

## **2023-106 AUDIT SCOPE AND OBJECTIVES**

### **University of California—Online Program Management**

The audit by the California State Auditor will provide independently developed and verified information related to the University of California's use of online program management firms (OPMs). The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
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 University of California campuses and the University of California's Office of the President. Based on reviewing these contracts, perform the following:
  - (a) Identify how many contracts (per campus) required OPM employees to provide direct instruction to students instead of instruction provided by university employees.
  - (b) Evaluate trends or variations among the contracts in terms of payment or revenue sharing between the campuses and the OPM providers.
  - (c) Determine how often the contracts included incentive compensation to OPM providers based on student enrollment.
  - (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.
  - (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.
3. At selected campuses, review those campuses' administration of OPM agreements by performing the following:
  - (a) Review campus policies and guidance from the University of California Office of the President when establishing and overseeing contracts with OPMs.
  - (b) Review each campus process for entering into contracts and deciding the services OPMs will provide. Identify all factors considered by the campus when entering into contracts.
  - (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:
    - i. The roles played by the university, the instructors, and the OPM under the contract.

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- 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 non-degree programs.
    - iii. The extent to which the university financially benefitted from the contract.
    - iv. The extent to which students benefit from OPMs.
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.
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.
  - (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.
6. For courses and instruction provided through the OPM contracts at selected campuses, perform the following:
  - (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.
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 University of California can better demonstrate its compliance with the prohibition on incentive compensation to the U.S. Department of Education.

8. Review and assess any other issues that are significant to the audit.