

September 17, 2025

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Financial Aid & Scholarships
Mail Code 0013

**Subject: *Financial Aid Fiscal Oversight & Controls
Report 2025-04***

The final report for the audit of Financial Aid Fiscal Oversight & Controls, Report 2025-04, 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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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Financial Aid Fiscal Oversight & Controls
Report No. 2025-04
September 2025

FINAL REPORT

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Financial Aid Fiscal Oversight & Controls as part of the approved audit plan for Fiscal Year 2024-25. The objective of our review was to perform an assessment of the Financial Aid & Scholarships office's fiscal oversight processes to determine whether internal controls for key business processes provide reasonable assurance that controls are effective and efficient and result in accurate financial reporting.

We concluded that although FAS has made progress in improving and documenting most student aid processes for monitoring disbursements and addressing the fund deficits from the 2023-2024 aid year, further improvements are needed to ensure that controls operate effectively and efficiently, and support accurate financial reporting.

Specifically, as of June 2025, there was a federal fund deficit balance of \$56M. According to FAS, this is not a true deficit, as FAS indicated that funds were mistakenly deposited into other funds across campus. However, FAS did not provide specific details identifying the location of the misallocated funds. ICA later identified the source of the deficit and worked with the Central Reconciliation Team to correct the erroneous journal entry that created it. We also noted there were several variances in student aid reconciliations performed since Fall 2024 ranging up to \$26,940,370 which were not explained. These variances did not appear to be properly investigated and addressed in a timely manner.

Our review also identified weaknesses in FAS's reconciliation processes and internal control activities. The lack of formal reconciliations between ProSAM and the Oracle GL and other key internal controls, along with inconsistent resolution of discrepancies in student aid reports, compromises the reliability of financial data and heightens the risk of reporting errors, noncompliance, and misinformed decision-making. Although FAS has documented procedures and has taken some steps to identify and address discrepancies, current practices do not provide sufficient assurance of data accuracy or completeness. Strengthening reconciliation processes, aligning system structures, and implementing key control activities will be critical to enhancing financial oversight and ensuring compliance with both institutional and federal requirements. To help address these weaknesses, FAS has initiated a recruitment for an Associate Director, Fiscal, who will possess a foundational understanding of accounting and financial concepts, including familiarity with GL structures and chart of accounts, and the ability to perform basic reconciliations, including identifying and resolving discrepancies. This position will have a dotted line reporting relationship to the Academic Affairs Director of Budget & Financial Management.

Additionally, while FAS provided several process documents related to student aid fund management, some documents were incomplete, and others did not reflect current departmental practices, particularly regarding the frequency of reconciliations.

Management action plans to address our findings are summarized below.

A. Federal Fund Deficit Balance

1. ICA identified a \$58M adjustment that was posted to the wrong financial unit in December 2024, which caused the deficit balance in FAS' Federal Contracts and Grants Fund (Fund 20000), and collaborated with the Central Reconciliation team to initiate a correcting journal entry. The correcting entry was posted on July 11, 2025 retroactive to June 30, 2025. *Estimated completion date: Completed. Responsible Party: Executive Director, Financial Aid & Scholarships.*
2. FAS will implement a process to monitor and reconcile the Oracle projects residing in Fund 20000. *Estimated completion date: March 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.*
3. FAS will develop a plan to evaluate whether Projects with no activity are still needed, and if not, take steps to transfer deficit balances and close the Projects. *Estimated completion date: July 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.*

B. Student Aid Reconciliation Differences

1. FAS will ensure that all reconciliation differences are explained and resolution plans are identified in accordance with procedures. *Estimated completion date: January 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.*

C. General Ledger Reconciliation and Key Internal Controls

1. FAS has entered into a MOU with ICA to develop process and operational improvements including standardization, training, creating controls and reconciliations frameworks to build the knowledge, fiscal strength, and stability within FAS fiscal unit. This will include development of a process to reconcile between ProSAM and the Oracle GL. *Estimated completion date: Completed. Responsible Party: Executive Director, Financial Aid & Scholarships.*
2. FAS has initiated a recruitment for an Associate Director, Fiscal, who will possess a foundational understanding of accounting and financial concepts, including familiarity with GL structures and chart of accounts, and the ability to perform basic reconciliations, including identifying and resolving discrepancies. This position will have a dotted line reporting relationship to the Academic Affairs Director of Budget & Financial Management. *Estimated completion date: March 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.*
3. FAS will review the Checklist for Best Practices in Internal Controls and identify key controls and follow up activities that should be performed at the department level. *Estimated completion date: March 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.*

D. Documented Processes for Student Aid Controls

1. FAS will complete outstanding process documentation and review documented frequencies to ensure compliance with policies and alignment with current processes. *Estimated completion date: July 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.*

Management agreed to all corrective actions recommended to address risks identified in these areas. 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 Fiscal Oversight & Controls as part of the approved audit plan for Fiscal Year 2024-25. This report summarizes the results of our review.

The Financial Aid & Scholarships (FAS) Office is dedicated to providing comprehensive financial aid information and support to students, parents, veterans, and their families. FAS's mission is to ensure that all admitted students have access to the financial resources necessary to pursue their education at UC San Diego. FAS offers a variety of financial aid options, which include: grants (need-based financial aid that does not require repayment), scholarships (merit- and need-based awards provided by FAS, other campus departments, and external organizations), loans (federal subsidized and unsubsidized loans, Federal Parent Loans for Undergraduate Students (PLUS), private loans, and institutional loans such as the University Loan (Quon Family Loan), and work-study (federal financial aid that enables students to earn money through part-time employment, either on or off campus, to help cover educational expenses). The most material General Ledger (GL) Oracle Financial Cloud (OFC) funds used by FAS for these activities are as follows:

- University Core Funds (Fund 13991) – Generally, the Core Funds allocation consists of funding from the University Scholarship Aid Program (USAP), which are processed through the Campus Budget Office and allocated annually.
- Student Service Fee (SSF) (Fund 14500) – SSF is used to support various student services, including some programs related to scholarships. Specifically, 29% of the SSF revenue, which translates to \$21.75M in Fall 2025, is directed to FAS to be awarded based on student need.
- Return To Aid (RTA) (Funds 14600-14611) – A percentage of Campus Student Fees which flows to FAS through Student Affairs.
- Regents Student Loan Fund (Fund 15400) – The Regents Student Loan Fund refers to various student loan programs administered by the University of California (UC) system, with the Regents overseeing these initiatives. These programs aim to provide financial assistance to students who demonstrate financial need.
- Federal Contracts and Grants (Fund 20000) – These funds are used to account for federal grants to students such as Pell Grants or Federal Supplemental Educational Opportunity Grants (FSEOG), as well as federal work-study funding.

In addition to the major funding sources noted above, FAS also oversees approximately 580 UCSD Foundation and other expendable funds that are used to award fellowships to students.

FAS uses the Professional Student Aid Management (ProSAM) system to manage the disbursement of financial aid packages and to process graduate stipend and fee payments. ProSAM serves as a centralized platform that transmits financial aid disbursement data to the Integrated Student Information System (ISIS). ISIS then interfaces with OFC to record transactions in both the general ledger (GL) and the Portfolio Project Management (PPM) subledger. For instance, graduate student support payments are initiated through the Financial Support Request Tool (FSRT). These entries flow through ProSAM, then to ISIS, and ultimately into OFC, which should facilitate accurate and streamlined financial reporting and reconciliation.

Prior to the beginning of each academic year, FAS utilizes a Microsoft Access-based simulation model for estimating student aid packages based on available funding and student need. One of the critical steps in preparing the tool for the simulation process is to update the award table to ensure that certain aid IDs (AidIDs) that are not required for the simulation (and which are awarded separately) are excluded. The list of AidIDs to be excluded may vary each year depending on the type of awards added to the database. In general, the funds that are included in the simulation are University Core Funds (Fund 13991) and SSF (Fund 14500). However, Return To Aid (RTA) (Fund 14611) resources should always be excluded from the simulation and awarded separately.

Prior to the 2024 academic year, FAS erroneously included the RTA AidID in their simulation process, resulting in an overestimation of available financial aid funding available for allocation to students. This overallocation of funds resulted in a financial deficit of approximately \$11M for FY24. Due to the overall financial impact of that error, the campus began initiating actions to enhance FAS internal controls and fiscal oversight procedures. Specifically, FAS was organizationally relocated from Enrollment Management to Academic Affairs, leveraging the Academic Affairs Finance Team's financial expertise to improve fiscal oversight. Additionally, AMAS completed a preliminary review to identify the root cause of the overdraft and recommend improvements to internal controls over the simulation process. The review highlighted the need for FAS to update its written procedures for validating and verifying AidIDs used in the simulation, performing reconciliations between the GL and ProSAM, and reviewing its spending plan more frequently throughout the year. Furthermore, the review emphasized the importance of an additional broader-based review of FAS fiscal oversight procedures and internal controls to ensure that financial risks are reduced going forward.

In addition to the preliminary review described above, the Academic Affairs Center for Operational Excellence (COE) conducted a review in July 2024 focusing on FAS's undergraduate disbursements, packaging, and technical processes. Recommendations from that review include enhancing the student financial aid simulation tool by shifting from individual student level projections to cohort-based projections, involving FAS earlier in enrollment planning discussions to improve projection accuracy, and upgrading ProSAM to enable automated repackaging and reduce manual errors. The review also recommended conducting a financial analysis to support improved financial reporting. In response, FAS began working with UC Berkeley's Financial Aid and Scholarships Office to develop a customized simulation model, which is expected to be completed by July 2025. Additionally, FAS has requested funding to upgrade ProSAM to support automated repackaging functionality.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to perform an assessment of the Financial Aid & Scholarships office's fiscal oversight processes to determine whether internal controls for key business processes provide reasonable assurance that controls are effective and efficient and result in accurate financial reporting. In order to achieve our objective, we performed the following:

- Reviewed:
 - Regents Policy 3202: Policy on Administration of Financial Aid Funds,
 - Regents Policy 3201: The University of California Financial Aid Policy,
 - University of California Office of the President Administrative Guidelines: University Student Aid Program and Other Selected Aid Policies,

- California Student Aid Commission (CSAC) 2024-25 Cal Grant Handbook,
- Federal Student Aid Fiscal Operations Report for 2022-23 and Application to Participate for the 2024-25 Form, Instructions, and Desk Reference,
- Policy and Procedure Manual (PPM) 410-5 Policy on Timely Expenditure of Endowment Payout and Expendable Gifts, *rescinded 9/30/2024*, and
- PPM 410-6 Policy on Financial Stewardship of Donor Gifts and Reporting to Donors.
- Interviewed the following:
 - FAS Executive Director,
 - FAS Deputy Director,
 - FAS Associate Director of Student Aid and Scholarships,
 - FAS Design Lead,
 - FAS Senior Business Process and Data Analyst,
 - FAS Associate Director for Business Systems & Digital Strategy,
 - FAS Financial Analyst,
 - Internal Controls & Accounting (ICA) Senior Director for Campus Accounting & GL,
 - Academic Affairs Director of Budget & Financial Management,
 - Academic Affairs Director of COE,
 - Academic Affairs Financial Analyst,
 - Associate Vice Chancellor – Campus Budget Office (CBO), and
 - CBO Director of Academic Resource Planning;
- Reviewed the following documentation provided by FAS:
 - FAS systems and data flow charts,
 - Results of a review completed by ICA in April 2024 to validate GL fund balances, evaluate reasonableness of aid projections, and develop process flow of transactions from original entries to reporting,
 - FAS Procedures Manual outlining key controls and reconciliations,
 - Standard of Excellence Final Report,
 - Undergraduate Simulations Specifications, and
 - The Fiscal Year 2025 Fund Report (formerly known as the Spending Plan);
- Obtained a walkthrough of the FAS annual simulations process;
- Reviewed a listing of FAS issues that have been identified by the Academic Affairs COE and associated recommendations;
- Reviewed financial reports compiled by the Academic Affairs Finance Team to assist FAS with fiscal oversight activities;
- Reviewed an April 2025 Memorandum of Understanding between FAS and ICA; and
- Evaluated the following FAS processes:
 - Financial aid and scholarship allocation methodology,
 - Awarding of gift fund scholarships,
 - Newly implemented controls over the FAS simulation model,
 - Reconciliation between the Oracle General Ledger and ProSAM,
 - Reconciliations between gift fund scholarship balances in ProSAM and the Stewardship, Transparency, Accountability, and Reporting (STAR) system, and
 - Identification and management of sponsored project and operating deficits.

IV. CONCLUSION

Based on our review, we concluded that although FAS has made progress in improving and documenting most student aid processes for monitoring disbursements and addressing the fund deficits from the 2023-2024 aid year, further improvements are needed to ensure that controls operate effectively and efficiently, and support accurate financial reporting.

Specifically, as of the June 2025, there was a federal fund deficit balance of \$56M. According to FAS, this is not a true deficit, as FAS indicated that funds were mistakenly deposited into other funds across campus. However, FAS did not provide specific details identifying the location of the misallocated funds. ICA subsequently identified the source of the deficit and collaborated with the Central Reconciliation Team to correct the erroneous journal entry that caused it. We also noted there were several variances in student aid reconciliations performed since Fall 2024 ranging up to \$26,940,370 which were not explained. These variances did not appear to be properly investigated and addressed in a timely manner.

Our review also identified weaknesses in FAS's reconciliation processes and internal control activities. The lack of formal reconciliations between ProSAM and the Oracle GL and other key internal controls, along with inconsistent resolution of discrepancies in student aid reports, compromises the reliability of financial data and heightens the risk of reporting errors, noncompliance, and misinformed decision-making. Although FAS has documented procedures and has taken some steps to identify and address discrepancies, current practices do not provide sufficient assurance of data accuracy or completeness. Strengthening reconciliation processes, aligning system structures, and implementing key control activities will be critical to enhancing financial oversight and ensuring compliance with both institutional and federal requirements. To help address these weaknesses, FAS has initiated a recruitment for an Associate Director, Fiscal, who will possess a foundational understanding of accounting and financial concepts, including familiarity with GL structures and chart of accounts, and the ability to perform basic reconciliations, including identifying and resolving discrepancies. This position will have a dotted line reporting relationship to the Academic Affairs Director of Budget & Financial Management.

Additionally, while FAS provided several process documents related to student aid fund management, some documents were incomplete, and others did not reflect current departmental practices, particularly regarding the frequency of reconciliations.

FAS projects that the \$11M deficit for the 2023-2024 aid year will be fully resolved by August 2025, resulting in a surplus of at least \$1M in USAP and Return to Aid funding. As of June 20, 2025, the general ledger balances for the three funds in deficit from FY 23-24 were:

Fund	Balance
13991 – University Core Funds	\$2,226,823.46
14500 – Student Service Fee	\$1,502,994.11
14611 – Campus Fees RTA Grant in Aid	\$18,566.00
Total	\$3,748,383.57

Source: General Ledger Balances Report

Our observations are discussed in further detail in the remainder of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Federal Fund Deficit Balance
As of June 2025, FAS had an unexplained deficit balance of approximately \$56M that had not been thoroughly investigated and explained.	
Risk Statement/Effect	
Deficits that are not resolved in a timely manner could result in compliance issues and/or inaccurate financial reporting.	
Management Action Plans	
A.1	ICA identified a \$58M adjustment that was posted to the wrong financial unit in December 2024, which caused the deficit balance in FAS' Federal Contracts and Grants Fund (Fund 20000) and worked with the Central Reconciliation team to initiate a correcting journal entry. The correcting entry was posted on July 11, 2025 retroactive to June 30, 2025. <i>Estimated completion date: Completed. Responsible Party: Executive Director, Financial Aid & Scholarships</i>
A.2	FAS will implement a process to monitor and reconcile the Oracle projects residing in Fund 20000. <i>Estimated completion date: March 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.</i>
A.3	FAS will develop a plan to evaluate whether Projects with no activity are still needed, and if not, take steps to transfer deficit balances and close the Projects. <i>Estimated completion date: July 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.</i>

A. Federal Fund Deficit Balance – Detailed Discussion

To ensure prudent financial management of resources, departments are expected to monitor their fund balances regularly and resolve deficits in a timely manner. This helps to ensure proper financial alignment in the Oracle GL and accurate financial reporting.

While FAS has taken steps to more closely monitor balances in its three primary financial aid and scholarship funds (13991, 14500, and 14611) due to the allocation errors in FY24 that resulted in a substantial deficit, our audit found that FAS has not implemented a process to monitor project balances within the Federal Contract and Grant Fund (Fund 20000), which accounts for financial activity related to Pell Grants, FSEOG, and federal work study. As a result, the fund had an overall deficit of approximately \$56 million as of the date of our report. Some of the individual Oracle project balances in this fund had not changed since the beginning of the Fiscal Year, which may suggest that they are old and need to be closed.

When we brought this issue to the attention of FAS, they stated that the balance may not reflect an actual shortfall, but rather mis-deposited funds that need to be located in coordination with Sponsored Projects Finance (SPF).

The Oracle project balances that make up the \$56M deficit are as follows:

Oracle Project	Beginning Balance (7/1/2024)	Ending Balance (6/20/2025)
0000000	\$322,005,609.77	\$357,655,301.88
1006895	\$1,936.00	\$1,936.00
1026894	(\$689,494.00)	(\$621,565.59)
1027943	(\$0.03)	(\$0.03)
1028401	(\$2,164,060.00)	(\$2,164,060.00)
1031959	(\$65,028,388.00)	(\$65,028,388.00)
2002250	(\$111,543,992.66)	(\$169,680,836.43)
2002261	\$51,387,432.66	\$51,387,930.66
2002265	(\$5,970.00)	(\$5,970.00)
2014813	(\$58,693,397.00)	(\$58,693,397.00)
2015322	(\$1,717,038.00)	(\$1,717,038.00)
2022682	(\$1,334.00)	\$0.00
2022684	(\$64,756,698.00)	(\$64,756,698.00)
2029674	(\$15,088.00)	(\$15,088.00)
2029675	(\$70,821,132.00)	(\$74,066,374.11)
2029676	\$645.06	(\$21.94)
2037218	\$0.00	(\$28,256,481.00)
2037219	\$0.00	(\$2,515.00)
2037220	\$0.00	(\$536,010.00)
Total	(\$2,040,968.20)	(\$56,499,274.56)

The most substantial variances occurred in Projects 2002250 and 2037218, which experienced significant variation in December 2024 which accounts for the majority of the overall deficit balance.

In June 2025, ICA identified the source of the deficit. In an effort to correct a charge to SPF’s Financial Unit for an unrelated project, the Central Reconciliation team created a debit to FAS’ Financial Unit for \$58M in December 2024. The Central Reconciliation team initiated a correcting entry in July 2025 retroactive to June 30, 2025.

B.	Student Aid Reconciliation Differences
There were several unexplained student aid reconciliation differences ranging up to \$26,940,370.	
Risk Statement/Effect	
The absence of thorough reconciliations increases the risk of undetected errors, misstatements, or omissions in financial reporting.	
Management Action Plan	

B.1	FAS will ensure that all reconciliation differences are explained and resolution plans are identified in accordance with procedures. <i>Estimated completion date: January 1, 2026.</i> <i>Responsible Party: Executive Director, Financial Aid & Scholarships.</i>
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B. Student Aid Reconciliation Differences – Detailed Discussion

The U.S. Department of Education (ED) requires that institutions reconcile Direct Loan and campus-based programs (including Federal Perkins Loan, Federal Work-Study and Federal Supplemental Education Opportunity Grant) monthly. For Pell Grants (and other Title IV programs), it is recommended that schools reconcile at least monthly. CSAC requires institutions to report each term's payment transactions often but no later than the end of the term and provide a year-end reconciliation.

FAS has documented several required processes for tracking and reconciling student aid receipts and disbursements, including federally mandated reconciliation procedures and UC-required reviews of deficit balances in both operating and sponsored project funds. However, our review found that several reconciliation reports prepared by FAS to track student aid disbursements contained unexplained discrepancies that were not adequately documented, making it difficult to determine whether they were properly investigated and addressed. Additional details regarding these observations are provided below.

- Pell Grant – FAS performs monthly reconciliations of Pell Grant disbursements using DOE's Common Origination and Disbursement (COD) system. Our review of three reconciliations identified significant unexplained differences. Specifically, the January 2025 reconciliation showed a \$102,713 discrepancy between ProSAM and COD, and a \$26,940,370 discrepancy between ProSAM and ED's G5 drawdown system. FAS explained that the January report generated false positives that had already been resolved and that seasonality in the flow of funds obscured true variances. However, supporting documentation for the resolution was unavailable. FAS also indicated that the reconciliation process has since been updated to address the issue of false positives and improve accuracy.

The March 2025 reconciliation showed significantly smaller variances — \$22,074 between ProSAM and COD, and \$46,997 between ProSAM and G5—but FAS was also unable to explain these differences.

- Cal-Grant – FAS performs quarterly reconciliations comparing disbursements recorded in ProSAM with those reported in the CSAC WebGrants portal. Our review of the Fall 2024 reconciliation identified a \$6,687.47 discrepancy between general ledger disbursements and ProSAM disbursements, which FAS attributed to timing differences related to disbursements and the return of funds in December 2024. However, a \$414,793 variance between CSAC payments (\$52,491,598) and ProSAM disbursements (\$52,906,391) remained unexplained. When asked about the discrepancy, FAS indicated that CSAC had reached its budgetary cap and would not provide additional funds.
- Federal Work Study (FWS) – FAS conducts a biweekly reconciliation to ensure alignment between UCPath and ProSAM. Ineligible work-study earnings are removed through salary cost

transfers. According to FAS’s process documentation, variances greater than \$.10 are expected to be reviewed and resolved, while smaller differences are attributed to estimated earnings.

We reviewed three FWS reconciliations and noted several discrepancies ranging from \$.10 to \$342.46 that lacked explanation. While some differences were resolved in subsequent reconciliation cycles, others remained unaddressed. When asked why discrepancies greater than \$.10 were not consistently reviewed or resolved, FAS explained that differences up to \$.20 may result from splitting awards between FWS and departmental funding. FAS noted that it plans to update its process documentation to reflect this practice.

C. General Ledger Reconciliation and Key Internal Controls	
FAS does not currently perform reconciliations between ProSAM and the GL, and has not implemented key internal controls in accordance with policy and Campus guidelines.	
Risk Statement/Effect	
The absence of thorough reconciliations and key internal controls increases the risk of undetected errors, misstatements, or omissions in financial reporting.	
Management Action Plans	
C.1	FAS has entered into a MOU with ICA to develop process and operational improvements including standardization, training, creating controls and reconciliations frameworks to build the knowledge, fiscal strength, and stability within FAS fiscal unit. This will include development of a process to reconcile between ProSAM and the Oracle GL. <i>Estimated completion date: Completed. Responsible Party: Executive Director, Financial Aid & Scholarships.</i>
C.2	FAS has initiated a recruitment for an Associate Director, Fiscal, who will possess a foundational understanding of accounting and financial concepts, including familiarity with GL structures and chart of accounts, and the ability to perform basic reconciliations, including identifying and resolving discrepancies. This position will have a dotted line reporting relationship to the Academic Affairs Director of Budget & Financial Management. <i>Estimated completion date: March 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.</i>
C.3	FAS will review the Checklist for Best Practices in Internal Controls and identify key controls and follow up activities that should be performed at the department level. <i>Estimated completion date: March 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.</i>

C. General Ledger Reconciliation and Key Internal Controls – Detailed Discussion

UCSD Policy (Policy and Procedure Manual (PPM) 300-15 – *Internal Controls Policy*) establishes procedures and standards for internal controls over financial transactions, responsibilities, and requirements for a system of internal controls. In respect to review and reconciliation, policy requires that departmental accounting records, transactions, and documentation must be compared with University financial system reports to verify their reasonableness, accuracy, and completeness.

Policy also mandates that Department Administrators take ownership of internal controls within their jurisdiction, ensuring they are properly established, documented, and maintained. Additionally, they must ensure that their team members have the requisite knowledge, skills, and abilities to function effectively within the internal control environment, fostering a culture of control and accountability.

General Ledger Reconciliation

Our review found that FAS does not reconcile financial aid balances between ProSAM and the GL. Additionally, we were unable to independently validate or reconcile these balances due to fundamental differences in how each system reports financial data. ProSAM presents commitments and disbursements on a school-year basis, while the general ledger reflects cumulative activity. Further, ProSAM organizes funds using AidIDs, which vary in structure—some funds map to a single AidID, while others, such as Fund 13991, comprise more than 100 AidIDs. According to FAS, this structure supports internal reporting needs. However, the misalignment between reporting periods and the fragmented fund structure hinders a direct comparison of balances between systems and instead requires complex mapping between AidIDs and Oracle fund codes. Without a formal reconciliation process that bridges these differences, FAS cannot ensure the accuracy and completeness of recorded financial aid transactions.

At the time of our audit, FAS personnel did not have financial background necessary to effectively map AidIDs to GL fund codes and develop processes to regularly reconcile between ProSAM and the GL. In May 2025, FAS entered into an MOU with ICA, which will include process standardization, restructuring and improvements, training FAS staff, and creating controls and reconciliation frameworks to allow for reporting standardization. While this MOU will assist in the short term, FAS will need to determine a longer term solution to assume responsibility for fiscal administration duties going forward.

FAS is currently in the process of recruiting a Fiscal Analyst 4. This position will have a direct reporting line to FAS' Executive Director and a dotted line to the Director of Budget & Financial Management, Academic Affairs which will provide support, mentorship, and oversight.

Key Internal Controls

To support the consistent implementation of key internal controls across campus as required by Policy, the Controller's Office has developed a Checklist for Best Practices in Internal Controls. This checklist outlines the minimum control standards departments should have in place to detect, prevent, and address financial issues in a timely manner.

While FAS has documented several required processes for tracking and reconciling student aid receipts and disbursements, including federally mandated reconciliation procedures and UC-required reviews of deficit balances in both operating and sponsored funds, FAS has not implemented several key control activities, such as:

- Monthly reconciliations of high-risk ledger transactions;
- Reconciliations between the GL and PPM; and
- Review of the Default Project Payroll report.

D.	Documented Processes for Student Aid Controls
Student aid processes were not fully documented, and some reconciliation processes did not occur as indicated in documented procedure steps.	
Risk Statement/Effect	
The absence of accurate and up-to-date process documentation increases the risk of inconsistent practices, reduces operational efficiency, and hinders the ability to train new personnel effectively.	
Management Action Plan	
D.1	FAS will complete outstanding process documentation and review documented frequencies to ensure compliance with policies and alignment with current processes. <i>Estimated completion date: July 1, 2026. Responsible Party: Executive Director, Financial Aid & Scholarships.</i>

D. Documented Processes for Student Aid Controls – Detailed Discussion

University Policy (PPM 300-15) states that documenting policies and procedures and making them accessible helps provide day-to-day guidance and promotes continuity of activities during prolonged employee absences or turnover. Documented processes are a fundamental internal control requirement to ensure consistency, accountability, and compliance with federal and state student aid regulations. Clear documentation supports staff training, enables effective oversight, and reduces the risk of errors or noncompliance during audits and reviews.

The preliminary review that we completed during FY 2024 as a result of the \$11M deficit resulted in a recommendation that FAS update written procedures to specify process owners and include steps and accountability for validation and verification. While FAS has made some progress with developing written procedures, our review of FAS operations identified several key student aid processes remain either undocumented or lack comprehensive documentation. In cases where documentation exists, the timing and procedural steps often do not align with the actual practices followed by staff, which can lead to inconsistent application of policies and procedures.

Process Documentation

FAS has made progress in documenting student aid control activities, having completed a student aid control activity checklist and finalized documentation for some activities. However, several processes remain undocumented or in progress, including:

- Sponsored Projects Deficit Report,
- Operating Funds Deficit Report,
- Middle Class Scholarship,
- Scholarship Non-Compliant Report,
- Teach Grant, and
- Chafee Grant.

Reconciliation Timing

Our review of FAS's student aid control activities revealed inconsistencies between the documented frequencies and the actual execution. Specifically:

- The Middle-Class Scholarship control activity document requires monthly reconciliation of ProSAM and WebGrants totals, with a final annual reconciliation. However, FAS confirmed that monthly reconciliations are not consistently performed, providing only an April 2025 review as evidence.
- The Sponsored Deficit Report and Operating Funds Deficit Report are being generated and reviewed weekly. However, FAS provided reports from September 2024, November 2024, and March 2025, which suggests that reviews may not be occurring at the stated frequency.
- The Scholarship Non-Compliant Report control activity document indicates a quarterly review to identify scholarship funds requiring action due to under- or overspending. However, FAS provided only one report from March 2024.
- The Cal Grant Reconciliation process specifies monthly reconciliation of payments between ProSAM and WebGrants, with a final annual reconciliation. However, FAS provided a Fall 2024 reconciliation and clarified that reconciliations currently occur quarterly, with a goal of transitioning to a monthly cadence.

These inconsistencies indicate a need for FAS to review and update its control activity documentation to reflect actual practices and ensure consistency in execution.