

Table E
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed and evaluated the laws, rules, regulations, and academic policies significant to UC’s use of OPMs.</p>
<p>2 To the extent possible, identify, obtain, and publicly produce, to the extent allowed by law, all OPM agreements that were in effect as of January 1, 2023, between all OPM providers and a selection of five UC campuses and the Office of the President. Based on reviewing these contracts, perform the following:</p> <p>a. Identify how many contracts (per campus) required OPM employees to provide direct instruction to students instead of instruction provided by university employees.</p> <p>b. Evaluate trends or variations among the contracts in terms of payment or revenue sharing between the campuses and the OPM providers.</p> <p>c. Determine how often the contracts included incentive compensation to OPM providers based on student enrollment.</p> <p>d. Evaluate whether the contracts require the OPM vendor to disclose its contracted relationship with the university to students, and disclose whether or not the instructor is a university employee.</p> <p>e. To the extent possible based on each contract, compare the actual cost of OPM-provided classes to the amount of tuition university campuses charged for enrolling in those online classes.</p>	<ul style="list-style-type: none"> • For the Office of the President and all campuses, obtained all agreements in effect as of January 1, 2023, between an OPM and the Office of the President or an individual campus. • Determined whether any contracts or portions of contracts are not subject to public disclosure. <p>The contracts and portions of contracts that may be publicly disclosed are available upon request from our office.</p> <ul style="list-style-type: none"> • For the contracts obtained from five selected campuses (Berkeley, Davis, Los Angeles, San Diego, and Santa Barbara), identified the number of contracts per campus that require the OPM to provide instruction for the courses. For each contract, determined whether the courses and programs provided offer credit or apply toward academic degrees, the length of contract terms, the provisions for contract renewal and termination, and the terms for payment or revenue sharing between the campuses and the OPMs. • For the contracts obtained from campuses not selected, assessed for anomalies that warranted further review, such as financial terms that varied significantly from the trends we saw in our review of the selected campuses’ contracts. We did not identify any such anomalies. <p>Evaluated trends or variations among the contracts in terms of the services to be provided and the payment or revenue sharing between the campuses and the OPMs. We did not identify significant variations among the contracts.</p> <p>Determined the number of contracts containing payment terms that include incentive compensation to OPMs, whether the incentive compensation is based on student enrollment, and whether the incentive compensation aligns with federal regulations and guidance.</p> <p>Reviewed OPM contract provisions to determine whether they required the OPM to disclose to students its partnership with the campus and whether the instructor is a campus employee or an OPM employee.</p> <p>For OPM-instructed courses and programs not related to degrees, obtained and assessed the reliability of available financial information for fiscal year 2021–22, which was the most recent year available at the time we began our analysis. Compared the amount of revenue OPMs received plus any campus-incurred costs (costs to the campus) to the amount of tuition that campuses charged to students enrolling in those courses and programs. Identified programs with revenue from private loans and the portion of those programs’ fiscal year 2021–22 revenue that came from private loans.</p> <p>We did not identify any OPM-instructed courses or programs related to degrees.</p>

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<p>3 At selected campuses, review those campuses' administration of OPM agreements by performing the following:</p> <p>a. Review campus policies and guidance from the Office of the President when establishing and overseeing contracts with OPMs.</p> <p>b. Review each campus's process for entering into contracts and deciding the services OPMs will provide. Identify all factors considered by the campus when entering into contracts.</p> <p>c. For any contracts under which instruction was provided by non-university faculty or faculty selected or paid by the OPMs, and to the extent possible, determine the following:</p> <p>i. The roles played by the university, the instructors, and the OPM under the contract.</p> <p>ii. How funds were divided between the university and the OPM, how much was actually received by the university and by the OPM, and how much was connected to degree and nondegree programs.</p> <p>iii. The extent to which the university financially benefitted from the contract.</p> <p>iv. The extent to which students benefit from OPMs.</p>	<p>Obtained campus policies and guidance for establishing and overseeing contracts with OPMs and determined whether the policies and guidance are consistent with the WASC Senior College and University Commission's policy for accredited institutions' agreements with unaccredited entities. Only UC Berkeley had a campus-specific policy for contracting with OPMs. This policy aligned with some but not all criteria in the Senior College and University Commission's policy for agreements with unaccredited entities. For example, the UC Berkeley policy does not require the campus's OPM contracts to clearly define the responsibilities of each party but does include a provision to ensure the appropriate use of campus branding.</p> <ul style="list-style-type: none"> • Interviewed academic personnel at the selected campuses to identify the intended benefits for students and the campus of using OPMs—including the potential costs avoided by outsourcing the development of new courses, software, staffing, or programs. • Obtained the procedures that the selected campuses use to establish OPM contracts and to determine the types of services OPMs will provide, compared them to best practices for obtaining services from unaccredited entities, and assessed whether they align with the purposes of using OPMs to benefit students and campuses as described by the personnel we interviewed. • Reviewed the procedures and identified the factors each campus considers when entering into contracts, including whether the campus requires a competitive bidding process, and compared them to key contracting best practices. <p>For each contract that includes OPM-provided instruction, determined the key responsibilities that the campus, the instructors, and the OPM were required to fulfill, including whether OPMs were given decision-making roles related to admissions decisions or enrollment levels and whether there was an assumption of campus approval of OPM marketing materials without campus feedback.</p> <p>For each contract including OPM-provided instruction—all of which pertained to nondegree programs—determined how the contract stipulated that funds would be divided between the campus and the OPM and, using the financial data obtained under Objective 2, determined how much the campus and the OPM actually received in fiscal year 2021–22.</p> <p>For all OPM-instruction contracts, used the revenue information obtained as well as any financial benefit analyses available to determine the extent to which the selected campuses financially benefitted from each contract in fiscal year 2021–22. To the extent possible, subtracted the costs the campuses incurred (including the OPM's share) from the total revenues collected for services provided pursuant to the contract.</p> <p>Determined the extent to which each selected campus achieved the intended benefits to students of OPM contracts by interviewing campus staff to document the proposed or intended benefits and drawbacks. Also reviewed data and responses collected under Objective 5 to evaluate trends in relevant outcomes of students' experiences with OPMs at the selected campuses, such as satisfaction and job outcomes.</p>

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<p>4 Determine whether the selected campuses and OPMs provide sufficient transparency to students and whether advertisements and recruiting efforts, including the use of university logos, branding, email accounts, and local area codes are potentially deceptive.</p>	<ul style="list-style-type: none"> • Determined whether each OPM contract includes provisions to prohibit misrepresentation in marketing materials, to make OPM marketing materials subject to review by campus personnel, and to ensure disclosure of the OPM's involvement in marketing materials. • Selected three to five courses or programs at each selected campus (varying as necessary to test a total of 20 courses or programs), including a mixture of degree and nondegree programs and courses that were instructed by UC employees or OPM employees. • For this selection of 20 programs, reviewed the campus webpages describing the courses or programs to prospective students and determined whether they violated key provisions of federal regulations that prohibit misrepresentation. We also determined whether they disclosed all of the following: <ul style="list-style-type: none"> - That the campus partners with the OPM. - The roles of the campus and the OPM, including which entity provides instruction. - The cost of the program and the deadline for students to drop the program and receive a full refund. - The program ranking and outcomes, such as the percentages of enrolled students who obtained a program certificate, graduates who got a job in a program-related field, or graduates who reported that their annual income increased. • For the selection of courses and programs reviewed as referenced above, obtained from campuses the current marketing and recruiting materials, determined whether they documented approvals of this content, and assessed whether they identified any concerns with misrepresentation. Using these materials, reviewed campuses' general level of oversight of and input into OPMs' marketing and recruiting activities. • For the selection of courses and programs reviewed, requested information as a prospective student from program recruiters or through campus websites. Determined through auditor observation whether the responses disclosed the role of the OPM and provided accurate information to questions about the OPM's role, program rankings, cost, instructors, and outcomes. <p>Note: See discussion of Berkeley Executive Education on page 63.</p>
<p>5 Conduct a survey of students who received instruction from OPM-paid instructors to determine whether the students felt that marketing and recruiting efforts were transparent and appropriate; how they paid for the relevant tuition; whether they were satisfied with the instruction provided; their demographic information; whether the course was worthwhile and assisted them in their careers; and whether they believed their instruction came from the university.</p> <p>a. To the extent information is available from the campuses, provide demographic information about the students, as well as information about the programs they were pursuing and their individual costs, debt, and outcomes.</p>	<ul style="list-style-type: none"> • Obtained and assessed the reliability of enrollment data from July 1, 2020, through March 31, 2023, for courses and programs that the selected campuses offered pursuant to OPM-instruction contracts. • Using this data, identified the number of students who enrolled in an OPM-instructed course during 2022. • Conducted an online survey of these students to obtain information on student demographics, how they paid for course and program costs, their perspective on the transparency and appropriateness of marketing and recruiting, their satisfaction with the instruction provided, the value of the instruction and its impact on their careers, and whether they were aware that an OPM provided the instruction. • Examined the results in total and by campus. • For boot camps that campuses provided in partnership with the OPM 2U, Inc., compared the income and job outcomes that students reported in response to our survey to those reported in 2U's most recent publicly available survey of all 2U boot camp graduates. The responses to our survey were broadly similar to 2U's results but not as positive in certain areas. <p>Analyzed enrollment data to identify the demographics of all students enrolled in OPM-instructed courses from July 1, 2020, through December 31, 2022, for each contract we reviewed and to determine the completion rates of the courses and programs.</p> <p>Some campuses' enrollment data included limited information related to students' dates of birth, ages, or genders. Further, in several instances, campuses' demographic data did not include all students who enrolled in OPM-instructed courses. Thus, we do not present this demographic information because it could be misleading.</p>

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<p>6 For courses and instruction provided through the OPM contracts at selected campuses, perform the following:</p> <ul style="list-style-type: none"> a. Determine the extent to which university faculty provided instruction or identify other individuals who provided instruction and assess their qualifications. For courses and instruction not provided by university faculty, identify the level of transparency provided to prospective students about the instructor’s status as non-university faculty. b. Identify how much students are charged for the courses and programs. c. Assess the oversight provided by campuses to ensure that qualified faculty and adequate instruction are provided to students. d. Review the completion and dropout rates for relevant courses taught by OPM-hired instructors. e. To the extent possible, determine whether students use any state or federal funds to pay for any courses provided by OPM-paid instructors. 	<ul style="list-style-type: none"> • Addressed disclosing the use of non-university faculty as part of Objective 4. • Identified the process each selected campus uses for approving and evaluating courses and instructors and determined whether there are specific exceptions or provisions unique to courses and instruction provided through OPM contracts. To the extent differences exist, determined whether they align with key Academic Senate regulations and other selected systemwide or campus criteria. <p>Identified the tuition costs for OPM instruction programs during fiscal year 2023–24 based on program webpages, OPM contracts, and financial data provided by campuses.</p> <ul style="list-style-type: none"> • Selected at least four courses or programs at each selected campus that include OPM-provided instruction (tested a total of 21 courses or programs and included at least one section from each course for each contract that included OPM instruction) and determined whether each campus assessed the individuals providing instruction and how each campus determined that the instructors were qualified to do so. • For campus processes that include student evaluations of courses and instructors using forms designed by OPMs, compared the OPM-designed evaluation forms to campus-designed evaluation forms. <p>Using information obtained under Objective 5, compared the completion rates for the selected campuses’ credit and non-credit OPM-instruction courses and for the different OPMs that provide similar types of instruction at the selected campuses. Obtained completion data from the selected campuses for all of their extension unit courses and compared completion rates for OPM-instructed courses to the overall extension unit completion rates.</p> <p>Using information obtained under Objectives 2 and 5, identified the source of funds that students used to pay for OPM-instructed programs and the total program revenue state and federal funds represented.</p>
<p>7 Review select campuses to determine their compliance with relevant state and federal laws, including the Higher Education Act’s ban on incentive compensation. To the extent possible, determine how the UC can better demonstrate its compliance with the prohibition on incentive compensation to the ED.</p>	<p>Determined whether the contracts obtained under Objective 2 comply with key provisions of relevant federal laws, including prohibiting incentive compensation and, as assessed under Objective 4, misrepresentation.</p> <p>Contacted ED to determine whether it is concerned with how the UC has demonstrated that it is compliant with the federal prohibition on incentive compensation.</p>
<p>8 Review and assess any other issues that are significant to the audit.</p>	<p>None identified.</p>

Source: Audit workpapers.