UNIVERSITY OF CALIFORNIA DAVIS
INTERNAL AUDIT SERVICES

Office of Graduate Studies
Graduate Studies Administration of Financial Support
Internal Audit Services Project #12-16

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MANAGEMENT SUMMARY

As part of the Internal Audit Services (IAS) audit plan for fiscal year 2012 and at the request of the Office of Graduate Studies (Graduate Studies), IAS conducted a review of the administration of graduate student financial support by Graduate Studies. There are currently 92 graduate programs of study offered at UC Davis, and as of fall 2011, there were approximately 4,300 graduate students in graduate academic programs under the purview of Graduate Studies (i.e., excluding professional program and health science program-related students). Graduate Studies has approximately 32 FTE, with four FTE within the "Student Financial Support" unit.

Graduate students fund their education through any or all of the following avenues: (a) internal fellowships such as "block grant' awards which are administered by each graduate program; (b) competitive merit-based internal fellowships administered by Graduate Studies; (c) financial aid, which is need-based and administered by the Financial Aid Office; (d) academic appointments (teaching assistantships and graduate student researcher positions); (e) externally-funded fellowships and grants; and (f) research training grant programs.

Procedures for this audit included obtaining an understanding of the various types of graduate student financial support; reviewing applicable university policies and procedures; interviewing management from Graduate Studies and other campus departments; conducting a survey of graduate program coordinators; reviewing sponsored awards processed by Graduate Studies; and analyzing Graduate Studies financial support funding/accounting information. Our review covered July 2010 through December 2011 and was performed from August through December 2011.

IAS reviewed the management of student support funding and the flow of funding within Graduate Studies and concluded that separation of duties appeared satisfactory to ensure proper management of funds within the unit.

However, many types of funding available to graduate students (such as financial aid and academic appointments) are not managed by Graduate Studies; and as such, many academic and non-academic units are involved in the delivery of student financial support. IAS concluded that among these units, there is a general lack of coordination and overall ownership, which negatively affects customer service to graduate students. We believe Graduate Studies should fill a leadership role in coordinating its campus partners. However, this transition to a leadership role may be a challenging process, in part because these other campus units do not report to Graduate Studies. Also challenging for Graduate Studies may be the fact that its Student Financial Support unit has a record of poor communications with campus partners, which will need to be overcome.

Among those campus personnel who do not report to Graduate Studies yet are critically involved in the delivery of financial support are the graduate program coordinators. Program coordinators must be as knowledgeable and informed as possible about all aspects of graduate student financial support so that customer service to graduate

students will be optimized, since coordinators are generally the closest point of contact to the students on a daily basis. Graduate Studies and program coordinators concur that coordinators do not currently have adequate training. Additionally, some coordinators do not have access to all financial information necessary to accomplish their responsibilities effectively and efficiently.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS

1. **GRADUATE STUDIES' ROLE IN STUDENT FINANCIAL SUPPORT**

   A. **There is a lack of coordination among campus partners and overall ownership in the delivery of student financial support, which affects customer service to graduate students and at times results in errors in support awarded.**

   Depending on each student's funding circumstances, the delivery of financial support may involve any or all of the following units/personnel on campus: Graduate Studies, Financial Aid Office, Student Accounting, Extramural Funds Accounting, Registrar's Office, Services for International Students and Scholars, graduate groups and academic units, and graduate program coordinators. The involvement of all of these campus constituents, and the type of support/aid they award, creates inherent complexities in the overall campus processes for awarding of financial support and aid.

   Overall, there appears to be a void on campus in the coordination of all these offices involved in the delivery of financial support as, at present, units tend to operate as silos without adequate knowledge of the roles/responsibilities of the other units in the overall student financial support process. For instance, Graduate Studies is not familiar with all of the intricacies of federal financial loans administered by the Financial Aid Office, and the Financial Aid Office is not familiar with the program requirements administered by Graduate Studies.

   We believe Graduate Studies should fill a leadership role in coordinating its campus partners. This transition to a leadership role may be a challenging process, however, in part because these other campus units do not report to Graduate Studies and/or are responsible for functions that are not currently under the purview of Graduate Studies.

   Graduate Studies' ability to take on a leadership role may also be impeded by its heavy involvement in accounting and processing duties. For example, they act as the account manager for the block grant accounts of all the graduate programs, perform pre-award processing for contracts and grants, set up accounts in the GradTrack$ system, approve Kuali transactions, process Banner Fund Code Request forms, and perform other related tasks. The impression of many of the program coordinators is that Graduate Studies has too much workload for their staffing levels, which leads to processing delays. Throughout calendar year 2011, the problems with processing delays were exacerbated by the fact that the Graduate Studies Student Support Accountant position was vacant for six months. (Note that workload issues also contribute to poor communication by the Graduate Studies' Student Financial Support unit, as addressed in detail in observation 1.B below.)

   Regardless of these obstacles, Graduate Studies should increase its leadership role to fulfill its mission of advocating for graduate students. The lack of coordination and general campus ownership over graduate student financial support/aid negatively affects customer service to graduate students. For instance, at present, students are

often directed from office to office to obtain answers/resolutions to their financial support concerns. Graduate Studies is committed to assisting these students, but the assistance generally comes at the micro level on a student-by-student basis rather than on a macro level of implementing new processes directed toward all graduate students in an effort to reduce problems that individual students may encounter. On a campus-wide level, Graduate Studies should dedicate its resources to identifying, lobbying for, and helping students secure as much financial support of all types as possible in order to help students minimize their educational debt. Also, allocating support to students as quickly and efficiently as possible should be a priority; instead, program coordinators indicated that they experience delays in Graduate Studies making accounts available, which in turn delays how quickly students get access to their financial support funds. Through all of these means, customer service to graduate students can be improved.

Finally, a lack of coordination among all campus offices can also result in students being placed in "over-award" positions, as discussed in detail in observation 2.A below.

Recommendations

Graduate Studies should formulate a strategic plan centered on assuming a leadership and coordination role across campus, with the goal of improving efficiencies in financial support processes and customer service to graduate students. To accomplish this, Graduate Studies should begin by obtaining an in-depth understanding of the work of all campus units involved in graduate financial support funding. Graduate Studies would then be better positioned to lead and guide campus units to understand how each piece of the funding process fits into the overall big picture. Graduate Studies should convene workgroups or arrange other means of obtaining feedback from all campus partners about ways that the entire financial support delivery lifecycle can be improved and streamlined to better serve students. After the strategic plan has been developed, the personnel responsible for enacting the plan should be held accountable via the performance appraisal process.

Also, because graduate programs continue to expand, workload continues to increase, and resources are becoming more constrained, Graduate Studies should review all of its business activities with an eye toward identifying whether any of its processing responsibilities can be transitioned to other campus units without exposing the university to unacceptable levels of risk. The administration of block grant program accounts/transactions/policy exceptions may be one area that Graduate Studies should consider transitioning to the academic programs.

Management Corrective Actions

1. Graduate Studies will meet with campus units involved in the delivery of student financial support to obtain a detailed understanding of the work of each unit and how each unit fits into the overall process. After these meetings, management will map out all business processes involved in the

delivery of student financial support. Target completion: November 15, 2012.

2. Graduate Studies will conduct surveys/workgroups/meetings to formally solicit feedback from students and relevant campus units about ways that the entire support delivery lifecycle can be improved. Target completion: November 15, 2012.

3. Based on the feedback solicited, Graduate Studies will draft a formal campus-wide action plan whose objective is to improve the delivery of graduate student financial support and service to students. This will address which units should be responsible for specific segments of student financial support, including the administration of funds and processing of transactions. Target completion: February 15, 2013.

4. After the action plan has been developed, Graduate Studies will adopt accountability measures for implementing the plan and hold its personnel responsible through annual performance evaluations. Target completion: June 15, 2013.

5. Graduate Studies will also convene annual meetings of units responsible for administration of student financial support to evaluate the effectiveness and timeliness of process. Target completion: First annual meeting to be held before July 15, 2013.

B. The communications of Graduate Studies' Student Financial Support unit with campus partners are unsatisfactory.

It is essential to student service that the Graduate Studies' Student Financial Support (SFS) unit communicates with all campus partners and constituents in a timely, effective manner. Among those who work with Graduate Studies and depend on them in their business operations in service to students are graduate programs and graduate program coordinators; Student Accounting; Extramural Accounting; and the Financial Aid Office.

Among the general types of issues about which SFS will typically be contacted are the following: requests to set up accounts; processing transactions; questions about interpretations of policy; requests for exceptions to policy; requests to carry forward block grant funds; one-off questions about how to address a specific student's funding circumstances; and other general inquiries into some aspect of a student's financial status/case.

Many coordinators expressed frustration in their communications with SFS, explaining that phone calls and e-mails often went unanswered, resulting in repeated attempts to contact SFS to resolve a single question. Other campus units conveyed having encountered similar futility in dealings with obtaining responses from SFS. As discussed in observation 1.A above, SFS functions under a heavy workload. To

date, SFS has not established procedures to satisfactorily balance its workload issues with the need to respond promptly to inquiries from campus personnel. The ultimate result of the communication failures directly impacts students and the timely, effective processing of their financial support.

Recommendations

The SFS unit should take immediate steps to improve their communications, especially with regard to unreturned e-mails and phone calls. Even if e-mails and calls cannot be addressed in-depth upon receipt, SFS should implement procedures to notify callers/senders that the messages have been received and will be addressed. If necessary, SFS could implement a ticketing response system as is typically used in the IT help desk area to improve customer service.

Graduate Studies should reinforce the importance of communication by assigning responsibility, establishing accountability measures and measuring performance by requesting feedback from coordinators and other campus partners.

Management Corrective Actions

1. Graduate Studies will develop a plan to improve communication from the Student Financial Support unit. The plan will establish performance standards for timely response and will ensure that other campus units know to which individuals their questions should be addressed. Target completion: August 15, 2012.

2. Consistent with actions to be taken under 1.A above, Graduate Studies will examine workload in the Student Financial Support unit to better balance staffing levels and workload, especially with respect to reducing the extent of transaction processing. Target completion: June 15, 2013.

2. CONTRACTS AND GRANTS PROCESSED BY GRADUATE STUDIES

Graduate Studies is not accurately accounting for indirect cost waivers on certain contracts and grants processed through its office.

While the Office of Research processes most sponsored awards, the authority to process graduate student fellowships and certain other contracts and grant proposals in support of graduate students and postdoctoral scholars has been delegated to Graduate Studies. In fiscal year 2009, IAS conducted a campus-wide audit of indirect costs and indirect cost waivers on extramurally-sponsored contracts and grants, including those awards processed by Graduate Studies. In general, waivers are required when an award includes an indirect cost rate below the university's standard rate for that type of award.

Most awards processed by Graduate Studies are fellowships, on which OMB Circular A-21 (A-21), *Cost Principles for Educational Institutions*, does not permit the assessment of indirect costs. Because of the A-21 stipulation, no indirect cost waiver is required.

However, in the 2009 audit, IAS discovered that Graduate Studies mistakenly assumed that <u>all</u> contract and grant awards that it processed were exempt from indirect costs, and therefore Graduate Studies did not request waivers to use a 0% indirect cost rate for expense categories other than fellowships.

In the current audit, IAS again examined the treatment of indirect costs for awards processed by Graduate Studies. Although Graduate Studies has made progress since the 2009 audit, IAS found that Graduate Studies is still not consistently seeking waivers to use a 0% indirect cost rate for expense categories other than fellowships. IAS reviewed all 95 awards totaling $8.75 million originating in Graduate Studies between July 1, 2010 and December 31, 2011 and identified approximately $100,000 of indirect costs that were not assessed on non-fellowship expenses. Graduate Studies has indicated that in most cases the sponsors for these awards would not fund indirect costs, and that therefore the use of a 0% indirect cost rate is appropriate. In these cases, however, Graduate Studies should have requested indirect cost waivers, but did not. Graduate Studies indicated that its office has been struggling with the waiver process, primarily because of waiver database transitions that are ongoing at the Office of the President.

Recommendations

Because the Office of Research has more experience, a wider knowledge base, and more subject-matter experts than Graduate Studies regarding pre-award processing of contracts and grants, Graduate Studies should explore the possibility of shifting the responsibility for all contracts and grants to the Office of Research. If this is not feasible, Graduate Studies personnel should continue to receive training from personnel in the Office of Research regarding the waiver process and the assessment of indirect costs.

Management Corrective Actions

1. Graduate Studies will meet with Office of Research and other campus leaders as necessary to review the delegation of responsibility for pre-award processing of extramurally-sponsored contracts and grants to the Office of Research. Target completion: September 15, 2012.

2. Graduate Studies will ensure that SFS unit staff have appropriate training in the use of the new indirect cost waiver database and in the process for requesting waivers. Target completion: September 15, 2012.

3. The SFS unit will use transaction detail provided by IAS to identify non-fellowship contract and grant sources that will require waivers of indirect costs or require assessment of indirect costs in future submissions to these agencies. Target completion: July 15, 2012.

3. GRADUATE PROGRAM COORDINATORS

A. Graduate Studies and graduate program coordinators concur that coordinators do not have adequate training with respect to funding issues surrounding graduate student financial support.

The university's graduate programs are supported administratively by graduate program coordinators, with the size of the program determining the required level of administrative support, since certain larger programs enroll over 200 students while smaller programs may only enroll 10-20. In general, these differences in program size are managed by assigning coordinators to support multiple small programs or by assigning coordinators a variety of additional departmental responsibilities unrelated to graduate education, such as purchasing, payroll, and personnel. In total, there are approximately 60 coordinators supporting the university's 92 graduate programs.

Under the university's current administrative reporting structure, the coordinators report to the respective academic programs rather than to Graduate Studies. For this reason, Graduate Studies does not have control over the ability to establish consistent job classifications, standardize work responsibilities, or set performance standards for coordinators, for example. As a result, coordinators are classified at varying levels throughout the Administrative Assistant series and the Student Affairs Officer series, even though their responsibilities are closely aligned with regard to graduate program support but not with regard to other assigned responsibilities.

Because coordinators are generally the closest point of contact to students on a daily basis, coordinators occupy critical positions in the delivery of financial support to graduate students. In fact, Graduate Studies informs incoming graduate students in its training sessions that "graduate program academic advisors and program coordinators should be your first contact point for any funding questions you may have." Because academic advisors generally rely on coordinators for administrative tasks, program coordinators must be as knowledgeable and informed as possible about all aspects of graduate student financial support so that service to graduate students will be optimized.

Currently, Graduate Studies provides an annual training session for graduate program coordinators which addresses graduate student funding issues such as fellowships and block grant awards, graduate fees, and policies and procedures. However, in the IAS survey of coordinators, many respondents cited training as an area where improvement is needed. This viewpoint is consistent with Graduate Studies' assessment of the training of coordinators, which they described as "limited and fairly informal." Although the coordinators do not report to Graduate Studies, we believe that Graduate Studies should assume primary responsibility for training the coordinators regarding matters surrounding graduate student financial support. This training responsibility should become part of Graduate Studies' overall responsibility to assume a leadership role, as discussed in observation #1.A. above.

Coordinators also indicated that more training should be offered about graduate student financial aid, i.e., need-based, federally-financed loans and the Work-Study

program, through which federal funds cover a portion of the salary of a graduate student researcher position. Although funding for these financial aid programs is under the purview of the Financial Aid Office rather than Graduate Studies, financial aid programs nevertheless influence the funding administered by Graduate Studies. For instance, a student with a financial aid loan will be positioned in an "over-award" situation if, for example, the total amount of block grant funds and financial loans exceeds the student's calculated financial need. These over-award circumstances trigger logistical problems for the student who must pay back funds, the academic department, and the Financial Aid Office.

For these reasons, program coordinators must have a clear understanding of the interrelationship between federal financial loans administered by the Financial Aid Office and block grant awards administered through Graduate Studies. Several coordinators shared that they had unknowingly placed a student into an over-award position because they didn't understand the ramifications of awarding additional block grant funds. One program surveyed indicated that they do not even allow students with financial loans to apply for block grant funding because of past problems with over-awards. These coordinators appear to be unaware that the Financial Aid Office has resources available to assist programs with identifying funding options to present to students so that over-award positions can be avoided and students can receive the maximum financial aid /support available. These situations demonstrate that there can be adverse consequences for students when coordinators are not sufficiently knowledgeable about the workings of all dimensions of graduate student financial support.

<u>Recommendations</u>

Graduate Studies should significantly expand its current training efforts for program coordinators, which will fit well with Graduate Studies assuming a greater leadership role across campus as discussed in observation #1.A above. Training could be delivered in any/all of the following methods:

- Graduate Studies could host periodic training/discussion forums for graduate program coordinators led by campus partners such as the Financial Aid Office, Student Accounting, etc.   These forums could be modeled after the campus' "Research Administration Forums" hosted by the Office of Research and Accounting & Financial Services which allow research administration personnel to discuss questions/answers regarding all aspects of campus research in the presence of fellow research administrators and knowledgeable representatives from numerous campus units. These sessions could be coordinated with the periodic meetings between the Dean and the program coordinators.

- Graduate Studies could take the lead in development of required on-line training courses addressing all aspects of graduate student financial support, either through its website or through the UC Learning Center's Learning Management System.

- Graduate Studies could establish a program of coordinator-to-coordinator training, through which experienced coordinators act as trainers. One coordinator remarked to IAS that the most helpful training experience she ever had was an informal meeting with another coordinator who showed her types of information available in different Banner system screen views.

- Graduate Studies could organize a network among the program coordinators through an electronic mailing list or similar means by which coordinators could assist each other with ad hoc questions/issues that arise.

Regardless of the method(s) chosen, the training content and methodology should be developed with input from the coordinators themselves, as consultation with coordinators will be critical to success. Finally, for the revised training program to be most effective, the audience of coordinators should be skilled, knowledgeable, and consistently classified; however, working toward this level of consistency is expected to be particularly challenging because of the current environment of diverse responsibilities and classifications among the coordinators, as discussed previously.

Management Corrective Action

1. Graduate Studies will gain feedback from program coordinators about its training program, especially regarding the method(s) of delivery that would be most helpful as well as the content to be included in the program. Target completion: October 15, 2012.

2. Based upon feedback from coordinators per management corrective action 3.A.1. above, Graduate Studies will revise its training program and include the following areas: (a) the basic timeline and sequence of events involved in the financial support/aid delivery lifecycle; (b) financial aid administered by the Financial Aid Office; (c) the work study program; and (d) information available in various Banner screens. Target completion: January 15, 2013.

3. Graduate Studies will organize a list-serve or some other means by which coordinators can communicate on an ad hoc basis to assist each other. Target completion: July 15, 2012.

4. Graduate Studies will meet with Human Resources to discuss position descriptions for graduate program coordinators to ensure that they reflect the necessary skills, knowledge and abilities and a consistent classification. Target completion: May 15, 2013.

B. Some coordinators do not have access to all university financial information necessary to carry out their responsibilities effectively and efficiently.

Depending on its nature, graduate student funding may be recorded in different university information systems such as the Banner system, Payroll and Personnel System (PPS) Decision Support, and the Kuali Financial Information System. Because there is currently no single system that captures all of a student's funding

information, program coordinators must have access to data in all of the systems previously noted in order to piece together the student's funding condition, which will allow the coordinators to determine which type/amount/timing of financial support may be most beneficial to their students.

However, no position description-related requirement exists to mandate that personnel functioning as program coordinators have access to data from these systems and a basic understanding of how the data is necessary to fulfill their duties. While certain coordinators have access to some or all of the data, others do not. One experienced coordinator who has access to all of the systems stated to IAS: "I don't know how I could do my job without this access."

Because program coordinators report to academic units rather than Graduate Studies, the coordinators and academic units control the coordinators access to the university's systems and data. For instance, one coordinator explained that she had requested PPS access from her Management Services Officer (MSO) but had been denied.

As noted previously, program coordinators are instrumental in the ultimate delivery of financial support to graduate students; if they do not have the tools available to understand their students' overall funding position, their ability to best serve them effectively and efficiently will likely be compromised.

Finally, coordinators expressed the need for greater training on university information systems, which should be addressed in conjunction with efforts undertaken regarding the previous observation.

Recommendations

Graduate Studies should advocate on behalf of coordinators to ensure that they all have necessary access to data in the university's information systems, and the necessary training to use the available data effectively. This will require that Graduate Studies adopt a leadership role in working with campus constituents such as Accounting & Financial Services, Human Resources, and academic departments /programs in crafting appropriate system access levels and potentially corresponding position description requirements for coordinators. In the event that it is not feasible to provide all coordinators with access, Graduate Studies must devise an alternate means of distributing data to coordinators so that they can function effectively and efficiently. As has been noted in other recommendations, these actions should be taken based on consultation with coordinators so that Graduate Studies has a solid understanding of the system and information access needed by coordinators.

Management Corrective Action

1. Graduate Studies will meet with personnel from Accounting and Financial Services, Student Affairs and/or Human Resources and/or other campus units as necessary, as it undertakes a thorough study of what steps would be

involved in obtaining necessary system access for all coordinators. Target completion: October 15, 2012.

2. If it is determined after meeting with other campus units that it is not possible to provide all coordinators with appropriate access levels to necessary systems/data, Graduate Studies will develop a plan to supply coordinators with the financial support/aid information that they need on an on-going basis to function effectively. Target completion: April 15, 2013.

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