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March 10, 2023

Stephen Sutton
Vice Chancellor
Student Affairs

Vice Chancellor Sutton:

We have completed our audit of campus work-study programs as per our annual service 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.

Our observations with management action plans are expounded upon in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to the staff of Financial Aid and Scholarships Office and the Dean of Students 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,

Jaime Jue

Jaime Jue
Director

cc: Associate Vice Chancellor Cruz Grimaldo
Associate Vice Chancellor Olufemi Ogundele
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AUDIT AND ADVISORY SERVICES

Work-Study Programs Audit Project No. 22-764

March 10, 2023

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**University of California, Berkeley
Audit and Advisory Services
Work-Study Programs**

Table of Contents

OVERVIEW	2
Executive Summary	2
Source and Purpose of the Audit	3
Scope of the Audit	3
Background Information.....	3
Summary Conclusion.....	4
SUMMARY OF OBSERVATIONS & MANAGEMENT RESPONSE AND ACTION PLAN	6
Learning Aligned Employment Program (LAEP)	6
Work-Study Funding Allocation.....	8
Student Employee Support Infrastructure.....	10
Work-Study Management System (WSMS).....	11

OVERVIEW

Executive Summary

Our audit of campus work-study programs was performed as part of our fiscal year 2022 audit plan. The audit scope included an assessment of the governance and selected aspects of the administration of federal- and campus-funded work-study programs as a component of student financial aid, with an emphasis on strategic and operational versus compliance considerations. As such, our scope did not entail a detailed review of specific work-study program rules, and no conclusions can be formed regarding campus compliance with specific program requirements, nor regarding the applicability or allowability of our recommendations to the federal work-study program, which entails a broader set of restrictions than the campus funded program.

Administration and management of the campus work-study program is overseen by the Financial Aid and Scholarships Office (FASO). The goal of the program is to encourage student part-time employment and to reduce student loan debt while students are attending the University. Work-study program administration policies and staffing have been stable for many years; however, the landscape surrounding the program is changing rapidly with the recent implementations of new systems that affect the handling of work-study appointments and the launching of the Learning Aligned Employment Program (LAEP), a new statewide work-study-related student aid program administered by the California Student Aid Commission. These changes have added to the complexity of work-study program management in that they require system, policy, and process changes.

In this broader context, we note an increasing need for FASO management to work with divisional leadership to reassess the overall framework and goals of the campus work-study program, both to help ensure the sustainability of activities, as well as to ensure their alignment with the imperatives of recent or emerging priorities and requirements. Key areas identified for management to assess in particular include (1) the campus' approach to implementing the state LAEP program to enable its success; (2) work-study funding allocation models to ensure optimal leveraging and use of funds; (3) the broader campus infrastructure for developing and supporting student work-study opportunities; and (4) work-study system capabilities to efficiently and effectively handle changing program administration data and transaction processing needs. FASO management has already undertaken efforts in each of these areas. We note additional opportunities as detailed in our report, including for management to consider how efforts across each of the opportunity areas might be consolidated and coordinated.

Management agrees with the observations and has provided management responses that we believe will adequately mitigate the noted risks.

Source and Purpose of the Audit

Our audit was performed as part of our fiscal year 2022 audit plan. The purpose of the work-study audit was to evaluate the governance and selected aspects of the administration of federal- and campus-funded work-study programs as a component of student financial aid.

Scope of the Audit

Our audit scope included an assessment of selected current processes and internal controls, with an emphasis on strategic and operational versus compliance considerations. As such, our scope did not entail a detailed review of specific work-study program rules, and no conclusions can be formed regarding campus compliance with specific program requirements, nor regarding the applicability or allowability of our recommendations to the federal work-study program, which entails a broader set of restrictions than the campus funded program.

Areas assessed included:

- Program goals and strategies;
- Program administration and oversight;
- Funds allocation framework and determination of matching percentages; and
- Coordination of employer participation and job offerings.

Our internal audit procedures entailed interviews and walkthroughs of program and system processes with staff and management from the Financial Aid and Scholarships Office (FASO), as well as a review of work-study documentation and financial information. We also performed detailed testing of a sample of payments to external employers to assess payment validity and accuracy. Additionally, we met with the Career Center staff to gain an understanding of how the office supports and is involved with the campus work-study program. Audit procedures were conducted during the May to August 2022 timeframe.

Background Information

Administration and management of the campus work-study program is overseen by the Financial Aid and Scholarships Office (FASO). The goal of the program is to encourage student part-time employment and to reduce student loan debt while students are attending the University. Participation in the program provides employers with a work-study subsidy by paying a portion of the student salary.

UC Berkeley has the largest work-study program of all UC campuses. It accounts for nearly 30% of all work-study earnings in the system. In the 2018-2019 aid year, over \$10 million in work-study funding was earned by the approximately 3,000 students who participated in the program. Students are employed in a variety of jobs in UC Berkeley departments, at other UC locations, and in both non-profit and for-profit organizations off-campus.

Current sources of work-study funding primarily include both federal and campus funds, totaling approximately \$3 million and \$2 million respectively in fiscal year 2022. Federal funds are awarded to both eligible graduate and undergraduate students meeting certain criteria. Campus

funds are awarded to other populations of undergraduates, including those who may not meet federal eligibility rules.

Summary Conclusion

The work-study program administration policies and staffing have been stable for many years; however, the landscape surrounding the program is changing rapidly at this juncture. Drivers for this include the recent implementations of new systems indirectly or directly affecting the handling of work-study appointments, including the campus Student Information System (SIS) and the systemwide human resources and payroll system, UCPath. In addition, heading into the 2022-2023 academic year, the Learning Aligned Employment Program (LAEP), a new statewide work-study-related student aid program administered by the California Student Aid Commission, was launched. Each of these changes have added to the complexity of work-study program management in that they require system, policy, and process changes, necessitating significant time and effort on the part of the work-study team in addition to their existing baseline demands.

In the context of these broader changes and complexities, we note an increasing need for Financial Aid and Scholarships Office (FASO) management working with divisional leadership to reassess the overall framework and goals of the campus work-study program, both to help ensure the sustainability of activities, as well as to ensure their alignment with the imperatives of recent or emerging priorities and requirements. FASO management has already undertaken initial steps to address certain of these areas on a standalone basis. We note additional opportunities as outlined below, including for FASO management to consider how efforts across each of these areas might be consolidated and coordinated.

- *Learning Aligned Employment Program (LAEP)*: At the time of our audit, the LAEP implementation was in its early stages, with efforts being primarily coordinated by FASO. Given the complex requirements of this program, we note that implementation success will necessarily depend on robust planning and meaningful cross-functional engagement, an undertaking that may require additional support by divisional and campus leadership.
- *Work-Study Funding Allocation*: Allocation models for work-study funds have been largely stable at the campus level, without reexamination in recent years. Given the changing landscape surrounding both student aid and campus financial goals, we note an opportunity for FASO management to further assess whether alternative models might exist that allow for a greater leveraging of funds to mutually benefit both students and campus departments participating in the campus work-study program.
- *Student Employee Support Infrastructure*: There are a broad range of work-study jobs available to students across campus; however, we note an opportunity for FASO management to work with other units across campus to further expand work-study-eligible positions. This will be necessitated by the LAEP program, but also could be an important driver in increasing student work-study participation as a whole. To achieve this, FASO should consider ways to collaborate with other stakeholder units, such as the Career Center. We also note a broader opportunity to assess and simplify current processes relating to the posting of work-study eligible jobs and the hiring process to further incentivize department participation.

- *Work-Study Management System (WSMS)*: The campus uses a 20-year-old homegrown application, WSMS, to manage work-study job-related functions. We note the complexity of the campus work-study program is outpacing the functionality of WSMS, and continued reliance on it creates compliance and operational risks. Given this, we note a critical opportunity for divisional leadership to prioritize the replacement of WSMS to help ensure the sustainability and ongoing effectiveness of work-study program administration.

SUMMARY OF OBSERVATIONS & MANAGEMENT RESPONSE AND ACTION PLAN

Learning Aligned Employment Program (LAEP)

Observation

Heading into the 2022-2023 academic year, Learning Aligned Employment Program (LAEP), a new statewide student aid program administered by the California Student Aid Commission, was launched. The Berkeley campus is among approximately 150 locations across the University of California, California State University, and California Community Colleges participating in this first year of program funding. State guidelines for the program were issued in summer 2022, with this first academic year considered a pilot period, and full implementation not required until subsequent years to allow sufficient time for the design and scaling of program-related processes and systems.

At the time of our audit in summer 2022, the campus Financial Aid and Scholarships Office (FASO) had initiated an effort to convene and educate campus stakeholders, but a formal implementation plan has not yet been finalized. Given the recency of the launch of the program at the state level, the current status of campus progress with its implementation is reasonable. However, we note that the LAEP program requirements are highly complex, and in some cases may be challenging to implement given current campus policies and systems. Successful implementation will require the active and sustained engagement of a broad cross-section of campus administrative and academic partners and subject matter experts.

Given the scale and scope of this undertaking, we note an opportunity for the campus to not solely task FASO with program implementation and oversight, given potential operational impacts to the unit as well as the critical need for direct cross-functional expertise and involvement. As one possibility, we recommend that Student Affairs, together with other campus divisional leadership, consider convening a dedicated project team, with stable representation from key units, including but not necessarily limited to FASO, Berkeley Regional Services, the Campus Privacy Office, the Career Center, the Office of the Vice Chancellor for Research, and research-intensive schools/colleges. In addition, as a foundational step a formal project plan should also be developed, with key milestones and responsibilities defined and assigned. We note that this project team's efforts could also be leveraged to benefit the additional areas of opportunity noted in the observations below.

Management Response and Action Plan

The Financial Aid and Scholarships Office (FASO) has been participating in the statewide Learning-Aligned Employment Program (LAEP) Workgroup since the program was announced by CSAC in February of 2022. Key UC, CSU and CC schools contributed with significant milestones, including but not limited to, the creation of the Learning-Aligned Employment Program Agreement, Handbook, Frequently Asked Questions guide and other resources used by institutions across California, which resulted in the successful launch of the program on participating campuses. Locally and in parallel with CSAC, FASO, in partnership with SAIT and

Undergraduate Research Apprentice Program (URAP) ran a series of working meetings with key personnel representing various skill-sets and functions e.g. fiscal management, project policy, business system, undergraduate research and compliance to successfully launch a pilot on-campus program at Berkeley on August 29th, 2022.

UCB workgroup participants included key FASO and Career Center personnel representing fiscal management, business systems, job promotion, employer recruitment and compliance. FASO personnel also partnered with the University of California Office of the President and key UC system-wide workgroups to address program best business practices and processes, systems models, and program compliance to best address LAEP implementation systemwide.

During September and October of 2022, FASO hosted ten “Introduction to the Learning Aligned Employment Program (LAEP)” courses to interested on-campus employers, sent communications advertising the program to existing and current Work-Study employers, and informed over 4,000 students of their program eligibility. FASO continues to meet with key personnel especially URAP to promote the program across campus research units, and is partnering with Career Center, which has more visibility and reach of scope across campus, to promote the program.

FASO endorses the recommendation to create a dedicated campus-wide project team tasked with project planning, program implementation and oversight of LAEP and the Work-Study Program. FASO will reach out to Divisional Administrative Leadership to convene a work-group with cross-functional experience to better promote, administer and manage the program and to navigate unexpected challenges in advance of the second year of the program which will commence on July 1, 2023.

Work-Study Funding Allocation

Observation

The central goal of campus work-study funding programs is to enable students to minimize their educational debt burden, at the same time providing them with development opportunities. Allocation models for funds have been largely stable at the campus level, with methodologies based on federal requirements, University policies, and historical levels of work-study uptake by students. While still preserving these priorities, we note an opportunity for FASO management to also further explore the financial implications to the campus of how work-study funding is currently allocated across external and internal employers, and whether alternative models might exist that allow for a greater leveraging of funds. Such a reassessment is especially timely, given larger changes in the financial aid ecosystem, including the launch of the LAEP program and anticipated changes to the UC Education Financing Model (EFM) that delineates undergraduate financial aid priorities and objectives on a systemwide basis. In addition, as the campus is planning to undertake an effort to holistically examine and strengthen its financial sustainability, validating existing allocation assumptions and methodologies for funds that entail a return to campus (as is the case with work-study funds) is likely warranted.

Key questions that FASO management may wish to consider studying to assess their potential benefit and feasibility include:

- Trade-offs between the size of individual student subsidy and number of students who could be covered by a different level of subsidy.
- Whether the current subsidy rates for both on-campus and off-campus employers, which includes a 20% surcharge, are optimal to incentivize participation.
- Whether off-campus employment opportunities must continue to be offered or work-study opportunities can be limited to on-campus jobs. We note that, although off-campus employment currently represents less than 5% of program activity, its coordination entails significant administrative burden and also potentially introduces complex third-party risks.
- Trade-offs between the use of institutional return-to-aid (RTA) (non-federal) funding for work-study opportunities versus other forms of aid to benefit the largest number of students.

We note that the campus may have greater flexibility to adjust non-federal versus federal work-study programs, and that changes could be made solely for the former, as necessary. Further, we acknowledge that any potential changes to work-study funding allocation models depend on the sufficiency and appropriateness of work-study opportunities available. Accordingly, as part of any plans relating to the allocation of work-study funds, FASO management should also assess opportunities to expand eligible work-study opportunities and participation, both for current programs and for LAEP. These concerns are further detailed in the observation below.

Management Response and Action Plan

FASO is currently engaged in a packaging optimization project which includes the Work-Study Program. This optimization of work-study awards will evaluate the student-level eligibility holistically e.g. financial need, self-help, historical use of the program, class level, career, etc. It will also take into consideration budget targets for the award year, federal and University funding

availability (USAP & campus-based RTA), UCOP debt-free goals initiatives, etc. This work is expected to be completed in time to influence packaging of work-study awards for the 2023-24 award year which will take place in the Spring of 2023.

Although the work can be time consuming and off-campus earnings are at an all-time low primarily due to Covid, historically, FASO has provided students with opportunities to enhance their academic experience by providing students the opportunity to create their own work-study jobs off-campus. Off-campus work study jobs expand the student experience while at Cal by providing them with employment that is connected to the local community (nonprofits and local government agencies) and providing them with opportunities in academic related jobs where they can practice what they are learning and for networking and developing professional connections. Off-campus work-study also allows the University to meet federal community service and tutoring requirements.

FASO will evaluate historical administrative fee and surcharges, student earnings, and employer participation to reevaluate administrative fee/surcharge vs. subsidy levels in order to optimize and balance employer participation and FASO administrative budget targets. This analysis will be completed by the first half of FY24 so that any changes to administrative fees/surcharges and subsidy levels will be identified in time to be implemented during the 2024-25 aid year.

Student Employee Support Infrastructure

Observation

Work-study programs provide students with the opportunity to reduce their educational debt burden, and can also enhance students' education itself through providing experiences relevant to their major or degree program. Work-study funding also benefits the campus through expanding and reducing the cost of its potential pool of talent. Accordingly, enhancing the on-campus student job ecosystem, especially jobs that align with a student's area of study or can otherwise offer skill development, offers important mutual benefit. In addition, expanded work-study opportunity has been noted as an area of priority by the Regents in the context of anticipated changes to the EFM, and LAEP program requirements are also already necessitating a focus on campus-based job development.

There are a broad range of work-study opportunities available to students across campus; however, the work-study team is not resourced or positioned to significantly expand or develop work-study eligible positions without the engagement of other units across campus. At the time of our audit, FASO management had identified a need for increased collaboration between the work-study team and the Career Center. We note an opportunity for FASO management to further develop and formalize this partnership in order to enable a more comprehensive assessment of strategies for developing and maintaining a robust portfolio of on-campus work opportunities that align with the various work-study funding program requirements.

In addition, in order to incentivize employer participation and to grow the program, we note an opportunity to reassess and simplify current processes relating to the posting of work-study eligible jobs and the hiring process. We understand that a cross-functional working group was convened in 2017 to identify and address pain points, but due to the pandemic-related shelter-in-place this effort was suspended. These considerations are cornerstone to the campus' ability to grow the work-study program, and should be supported and prioritized not only by FASO, but also by the campus more broadly, given their larger potential compliance and strategic impacts. Key units that ideally should be included in this effort include People & Culture, Berkeley Regional Services, and large hiring units that have traditionally employed a large number of student employees.

Management Response and Action Plan

During the Spring 2023 semester, FASO will reach out to Divisional Leadership to broker a partnership recommended above with cross-functional experience to better promote, administer and manage the program.

Work-Study Management System (WSMS)

Observation

The campus uses a 20-year-old internally-developed application, Work-Study Management System (WSMS), to manage work-study job applications, payroll matching, and time reporting and limit monitoring for external employer jobs. WSMS is critical to the administration of the campus work-study program, and any interruptions in its availability or issues with its data could give rise to significant impacts to student employees and from a federal funding compliance standpoint. WSMS is supported through department-level IT support, and interfaces with four distinct applications. With the implementation of SIS in 2017 and UCPATH in 2019, significant application development has been required, which necessarily entails information security risk.

With these recent changes and the requirements of the new LAEP program, the complexity of the campus work-study program is outpacing the functionality of WSMS, and continued reliance on application development presents a number of key risks from a compliance and operational perspective. In addition, there are current inefficiencies in the duplication of data entry requirements across multiple job data platforms (WSMS, UCPATH, and Handshake).

Given these factors, we note a critical opportunity for divisional leadership to prioritize planning and funding for the replacement of WSMS to help ensure the sustainability and ongoing effectiveness of program administration.

Management Response and Action Plan

FASO is committed to identifying a sustainable WSMS replacement to continue to meet the needs of students, employers, and staff. On December 15, 2022, the campus IT Enterprise Applications Student Administration Governance Committee voted to submit a budget request to the IT Strategy Committee for FY24 for this project.

FASO is currently collecting business requirements from various stakeholders, including feedback from staff, employers and students with a goal of having the requirements documented by the end of the current fiscal year (FY23).