MEMORANDUM

Date: April 6, 2018

To: Loren Blanchard  
   Executive Vice Chancellor and Chief Academic Officer

From: Larry Mandel  
   Vice Chancellor and Chief Audit Officer

Subject: Audit Report 17-130, Student Organizations, Systemwide

We have completed an audit of Student Organizations, Systemwide 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.

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 the Office of 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 chancellor’s office personnel over the course of this review.

Cc: Timothy P. White, Chancellor  
    Steve Relyea, Executive Vice Chancellor and Chief Financial Officer
STUDENT ORGANIZATIONS

Systemwide

Audit Report 17-130
March 13, 2018
EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to student organization activities and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor (CO) directives, and campus procedures.

CONCLUSION

As a result of the 2017 annual risk assessment, the Office of Audit and Advisory Services completed a review of Student Organizations at four campuses: Chico, Dominguez Hills, Los Angeles, and Northridge.

In general, campus controls over student organizations were adequate at the locations visited. In those instances where observations were noted, campus management has submitted proposed corrective actions for all observations identified during the audits.

Overall, we found that systemwide management has provided a good framework for student organizations, including creating systemwide policy, holding periodic meetings with student life directors, and consulting with risk management and other CO areas on related issues. However, our continued reviews of this student life area indicated that improvement is still needed in the maintenance of the systemwide policy, which was last updated more than six years ago and did not clearly define areas such as the organizational relationship of student organizations that have been officially recognized by a campus and the roles and responsibilities for student organization advisors.

The following systemwide observation was noted during our Student Organizations audits and is presented here for your review. Certain aspects of the observation were also identified during our 2015 Student Activities audits.
OBSERVATION, RECOMMENDATION, AND RESPONSE

STUDENT CLUB FUNDS ADMINISTRATION

Organizational Status of Student Organizations

In our Student Organizations audits, we noted a continued inconsistency in the understanding of the organizational standing of student organizations. Specifically, it was unclear whether student organizations are campus entities, subject to oversight and supervision, or instead represent independent organizations that follow certain rules only for the purpose of being eligible for specific benefits of recognition. Our discussions with campus and CO management indicated that due to systemwide policies that are unclear and/or conflicting, campuses have varying perceptions regarding the degree of oversight and supervision required for student organizations.

The confusion originates with Executive Order (EO) 1068, Student Activities, as it does not elaborate on the relationship between a campus and an officially recognized student organization. Although the EO addresses the requirements of California Code of Regulation (CCR) Title 5, §41500 et. al., including requirements that confirm nondiscriminatory practices, it does not clearly define the meaning of chartering and recognition. CCR §41501 states that “Recognition as used in this article shall include, but not be limited to, the granting by a campus of any benefit, resource, or privilege whatsoever, or allowing the use of campus facilities, to any such student organization described in Section 41500 of this article.” Under this definition, recognition imparts privileges but does not necessarily assign responsibility to campuses for supervision of officially recognized student organizations.

Other systemwide policies related to student organizations and activities contribute to the perception that student organizations are under the purview of campus responsibility. Specifically:

- The revised Integrated California State University Administrative Manual (ICSUAM) §3141.01, Administration of Student Organization Funds, requires student organizations to maintain funds collected in the name of the organization in a bank account at the campus or an auxiliary and encourages the campus to impose campus cash-handling policies on student organizations. These requirements, including the need for the vice president/chief financial officer (CFO) or designee’s approval of the bank accounts, create the perception that campuses are responsible for monitoring student organization fund usage. They also create a real campus responsibility, as outlined further in the ICSUAM, for accounting and recordkeeping of student organization accounts in accordance with regulatory reporting requirements.

- EO 1041, Student Travel, outlines certain risk-management requirements for “students participating in California State University (CSU)-affiliated programs which require travel.” Questions arose as to whether the requirements of EO 1041 applied to off-campus
activities planned by recognized student organizations and hinged on the lack of definition, in this context, of “CSU-affiliated” and “require.”

The lack of clarity is relevant because our reviews during the Student Activities and Student Organizations audits indicated that campuses varied in their approach to oversight of student organizations. Some campuses established policies and procedures that closely mirrored the minimum requirements in EO 1068, and in some cases, specifically defined the boundaries of campus responsibilities for student-organization activities. Others considered student organizations an extension of campus student life and provided services and oversight not required in any CSU policy. The implications are significant because student organizations engage in a wide variety of on- and off-campus activities in the name of the organization, including social events and out-of-state travel, that may present risk and liability to parties affiliated with the organization.

Role of Student Organization Advisors

Although EO 1068 requires that student organizations have faculty or staff advisors and outlines minimum qualifications for this role, it does not provide guidance regarding the roles and responsibilities of the advisors.

We noted in each of our Student Activities and Student Organizations audits that the expectations for these individuals varied greatly, and some of the expectations appeared to be unnecessarily risky to the advisor, inappropriate for an advisory role, and/or potentially out of compliance with collective bargaining provisions. Some of the questionable expectations included administrative responsibilities, such as records retention of club documentation and confirmation of student leader qualifications. However, other duties were more supervisory, such as review and approval of club expenditures, attendance at events, and oversight of activities. In some cases, advisors were asked to sign agreements committing to certain expectations and responsibilities. Additionally, although EO 1068 states that advisors should not be selected from auxiliary organizations, one campus in our Student Organizations audit allowed auxiliary organization employees to serve as sport club advisors in a volunteer capacity. The campus indicated that the CO provided approval for this exception.

Biennial Report

Although EO 1068 requires the campuses to assess student organizations and activities programs biennially and submit a report to the CO, the CO did not request, obtain, and review 2016 biennial reports from campuses.

RECOMMENDATION

We recommend that the CO define the organizational relationship of student organizations that have been officially recognized by a campus; the roles and responsibilities for student organization advisors; and the need for the biennial report.
We further recommend that once these areas have been defined, EO 1068 and any other relevant policies be reviewed and, if necessary, revised to reflect the stance taken by the system.

MANAGEMENT RESPONSE

We concur. The CO will define the organizational relationship of student organizations that have been officially recognized by a campus, including the roles and responsibilities for student organization advisors and the need for the biennial report. In addition, the CO will review and revise, if necessary, any relevant policies to reflect the stance taken by the system.

This recommendation will be implemented by December 31, 2018.
GENERAL INFORMATION

BACKGROUND

The CSU’s 23 campuses offer a variety of student organizations and activities to provide students with opportunities for personal growth and development of life skills. These organizations range from traditional fraternities, sororities, and service clubs to sports clubs and other special-interest and affinity groups focusing on issues such as sustainability and environmental awareness, social issues, military service, and performance arts.

Systemwide policy for student organizations and activities is delineated in the EO 1068, which requires campuses to have a formal student-organization recognition process that records the purpose and objectives of each organization and compliance with open membership and training, as well as prohibitions on discrimination and hazing. Per EO 1068, it is the vice president of student affairs’ responsibility to oversee the chartering and recognition of student organizations. In addition, ICSUAM §3141.01, Administration of Student Organization Funds states that the CFO or designee and the vice president of student affairs or designee, must jointly establish written policies and prepare supporting procedures governing the administration of student organization funds. Further, campuses are required to implement and provide training on alcohol- and substance-abuse prevention and awareness programs in accordance with the CSU Alcohol Policies and Prevention Program adopted by the Board of Trustees (BOT) in July 2001.

SCOPE

Our audits and evaluations included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative at the campuses reviewed during 2017.

Specifically, we reviewed and tested:

- Organizational roles and responsibilities for oversight of student organizations and activities.
- Processes to formally charter and/or recognize student organizations, including fraternities and sororities.
- Processes to ensure that advisors and student leadership meet minimum qualifications and receive appropriate orientation and training.
- Processes to ensure compliance with requirements regarding alcohol usage and substance-abuse prevention and awareness programs.
- Administration and oversight of student organizations’ on-campus events.
- Processes to ensure compliance with student travel policies.
- Measures to ensure the security of systems utilized to administer student organizations and activities.
- Measures to ensure that student organizations receive training and comply with cash-handling policies.
- Administration and oversight of student organizations’ account management and financial processes.

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, which included detailed testing on a limited number of student organizations to ensure that each met the campus recognition standards and that the organizations’ activities were conducted and managed in accordance with campus and systemwide policies.

**CRITERIA**

Our audits were based upon standards as set forth in federal and state regulations; BOT policies; CO policies, letters, and directives; campus procedures; and other sound administrative practices. These audits were conducted in conformance with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

These reviews emphasized, but were not limited to, compliance with:

- BOT Resolution, Educational Policy 07-01-03, *Alcohol Policies and Prevention Programs*
- EO 1051, *Use of Approved Waiver of Liability*
- EO 1068, *Student Activities*
- Coded Memorandum Academic Affairs (AA) 2012-05, *Minimum Qualifications for Student Office Holders*
- AA 2014-11, *Establishment of University Sponsored Organizations as a Category for Student Organizations Affiliated with Scholastic Honor Societies*
- ICSUAM §3141.01, *Administration of Student Organization Funds*
- ICSUAM §8000, *Information Security*
- CSU Auxiliary Organization Compliance Guide
- CSU Auxiliary Organization Sound Business Practices Guidelines
- Government Code §13402 and §13403
- CCR Title 5, §41500, *Nondiscrimination in Student Organizations – Withholding of Recognition*
- CCR Title 5, §41503, *Filing Requisites*
AUDIT TEAM

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