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September 12, 2017

Ms. Sally F. Roush, Interim President
San Diego State University
5500 Campanile Drive
San Diego, CA 92182

Dear Ms. Roush:

Subject: Audit Report 17-07, *Instructionally Related Activities Fees*, San Diego State University

We have completed an audit of the *Instructionally Related Activities Fees* as part of our 2017 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

There were no reportable observations revealed during the review. The final audit report has been posted to the Office of Audit and Advisory Services' website.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Larry Mandel
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor



INSTRUCTIONALLY RELATED ACTIVITIES FEES

San Diego State University

Audit Report 17-07
September 1, 2017

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of campus operational, administrative, and financial controls over the establishment, allocation, administration, and use of the mandatory instructionally related activities (IRA) fees charged to matriculated students, and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

CONCLUSION

We found the control environment for the areas reviewed to be effective.

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for IRA and IRA fees as of August 11, 2017, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

There were no reportable observations revealed during the review.

GENERAL INFORMATION

BACKGROUND

Authority to establish fees for the California State University (CSU) system is granted to the Board of Trustees by Education Code (EC) §89700; further delegation of authority is outlined in Executive Order (EO) 1102, *California State University Fee Policy*. The IRA fees fall into category II, a group of fees described as “campus mandatory fees that must be paid to enroll in or attend the university.”

The authority for the establishment, oversight, and adjustment of category II fees is delegated to the chancellor of the CSU, but EO 1102 further delegates to campus presidents the responsibility for adjusting their campus-based category II fees. Presidents are also responsible for ensuring that appropriate and meaningful consultation occurs before the campus adjusts an existing category II fee or requests that the chancellor establish a new category II fee. This requirement is further described in EC §89711, which states that a campus-based mandatory fee established through an affirmative vote of the majority of the student body shall not be reallocated without an affirmative vote of a majority of the student body or an established campus fee advisory committee. The mandatory fee collected for IRAs is also required under EC §89721 to be segregated into a trust account for further allocation to eligible programs and activities.

The concept of what constitutes an IRA was established in EC §89230, which defines IRAs as “those activities and laboratory experiences that are at least partially sponsored by an academic discipline or department and that are, in the judgment of the president of a particular campus, with the approval of the trustees, integrally related to its formal instructional offerings.” It further states, “Activities that are considered to be essential to a quality educational program and an important instructional experience for any student enrolled in the respective program may be considered instructionally related activities.” Although the code provides a general statement allowing the university discretion in defining an IRA program, it goes on to provide examples of appropriate categories of programs, such as intercollegiate athletics; radio, television, and film activities; music and dance performances; theater and musical productions; art exhibits; and certain publications.

The current IRA fee for undergraduate students at San Diego State University (SDSU) is \$187 per semester, or \$374 for the academic year. The last IRA fee increase occurred in the fall of 2009, when the amount went from \$95 to \$175 per semester. The fees stayed at that rate until academic year (AY) 2015/16, when a Higher Education Price Index (HEPI) increase that was approved at the same time as the IRA fee increase took effect, and the rate increased to \$180 per semester. In AY 2016/17, IRA fees increased to \$184 per semester, and in the current academic year, they increased again to \$187 per semester.

Primary oversight of the annual IRA fee allocation resides with budget and finance, which prepares an allocation proposal each academic year that is reviewed by the campus fee advisory committee and approved by the campus president. Three main campus constituent areas receive IRA allocations: athletics, academic affairs, and Associated Students (for sports clubs), with athletics receiving the largest portion (87 percent in AY 2016/17). Responsibility for ensuring that funds are spent in accordance with campus policy and EC requirements resides with management in these three areas.

SCOPE

We visited the SDSU campus from July 11, 2017, through August 11, 2017. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative for the areas being reviewed. The audit focused on procedures in effect from July 1, 2015, through August 11, 2017.

Specifically, we reviewed and tested:

- Policies and procedures for establishing the mandatory fee, including, when applicable, compliance with all requirements for fee allocation revisions or increases.
- Policies and procedures for the collection, budgeting, and allocation of the IRA fee.
- Policies and procedures in place to ensure that expenditures from the fee trust fund are in accordance with the purpose of IRAs, as outlined in EC §89230.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology was designed to provide a review of key operational, financial, and administrative controls and included testing of a limited number of program expenditures from the IRA trust funds. The review of IRA fund allocation and administration for athletics and for the sports clubs run through Associated Students consisted of a series of analyses, rather than a review of individual transactions, because expenditures could not be traced to specific funding sources due to allowable post-allocation comingling of funds.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations; Board of Trustees policies; Office of the Chancellor policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- EO 1102, *California State University Student Fee Policy*
- EC §89230
- EC §89711
- EC §89721
- EC §89230
- Integrated California State University Administrative Manual §31.03, *Disbursements*
- Coded memorandum Academic Affairs 2009-10, *Statement on Athletics*

- *SDSU IRA Policy*
- *SDSU Departmental IRA Policy and Procedures*
- *SDSU University Senate Policy*
- *SDSU Associated Students Operating Agreement*
- *SDSU Student Fee Policy*
- *CSU Legal Accounting and Reporting Manual*

AUDIT TEAM

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Audit Manager: Ann Hough
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