



# AUDIT AND ADVISORY SERVICES

## Student Financial Aid – Middle Class Access Plan Audit Project No. 13-609

August 5, 2013

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August 5, 2013

Harry Le Grande  
Vice Chancellor  
Student Affairs

Vice Chancellor Le Grande:

We have completed our audit of Student Financial Aid – Middle Class Access Plan 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.

Attached please find the referenced audit report. Please destroy all copies of draft reports and related documents. Thank you to the staff of the Financial Aid and Scholarships Office for their cooperative efforts throughout the audit process. 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: Associate Vice Chancellor Anne De Luca  
Assistant Vice Chancellor Rachelle Feldman  
Associate Director Roberta Johnson  
Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca  
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**University of California, Berkeley**  
**Audit and Advisory Services**  
**Student Financial Aid – Middle Class Access Plan**

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# OVERVIEW

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## Executive Summary

The purpose of this audit was to evaluate the design and implementation of the Berkeley Middle Class Access Plan (MCAP) program relative to its stated objective “to help middle-class families pay for the cost of an undergraduate degree” by capping “the contribution parents make toward the annual cost of a UC Berkeley student’s education at 15 percent of their total income.”

The scope of our audit focused on those 2012-13 academic year undergraduate students who met the stated eligibility criteria for the program. We evaluated how eligible undergraduate students were treated for the financial aid calculation through the MCAP program as well as alternative programs for which they may have been eligible to assure the financial aid package received was the most advantageous for the student.

Based upon our audit testwork, we observed that MCAP as currently designed and implemented by the Financial Aid and Scholarships Office (FASO) appears to meet management’s objective of capping parental contributions toward the annual cost of a UC Berkeley student’s education at 15 percent of their total income for eligible students.

## **Source and Purpose of the Audit**

The MCAP program was identified for an audit through our annual risk assessment and planning process. It was selected for audit in part because it is a new program and one of the first of its kind to focus on middle-class students.

The purpose of this audit was to evaluate the design and implementation of the MCAP program relative to its stated objective “to help middle-class families pay for the cost of an undergraduate degree” by capping “the contribution parents make toward the annual cost of a UC Berkeley student’s education at 15 percent of their total income.”<sup>1</sup>

## **Scope of the Audit**

The scope of our audit was designed to focus on those 2012-13 academic year undergraduate students who met the stated eligibility criteria for the program:

- Domestic dependent undergraduate students;
- Annual parental income between \$80,000 and \$140,000, with typical family assets; and
- Submission of a Free Application for Federal Student Aid (FAFSA) to apply for MCAP aid.

In addition, we focused on how students who met the eligibility criteria were treated for financial aid calculation through the MCAP program as well as alternative programs for which they may have been eligible to assure the financial aid package received was the most advantageous for the student. We used \$200,000 as a “typical assets” threshold based upon the frequently asked questions (FAQ) posted on the FASO website.<sup>2</sup>

## **Background Information**

The MCAP program was introduced in December 2011 by Chancellor Birgeneau with undergraduate students enrolled in the 2012-13 academic year being the first group to be eligible for the program.

In its first year of implementation, the 2012-13 academic year, 1,230 out of 17,116 students who applied for financial aid received MCAP aid totaling approximately \$4 million. The average award paid and the average parental contribution in FY 2013 was approximately \$3,000 and \$16,000, respectively. Still in its beginning stages, we understand from management that revisions are still being made to the MCAP program to better support middle-class students. For the 2013-14 academic year, FASO is implementing a \$1,000 award floor for new and continuing MCAP recipients.

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<sup>1</sup> From [http://students.berkeley.edu/finaid/undergraduates/types\\_mcap.htm](http://students.berkeley.edu/finaid/undergraduates/types_mcap.htm)

<sup>2</sup> From [http://students.berkeley.edu/finaid/undergraduates/types\\_mcap.htm](http://students.berkeley.edu/finaid/undergraduates/types_mcap.htm) “What are “typical assets”? Campus financial aid officials generally consider typical assets for middle-income families to be an adjusted net worth of less than \$200,000. This usually reflects the total amount of money a family has in cash, savings, checking, investments, and equity in real estate other than the primary home, as well as business net worth. Not considered are primary home equity and formal retirement assets such as 401(k), 403(b), IRA, or Keogh accounts. The Financial Aid and Scholarships Office makes the final determination about each family’s expected contribution by considering all factors affecting the family’s overall financial situation and ability to pay.”

In conjunction with the Berkeley campus' efforts, state efforts are currently being made to potentially help middle class families fund the cost to attend California's public universities. In June 2013, California lawmakers voted to approve a middle class scholarship plan to aid families with incomes between \$100,000 and \$150,000. Funding for this program, to be included as part of the state budget for fiscal/academic year 2014-15, is expected to come out of proceeds resulting from the passage of state proposition 39. The exact impact of a new statewide program on the campus MCAP program has yet to be determined.

### **Procedures Performed**

We examined the core objectives of the MCAP program and incorporated them into our audit testing strategy. Our testing of the MCAP design and implementation included, but was not necessarily limited to, the following areas:

1. MCAP Eligibility
  - Domestic, dependent, and undergraduate status
  - Parental income threshold eligibility (between \$80,000 and \$140,000)
  - Family asset threshold eligibility (below \$200,000 net of student self-help)
  - Continuing MCAP recipient eligibility
2. Award Offering
  - Correct award offering based on FAFSA attributes
3. Award Calculation
  - Minimum award distribution
  - Student budget application
  - MCAP parental contribution
  - Nonresidential supplemental tuition application

The scope included all academic year 2012-13 financial aid recipients who had parental income between \$80,000 and \$140,000 and had family assets valued under \$200,000. In particular, we examined the different financial aid packages available to this population and matched our calculated findings against the MCAP qualification requirements.

Additionally we examined the 2012-13 academic year MCAP recipients who received financial aid in the 2013-14 academic year to assess whether the eligibility and awarding process was consistent year over year. We obtained data extractions of the above populations from FASO's award packaging system, ProSAMS, and tested student attributes against objectives of the program.

### **Summary Conclusion**

Based upon our audit testwork, we observed that MCAP, as currently designed and implemented by FASO, appears to meet management's objectives "to help middle-class families pay for the cost of an undergraduate degree" by capping "the contribution parents make toward the annual cost of a UC Berkeley student's education at 15 percent of their total income." We did not have any reportable observations.