports are prepared to ensure that the data validation of the figures is complete and accurate.
A.2	FAS corrected the inaccurate data submitted in September in the December submission.
A.3	SFS ensured ECSI received all relevant documents by fiscal year-end including the final FISAP, Distribution of Assets letter, and any adjustments made after the final FISAP is submitted.
A.4	SFS has completed current monthly reconciliations to ensure validation of ECSI data is accurate.

A. ECSI Data Validation – Detailed Discussion

The September 2023 FISAP submission (application to participate for 2024–25) contained incorrect figures due to adjustments to prior year reports and oversight by campus partners to forward the information to the loan service provider, ECSI.

ECSI provides loan services for many loan programs, including the Perkins loan program. The Perkins loan program no longer issues new loans; however, there are still a large number of loans outstanding that continue to need service. While ECSI provides data on student loan collections and cancellations, ECSI is unaware of the amounts, if any, UCSD repays to the government or the amount that should be returned to the University for this program. ECSI relies on the campus to provide this information to them annually in order to prepare the year-end report, which is used by FAS to fill out the FISAP.

Generally, ECSI only needs the final FISAP and the Distribution of Assets letter that ED sends to FAS after the final FISAP submission to update their figures for final reporting for the next year. Due to

errors in past reports that required refiling of three prior years FISAP reports, ED sent adjusted FISAP figures for all three fiscal years⁷ to FAS, ICA, and SFS via email in March 2023; however, the adjusted 2023-24 FISAP figures were not provided to ECSI by SFS nor were the adjusted figures considered when FAS, ICA, and SFS worked together to validate final figures prior to submitting the 2024-25 FISAP in September.

In November 2023, after the initial submission, ED contacted FAS to notify them that the FISAP contained errors. The errors resulted in an understatement in the cash on hand amount by \$98 thousand and an overstatement of service cancellations for the same amount. The amounts were corrected on the final submission in December 2023.

ECSI reports figures as a year-over-year accumulation, and UCSD's financial system does not hold most ECSI transactions in balance sheet accounts; therefore, the campus can only validate annual ledger activity and does not have the ability to compare life-to-date totals to ECSI's transactions. Monthly reconciliations are essential to identify changes in balances and errors due to individual transactions. At the time of the September submission, SFS was not current on monthly reconciliations of ECSI data and did not flag this as an error. Additionally, FAS and ICA overlooked the final adjustment figure from ED during the validation process and did not catch the error.

During the review, ICA provided training to SFS on monthly journal entries and cash reconciliation, and SFS was currently working on April 2023 entries. SFS has implemented a process to review ECSI reports monthly. At the time of the review, SFS had provided the 2024 Distribution of Assets letter to ECSI but had not provided ECSI with the final FISAP submitted in December 2023.

The final FISAP is currently being updated and will be submitted to ED with a change request due to other minor reporting errors discussed in Section B. below.

B.	FAS Quality Assurance Process
The FISAP report had inaccuracies resulting from incorrectly rounded numbers, errors in transferring numbers from source documentation, and a lack of a process to validate figures from campus departments.	
Risk Statement/Effect	
A lack of a consistent quality assurance process resulted in financial report inaccuracies in both preliminary and final submissions and necessitated a change request to the final submission.	
Management Action Plans	
B.1	FAS updated its procedures to include a review of source documentation and validation steps.
B.2	FAS will submit a change request to update the final FISAP figures that were incorrectly reported.

⁷ FY2021-22, FY2022-23, and FY2023-24

B.3	FAS will implement a process to ensure data is transferred accurately and figures are validated against available FAS reports in the next FISAP cycle.
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B. FAS Quality Assurance Process – Detailed Discussion

Data Confirmation

FAS pulls an internal federal student aid report that is used to supply certain figures on the FISAP. One section of this report supplies FWS compensation figures and numbers of students. The Student Employment Office (SEO) also supplies FAS with an FWS report that shows the same data from a different source report. FAS used the FWS figures from SEO for students without reconciling them to the internal report. Upon further review, FAS reviewed the figures and confirmed the accuracy of the internal report and obtained an updated report from SEO that matched the internal report. The original compensation figures and number of students had been understated by \$1,456, and the number of students was overstated by three.

The SEO also supplied data for the total number of students and their earnings for the Job Location and Development Program. A review of the source documentation provided by SEO identified that two of the reported students did not have any associated earnings; therefore, the total number of students should have been reduced by two.

The Health Sciences Financial Aid Office (HSFAO) provides graduate/professional FWS recipient data. After the above discrepancies were noted between figures provided by SEO and internal FAS reports, FAS compared the figures originally submitted by HSFAO to internal financial aid systems and identified the figures provided were from an incorrect year. HSFAO provided data for the correct year to FAS, who confirmed the data within the financial aid system. The updated information included the same number of graduate/professional students (seven); however, the original total amount (\$7,742) of funds the students received was reduced (to \$5,000) in the final December submission.

Incorrect Rounding

A review of source documentation from the SEO disclosed that seven FWS program figures provided to FAS had been improperly rounded down. The FISAP instructions state,

When a dollar amount is requested, use whole dollars only.

Round to the nearest dollar. Do not report cents.

Examples:

If the actual amount in your records is \$175.49, report \$175.

If the actual amount in your records is \$175.50, report \$176.

The following table shows the figures that were used on the FISAP versus the non-rounded figures from SEO's source documentation.

Description	Figure Submitted on September 2023 FISAP	Figure from Source Documents	Figure that Should Have Been Reported
Job Location and Development Program Student Earnings	435,951 ¹	435,951.75	435,952
Federal share of community service earned compensation for FWS Students employed in Community Service Areas	566,353 ³	566,353.95	566,354
Federal share of earned compensation for FWS students employed as reading tutors of children or employed in family literacy activities and students employed as mathematics tutors of children.	39,812 ⁸	39,812.95	39,813 ⁹

Four of the figures were corrected on the final FISAP submission in December; however, after the final submission, three of the corrected figures and two of the uncorrected figures needed to be updated further due to the data confirmation done above.

FAS confirmed the rounded numbers had not been validated and would be adding a procedure step to ensure figures provided by outside sources would be double-checked for correct rounding. Additionally, FAS reached out to SEO to notify them about the rounding requirement.

Manual Data Transfers

The final FISAP included updates to some eligible aid applicant counts. The updated figures were transferred from source data incorrectly to the final FISAP. There were three numbers that were transferred incorrectly:

- 44 that should have been 45,
- 45 that should have been 44, and
- 39 that should have been 38), which resulted in the total count being off by one (1,227, which should have been 1,226).

These errors did not result in a material misstatement; however, a quality control process to double check all figures could have identified these errors prior to submission.

C.	Documented Processes
	ICA and SFS did not have FISAP processes documented for their respective responsibilities, and some process gaps were identified.
	Risk Statement/Effect
	A lack of complete process documentation leads to a loss of institutional knowledge when employees leave their positions and could result in incomplete or incorrect FISAP submission.
	Management Action Plans

⁸ This figure was incorrectly reported five times.

⁹ Data validation later determined this figure should have been \$41,268

C.1	ICA has documented its FISAP procedures.
C.2	SFS will update their procedures to include providing ECSI with a copy of the FISAP and collaborating with FAS as needed to determine if any adjustments are needed prior to the June 30 th fiscal year end.
C.3	SFS will develop a validation process to review and confirm the student data ECSI reports.
C.4	FAS will work with ICA and SFS to develop a responsibility assignment matrix (RACI ¹⁰) to describe the participation by various roles in completing tasks, validations, and deliverables for the FISAP.

C. Documented Processes – Detailed Discussion

One of the issues that led to errors in prior year FISAP reports involved a loss of crucial campus knowledge when individuals involved in the partner offices left their positions without instructions or documentation on how to manage the FISAP process going forward. While FAS included ICA and SFS steps in their process documentation, neither department had independently documented their own steps in the process.

During the review, SFS documented their FISAP procedures, which included ECSI cutoff deadlines and timelines to forward documentation to ECSI to ensure reports are accurate and timely. The document specifies that SFS will provide the Distribution of Assets Letter to ECSI after FAS receives it from ED; however, the document does not indicate that SFS will provide ECSI with a copy of the final FISAP and any adjustments that may be necessary based on additional correspondence with ED, FAS, or ICA.

Additionally, SFS did not have a validation process to review and confirm student collections and updates to loan cancellations that ECSI reports for categories including, but not limited to military service, disability based on VA determination, and nurse/medical technician service. As a result, SFS is unable to provide assurance that the values ECSI is reporting are reasonable.

ICA performs validation for the Perkins Loan Program section of the FISAP, which has been a problematic section to validate in the past. Current parties in ICA managing the validation responsibilities have thorough knowledge of the data, processes, and requirements, but the procedures have not yet been documented.

Due to the number of offices involved in this complex process, the partner offices may benefit from fuller documentation of each area's responsibility and accountability, and where communication of information is required to ensure accuracy in the process, such as in a RACI Matrix or other similar document.

¹⁰ A RACI (responsible, accountable, consulted, and informed) matrix is used for clarifying and defining roles and responsibilities in cross-functional or departmental projects and processes.

Financial AID FISAP Reporting Report 2024-08
ATTACHMENT A: FISAP Data Gathering and Submission Process

