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November 21, 2025

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Interim Vice Chancellor Mejia and Interim Associate Vice Chancellor Ledesma:

We have completed our audit of Centers for Educational Equity and Excellence as per our annual service plan in accordance with the Institute of Internal Auditors' *Global Internal Audit Standards* and the University of California Internal Audit Charter.

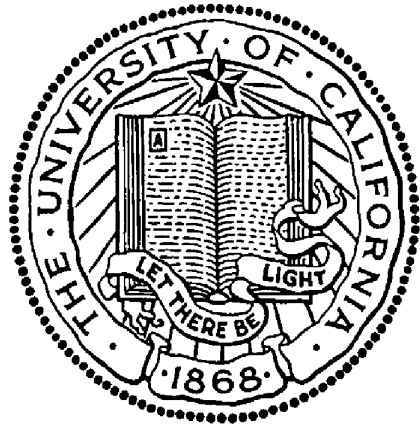
Our observations with management action plans are detailed in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to the staff of Centers for Educational Equity and Excellence for their cooperative efforts throughout the audit process. Please do not hesitate 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
Assistant Vice Chancellor and Campus Internal Audit Director

cc: Assistant Vice Chancellor and Chief of Staff Amber Johnson
Chief Ethics, Risk and Compliance Officer and Associate Chancellor Khira Griscavage
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AUDIT AND ADVISORY SERVICES

Centers for Educational Equity
and Excellence (CE3)
Audit
Project No. 25-800

November 21, 2025

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University of California, Berkeley
Audit and Advisory Services
Centers for Educational Equity and Excellence (CE3)

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OVERVIEW

Executive Summary

Our audit of Centers for Educational Equity and Excellence (CE3) was performed as part of our approved fiscal year 2025 campus internal audit plan. CE3 is a unit within the Division of Equity and Inclusion that is composed of nine distinct programs, each that offer various support services and financial aid to selected student populations. CE3 expenditures in fiscal year 2024 were approximately \$16 million, with operations supported by over 100 different campus, contract and grant, gift, and student fee funds.

The audit purpose and scope were to evaluate the design and operating effectiveness of departmental processes and internal controls related to the management and oversight of restricted funds. Funds included in our review were selected from the top 20 largest restricted funding sources for CE3 during the period reviewed, and included federal grants, private restricted grants (gift funds), and student tuition and fee funds designated for specific CE3 uses.

Based on our audit work performed, we note that management has implemented administrative processes and oversight structures related to restricted fund management. However, the operating environment for CE3 is complex both in the number of funding sources and in the number of programs it entails, and unlike other research-intensive units on campus, CE3 does not receive the same level of research administration support for post-award management.

Related to these factors, we identified opportunities to enhance fund management procedures and controls, as well as to reinforce compliance with certain campus administrative policy requirements, including those designed to promote consistent compliance with external sponsor requirements.

Related to restricted fund management:

- We noted three observations pertaining to a need to augment and document review procedures and approvals of charges on federal funds in order to demonstrate management diligence in ensuring charge compliance with federal costing principles and administrative requirements. (*Observation 1 – Federal Funds General Ledger Review Procedures; Observation 2 – Effort Reporting Certification; Observation 4 – Cost Transfer Documentation*)
- Additionally, for selected federal awards in our sample, we noted that campus policies and procedures for the designation of key personnel (i.e., principal investigators and project directors) as delineated in the *Policy on Eligibility for the Submission of Extramural Support Proposals and Procedures for Obtaining Exceptions* do not appear to have been followed. (*Observation 3 – Designation of Key Personnel for Sponsored Projects*)

Related to other areas of policy non-compliance, we incidentally noted a small number of transactions that do not appear to have been processed in accordance with procurement policies and/or campus delegations of authority that indicate a need to further reinforce related policy

requirements. (*Observation 5 – Contract Executed Outside of Delegated Authority; Observation 6 – Procurement Card Transaction Procedures*)

We have discussed our report with management, and they have proposed corrective actions that, if implemented, should address the risks noted in our audit findings.

Source and Purpose of the Audit

Our audit of Centers for Educational Equity and Excellence (CE3) was performed as part of our approved fiscal year 2025 campus internal audit plan. Its purpose was to evaluate the design and operating effectiveness of departmental processes and internal controls related to key functions and responsibilities.

Scope of the Audit

The audit scope was focused on departmental processes and internal controls related to the management and oversight of restricted funds. Our procedures entailed interviews with management and the review of departmental documentation in order to assess the design of procedures and controls. We also performed a detailed review of a sample of compensation and non-compensation transactions charged to selected funds during fiscal year 2024 to assess the effectiveness of procedures and controls and to verify expenditure alignment with funder rules. Funds included in our review were selected from the top 20 largest restricted funding sources for CE3 during the period reviewed, and included federal grants, private restricted grants (gift funds), and student tuition and fee funds designated for specific CE3 uses.

Background Information

CE3 is a unit within the Division of Equity and Inclusion that offers various support services and financial aid to selected student populations. As described in departmental publications: "... CE3 offers a comprehensive array of counseling programs, supplemental aid, and scholarships to support former foster youth, veterans, student parents, undocumented students, and transfer students of all ages and life experiences."

CE3 encompasses nine distinct programs; however, there are intersections across many programs with respect to activities and the student populations served, and staff may have roles and responsibilities in more than one CE3 program. In recent years, CE3 leadership have sought to enhance and streamline operations through organizational restructuring, staff training and professional development, and the implementation of standard administrative procedures.

CE3 expenditures in fiscal year 2024 were approximately \$16 million, with operations supported by over 100 different campus, contract and grant, gift, and student fee funds.

Summary Conclusion

Management has implemented and documented administrative processes and oversight structures related to restricted fund management. However, the operating environment for CE3 is complex both in the number of funding sources and in the number of programs it entails, and unlike other research-intensive units on campus, CE3 does not receive the same level of research administration support for post-award management.

Related to these factors, we identified opportunities to enhance fund management procedures and controls, as well as to reinforce compliance with certain campus administrative policy requirements, including those designed to promote consistent compliance with external sponsor requirements. Observations are summarized briefly below, and are further detailed along with recommendations in the next section of the report.

- *Federal Funds General Ledger Review Procedures:* Management has procedures in place to routinely review general ledger activity across funds; however, we note a need to augment procedures related to federal funds to formally document and certify charges at the individual fund level by the PI and/or PD to verify that costs comply with federal costing principles.
- *Effort Reporting Certification:* Additionally, we noted that effort reports associated with payroll charged to federal funds that were reviewed as part of our audit were not certified. Such certification is required by campus policy to provide evidence that direct labor charges reflect the actual level of work performed.
- *Designation of Key Personnel for Sponsored Projects:* For selected federal awards in our sample, we noted that administrative processes for the naming of Principal Investigators and Project Directors as delineated in the *Policy on Eligibility for the Submission of Extramural Support Proposals and Procedures for Obtaining Exceptions* may not have been followed.
- *Cost Transfer Documentation:* We noted that documentation available for the cost transfers reviewed in our audit was not sufficiently aligned with University policy requirements.
- *Contract Executed Outside of Delegated Authority:* In our review of a sample of expenditures, we identified one large contract for services totaling \$500,000 that was executed by an individual without delegated signature authority.
- *Procurement Card Transaction Procedures:* Supporting documentation was not readily available for a ~\$8,000 procurement card transaction that was in the sample of transactions reviewed in our audit. The transaction was also not reconciled and approved through the required procurement card process.

We also identified process improvement opportunities related to gift management and federal funds budgeting that are detailed in the last section of this report.

We have discussed our report with management, and they have proposed corrective actions that, if implemented, should address the risks noted in our audit findings.

AUDIT OBSERVATIONS, MANAGEMENT RESPONSES, AND ACTION PLANS

1 – Federal Funds General Ledger Review Procedures¹

Observation Summary	General ledger transaction reviews by the Principal Investigator (PI) and/or Project Director (PD) were not documented for individual federal funds. Such reviews are required to verify the compliance of charged expenditures with federal costing principles.
Criteria (if available)	<p><i>Code of Federal Regulations, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), Subpart E, Section 200.403</i> establishes specific costing principles for charges to federal awards.</p> <p><i>UC Contract and Grant Manual, section 6-440 Responsibilities of the Principal Investigator</i> establishes that the “Principal Investigator has primary responsibility for financial management and control of project funds in accordance with University and sponsor policies and procedures.” The Vice Chancellor for Research <i>Policy on Eligibility for the Submission of Extramural Support Proposals and Procedures for Obtaining Exceptions</i> further allows that a PD may serve in this capacity “on a training or public service project”.</p>
Risk Statement	Non-compliance with University and sponsor policies and procedures may result in nonpayment of university invoices or ultimately may jeopardize future federal funding to the PI or institution.
Recommendation	Augment departmental procedures and documentation standards for federal fund general ledger reviews to specifically require the periodic review and certification of detailed general ledger expenditure reports by the PI and/or PD to verify that costs comply with federal costing principles.
Observation – Background and Discussion	<p>General ledger transaction reviews by the Principal Investigator (PI) and/or Project Director (PD) were not documented for individual federal funds. Such reviews are required to verify the compliance of charged expenditures with federal costing principles.</p> <p>Certain CE3 programs are funded by federal grants. Procedures and controls have been developed at the divisional and departmental level to designate funding sources for expenditures to align with sponsor (or other fund purpose) rules, as well as to review program spending. However, we note that there does not appear to be a review of general ledger activity details at the fund level by the PI and/or PD to verify that expenditures are in accordance with sponsor policies and federal costing principles. As noted, this is required to demonstrate appropriate oversight of fund management.</p>

¹ Observations are ordered based on risk and significance of impact.

Management Corrective Action	Federal grants ledgers are already included in a monthly ledger verification process and reviewed by respective PDs for grants in CE3. As a corrective action, management will augment current procedures to specifically require the certification of detailed general ledger expenditure reports at the individual fund level by the PI and/or PD, as clarified with SPO and CGA is appropriate to the award, to verify that costs comply with federal costing principles.
Responsible Party	Interim Associate Vice Chancellor, Student Equity and Success
Estimated Completion Date	January 31, 2026

2 – Effort Report Certification

Observation Summary	Effort reports associated with payroll charged to federal funds that were reviewed as part of our audit were not certified, as is required by campus policy.
Criteria (if available)	The campus policy <i>Effort Reporting – Certifying Effort on Sponsored Projects</i> requires that the “effort of staff employees who are paid on or have commitments to work on federal or federal flow-through funds must be certified by the PI, employee, or other designated official with suitable means of verification that the work was performed.”
Risk Statement	Lack of effort report certification may result in nonpayment of university invoices or ultimately may jeopardize future federal funding to the PI or institution.
Recommendation	Implement procedures to ensure that effort reports are certified according to the campus process and timeline.
Observation – Background and Discussion	Effort reports reviewed as part of our audit have not been certified, as is required by campus policy. The campus requires the semi-annual certification of payroll charges to federal funds by the PI or another “designated official with a suitable means of verification that the work was performed” in order to ensure and demonstrate compliance with Uniform Guidance, which states in <i>Subpart E, Section 200.430</i> that charges for “salaries and wages must be based on records that accurately reflect the work performed” and that records are “supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated...”.
Management Corrective Action	The current VCEI will work with CGA to ensure a clear understanding of effort reporting requirements going forward. The E&I Divisional Finance Lead and Deputy Chief of Staff will provide support in tracking timely completion, and the Deputy Chief of Staff will be the Effort Coordinator. As appropriate for each federal award and as clarified with SPO, either the PI or PD will be designated as the effort report certifier.
Responsible Party	Interim Vice Chancellor for Equity and Inclusion
Estimated Completion Date	January 31, 2026

3 – Designation of Key Personnel for Sponsored Projects

Observation Summary	While a principal investigator (PI) has been named in campus records for certain federal awards, the individual is not listed as key personnel in sponsor award documentation. Additionally, a project director (PD) has been named as key personnel in sponsor award documentation, but they have not been granted authority to oversee the award in accordance with campus policy requirements.
Criteria (if available)	<p>The Vice Chancellor for Research <i>Policy on Eligibility for the Submission of Extramural Support Proposals and Procedures for Obtaining Exceptions</i> stipulates that “proposals for extramural support of research, training or public service projects may be submitted only by eligible Berkeley campus appointees who have primary responsibility for design, execution, and management of the project, who will be involved in the project in a significant manner, and who will serve on a research project as Principal Investigator or on a training or public service project as Project Director.”</p> <p>The policy further establishes eligibility requirements to be named as a PI and PD, and requires that individuals not inherently meeting stated eligibility criteria be formally approved for the role by the Office of the Vice Chancellor for Research (VCRO) on an “exceptional” basis.</p>
Risk Statement	Oversight of sponsored projects may be performed by an individual without the proper knowledge, context, or authority. Further, Uniform Guidance requires that award management procedures be consistent with campus policies, and non-compliance may create risks to ongoing funding eligibility.
Recommendation	We recommend that management work with the VCRO and Sponsored Projects Office (SPO) to reassess the designation and roles of key personnel on federal sponsored projects, and to obtain exceptional PI/PD status as appropriate.
Observation – Background and Discussion	<p>While a PI has been named in campus records for certain federal awards, the individual is not listed as key personnel in sponsor award documentation. Additionally, a PD has been named as key personnel in sponsor award documentation, but they have not been granted authority to oversee the award in accordance with campus policy requirements.</p> <p>The campus is obligated to manage federal awards in a manner consistent with established campus and University policies. This includes demonstrating compliance with administrative processes such as those delineated in the campus <i>Policy on Eligibility for the Submission of Extramural Support Proposals and Procedures for Obtaining Exceptions</i>.</p>
Management Corrective Action	In the assignment of PDs, CE3 follows the process and guidance provided by Department of Education grant specialists. To ensure alignment with campus policies and procedures as well, management will coordinate with the VCRO and SPO to reassess the designation and roles of key personnel on federal sponsored projects, and to obtain

	exceptional PI/PD status, as appropriate. In addition, when changes occur in the assigned PI and/or PD, CE3 will notify SPO as soon as the change is anticipated
Responsible Party	Interim Associate Vice Chancellor, Student Equity and Success
Estimated Completion Date	January 31, 2026

4 – Cost Transfer Documentation

Observation Summary	Documentation available for the cost transfers reviewed was not sufficiently aligned with policy requirements, and standard documentation requirements for cost transfers have not been developed at the departmental level.
Criteria (if available)	The UC <i>BFB-A-47 Direct Costing Procedures</i> policy establishes specific documentation requirements for cost transfers on restricted funds that the cost transfer “must be fully explained, justified, and approved by the unit administrator(s) involved in the transaction. (An explanation which merely states that the adjustment being made is "to correct an error," "to transfer to correct project," or "expenditure inadvertently charged to incorrect account/fund" is not sufficient). In the case of adjustments which involve Federal grants and contracts, the certification and approvals must include that of the principal investigator, department head, or other academic official. For non-central transfers processed, the certification and approval of the department head, principal investigator or other academic official must be maintained by the department in accordance with local campus requirements.”
Risk Statement	Insufficiently documented cost transfers may call into question their validity and the sufficiency of the established internal controls, potentially affecting future federal funding for the PI or institution.
Recommendation	Management should implement standard approval and documentation requirements for cost transfers onto and off of federal funds that align with UC <i>BFB-A-47 Direct Costing Procedures</i> policy (including, but not limited to the criteria cited above). One potential approach would be to develop a standard form to help ensure consistency in documentation.
Observation – Background and Discussion	<p>Documentation available for the cost transfers reviewed was not sufficiently aligned with policy requirements, and standard documentation requirements for cost transfers have not been developed at the departmental level.</p> <p>Cost transfers are permitted under policy, but are expected to be used on an infrequent basis and only when meeting certain criteria. The use of cost transfers may also call into question the allowability and/or allocability of the charge to the funding source. Accordingly, it is important to ensure that the rationale and approvals for cost transfers is thoroughly documented in accordance with university and sponsor policies.</p>
Management Corrective Action	Establish and document a cost transfer approval process that requires PD and executive director approval and retention of documentation, and that is in alignment with UC BFB-A-47.
Responsible Party	Division of Equity and Inclusion Divisional Finance Leader
Estimated Completion Date	January 31, 2026

5 – Contract Executed Outside of Delegated Authority

Observation Summary	In our review of a sample of expenditures, we identified one large contract for services totaling \$500,000 that was executed by an individual without delegated signature authority.
Criteria (if available)	The “authority to commit the campus to the authority for Execution of Purchase Contracts, Subcontracts, and Standard Purchase Orders for Materials, Goods and Services to be Supplied to the University” must be granted through a formal campus delegation of authority. Such authority is granted through the Delegation of Authority “ <i>DA2660 Execution of Purchase Contracts, Subcontracts, and Standard Purchase Orders</i> ” (formerly DA2100).
Risk Statement	Improperly executed agreements may be considered invalid and/or could expose the campus to financial and operational risk if the details of the agreement have not been properly reviewed and vetted.
Recommendation	Management should reinforce with CE3 team members campus requirements pertaining to the delegated authority to sign contracts.
Observation – Background and Discussion	<p>In our review of a sample of expenditures, we identified one large contract for services totaling \$500,000 that was executed by an individual without delegated signature authority.</p> <p>CE3 augments their services to students through the use of third parties, as needed and feasible. We noted one large contract that was executed by an individual without delegated signature authority. The use of third parties entails certain risks to the institution, and it is critical that contracts be reviewed by the appropriate level of management and that contracts are signed only by individuals possessing the appropriate delegation of authority.</p>
Management Corrective Action	CE3 will affirm and enforce levels of signing authority at different tiers of funding. Additionally, E&I is in the process of issuing updates in divisional policy which will include clear guidance on delegation of approval authority.
Responsible Party	Division of Equity and Inclusion Divisional Finance Leader
Estimated Completion Date	January 31, 2026

6 – Procurement Card Transaction Procedures

Observation Summary	Supporting documentation was not readily available for a ~\$8,000 procurement card transaction that was in the sample of transactions reviewed in our audit. The transaction was also not reconciled and approved through the required procurement card process.
Criteria (if available)	<p>UC policy <i>BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management</i> requires that someone other than the cardholder “review on a timely basis, documentation related to all purchase and approve all cardholder transactions to confirm appropriateness and receipt of the goods and services ordered”.</p> <p>In addition, per campus requirements, as delineated in the campus <i>Credit Card Program Memorandum of Agreement</i>, the department is “the official Office of Record for all documentation of individual purchases charged to the Department’s Procurement Card(s)”, and as such procurement card transaction support must be retained by the department (versus cardholder) level.</p>
Risk Statement	Absent the independent review and retention of procurement card transaction supporting documentation, there is a risk that inappropriate transactions may occur and go undetected.
Recommendation	<p>We recommend that management assess, reinforce and/or strengthen departmental procedures and accountabilities for procurement and event card use to ensure full compliance with the campus program requirements delineated by the Controller’s Office.</p> <p>In addition, reporting is available through CalAnswers that can facilitate procurement card spending review, including the identification of transactions that may not have been reviewed prior to their recording to the general ledger. We recommend that management also periodically review these reports to monitor activity.</p>
Observation – Background and Discussion	<p>Supporting documentation was not readily available for a ~\$8,000 procurement card transaction that was in the sample of transactions reviewed in our audit. The transaction was also not reconciled and approved through the required procurement card process. Although supporting documentation was ultimately provided, it was necessary for the department to contact the cardholder for the documentation</p> <p>Procurement and event planner cards are an important purchasing tool that the campus encourages departments to use when appropriate. They entail specific risks, however, in that purchases can more easily occur without proper upfront authorization. Therefore, it is critical that departments implement appropriate internal controls to ensure the timely and independent review and approval of all transactions.</p>
Management Corrective Action	The card strategy in CE3 has been revamped. Only one card is utilized centrally and is managed by the business and operations unit, ensuring that policy, approvals, and appropriate reconciliation processes are followed. Additionally, E&I is in the process of issuing updates in

	divisional policy which will include clear guidance on credit cards.
Responsible Party	Administrative Officer for CE3
Estimated Completion Date	January 31, 2026

OTHER PROCESS IMPROVEMENT OPPORTUNITIES

Process Improvement Opportunity 1 – Use of Longstanding Restricted Funds

Although we did not identify any significant exceptions in our testing, we did note various instances in which expenditures against long-standing gift and student fee funding sources seemed to potentially deviate from the initial fund intent, if read narrowly and/or in that the types of expenditures noted were not specifically described in the terms. Management asserts that the expenditures were in alignment with fund intent and further that, for gift funds, CE3 leadership and staff communicate routinely with donors about fund use.

To help ensure ongoing alignment with gift or student fee referendum intent over time, we recommend that CE3 leadership periodically re-review and re-communicate the details of the gift and student fee terms to fund/department approvers to ensure their awareness and understanding, and that detailed expenditure reporting be provided to CE3 leadership for review.

To the extent that certain expenditures may not be explicitly described in the original gift/fee referendum language, we further recommend that clarification and approval be sought in writing from the applicable donor or fee committee.

Process Improvement Opportunity 2 – Budgeting Controls to Minimize Cost Transfers on Federal Funds

We noted a non-trivial number of cost transfers (retroactive changes in funding source for expenditures) between federal and non-federal funding sources. Management stated they were due to the close relationship and intersections in the scope of work across different programs. While cost transfers are not prohibited, their use should generally be on an infrequent basis and procedures/controls should be designed to minimize their occurrence. CE3 leadership demonstrates an awareness and diligence around ensuring the appropriateness of budgeted and actual expenditures on each fund; however, we note an opportunity to enhance procedures and controls around budgeting for federal funds to further reduce the likelihood of cost transfers.