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November 15, 2018

Dr. Ellen N. Junn, President
California State University, Stanislaus
One University Circle
Turlock, CA 95382

Dear Dr. Junn:

**Subject: Audit Report 18-04, *Instructionally Related Activities Fees*,
California State University, Stanislaus**

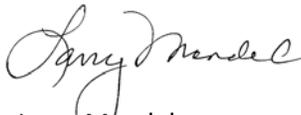
We have completed an audit of *Instructionally Related Activities Fees* as part of our 2018 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

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

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INSTRUCTIONALLY RELATED ACTIVITIES FEES

California State University, Stanislaus

Audit Report 18-04
October 26, 2018

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 fees as of September 14, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met. However, the review did identify an opportunity to improve the campus process for enforcing required reporting of IRA fees expenditures and objectives.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. IRA REPORTING COMPLIANCE

OBSERVATION

The campus did not always obtain required reports from previous IRA allocation recipients before approving and allocating new IRA funds to these programs.

We reviewed all 23 IRA proposal packages submitted for funding in academic year 2018/19 and found that five approved and funded IRA proposals did not include the required report on expenditures and objectives for the previous academic year.

Additionally, we noticed instances in which IRA-funded programs submitted reports on expenditures and objectives that did not always meet the IRA Committee (IRAC) reporting requirements. Specifically, these reports were generic and did not include specific program expenditures amounts and/or how specific program objectives were met.

Collection and review of required reports on IRA expenditures and objectives provides assurance that IRA-funded activities comply with campus IRA guidelines, rules, and regulations.

RECOMMENDATION

We recommend that the campus ensure that previous IRA fund recipients have submitted all required reports on expenditures and objectives before approving requests for funding in the subsequent year.

MANAGEMENT RESPONSE

We concur. The campus will implement procedures to ensure that previous IRA fund recipients have submitted all required reports on expenditures and objectives before approving requests for funding in the subsequent year.

Expected completion date: January 31, 2019

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*. 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 fee, 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 students at California State University, Stanislaus is \$54 per semester, or \$108 for the academic year. The last IRA fee adjustment took effect in the fall of 2007, when the amount went from \$23.50 to \$28 per semester. At the same time, the indefinite continuation of a cost of living adjustment (COLA) increase was approved, resulting in the current higher amount.

Primary oversight of the annual IRA fee allocation resides with the IRAC, a subcommittee of the student fee advisory committee (SFAC). The IRAC makes recommendations regarding the eligibility of activities for IRA funding and recommends the level of funding for those activities. Administered through the provost’s office, the IRAC simultaneously sends recommendations as an information-only item to the SFAC and to the campus president for approval. Requesting campus units (departments or programs) must reside within one or more of the university’s official divisions or be listed on the university’s roster of officially recognized student organizations to be eligible for IRA funding, with each IRA proposal requiring a designated program manager. The program manager must be a university faculty or staff

member and is responsible for administrative management of IRA funding allocations, and/or for supervising personnel who lead and manage the funded activities. Meanwhile, the division of business and finance administers the IRA trust funds, maintains and monitors revenue/expenditure records for all funded activities, prepares and submits year-end financial statements for all funded activities to the IRAC and designated program managers, and provides additional financial information and services to the IRAC.

SCOPE

We visited California State University, Stanislaus from August 6, 2018, through September 14, 2018. 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, 2016, through September 14, 2018.

Specifically, we reviewed and tested:

- Policies and procedures for establishing the mandatory fee, including, when applicable, compliance with all requirements for fee 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.

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

- California Code of Regulations Title 5, §41800.2, *Instructionally Related Activities Fee*
- ICSUAM §3103.01, *Disbursements — General*
- California State University, Stanislaus *Instructionally Related Activities (IRA) Committee Guidelines*

AUDIT TEAM

Audit Manager: Ann Hough
Senior Auditor: Marcos Chagollan