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May 14, 2018

Dr. Joseph I. Castro, President
California State University, Fresno
5241 N. Maple Avenue
Fresno, CA 93740

Dear Dr. Castro:

Subject: Audit Report 18-18, *Student Organizations*, California State University, Fresno

We have completed an audit of *Student Organizations* 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



STUDENT ORGANIZATIONS

**California State University,
Fresno**

Audit Report 18-18
April 17, 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

We found the control environment for some of the areas reviewed to be in need of improvement.

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for student organizations as of March 9, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

Although the campus is actively improving internal controls over the administration of student organizations, our review indicated that improvement is needed in some key areas. We noted that the campus did not always comply with systemwide and campus requirements related to membership and orientation and did not establish exemption procedures during the student organization recognition process. In addition, the campus did not provide orientation on the California State University (CSU) Alcohol Policies and Prevention Program to some student organizations and could improve documentation showing that the orientation occurred. We noted that liability waivers for on-campus events were not always obtained from student organizations when deemed necessary and that general release statements pertaining to off-campus events, required by campus policy each fall during the renewal process, were not signed and submitted. Furthermore, the campus did not always comply with systemwide requirements pertaining to the oversight of student organization funds.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. STUDENT ORGANIZATION RECOGNITION

OBSERVATION

The campus student organization recognition process related to verifying compliance with systemwide requirements for membership and advisor orientation needed improvement, and procedures related to exemptions from campus policy had not been established.

We reviewed campus documentation of 30 student organizations to verify, among other things, compliance with Executive Order (EO) 1068 related to minimum membership and orientation.

We found that:

- According to EO 1068, student organizations must have a membership consisting of a minimum of five CSU students who are currently enrolled in at least one class to receive official recognition. However, we found that the campus had officially recognized three student organizations that had fewer than five members.
- We noted that individuals applying to serve as student organization advisors were required to complete an electronic position request form, watch orientation videos embedded in the form, and acknowledge that they had viewed the videos. If an individual declared in the application that they had previously submitted an Advisor Agreement form for another student organization, they were allowed to essentially bypass the requirement to watch the orientation videos. However, we found that the campus did not have a process to verify whether an applicant had previously submitted an Advisor Agreement form or whether the applicant had previously viewed the orientation videos. It appeared that four student organization advisors had been approved without receiving the required orientation.

In addition, based on an overall review of student organization recognition procedures, we found that:

- The campus did not have a process to verify that the number of members in student organizations who were not CSU students did not exceed 20 percent, as required by EO 1068.
- Campus policy regarding minimum membership required organizations to have eight members who are CSU students in good academic standing, and is more restrictive than EO 1068, which requires five members. However, we found that the campus had granted exemptions from the campus membership requirement and officially approved recognition of student organizations that had fewer than eight members. The campus provided records indicating the review and approval from the associate dean of student involvement, including what appeared to be valid reasons for allowing the exemptions. However, the campus had not formally established procedures addressing such exemptions.

Proper oversight and administration of the student organization recognition process helps to ensure compliance with systemwide and campus requirements.

RECOMMENDATION

We recommend that the campus:

- a. Ensure compliance with the systemwide requirement for student organization minimum membership, and ensure that the number of members in student organizations who are not CSU students does not exceed 20 percent.
- b. Establish a review process to ensure that all student organization advisors receive required orientation.
- c. Establish procedures addressing the granting of exemptions from campus minimum membership requirements.

MANAGEMENT RESPONSE

We concur.

- a. By June 15, 2018, student involvement will submit a report for fiscal year 2017/18 that documents the systemwide requirement that the number of members in student organizations who are not CSU students does not exceed 20 percent.
- b. By August 5, 2018, student involvement will establish a process that tracks the completion of orientations by advisors.
- c. By June 15, 2018, student involvement will establish procedures for granting of exemptions from campus minimum membership requirements.

2. ALCOHOL POLICY AND PREVENTION PROGRAM

OBSERVATION

The campus did not always provide orientation to student organization advisors and student officers or consistently retain records to show that orientation occurred, as required by EO 1068, *Student Activities*, and the CSU Alcohol Policies and Prevention Program (APPP).

Among other training requirements, EO 1068 requires the campus to provide APPP orientation for student organization advisors and student officers that outlines policies, expectations, and information about alcohol use/abuse. In addition, the EO requires the vice president of student affairs or a designee to retain a record with the names of the student organizations and student officers who have completed the orientation.

However, we found that:

- During the annual registration process, student organization advisors and student officers were required to view several orientation videos, none of which specifically addressed alcohol use/abuse.
- Although educational sessions that covered information on alcohol use/abuse were available to Greek organization members, no such orientation was offered to other types of student organizations. The campus did not retain records acknowledging completion for those who received orientation.

Compliance with the provision of APPP orientation helps to ensure that student organization advisors and student officers are informed about resources and preferred actions regarding alcohol use/abuse.

RECOMMENDATION

We recommend that the campus provide all student organization advisors and student officers with orientation that satisfies the requirements of the APPP and maintain documentation acknowledging that advisors and officers have received orientation in accordance with EO 1068.

MANAGEMENT RESPONSE

We concur. By September 5, 2018, student involvement will conduct orientations that meet the requirements of the APPP with all student organization advisors and student officers, and will maintain documentation acknowledging the orientation was provided.

3. STUDENT ORGANIZATION EVENTS

OBSERVATION

Campus administration of liability waivers for on-campus student organization events and general release of liability statements for off-campus events needed improvement.

For on-campus student organization events, the campus, in consultation with the office of environmental health and safety and risk management, sometimes required participants to submit liability waivers, depending on the nature of the activities involved. We reviewed the records of 16 on-campus student organization events to verify compliance with, among other things, campus risk management and insurance requirements, and we found that for three of five events that required liability waivers, the campus did not ensure that the student organizations submitted the liability waivers.

The campus policy clearly communicated that student organizations that chose to sponsor off-campus events accepted sole responsibility for the event. In addition, during the renewal process each fall, the campus instructed each student organization to sign and submit a statement releasing the university and its employees from any claims or causes of action

arising from off-campus events held by a student organization. However, we noted that the campus did not require student organizations to sign and submit these statements.

Proper oversight of student organization events related to risk management and insurance requirements can help to ensure that all necessary factors are considered, campus requirements are met, and related risks are mitigated.

RECOMMENDATION

We recommend that the campus:

- a. Ensure that for all on-campus events, student organizations submit proper documentation, including, but not limited to, liability waivers when they are deemed necessary.
- b. Implement a process to collect required signed statements relating to off-campus events from student organizations.

MANAGEMENT RESPONSE

We concur.

- a. By August 1, 2018, university risk management will remind student organizations and advisors of the requirement to submit the proper documentation, including liability waivers.
- b. By August 1, 2018, student involvement will implement a process to collect required acknowledgements for off-campus events from student organizations.

4. ADMINISTRATION OF STUDENT ORGANIZATION FUNDS

OBSERVATION

The campus had not complied with systemwide or campus requirements for the administration of student organization funds.

Specifically, we found that:

- Integrated California State University Administrative Manual (ICSUAM) §3141.01, *Administration of Student Organization Funds*, requires the campus chief financial officer (CFO) or designee and the vice president for student affairs or designee to jointly establish written policies and prepare supporting procedures governing the administration of student organization funds. However, at the time of our review, the *Fresno State Policy for Student Organization Funds Administration* was in draft format. We noted that although the policy appeared to be substantially complete, it was not fully implemented.

- The campus had not established a process to authorize off-campus student organization bank accounts, as required by ICSUAM §3141.01. We observed that when a student organization disclosed during the registration process that they had a bank account established with an off-campus banking institution, the campus took no further action to ensure that the student organization obtained proper approval from the campus CFO or designee.
- For recognized student organizations seeking an exception to the requirement of using banking services provided by the campus auxiliary, the campus had not implemented its policy to verify a student organization’s designated non-profit status or legal status with the state. We noted that this was primarily because campus procedures had not been formalized, as noted above.

Effective administration over student organization funds helps to ensure compliance with systemwide requirements and decreases the risk to the university.

RECOMMENDATION

We recommend that the campus:

- a. Finalize the *Fresno State Policy for Student Organization Funds Administration* to comply with ICSUAM §3141.01.
- b. Implement a process to ensure that the campus CFO or designee authorizes off-campus student organization bank accounts, including verification of the non-profit or legal status of a student organization seeking an exception from the requirement of using banking services provided by the campus auxiliary.

MANAGEMENT RESPONSE

We concur.

- a. By September 1, 2018, the campus CFO and vice president for student affairs will finalize the *Fresno State Policy for Student Organization Funds Administration* to comply with ICSUAM §3141.01.
- b. By September 1, 2018, the campus CFO will implement a process to ensure that the campus CFO or designee authorizes off-campus student organization bank accounts, including verification of the non-profit or legal status of a student organization seeking an exception from the requirement of using banking services provided by the campus auxiliary.

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 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 campus 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.

At California State University, Fresno (Fresno State), there are approximately 250 student organizations that provide students with a variety of opportunities to explore their academic, professional, political, social, cultural, religious, sports, and community service interests. The student involvement center (SIC), within the division of student affairs and enrollment management, has general oversight responsibility over student organizations, including fraternities and sororities. Under the direction of the associate dean of students, SIC manages the student organization recognition process, as well as the programs and services available to recognized student organizations (RSO). For example, SIC provides policies, orientation, and training related to student conduct, social functions, and fiscal procedures; as well as assistance with scheduling and planning of on-campus events sponsored by RSOs, requisitions, and the reserving of campus facilities and grounds.

Campus auxiliaries, specifically the Associated Students, Incorporated of Fresno State University (ASI) and Fresno Association, Incorporated, administer student club bank accounts for funds collected in the name of the RSOs. Nationally affiliated or local organizations that have a designated non-profit status, such as 501(c)(3) or 501(c)(7), and submit required documentation may be granted approval to bank outside the university or auxiliaries.

SCOPE

We visited the Fresno State campus from January 29, 2018, through March 9, 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 at the Fresno State campus. The audit focused on procedures in effect from July 1, 2016, through March 9, 2018.

Specifically, we reviewed and tested:

- Organizational roles and responsibilities for oversight of student organizations and activities, including required program evaluations.
- Processes to formally charter and/or recognize student organizations.
- 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 activities and events occurring both on- and off-campus.
- Process to ensure compliance with student travel policies.
- Administration and oversight of student organizations’ account management and financial processes.
- Measures to ensure that student organizations receive training and comply with cash-handling policies.

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, administrative, and financial 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. Our work did not include a detailed review of club sports on campus or information technology systems.

CRITERIA

Our audit was 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. 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:

- BOT Resolution, Educational Policy 07-01-03, *Alcohol Policies and Prevention Programs*
- EO 1068, *Student Activities*
- EO 1051, *Use of Approved Waiver of Liability*
- 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*
- CSU Auxiliary Organization Compliance Guide
- CSU Auxiliary Organization Sound Business Practices Guidelines
- Government Code §13402 and §13403
- California Code of Regulations (CCR) Title 5, §41500, *Nondiscrimination in Student Organizations – Withholding of Recognition*
- CCR Title 5, §41503, *Filing Requisites*
- Fresno State *Student Club and Organization Handbook*

AUDIT TEAM

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