

December 17, 2021

Keely Martin Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California Student Aid Commission submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2021.

Should you have any questions please contact Lilly Myers, Deputy Director, Fiscal & Administration, at (916) 464-8030, lilly.myers@csac.ca.gov.

GOVERNANCE

Mission and Strategic Plan

Founded in 1955, the California Student Aid Commission ("Commission") is the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. These include grant, scholarship, and loan assumption programs supported by the state and the federal government. The Commission's primary programmatic responsibility is the administration of the Cal Grant Program. The Commission's mission is to make education beyond high school financially accessible to all Californians.

During the 2020-21 academic year, the Commission distributed approximately \$2.3 billion in financial aid to nearly 430,000 California college students through the Cal Grant Program, Middle Class Scholarship, and seven specialized and loan forgiveness programs. The Commission also administered the Student Opportunity and Access Program (Cal-SOAP) and Every Kid Counts, which are grant programs focused on college readiness and affordability; and Cash For College, which is a financial aid education program.

The Commission provides policy leadership on financial aid issues and is also responsible for disseminating information statewide about student financial aid programs; reporting to the Legislature, the Governor, postsecondary educational institutions, and other state and federal administrative agencies regarding all aspects of student financial aid in California, in addition to conducting student financial aid research.

Strategic Goals:

Goal 1: Improve Commission operations and enhance capacity to deliver Cal Grants and state financial aid smoothly and efficiently.

Goal 2: Strategically target outreach efforts to inform students of financial aid opportunities and drive greater FAFSA/CADAA completion.

Goal 3: Strengthen policy and advocacy leadership to advance key issues that more effectively address the financial needs of students and leverage every dollar possible to cover the full cost of attendance.

Goal 4: Leverage the Commission's student data base to develop critical financial aid research that helps better inform Commission policies that serve the needs of today's students.

Goal 5: Expand the Commission's media communications capacity to inform students, families, and the public about financial aid opportunities and how to plan for financing college costs utilizing a wide array of communications platforms, especially social media.

Control Environment

Management establishes an environment of integrity and ethical values through communication and transparency. Senior Executive Staff meet weekly, Leadership staff meets bi-weekly, and the Commission also holds monthly All-Staff Meetings. Collectively, these meetings are designed to provide a forum for staff at all levels throughout the agency to discuss issues, policies, and actions in conjunction with any related concerns to ultimately establish and promote integrity and ethical values in the workplace.

The Commission is comprised of 15 appointed members representing higher education segments, students, community leaders, and more. Senior Executive Staff work closely with the Commission to develop policies, programs, and initiatives to better serve today's students. The Commission has the statutory authority to appoint an Executive Director to oversee its programmatic responsibilities and its workforce, which is currently comprised of 137.5 authorized positions.

Our risk control system consists of a Risk Assessment and Management (RAM) work group, which meets on a regular basis to discuss and document all risks and mitigation efforts identified throughout the Commission. The work group consists of all managers across the department, as well as key staff members. The risks identified by RAM have been categorized as affecting the Commission's strategic goals; compliance efforts; reputational perception; financial impact; and/or operational processes.

The Commission endeavors to establish and maintain a competent workforce by communicating high-level issues to staff at all levels; promoting personal and professional development training; encouraging cross-training; and documenting procedures. All of which promotes a strong control environment and supports the enforcement of accountability.

Information and Communication

Management provides information and communication through various meetings, including weekly Senior Executive Staff meetings, bi-weekly Leadership meetings, monthly All-Staff meetings, monthly RAM meetings, quarterly budget forecast meetings, and regularly scheduled meetings within each program area, in addition to cross-divisional staff meetings. Collectively, these meetings are designed to provide a forum for staff at all levels throughout the agency to provide relevant and reliable information needed for operations, programmatic, and financial decision making. In addition, these meetings provide opportunities for employees to report inefficiencies and issues requiring management attention and remediation. All of which are channels for communicating up, down, and across the department among staff and management as well as across organizational lines.

Management provides information and communication with external stakeholders through various meetings, which include:

- Regularly scheduled Commission meetings
- Financial Aid Advisory Board meetings.
- Various work groups with external stakeholders

In addition we provide communication through various outreach efforts:

- Cal-SOAP
- Cash for College Workshops
- Financial Aid conferences such as CASFAA and CCCSFAA

We provide virtual as well as written communication and information through:

- Electronic and written student communications
- Grant Operations Memos
- Special Alerts
- Publications and brochures
- Social Media
- Externally-facing website:
 - Data and reports
 - FAQs
 - Webgrants4Students
 - Press Releases

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the California Student Aid Commission monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Lilly Myers, Deputy Director, Fiscal & Administration.

The Commission's RAM work group was established in 2020 consisting of Executive Management, Middle Management, Front Line Management, and Staff. Regularly scheduled meetings have been held to combine the various risk identification methods used in the past, including employee engagement surveys; prior risk assessments, audit results, and questionnaires, with the approaches of brainstorming, considering potential fraud, and ongoing monitoring in an effort to compare mitigation results to expectations and determine if change is needed.

The RAM work group devotes considerable time analyzing and documenting the likelihood of the risk occurring, the potential impact should the risk occur; and the potential impact of efforts to remediate the risk. Ownership is assigned for addressing vulnerabilities identified through ongoing monitoring to provide updates to the mitigation efforts set forth when risks are initially identified.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California Student Aid Commission risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, other/prior risk assessments, consideration of potential fraud, performance metrics, and other.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, potential impact of remediation efforts, tolerance level for the type of risk, and other.

RISKS AND CONTROLS

Risk: Challenges Related to Responding to Covid-19

Student needs are increasing, while agency resources are not keeping up with changes to meet student need.

Control: Changes to Legislation and Policy to Work Towards Meeting Student Need

Developed budget bill language and establish policies for:

- A process through which students could apply for aid and submit information indicating that COVID-19 prevented them from taking a test in lieu of a Cal Grant eligible GPA.
- Appeals from K-12 districts and institutions of Higher Ed that provided their students with an extra month to apply for aid, due to issues in applications created by COVID-19.
- Ensuring students could retain their Cal Grant award despite a change in their living situation that would have otherwise meant they were no longer eligible for aid.
- Extending the eligibility period for Cal Grant aid for students that were enrolled during the COVID-19 pandemic and would otherwise no longer qualify for an entitlement award.
- Clarifying which cohort default rate data the Commission should use when determining whether an institution is eligible for Cal Grant participation. The pause on student loan collections prompted by COVID-19 would have impacted cohort default rates in a manner that would have made other institutions eligible for Cal Grant participation.

Risk: Business Continuity and Disaster Recovery Plan

Lack of business continuity and departmental disaster recovery plan, which are required in the event of an emergency to ensure operations proceed and include mitigations based on time frames.

Control: A. Disaster Recovery Plan

The infrastructure team is in the process of drafting a backup and restoration strategy for our mission critical processes.

Control: B. Business Continuity Plan

Drafting of the Business Continuity Plan requires finalization of the Disaster Recovery Plan.

Risk: Disconnect of Communications among Divisions

- Lack of processes by which information is transferred between divisions to initiate disbursements of funds, facilitate reconciliations, and enable the collection of funds that are due to be returned to the Commission.
- Inefficiencies throughout the external communication processes and among units; missed opportunities for critical communications and outreach; lack of ability to look at communication data as a whole.
- Several positions with sole control over access to various media, information, and account platforms resulting in potential lapse of business access.
- Need to identifying a technology solution to support electronic signature, workflow, and document management/retention.
- Lack of standard processes to improve ability to understand business needs.

Control: Workstream Efficiencies

Ensuring communications among units are fluid and consistent by dismantling silos.

Need for workforce efficiency controls include:

- Streamlining the number of the Commission's forms, databases, and processes.
- Improving the distribution of financial aid awards by incorporating electronic payment processes where applicable.
- Needing to share platform access information with the IT ServiceDesk and identify user roles.
 - Ensuring more than one staff has platform/account access.
- Developing and implementing access control policies and procedures.
- Developing and implementing remediation process flow; development of SLDL and ITIL workflow diagrams.

Risk: Training and Knowledge Retention

- Staff knowledge and retention affected by lack of training plan resulting in limitations and impacts to operational efficiencies.
- Lack of active Workforce, Upward Mobility, and Succession Plans.
- Critical aspects of business handled by only one staff member and/or contractors and consultants.
- Sourcing, training, and retaining IT staff with skill sets needed to support technical infrastructure.

Control: Training and Workforce Planning Policies

- Workforce and succession infrastructure needed to plan for replacing staff inclusive of retirement, position changes, and attrition.
- Documenting key processes to avoid losing institutional knowledge by creating standards for documentation of procedures including network drive structure, file naming conventions, and document versions, revision schedule, and retention schedules.

- Integration of a learning management system to monitor and prioritize training needs based on impact to operational performance.

Risk: Internal Control Deficiencies

Lack of adherence to protocols for oversight and monitoring of:

- Ongoing ownership of all URL permutations
- Efficient response to:
 - Student email
 - Incoming phone calls
 - Timely customer assistance
 - Streamlining the process to create an institutional authorized user, institutional administrator, or student account and to reset user password for students and institutional users
- Internal audit functions

Lack of adherence to protocols for development and issuance of communications including:

- Approval procedures to issue external communications
- Accurate information in communications and publications
- Approval procedures to ensure ADA accessible website content compliance

Control: Oversight and Monitoring of Internal Processes

Ensure adherence to and development of protocols, when needed for:

- Creating processes to triage and assign for response issues and questions submitted by email
- Identifying measures to reduce call volume by promoting self-help through web sites, new IVR system, and chat bot
- Creating an efficient electronic workflow to escalate and track technical issues, questions, and appeals that require referral to analysts or other teams within the commission
- Implementing internal audit functions

Development of a procedure for the review of the end to end process for issuing external communications, including how:

- A communication to students or institutions is developed
- An audience selected
- A query built and tested to select recipients
- Appropriate approvals obtained within the commission
- Data is gathered to assess the impact of the communication

CONCLUSION

The California Student Aid Commission strives to reduce the risks inherent in our work and accepts the

responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Marlene L. Garcia, Executive Director

CC: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency