

Action/Information Item

California Student Aid Commission

Progress Update Directly From the Department of Finance Auditors
Currently Performing the CAL Grant New Application Eligibility Audit

Auditors from the Department of Finance will present an update on the status of the new applicant eligibility audit. The Commission contracted with the Department of Finance to do this internal audit after deciding to remove the responsibility for CSAC internal audit functions from the EdFund Vice President for Audit Services and place the responsibility with a CSAC Audit Division Chief, to be hired by CSAC.

The enclosed documents are:

1. Written status report on the new applicant eligibility audit;
2. Matrix of proposed audit tasks.

Recommended Action: Information

Responsible Staff: Department of Finance

**Cal Grant New Applicant Eligibility Audit Status
February 23rd 2007**

Purpose of the Interagency Agreement:

The Department of Finance, Office of State Audits and Evaluations (OSAE) will develop an audit program and perform an audit of CSAC's controls over and compliance with Cal Grant new applicant eligibility.

Significant Accomplishments to date:

OSAE has completed a significant amount of background work including:

- **Interviews with Key Staff:** Conducted Interviews with program staff and management in CSAC's Operations Division and Information Technology Division.
- **9 Point Control Matrix:** Developed a Control Matrix of nine key areas within CSAC Operations and IT Divisions to conducting the audit.
- **Audit Program Development:** Developed the key components of the detailed Audit Program for evaluating CSAC's Operations and Information Technology processes and procedures related to Cal Grant processing of new applicants.
- **Documentation of Processes and Procedures:** Gained an understanding of the key manual and automated processes within CSAC to process new Cal Grant applications and began documenting the control processes and procedures within CSAC for managing new Cal Grant applicant processing.
- **Identification of Control Risks:** Began identifying risks and areas of control weaknesses within the CSAC that relate to new Cal Grant applicant processing.
- **Framing the Evaluation:** Began developing a framework for reporting the results of the evaluation based on three key issues:
 - What risks are there to the existing system that might impair the integrity, reliability, and accuracy of the Grant Delivery System?
 - Is there a reliable, stable system in place for implementing relevant legislation and regulations into the CSAC system?
 - Is there a process in place for managing changes to the Grant Delivery System that ensures that legislative intent continues to be met?

Constraints and Problems Experienced by DOF Auditors

During the course of our evaluation, there are several areas of concern which have impaired our ability to gather and analyze information as follows:

- Since the beginning of the audit, several key personnel have left and have been unavailable for interview.

- Little or no written documentation of the policies and procedures exist for many of the processes that pertain to new applicant processing. This has resulted in the need for OSAE to document how processes work in addition to gaining an understanding of processes and analyzing documentation.
- Shifts in job assignments of staff due to key staff departures has made it difficult to find people who are properly trained in the jobs they currently perform. This makes it more difficult to document the processes and procedures being performed and to determine whether all the required processes and procedures are adequately and timely performed.
- The Cal Grant Grant Delivery System (GDS) does not have an adequate audit trail that documents the results of the processing of the new Cal Grant applicants. As a result, OSAE may not be able to go back into the student records to discern why students are accepted or rejected. Therefore, OSAE may not be able to conclude on the reliability and integrity of the GDS data.
- Flat file conversion of data may have impaired data integrity and reliability further contributing to the difficulty of evaluating the reliability and integrity of the GDS data.

Anticipated Completion of the Contract Requirements

Due to the above constraints, that have caused some delays and additional resources, we anticipate the completion of fieldwork and the final report to occur in June 2007 which will require an extension of the Interagency agreement through June 30th 2007. OSAE is currently determining the effect of the above constraints to determine whether the resources in the interagency agreement will adequately fund the completion of the audit.

**Proposed Audit Tasks for the CSAC Audit
Interagency Agreement #S-06-007 (IAA)
For Cal Grant Program, New Applicant Eligibility**

Task No.	Audit Task	IAA Coverage	Audit Objective Supported	Deliverables/Desired Outcomes (See Note 1)
1.	Document the filter criteria used in GDS for evaluating ISIR & GPA information for eligibility under Cal Grant programs	<u>Record Maintenance/ Eligibility Determination</u>	To document the basic criteria for how new Cal Grant Applications are evaluated for award	Criteria Lists for Common Edits, and program and financial edits for Cal Grants
2.	Document the Record Maintenance and Data Collection activities within CSAC Operations and Information Technology Units	<u>Data Collection/ Record Maintenance</u>	To determine how student records used in the grant eligibility process are added, edited, and stored on the GDS	A definition of how data and information gets input, stored, processed, disseminated, and reported under the GDS and Web Grants systems
3.	Evaluate the process for managing changes to the FAFSA Criteria	<u>Data Collection/ Record Maintenance</u>	To gain an understanding of how CSAC evaluates changes to FAFSA information that affects new Cal Grant applications	Confirmation that there is a viable process in place for managing changes to FAFSA information, and that the process is working as stated
4.	Evaluate the collection and dissemination of legislation, Ed-Code regulations, and other information used to manage the grant eligibility process.	<u>Record Maintenance/ Eligibility Determination</u>	To gain an understanding of how information critical to compliance with current regulations gets evaluated and incorporated into the Cal Grant Program	Documentation of how legal mandates, regulations, and CSAC Commission requests get implemented into GDS
5.	Evaluate the process in place for incorporating legislation, regulations, and other information into Business Rules and Requirements (BRR) documents	<u>Record Maintenance/ Eligibility Determination</u>	To gain an understanding of how relevant Ed-Code requirements and legislative mandates are incorporated into the planning documents that are used to change the Grant Delivery System (GDS) and the Web-Grants System	Confirmation that the legal mandates and regulation changes are effectively defined and translated into business requirements
6.	Evaluate the GDS Source Code for the Award Year (2006-07) being audited to confirm that the requirements of the BRR are properly implemented in the GDS source code	<u>Record Maintenance/ Eligibility Determination</u>	To confirm that the requirements stated in the BRR and Defect Reports are actually reflected in the GDS source code modules	Confirmation that the contents of the BRR get implemented as stated into the GDS source code that processes grant applications

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Task No.	Audit Task	IAA Coverage	Audit Objective Supported	Deliverables/Desired Outcomes (See Note 1)
7.	Verify that the criteria existing in the source code for the GDS filtering, income determination, selection, and award programs properly update the relevant fields in GDS	<u>Record Maintenance/ Eligibility Determination</u>	To confirm that the source code for the Award Year (2006-07) being audited produces Student and Award Table values that are consistent with the criteria stated in the GDS source code and the BRR documents	Confirmation that the intent of the legislation and Ed-Code requirements actually result in Student records with field values that are consistent with awarding or not awarding grants to Students.
8.	Evaluate the decision-making processes external to GDS performed by Program Ops, Executive Management, and/or the Commissioners relative to new Cal Grant Application Awards	<u>Commission Approval</u>	To evaluate what activities, if any, CSAC performs that affects the determination of eligibility for Cal Grants, as performed by Program Ops, Executive Management, and/or the Commissioners, and that are performed outside the automated process	Identification and documentation of decisions made by Program Ops, Executive Management, and/or the Commissioners relative to Cal Grants that positively or negatively impact the processing activities of GDS and the award of Cal Grants in general
9.	Evaluate the Activities of the CSAC external audit function in determining if Participating Institutions verify and validate eligibility information required by Ed-Code	<u>Eligibility Determination</u>	To determine what steps, if any, CSAC is taking to ensure that the mandated criteria (such as California Residency at time of graduation) is being verified and validated by the Participating Institutions and High Schools. Determine if GPA calculations, Income, student graduation and other significant criteria are being verified by the institutions.	Identification and measurement of the information actually being verified and validated relative to new Cal Grant applications and applicants

Note 1: The Standard Procedures for Each Audit Task

All Deliverables are obtained by performing standard audit procedures pertaining to information systems. The Audit Tasks identified above involve the performance of a standard set of procedures, plus any specialized tasks that may arise. The standard procedures for documentation and evaluation consist of one or more of the following:

- Document Interviews with key personnel
- Analyze documents provided by the customer that pertain to the Audit Task
- Document Policies & Procedures (DPP) that pertain to the Audit Task
- Define the Inputs, Processes, and Outputs for the Audit Task
- Flowchart the Process and provide a supporting structured narrative
- Document the Control Environment in which information is processed for the Audit Task
- Do a risk-based review of controls
- Identify and develop findings and discussion items
- Discuss identified findings and discussion items with key management
- Document the recommendations and conclusions based on the findings