INTERNATIONAL PROGRAMS

CALIFORNIA STATE UNIVERSITY, CHICO

Audit Report 13-18
May 17, 2013

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ABBREVIATIONS

AA                    Academic Affairs
ALCI                  American Language and Culture Institute
CO                    Chancellor’s Office
CSU                   California State University
EO                    Executive Order
ICSUAM                Integrated California State University Administrative Manual
OUA                   Office of the University Auditor
USAC                  University Studies Abroad Consortium
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor (OUA) during the last quarter of 2011, the Board of Trustees (BOT), at its January 2012 meeting, directed that International Programs be reviewed. Based on the results of the first cycle of these reviews and the systemwide risk assessment conducted by the OUA in the last quarter of 2012, the BOT directed at its January 2013 meeting that the OUA continue these reviews. The OUA had previously reviewed portions of international programs in the Off-Campus Activities audit in 2009.

We visited the California State University, Chico campus from February 4, 2013, through March 8, 2013, and audited the procedures in effect at that time.

In our opinion, due to the effect of the weaknesses described below, the fiscal, operational, and administrative controls for international programs as of March 8, 2013, taken as a whole, were not sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of major concern include: programs for international students, study-abroad and exchange programs, and fiscal administration and controls.

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.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

PROGRAMS FOR INTERNATIONAL STUDENTS [7]

Agreements with third-party international student recruiters did not include appropriate indemnification provisions.

STUDY-ABROAD AND EXCHANGE PROGRAMS [8]

The campus had not clearly defined the approval process for study-abroad programs. In addition, administration of the campus arrangement with the University Studies Abroad Consortium (USAC) needed improvement. For example, the campus did not have a current written agreement with USAC approved by the president that defined the relationship with USAC, addressed allocation of risk, and ensured that the performance of the contractor met all CSU requirements; campus participation on the USAC board of directors may have constituted a conflict of interest; and the campus had not subjected USAC to a systematic consideration, according to uniform criteria and consistent information, prior to referring students to the programs. Also, administration of exchange programs needed improvement. Specifically, exchange agreements had not been properly approved, were outdated, and were missing required provisions. Further, the campus did not require students studying abroad with USAC to
complete the CSU Release of Liability, Promise Not to Sue, Assumption of Risk, and Agreement to Pay Claims.

**FISCAL ADMINISTRATION AND CONTROLS [14]**

The campus received funds from a program provider that were used for travel and program administration in a manner inconsistent with the restrictions set forth in Executive Order 1022 and other systemwide policies.
INTRODUCTION

BACKGROUND

The Academic Council on International Programs, created by the Board of Trustees on July 9, 1969, as part of the Policy for the California State Colleges International Programs, promotes campus participation in international program policy development and ensures regular communication between campuses and the Office of International Programs at the chancellor’s office (CO). The council is composed of one faculty representative appointed by each of the 23 campuses in a procedure established by the local academic senate and four student members who each serve a one-year term.

In December 2012, the CO issued three new executive orders (EO) that updated and augmented existing policies for the creation and proper administration of campus-based international programs.

EO 1080, International Agreements, dated December 6, 2012, establishes minimum requirements for campuses entering into agreements as a part of their international activity in state and self-support endeavors. Under the EO, only the campus president is authorized to sign an agreement in which the campus commits resources toward activities for international students, universities, or other people or entities doing business outside the United States. The EO also requires that all such agreements be reviewed and approved by the CO before the president signs them, and that international activities be managed centrally on the campus.

EO 1081, Study Abroad and Exchange Programs, dated December 6, 2012, supersedes several outdated EOs and establishes requirements for campuses to establish study-abroad and/or exchange programs as part of their international activities. EO 1081 delegates to the campus presidents the responsibility for the development, implementation, and oversight of international programs. The policy also describes the circumstances under which a campus president can waive tuition for an incoming foreign student and outlines requirements for use of non-California State University (CSU) program providers for study abroad. The policy also reiterates that all exchange and/or study-abroad agreements are subject to the review and approval requirements of EO 1080.

EO 1082, International Students, dated December 6, 2012, establishes requirements for campuses enrolling nonresident international students as part of their international activities. The policy addresses confirmation of proper visa status and the campuses’ responsibility to provide full-time course study in accordance with visa requirements; the establishment of adequate student services for international students and procedures to ensure the students obtain proper health insurance coverage; and acceptable evidence of English language competency. The policy also addresses international student recruitment, including the use of agents or other outside parties.

Access to Excellence, the strategic plan adopted by the CSU system in 2008, pledges to increase student access and success, meet state needs for economic and civic development, and sustain institutional excellence. As part of the plan, the CSU commits to enhancing opportunities for global awareness by building strong and effective international programs and supporting faculty work that internationalizes the curricula.

The accompanying Access to Excellence Accountability Plan includes broad commitments to support, encourage, and promote study-abroad programs and partnerships with international universities. It also
sets forth plans to provide a clear policy framework governing international programs and the creation of
international partnerships, as well as appropriate indicators and metrics to gauge the progress of the
system and the individual campuses toward the globalization goal.

Other CSU policies address the risks involved with student and other participant international travel. EO 1041, California State University Student Travel Policy, dated May 29, 2009; EO 1069, Risk Management and Public Safety, dated March 1, 2012; and EO 1051, CSU Use of Approved Waiver of Liability, dated September 1, 2010, include, among other things, guidelines for the selection of air or ground carriers for student travel, requirements for student travel-related insurance, and provisions for notifying participants of risks and obtaining waivers of liability.

Technical letters related to international programs include coded memorandum Academic Affairs (AA) 2007-25, Third Party Program Provider Study Abroad and Administrative Safeguards, dated September 24, 2007, which clarifies prohibited and acceptable activities related to the use of study-abroad program providers; and AA 2011-01, Campus Compliance with Study Abroad Programs, dated January 11, 2011, which clarifies the campus responsibility to define the terms in which value equivalence is achieved in exchange programs with foreign universities. Additionally, institutions that issue forms allowing foreign students (both matriculating and non-matriculating) in continuing education or extended education to obtain the appropriate visas are subject to Department of Homeland Security, Immigration and Customs Enforcement, or Department of State regulations.

In 2010, the Office of the University Auditor conducted an audit of Off-Campus Activities at nine campuses and issued a systemwide report. The report noted issues related to participant documentation, execution and maintenance of program agreements, exchange reciprocity, and student travel. Several of the recommendations from the resulting systemwide report were incorporated into AA 2011-01 and EO 1051, CSU Use of Approved Waiver of Liability, dated September 1, 2010.
PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to international programs and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the audit objective, specific goals included determining whether:

- Accountability for international programs has been clearly defined and documented, including delineation of roles and responsibilities, formulation of appropriate policies and procedures, and measurement of outcomes.
- The campus has established an adequate system for mitigating the risks in campus-based international programs.
- Study-abroad and exchange programs offered to students are selected, monitored, and administered according to CSU guidelines.
- Agreements with third-party providers of study-abroad and exchange programs and international student recruiters are investigated, reviewed, and approved according to CSU standards.
- Non-matriculating programs offered to international students meet regulatory and CSU requirements for scope, suitability, admissions, and administration.
- The campus is meeting the certification, programmatic, and record-keeping requirements of the Student and Exchange Visitor Program, Department of Homeland Security, and Department of State as a qualified institution for international students.
- Fiscal administration of international programs is in accordance with regulatory and CSU guidelines.
- Systems and applications administered by departments in charge of international programs are adequately controlled and secured, and access rights are granted on a need-to-know basis.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Action Item, Agenda Item 2 of the January 22 and 23, 2013, meeting of the Committee on Audit stated that International Programs includes a review of CSU students participating in instructional programs abroad and international students and visitors attending the CSU. Proposed audit scope would include, but was not limited to, review of program administration and approvals, fiscal administration, and controls; risk management processes; utilization of third-party providers; compliance with U.S. Department of State and other regulatory international travel requirements; and processes used to recruit international students.

Our study and evaluation were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. The audit focused on procedures in effect from January 1, 2010, through March 8, 2013.

We focused primarily on the internal administrative, compliance, and operational controls over international programs. Specifically, we reviewed and tested:

- The development and maintenance of policies and procedures adequate to ensure compliance with CSU and regulatory requirements.
- Due diligence processes for study-abroad or exchange programs offered to students, both those established by the campus staff and those offered via third-party vendors.
- Methods by which the campus reviews student records to ensure that all required documentation, including emergency contacts and medical insurance, are obtained by and retained on the campus.
- Campus processes ensuring that outgoing study-abroad students and incoming foreign students participating in international programs are provided with crucial and required information at appropriate intervals.
- Procedures to ensure that the campus shows evidence of proper processing of foreign student visa form requirements.
- Budgets and financial records of self-support programs.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

PROGRAMS FOR INTERNATIONAL STUDENTS

Agreements with third-party international student recruiters did not include appropriate indemnification provisions.

We reviewed five agreements between the American Language and Culture Institute (ALCI) and third-party recruiters and found that none included indemnification language protecting the campus, the California State University (CSU), and the Board of Trustees.

Risk Management Technical Letter 2012-01, *California State University Insurance Requirements*, dated June 1, 2012, states that contracts should be subject to minimum insurance limits and hold harmless provisions unless a specific risk identification and evaluation process is conducted that would indicate exceptions to the standard requirements.

Contracting Resource Library 050, *CSU General Provisions for Service Acquisitions*, dated August 3, 2006, states that the contractor agrees to indemnify, defend, and save harmless the CSU, its officers, agents, and employees from any and all claims and losses accruing or resulting to any other person, firm, or corporation furnishing or supplying work, service, materials, or supplies in connection with the performance of this contract, and from any and all claims and losses accruing or resulting to any person, firm, or corporation that may be injured or damaged by the contractor in the performance of this contract.

The dean of regional and continuing education stated that the lack of indemnification language for ALCI agreements was due to a misunderstanding about its application to these auxiliary agreements. She further stated that the recruiter agreement template is in the process of being revised to include the CSU-required contracting language.

Contracts that lack proper indemnification language expose the campus and the CSU to misunderstandings and potential legal liabilities.

**Recommendation 1**

We recommend that the campus ensure that agreements with third-party international student recruiters include appropriate indemnification language.

**Campus Response**

We concur. The campus will ensure that agreements with third-party international student recruiters include appropriate indemnification language.

Implementation date: August 31, 2013
STUDY-ABROAD AND EXCHANGE PROGRAMS

STUDY-ABROAD PROGRAM APPROVAL

The campus had not clearly defined the approval process for study-abroad programs.

We reviewed two faculty-led study-abroad programs, and we found that the campus considered the established review and sign-off process by the study-abroad advisory committee as sufficient for approval of these programs. However, the campus executive memorandum signed by the president that established the advisory committee did not delegate program-approval authority to that effect.

Executive Order (EO) 745, *Self Support Campus Based Study Abroad Programs*, dated June 7, 2000, states that the presidents of the campuses of the CSU, or their designees, may initiate self-supporting campus-based study-abroad programs that support, enrich, and/or broaden existing curricular offerings.

Coded memorandum Academic Affairs (AA) 2011-1, *Campus Compliance with Study Abroad Policy*, dated January 11, 2011, states that the campus president is delegated authority to enter into agreements related to study-abroad and exchange, and that if someone other than the president is to sign, a written delegation of authority should be on file.

The dean of undergraduate education stated that the campus interpreted the executive memorandum to include authority for the study-abroad advisory committee to establish procedures to evaluate and approve programs, due to the fact that the process was dictated in a memorandum issued by the president.

The lack of a clearly defined approval process for study-abroad programs increases the risk of misunderstandings and potential legal liabilities.

**Recommendation 2**

We recommend that the campus establish a clearly defined approval process for study-abroad programs.

**Campus Response**

We concur. The campus will establish a clearly defined approval process for study-abroad programs.

Implementation date: October 31, 2013

STUDY-ABROAD THIRD-PARTY PROVIDERS

Administration of the campus arrangement with the University Studies Abroad Consortium (USAC) needed improvement.
Specifically, we found that:

- The campus did not have a current written agreement with USAC approved by the president that defined the relationship with USAC, addressed allocation of risk, and ensured that the performance of the contractor met all CSU requirements.

- Campus participation on the USAC board of directors may have constituted a conflict of interest. Under provisions of the original charter from 1998, the campus provided a representative to serve on the USAC board of directors, with duties including decision-making authority on matters that financially impacted the campus and its employees. The current campus USAC board member, the dean of undergraduate education, was not listed as a designated position subject to annual reporting under the CSU code of ethics, and therefore, the possible conflict of interest was not disclosed.

- The campus had not subjected USAC to a systematic consideration, according to uniform criteria and consistent information, prior to referring students to the programs.

- The campus had not established a list of approved third-party program providers, which would include USAC, that clearly stated the criteria used for approval.

EO 1022, *Study Abroad Through Non-CSU Program Providers*, dated September 24, 2007, states that there must be a written agreement between the study-abroad organization (program provider) to represent an agreement between the home school and the foreign school.

Integrated California State University Administrative Manual (ICSUAM) §5233, *Risk Allocation and Performance Assurance*, dated April 20, 2004, states that contracts should be formed to ensure the fair and reasonable allocation of risk and to assure satisfactory performance by the contractor. It further states that the requirements for successful contract performance should be clearly defined within the contract documents.

Technical Letter Human Resources 2012-03, *2012 Conflict of Interest Annual Filing*, dated February 14, 2012, states that the Political Reform Act requires CSU, as an agency, to adopt and promulgate conflict-of-interest codes.

The *CSU Conflict of Interest Handbook*, dated February 2013, states that under the Political Reform Act of 1974, no CSU employee shall make, participate in making, or attempt to use his or her official position to influence a CSU decision in which he or she has a financial interest. It further states that the restrictions of this act apply to all CSU employees, without regard to whether they are required to file an annual conflict-of-interest form.

Coded memorandum AA 2007-25, *Third-Party Program Provider Study Abroad and Administrative Safeguards*, dated September 26, 2007, states that approval of third-party study-abroad provider programs and agreements should be signed by the president or a designee. In addition, it states that the selection of third-party study-abroad program providers shall provide for a systematic consideration, according to uniform criteria and consistent information, of the potential benefits for students, as well as the quality of service provided to students and the campus, and that campuses are
encouraged to consult broadly with faculty, administration, and relevant campus committees in considering a program for approval. It also advises campuses to maintain a list of approved third-party-provided study-abroad programs that clearly states all criteria used in deciding to include those programs on the approved list. It further states that the criteria should include program offerings, student support services, program destination and curricular focus, and risk management issues, and that the campus should make appropriate updates to the information on the list on an annual basis.

CSU Chico Executive Memorandum 09-011, Study Abroad Advisory Committee, dated August 27, 2009, states that the committee is responsible to propose and implement guidelines for selection of third-party providers of study abroad to enhance the university’s offerings where needed.

The director of international education stated that he became aware of the outdated USAC agreements after he took over his office in June 2010, but delayed updating the contract because he knew that the chancellor’s office (CO) was in the process of revising requirements for international programs. The dean of undergraduate education stated his belief that the campus’ relationship with USAC is that of a partner in a consortium rather than a third-party provider, and therefore the requirements did not apply to this business model. In addition, he stated that he did not consider the board of director position a conflict of interest due to the consortium relationship, as the campus considers itself a member, rather than a client, of USAC. He also stated his belief that the campus had performed due diligence in assessing USAC through its participation on the USAC board, which permits close scrutiny of the organization’s finances, academic programs, and support services, including student safety and emergency procedures, as well as through direct communication with resident directors and through site visits and student surveys.

Agreements with study-abroad providers that are not properly vetted and approved increase the risk of misunderstandings and potential legal liabilities, and a lack of transparency regarding relationships with service providers exposes the campus and the CSU to financial and reputational risk.

Recommendation 3

We recommend that the campus:

a. Create a written agreement with USAC, approved by the president, that defines the relationship with USAC, addresses allocation of risk, and ensures that the performance of the contractor meets all CSU requirements.

b. In consultation with the campus counsel, determine the propriety of campus representation on the USAC board of directors and determine whether the dean of undergraduate education should be included on the list of designated positions for purposes of annual reporting for the CSU code of ethics.

c. Ensure that all study-abroad providers, including USAC, are subject to systematic consideration, according to uniform criteria and consistent information, prior to referring students to the programs.
d. Develop a list of approved third-party program providers that clearly states the criteria used for approval.

**Campus Response**

We concur.

a. The campus will renew the agreement with USAC, which will be signed by the president, and clearly define the relationship and allocation of risk, and ensure compliance with CSU requirements.

b. The campus will consult with the CO Office of General Counsel to determine the propriety of campus representation on the USAC board of directors. In addition, the campus has included the dean of undergraduate education to the list of designated positions for the annual reporting for the CSU code of ethics as an MPP (management personnel plan) and dean on the campus.

c. The campus will ensure that all study-abroad providers are subject to systematic consideration prior to referring students to the programs.

d. The campus will develop an approved list of third-party program providers.

Implementation date: October 31, 2013

**EXCHANGE PROGRAM AGREEMENTS**

Administration of exchange programs needed improvement.

We reviewed ten exchange programs and found that:

- Three program agreements were not signed by the campus president or a designee.
- Six agreements had expired, but the campus and the exchange partners continued to exchange students.
- All ten exchange agreements lacked the appropriate indemnification language.
- One agreement did not have a sunset clause, and the program had been in place without an agreement renewal since 1985.
- For five programs, the exchange value-received reciprocity was out of balance.

Coded memorandum AA 2011-1, *Campus Compliance with Study Abroad Policy*, dated January 11, 2011, states that authority to enter into an agreement related to study abroad and exchange is delegated to the campus president, and that any delegations of this authority should be in writing. While this requirement was in place at the time of the audit, it should be noted that this memorandum
was subsequently superseded by EO 1080, *International Agreements*, dated December 6, 2012, which states that only the campus president can sign international agreements.

Coded memorandum AA 2011-1, *Campus Compliance with Study Abroad Policy*, dated January 11, 2011, states that all agreements should have a sunset clause with duration of no more than five years before review and renewal.

ICSUAM §5233, *Risk Allocation and Performance Assurance*, dated April 20, 2004, states that contracts should be formed to ensure the fair and reasonable allocation of risk and to assure satisfactory performance by the contractor. It further states that the requirements for successful contract performance should be clearly defined within the contract documents.

EO 605, *Delegation of Authority to Approve International Exchanges, Tuition Waivers for International Students, and Tuition Waivers for Nonresident U.S. Graduate Students*, dated July 21, 1993, gives the campus president authority to waive non-resident tuition for exchange students as long as, among other requirements, the agreements provide that comparable expenses are met or waived. Although EO 605 was superseded by EO 1081 *Study Abroad and Exchange Programs*, dated December 6, 2012, the requirements remained the same.

Coded memorandum AA 2011-1, *Campus Compliance with Study Abroad Policy*, dated January 11, 2011, states that campuses should maintain documentation and perform regular reviews of exchange reciprocity balances. It further encourages campuses to develop policies that define the equivalence between various term or session lengths and the period of time within which a balance will be achieved. EO 1081, *Study Abroad and Exchange Programs*, dated December 6, 2012, retained these requirements.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, states that student placement agreements must be in writing and shall specify minimum insurance requirements applicable to the contracting parties and appropriate hold harmless provisions based on the needs of the contracting parties.

The director of international education stated that he became aware of the outdated agreements after he took over his office in June 2010, but delayed updating the agreements because he knew that the CO was in the process of revising requirements for international programs. He further stated that although reciprocity was closely monitored and efforts are under way to correct the imbalance by fall 2013, failure to maintain exchange reciprocity was due to oversight.

A lack of properly executed agreements with study-abroad providers increases the risk of misunderstandings and potential legal liabilities, and inequality in value-received reciprocity with exchange partners undermines the intent of the agreements and results in a financial imbalance between partners.
Recommendation 4

We recommend that the campus ensure that:

a. Exchange program agreements are signed by the president, are renewed in a timely manner, and include the proper indemnification and sunset clauses.

b. Exchange value-received reciprocity balance is maintained.

Campus Response

We concur.

a. The nine exchange program agreements that are expired, or lack a sunset clause, will be revised to include the required indemnification language and sunset clause, and will be signed by the president. When the remaining agreements are renewed, they will be revised in accordance with the requirements of EO 1080. The campus will provide a complete list of the remaining agreements with an outline of dates for corrective action.

b. The campus will ensure that exchange value-received reciprocity balance is maintained.

Implementation date: March 31, 2014

STUDY-ABROAD PROGRAM DOCUMENTATION

The campus did not require students studying abroad with USAC to complete the CSU Release of Liability, Promise Not to Sue, Assumption of Risk, and Agreement to Pay Claims.

We found that the students had completed USAC’s Program Agreement, but this document did not fulfill the CSU requirement.

EO 1041, California State University Student Travel Policy, dated July 1, 2009, states that all students participating in CSU-affiliated travel shall be required to acknowledge that they have been informed of the risks of travel and to sign a statement that they have been informed of and undertake such travel voluntarily with full knowledge of such risks, and release and hold harmless the state of California, the CSU, and the campus, among others.

EO 1051, California State University Use of Approved Waiver of Liability, dated September 1, 2010, in order to provide uniform and consistent application of risk control on all campuses in the CSU system, provides a standard waiver for use in all campus-planned or sponsored events. This document is the CSU Release of Liability, Promise Not to Sue, Assumption of Risk, and Agreement to Pay Claims.

The director of international education stated that the campus office of risk management had the forms and a process in place for these requirements, but USAC students were excluded from the process due to oversight and a misunderstanding of the requirements.
Failure to ensure that students meet campus-sponsored foreign travel requirements exposes the university to liability due to misunderstandings of risks and responsibilities.

**Recommendation 5**

We recommend that the campus require students studying abroad with USAC to complete the CSU Release of Liability, Promise Not to Sue, Assumption of Risk, and Agreement to Pay Claims.

**Campus Response**

We concur. The campus requires all students studying abroad with USAC to complete the CSU Release of Liability, Promise Not to Sue, Assumption of Risk, and Agreement to Pay Claims.

**FISCAL ADMINISTRATION AND CONTROLS**

The campus received funds from a program provider that were used for travel and program administration in a manner inconsistent with the restrictions set forth in EO 1022 and other systemwide policies.

We found that:

- The campus received a fee from USAC for each student participating in the provider’s study-abroad programs. In fiscal years 2010/2011 and 2011/12, the campus billed USAC and received payment for all students who attended the spring, summer, and fall study-abroad programs, with a per-student charge that ranged from $200 to $400. For the 2010/11 and 2011/12 school years, the campus invoiced USAC for student fees totaling $129,232 and $88,100, respectively.

- The campus received USAC block grant funds in 2010/11 and 2011/12 totaling $68,756 and $74,260, respectively. These funds are held at USAC on behalf of the campus, and the campus can charge expenses against them. The majority of these funds were used to provide study-abroad scholarships for students, an acceptable use; specifically, $46,000 (70 percent) in 2010/11 and $42,525 (56 percent) in 2011/12. However, we also found that:

  - The block grant funds were used to reimburse travel expenses for two campus employees attending the USAC board of directors meetings each year: $3,033 for 2010/11 and $1,681 for 2011/12. In addition, lodging costs were covered by USAC for individuals traveling to the board meeting in 2012, which was held in Costa Rica.

  - The block grant funds were used to reimburse the cost of foreign site visits for faculty and staff. These expenditures were $5,710 for 2010/11 and $5,900 for 2011/12.

  - Promotional expenses charged to the block grant funds were $2,793 for 2010/11 and $13,953 for 2011/12.
The campus received $2,600 in USAC Ambassador Program funds for the 2012/13 academic year to fund student employee positions to provide peer advising, outreach support for international programs, and study abroad.

EO 1022, *Study Abroad through Non-CSU Program Providers*, dated September 24, 2007, states that in the course of cooperating with a program provider, neither a CSU campus nor any employee or agent of any CSU campus shall accept payments or other benefits in exchange for being an approved program. This includes, but is not necessarily limited to, the following: payment of conference or training registration fees, transportation, or lodging costs for an employee of the campus; fees for advertisements in official publications of the campus or international office that are designed to explain the students program options; or payment of site visit costs in conjunction with program oversight or program familiarization responsibilities.

Coded memorandum AA 2007-25, *Third-Party Program Provider Study Abroad and Administrative Safeguards*, dated September 26, 2007, states that no CSU campus, and no employee, or agent of any CSU, may solicit any program provider for financial or other benefits or services to the campus or its personnel; or accept any travel paid for by a third-party provider, specifically including travel to study-abroad program sites offered by current or prospective provider partners.

The dean of undergraduate education stated his belief that the receipt and use of USAC funds was appropriate because he viewed the relationship with USAC as a partnership, not a program provider.

The receipt of funds from a study-abroad provider in exchange for student participation in the program, and use of the funds for payment of expenses prohibited by CSU policy, increases reputation and financial risk for the system.

**Recommendation 6**

We recommend that the campus consult with the CO Office of the General Counsel and research the appropriateness of the ongoing receipt and use of funds from USAC, and resolve the issues noted above in accordance with established CSU policies and procedures.

**Campus Response**

We concur. The campus will consult with the CO Office of General Counsel regarding the ongoing receipt and use of funds from USAC.

Implementation date: October 31, 2013
## APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Paul J. Zingg</td>
<td>President</td>
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<tr>
<td>Sharyn Abernatha</td>
<td>Assistant Vice President for Staff Human Resources</td>
</tr>
<tr>
<td>Debra Barger</td>
<td>Dean of the Center for Regional and Continuing Education</td>
</tr>
<tr>
<td>Stacie Corona</td>
<td>Associate Vice President for Financial Services and University Budget</td>
</tr>
<tr>
<td>William Dantona</td>
<td>Director, American Language and Culture Institute</td>
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<tr>
<td>Georgia Fox</td>
<td>Professor, Anthropology</td>
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<tr>
<td>Dane Frazier</td>
<td>Information Technology Manager</td>
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<tr>
<td>Beverly Gentry</td>
<td>Manager for Professional Development</td>
</tr>
<tr>
<td>Jennifer Gruber</td>
<td>Interim Coordinator, Study Abroad and International Exchange</td>
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<tr>
<td>Lorraine Hoffman</td>
<td>Vice President for Business and Finance</td>
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<tr>
<td>Jeni Kitchell</td>
<td>Director of University Budget and Resource Management</td>
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<tr>
<td>Frank Li</td>
<td>Director of the Office of International Education</td>
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<tr>
<td>William Loker</td>
<td>Dean of Undergraduate Education</td>
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<tr>
<td>James Luyirika-Sewagudde</td>
<td>National Student Exchange Program Coordinator</td>
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<tr>
<td>Clare Roby</td>
<td>Associate Dean</td>
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<tr>
<td>Mike Thorpe</td>
<td>Risk Manager</td>
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<tr>
<td>Belle Wei</td>
<td>Provost/Vice President for Academic Affairs</td>
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June 13, 2013

Mr. Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore, 4th Floor  
Long Beach, CA 90802-4210

Subject: International Programs, Audit Report 13-18  
California State University, Chico

Dear Mr. Mandel:

We have reviewed the Office of the University Auditor Report 13-18, International Programs at California State University, Chico. Please find enclosed our response to the audit recommendations. Upon acceptance of our response, the campus will submit documentation evidencing implementation of the recommendations.

If you have any questions or require additional information, please contact Jeni Kitchell at 530-898-5910 or jkitchell@csuchico.edu. Thank you.

Sincerely,

[Signature]

Lorraine Hoffman  
Vice President for Business and Finance

Enclosure

cc: Paul Zingg, President, CSU Chico  
Jeni Kitchell, Director of Budget, CSU Chico  
William Loker, Dean of Undergraduate Education  
Frank Li, Director of International Education  
Debra Barger, Dean of Regional and Continuing Education
PROGRAMS FOR INTERNATIONAL STUDENTS

Recommendation 1

We recommend that the campus ensure that agreements with third-party international student recruiters include appropriate indemnification language.

Campus Response

We concur. The campus will ensure that agreements with third-party international student recruiters include appropriate indemnification language.

Implementation Date: August 31, 2013

STUDY-ABROAD AND EXCHANGE PROGRAMS

STUDY-ABROAD PROGRAM APPROVAL

Recommendation 2

We recommend that the campus establish a clearly defined approval process for study-abroad programs.

Campus Response

We concur. The campus will establish a clearly defined approval process for study-abroad programs.

Implementation Date: October 31, 2013

STUDY-ABROAD THIRD-PARTY PROVIDERS

Recommendation 3

We recommend that the campus:

a. Create a written agreement with USAC, approved by the president, that defines the relationship with USAC, addresses allocation of risk, and ensures that the performance of the contractor meets all CSU requirements.
b. In consultation with the campus counsel, determine the propriety of campus representation on the USAC board of directors and determine whether the dean of undergraduate education should be included on the list of designated positions for purposes of annual reporting for the CSU code of ethics.

c. Ensure that all study-abroad providers, including USAC, are subject to systematic consideration, according to uniform criteria and consistent information, prior to referring students to the programs.

d. Develop a list of approved third-party program providers that clearly states the criteria used for approval.

**Campus Response**

a. We concur. The campus will renew the agreement with USAC, which will be signed by the president, and clearly define the relationship and allocation of risk, and ensure compliance with CSU requirements.

b. We concur. The campus will consult with the CO Office of General Counsel to determine the propriety of campus representation on the USAC board of directors. In addition, the campus has included dean of undergraduate education to the list of designated positions for the annual reporting for the CSU code of ethics as an MPP and dean on the campus.

c. We concur. The campus will ensure that all study-abroad providers are subject to systematic consideration prior to referring students to the programs.

d. We concur. The campus will develop an approved list of third-party program providers.

Implementation Date: October 31, 2013

**EXCHANGE PROGRAM AGREEMENTS**

**Recommendation 4**

We recommend that the campus ensure that:

a. Exchange program agreements are signed by the president, are renewed in a timely manner, and include the proper indemnification and sunset clauses.

b. Exchange value-received reciprocity balance is maintained.

**Campus Response**

a. We concur. The nine exchange program agreements that are expired, or lack a sunset clause, will be revised to include the required indemnification language and sunset clause, and will be signed by the president. When the remaining agreements are renewed, they will be revised in accordance with the requirements of EO 1080. The campus will provide a complete list of the remaining agreements with an outline of dates for corrective action.
b. We concur. The campus will ensure that exchange value-received reciprocity balance is maintained.

Implementation Date: March 31, 2014

**STUDY-ABROAD PROGRAM DOCUMENTATION**

**Recommendation 5**

We recommend that the campus require students studying abroad with USAC to complete the CSU Release of Liability, Promise Not to Sue, Assumption of Risk, and Agreement to Pay Claims.

**Campus Response**

We concur. The campus requires all students studying abroad with USAC to complete the CSU Release of Liability, Promise Not to Sue, Assumption of Risk, and Agreement to Pay Claims.

Implementation Date: Completed

**FISCAL ADMINISTRATION AND CONTROLS**

**Recommendation 6**

We recommend that the campus consult with the CO Office of the General Counsel and research the appropriateness of the ongoing receipt and use of funds from USAC, and resolve the issues noted above in accordance with established CSU policies and procedures.

**Campus Response**

We concur. The campus will consult with the CO Office of General Counsel regarding the ongoing receipt and use of funds from USAC.

Implementation Date: October 31, 2013
July 22, 2013

MEMORANDUM

TO: Mr. Larry Mandel
   University Auditor

FROM: Timothy P. White
   Chancellor

         California State University, Chico

In response to your memorandum of July 22, 2013, I accept the response as submitted with the draft final report on International Programs, California State University, Chico.

TPW/amd