



AUDIT AND ADVISORY SERVICES

Enrollment Management— Satellite Operations Audit

Project No. 11-567

September 19, 2011

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September 19, 2011

Harry Le Grande
Vice Chancellor
Student Affairs

Vice Chancellor Le Grande:

We have completed our audit of Enrollment Management-Satellite Operations as per our annual audit plan in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

The Financial Aid and Scholarships Office (FASO) and the Office of the Registrar (OR) are two central units within Student Affairs that provide essential services to students across all schools and colleges. We observed that certain professional schools such as the Haas School of Business (Haas) and Boalt School of Law (Boalt) have developed internal capabilities (satellite operations) within their administrative units to perform some of the services that the central FASO and OR units perform.

The objective of this audit was to assess departmental systems of control within satellite operations to assure sound business practices are in place to support operational effectiveness and efficiency including compliance with University policies as well as federal and state regulations related to certain student financial aid and registrar functions. In particular, based upon our risk assessment, the scope of our audit was focused on three specific tasks: handling student budget appeals, production of official transcripts, and verification of student enrollment.

With respect to student financial aid and handling student budget appeals, there are written agreements dating from 1997 between FASO and the financial aid units at Haas and Boalt in which specific responsibilities and roles are documented. Furthermore, processes and controls currently appear to be coordinated between central FASO and satellite financial aid offices at Haas and Boalt.

With respect to registrar services and the production of official transcripts, we observed an opportunity to clarify and formalize a historical, but apparently undocumented, delegation of authority by central OR to Boalt registrar functions through which Boalt produces transcripts for their current and former students with grades reported on the Boalt grade scale rather than the campus A-F grade scale. A formalized agreement would clarify whether these transcripts are to be simultaneously treated as official transcripts of Boalt and the University. During our management interviews, we noted differing current perspectives on whether the transcripts are official transcripts of the University. Without such clarification, we perceive a potential risk of

confusion for someone obtaining two different versions of a Boalt student's transcript and not being able to determine which one is the official transcript.

In addition, we also noted an opportunity for a formalized agreement to specify minimum security standards related to transcript production by satellite operations that are generally viewed as better practices by university registrars and are currently implemented by OR. These practices include, but are not limited to, controls related to segregation of duties in processing transcript requests; physical controls on securing the stamps, seals, and paper stock used for transcripts; and sealing the printed transcript in a tamper-resistant envelope.

We did not have any observations related to verification of student enrollment.

The aforementioned and other observations with management corrective actions are expounded upon in the accompanying report. Please destroy all copies of draft reports and related documents. Please do not hesitate to call on Audit and Advisory Services if we can be of further assistance in this or other matters.

Respectfully reported,

Wanda Lynn Riley
Chief Audit Executive

cc: Executive Vice Chancellor and Provost George Breslauer
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Senior Assistant Dean and Chief Operating Officer Jennifer Chizuk
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University of California, Berkeley
Audit and Advisory Services
Enrollment Management-Satellite Operations

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EXECUTIVE SUMMARY

The Financial Aid and Scholarships Office (FASO) and The Office of the Registrar (OR) are two central units within Student Affairs that provide essential services to students across all schools and colleges. We observed that certain professional schools such as the Haas School of Business (Haas) and Boalt School of Law (Boalt) have developed internal capabilities (satellite operations) within their administrative units to perform some of the services that the central FASO and OR units perform.

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We did not have any observations related to verification of student enrollment.

OVERVIEW

Purpose of the Audit

The objective of this audit was to assess departmental systems of control within satellite operations to assure sound business practices are in place to support operational effectiveness and efficiency including compliance with University policies as well as federal and state regulations related to certain student financial aid and registrar functions. In particular, based upon our risk assessment, the scope of our audit was focused on three specific tasks: handling student budget appeals, production of official transcripts, and verification of student enrollment.

Scope of the Audit

Based upon the outcome of our risk assessment conducted as part of project planning, our audit scope included an examination of the financial aid appeal, enrollment verification, and transcript production practices implemented by Haas and Boalt. Specifically, the scope of our audit was focused on three student service tasks: handling student budget appeals, production of official transcripts, and verification of student enrollment.

Audit Methodology

We conducted interviews with management of the campus FASO and OR functions, as well as from the corresponding satellite functions at Haas and Boalt, to discuss and identify potential risks associated with the student service tasks in our audit scope. We also reviewed policies and procedures, where relevant, related to these tasks at both central and satellite functions.

In addition, we conducted process walkthroughs of both central campus and satellite operations to understand process work flows, key handoffs and internal controls related to the tasks in our scope. We considered whether identified risks were mitigated by controls and whether process improvement opportunities existed.

Background Information

Based upon our interviews with Haas and Boalt management, we understand that certain central campus student service functions are also provided by the schools to provide a high-level of customer service to their students.

With respect to student financial aid, we inspected written agreements dating from August 1997 between the campus Financial Aid Office (now FASO) and both Haas and Boalt, in which specific financial services responsibilities were coordinated and documented related, but not limited to:

- Access to financial aid systems;
- Knowledge of federal and state regulations as well as University policies;
- Training requirements; and
- Satellite liability for actions resulting from noncompliance with federal and state regulations.

We noted that these agreements are intended to be renewed or re-negotiated annually. However we understand, based upon a lack of substantial process changes from year-to-year, that this review has not consistently occurred.¹

As we note in our observation below, we did not observe a similar agreement between campus OR and the satellite registrar functions at Haas and Boalt.

The following are summaries of the financial aid and enrollment services offered by the Haas and Boalt satellite operations:

Haas School of Business

Financial Aid

The Haas Financial Aid Office at the University of California, Berkeley exists to assist students with financial aid applications, financial aid billing problems, and obtaining private student loan information, as well as, securing federal, institutional, and outside funding to achieve their degrees. According to the Haas Financial Aid Office, almost 70 percent of Haas students receive some form of financial assistance, which can include federal and private loans, fellowships, merit-based scholarships, needs-based grants, and instructorships.

Enrollment Verification

The Haas School of Business Academic Affairs Office provides enrollment verification services to requestors via telephone, email, mail, or fax. The Academic Affairs Office is aware that the student data is protected under the Federal Family Educational Rights and Privacy Act of 1974 (FERPA) and, therefore, only certain information is allowable for verification, such as, the name of the student, verification of enrollment, date of attendance, and degree(s) earned. According to the Haas Director of Academic Affairs, approximately 50 enrollment verification requests are received each academic year.

Transcript Services

No transcript services are offered by the Haas School of Business

Boalt School of Law

Financial Aid

According to the Boalt financial aid office, approximately 83 percent of Berkeley Law Juris Doctor students receive some form of financial aid. The Boalt financial aid office works collaboratively with campus FASO to provide grants, scholarships, and student loans to law students. The Boalt

¹ We have communicated this observation to management verbally.

financial aid office administers the majority of need-based grants and scholarships for law students. Additionally, Boalt offers supplemental scholarships to continuing students and makes available an array of federal and private student loans.

Enrollment Verification

Students and alumni can request letters of verification by submitting to the Boalt Registrar's Office the *Request for Verification of Attendance* form or a letter providing required information, such as, student's name, current address, email address, date of birth, student ID number (current students only), dates of attendance, degree received and year (alumni only), and the requestor's signature. The Boalt Registrar's Office does not accept requests over the phone or by email, unless a scanned copy of the form or letter is attached. Also, since letters and forms need to be personally signed by the Boalt Registrar or Dean of Students, the Boalt Registrar's Office does not accept in-person (walk-up) requests.

Transcripts

Students and alumni are able to request transcripts by submitting the *Request for Law School Transcript* form to the Boalt Registrar's Office. The Boalt Registrar's Office does not accept transcript requests over the phone or by email, unless a scanned copy of the Request form is attached. The Boalt staff who receive requests for transcripts must complete FERPA training provided by the campus Registrar's Office.

We also noted that a current or former Boalt student can obtain two versions of his or her transcript. If the student contacts the Boalt registrar's office, he or she will be provided a transcript which has course grades reported using Boalt's grading scale, which does not use the A-F scale. The transcript will bear the signature of Boalt's registrar and have Boalt's seal affixed. However, if the student were to contact central OR for a transcript, he or she will be provided a transcript which has course grades that have been translated from Boalt's grading scale to the campus A-F scale. This transcript will bear the signature of the University registrar and have the University seal affixed. We understand from inquiries that current and former Boalt students are currently utilizing both means to obtain transcripts.

In fact, we noted the following caveat on Boalt's Career Development website which explains their grading system to potential employers:

With a fixed curve and a talented student body, an Honors grade represents a substantial achievement and a High Honors grade an outstanding one. For internal purposes, the Berkeley campus translates both Honors and High Honors grades into its system as A's. (However, if you receive a transcript which lists letter grades from a Berkeley Law student, please return it to the student and require that he or she provide a transcript from the law school Registrar's Office, not from the main campus.)²

² From <http://www.law.berkeley.edu/1050.htm>

We observed that Boalt currently is the only school or college on campus to produce student transcripts separately from the central OR.

Budget Appeals – Haas & Boalt

In order to determine a student's federal and campus-based aid eligibility, the University uses a standard student budget, the components of which are established by different sources including UC Office of the President and campus professional schools for fees, UCB Residential and Student Service Programs (RSSP) for housing, and survey data for books and off-campus living expenses. However, students may be able to increase loan eligibility by documenting educational-related expenses higher than the standard budget by submitting a Budget Appeals form. Other educational-related expenses may be taken into consideration based on a case-by-case professional judgment review of a student's extenuating circumstances and documentation provided. Examples include higher rent or in some cases home mortgage payments, books and supplies, computer expenses, child care, uninsured medical costs, and relocation expenses (for entering students).

The Haas and Boalt financial aid offices review and approve submitted budget appeals on a case-by-case basis. If these financial aid offices seek guidance in denying appeals, Haas and Boalt may bring the appeal to the campus Graduate Appeals Committee. Although, the Haas and Boalt financial aid offices must take to the Committee any appeals for which they are seeking budget increases that exceed the professional judgment guidelines for budget add-ons established annually by the Assistant Vice Chancellor and Director of Financial Aid.

The campus Graduate Appeals Committee is comprised of:

- FASO's Graduate and Professional lead in the Counseling Unit who serves as coordinator of meetings;
- FASO's Graduate and Professional counseling staff;
- Representatives from Haas and Boalt Financial Aid Offices; and
- A representative from the Auxiliary Programs and Imaging Unit

For the academic year 2010-11, according to the Haas School of Business Financial Aid Director, it received 14 appeals of which 12 were approved for a total of \$69,880.00 and according to the Boalt Hall School of Law Financial Aid Assistant Dean, it received 111 appeals of which 108 were approved for a total of \$416,224.50.

Conclusion

With respect to student financial aid functions and handling student budget appeals, we observed that there are written agreements dating from 1997 between FASO and the financial aid units at Haas and Boalt in which specific responsibilities and roles are documented. We further observed that processes and controls currently appear to be coordinated between central FASO and satellite financial aid offices at Haas and Boalt.

With respect to registrar services and the production of official transcripts, we observed an opportunity to clarify and formalize a historical, but apparently undocumented, delegation of

authority by central OR to Boalt registrar functions through which Boalt produces transcripts for their current and former students with grades reported on the Boalt grade scale rather than the campus A-F grade scale. A formalized agreement would clarify whether these transcripts are to be simultaneously treated as official transcripts of Boalt and the University. During our management interviews, we noted differing current perspectives on whether the transcripts are official transcripts of the University. Without such clarification, we perceive a potential risk of confusion for someone obtaining two different versions of a Boalt student's transcript and not being able to determine which one is the official transcript.

In addition, we also noted an opportunity for a formalized agreement to specify minimum security standards related to transcript production by satellite operations that are generally viewed as better practices by university registrars and are currently implemented by OR. These practices include, but are not limited to, controls related to segregation of duties in processing transcript requests; physical controls on securing the stamps, seals, and paper stock used for transcripts; and sealing the printed transcript in a tamper-resistant envelope.

We did not have any observations related to verification of student enrollment.

A detailed description of our observations and management responses follows.

SUMMARY OF OBSERVATIONS & MANAGEMENT RESPONSE AND ACTION PLAN(S)

Transcripts Produced by Office of the Registrar at Boalt Hall

Observation

With respect to registrar services, we observed an opportunity to clarify and formalize a historical, but apparently undocumented delegation of authority by central OR to Boalt registrar functions through which Boalt produces transcripts for their current and former students with grades reported on the Boalt grade scale rather than the campus A-F grade scale. A formalized agreement would clarify whether these transcripts are to be simultaneously treated as official transcripts of Boalt and the University. During our management interviews, we noted differing current perspectives on whether the transcripts are official transcripts of the University. Without such clarification, we perceive a potential risk of confusion for someone obtaining two different versions of a Boalt student's transcript and not being able to determine which one is the official transcript.

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Management Response and Action Plan

The Office of the Registrar will work with Boalt Law School to develop a minimum standard for producing transcripts so that we may continue to feel comfortable with the arrangement. We will also prepare a formal MOU delegating to them the ability to issue transcripts under our guidelines. We have offered to take over the functions from the Law school based on our new fee structure if they feel the burden becomes too great for existing staff. We plan to have this MOU completed by February 1, 2012 if not sooner.