

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

August 1, 2022

Dr. Adela de la Torre, President
San Diego State University
5500 Campanile Drive
San Diego, CA 92182

Dear Dr. de la Torre:

Subject: Audit Report 21-04, Student Fees, San Diego State University

We have completed an audit of *Student Fees* as part of our 2021-2022 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 will be 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,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Jolene Koester, Interim Chancellor
Lateefah Simon, Chair, Committee on Audit
Yammilette Rodriguez, Vice Chair, Committee on Audit

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STUDENT FEES

San Diego State University

Audit Report 21-04
August 1, 2022

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 student fees and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

CONCLUSION

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 fees as of November 19, 2021, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, we noted that the campus had an appropriate framework for the administration of student fees. However, we found that a recent student success fee established at San Diego State University–Imperial Valley Campus (SDSU-IV) did not fully meet all of the prescribed steps prior to assessment. In their response, campus management stated that they hold that the campus complied with California State University (CSU) policy in implementing the student success fee at SDSU-IV. Nonetheless, the campus will hold a student fee referendum in 2022/23 to avoid any doubt that the campus has properly followed CSU *Student Fee Policy* and applicable provisions of Education Code §89712.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. IMPERIAL VALLEY CAMPUS FEE REVISIONS

OBSERVATION

The campus did not fully meet CSU policy regarding consultation with students at SDSU-IV prior to assessing a student success fee.

SDSU-IV is a branch campus of San Diego State University (SDSU) serving the students in the Imperial County area. Established in 1959 by an act of the state legislature, SDSU-IV has a student enrollment of approximately 1,000 and employs about 48 faculty and staff. Historically, mandatory student fees at SDSU-IV have not always been added or adjusted in alignment with the San Diego campus fees because the SDSU-IV students were not able to access the services provided by those mandatory fees. In May 2021, SDSU approved an increase for three existing SDSU-IV fees and the addition of two other fees, a student success fee and a library services fee, to align them with the authorized higher fees paid by students at the San Diego campus.

The proposed fee increase and addition included a list of benefits the campus plans to add or enhance at SDSU-IV, including improved physical and mental health services, enhanced library resources, and increased faculty to support additional courses. The proposed phased increase would raise SDSU-IV fees over five years from \$117 per semester in fall 2021 to \$819 per semester in fall 2025.

Executive Order (EO) 1102, *California State University Fee Policy*, approved on July 22, 2015, was the latest revision to the system fee policy, which is derived primarily from the California Education Code (EC). The policy categorizes most of the individual fees paid by students under Category II, which are fees that must be paid to enroll in or attend the university, and include student health, instructionally related activities (IRA), and student success fees, among others. The authority for establishment of these fees resides solely with the chancellor, but the authority for oversight and adjustment has been delegated to the campus presidents. The policy “presumes that a student fee referendum will be conducted before adjusting or establishing Category II fees,” but gives the president authority to “waive the referendum if it is determined that a referendum is not the best mechanism to achieve appropriate and meaningful consultation,” with some exceptions. Specifically, changes to EC §89712 in 2015 removed the option for the alternative consultation for the student success fee, mandating the student referendum. The policy further provides instruction to the campus presidents on the steps that must be taken in the event a referendum is not the method of consultation. These steps emphasize the inclusion of various student and faculty leadership groups, as well as students outside of the leadership structure. For SDSU-IV, this would include the equivalents of these groups at the SDSU-IV campus, including a separate SDSU-IV Campus Fee Advisory Committee (CFAC) established to consider the fees charged at that campus.

The campus conducted an informational campaign in February 2021 at SDSU-IV that met the requirements of the alternative consultation method, and the fee increases and adjustments were approved by the president in May 2021, thereby waiving the referendum requirement for the majority of the fee changes. However, we found that the student success fee, due to

the nature of the fee and the unique set of circumstances involved, did not fully meet the requirements for establishment at SDSU-IV in 2021.

We noted that in 2014 when the student success fee was being considered, the required informational pamphlet provided to SDSU students stated that “the proposed student success fee, if adopted, will impose a new fee on SDSU students, except those exclusively attending the Imperial Valley campus.” The pamphlet further stated that “the proposed fee level, per semester, if this fee is approved, will be determined through a series of public forums and consultations with interested regularly enrolled students at San Diego State University, except those exclusively attending Imperial Valley Campus.” The schedule of forums did not include any locations at SDSU-IV, and we found no evidence that the separate SDSU-IV CFAC was consulted.

Although the resulting presidential recommendation to the chancellor, and the corresponding approval from the chancellor, did not differentiate between the two student populations, consultation with the population at SDSU-IV specific to a student success fee in 2014 did not occur. Further, because the fee was not established at SDSU-IV in the initial fee implementation in 2014, any student success fee proposed for SDSU-IV in 2021 should have met the requirement to conduct a student referendum on the fee in accordance with the 2016 changes to EC §89712. SDSU-IV students were assessed a \$22 per semester student success fee beginning in fall 2021, and the campus collected \$34,175 in academic year 2021/22. The fee is scheduled to increase to \$72 per semester in fall 2022.

Proper vetting and authorization of changes to student fees provide greater assurance that increases are necessary and justified and reduce the possibility of litigation and the accompanying reputation risk.

RECOMMENDATION

We recommend that the campus evaluate its process to ensure compliance with the CSU *Student Fee Policy* and applicable provisions of EC §89712 in the student success fee implementation at SDSU-IV.

MANAGEMENT RESPONSE

The campus holds that it complied with CSU policy in implementing the student success fee at SDSU-IV. Nonetheless, the campus will hold a student fee referendum in 2022/23 to avoid any doubt that the campus has properly followed the CSU *Student Fee Policy* and applicable provisions of EC §89712.

Estimated completion date: May 31, 2023

2. VIEWPOINT NEUTRALITY POLICY

OBSERVATION

The campus had not met all of the transparency requirements of the policy addressing viewpoint neutrality in the administration of student body fees.

In August 2020, the CO issued *Allocation of Mandatory Student Association Fees: Viewpoint Neutrality Policy Requirement*, along with guidelines describing the requirement that campuses ensure viewpoint neutrality when allocating student body fees. The viewpoint neutrality requirement applies only to mandatory student fees that are made available to or used to support organizations, programs, or activities that are engaged or involved in expressive conduct or speech protected by the First Amendment, including, but not limited to, speeches, expression of ideas, or viewpoints on issues of public concern. Expressive activities may also include expression of viewpoints by individuals or small groups on issues of more limited local or personal concern. Viewpoint neutrality means that fee allocation decisions cannot be based upon the approval or disapproval of the viewpoint of the student organization or its related programs and activities. Funding decisions are required to be made based on objective, consistent, and transparent criteria, and the decision process must be explicitly stated in the AS policy on funding allocations.

In response to the CSU viewpoint neutrality memos, the campus AS conducted the required self-assessment of existing policies and procedures in September 2020 and concluded that the existing procedures already met the standards for viewpoint neutrality, including narrow, objective, and definite standards for making decisions. However, the campus had not yet incorporated the following requirements of the new policy and guidelines that enhanced transparency:

- An express written statement within the policy that specifically states that AS fee funding decisions will be made in accordance with, and are subject to, viewpoint neutrality, and a statement that all decision makers agree to comply with these requirements.
- A written requirement that when a funding request is denied or a lesser amount than requested is awarded, the decision makers must promptly issue a written explanation setting out the specific bases and reasons for the decision.

Explicitly incorporating CSU viewpoint neutrality requirements in written policy and procedures provides greater transparency and accountability into the process and criteria that the campus and AS use to ensure that applicable funding decisions regarding mandatory student body fees are made in a neutral manner.

RECOMMENDATION

We recommend that the campus, in conjunction with AS:

- a. Review and revise current AS policies and procedures to clarify and provide greater transparency regarding how AS explicitly meets required CSU viewpoint neutrality standards.
- b. Communicate the updated policies and procedures to appropriate campus and AS staff and make the updated policies and procedures available and easily accessible to students and student organizations.

MANAGEMENT RESPONSE

The campus, in conjunction with AS, affirms that current AS policies and procedures are viewpoint neutral and that AS conducted the required self-assessment. AS will review, revise, and communicate AS policies and procedures to improve clarity regarding CSU viewpoint neutrality standards and make them available and easily accessible to students and student organizations.

Estimated completion date: November 30, 2022

GENERAL INFORMATION

BACKGROUND

Authority to establish fees for the CSU system is granted to the Board of Trustees by Education Code (EC) §89700; further delegation of authority is outlined in EO 1102, *California State University Fee Policy*. The policy designates student fees into six different categories based on use and authority.

Category I fees are mandatory fees that apply systemwide and fall under the authority of the Board of Trustees. Category II and III fees are campus-based mandatory fees established under the authority of the chancellor but delegated to the campus president for purposes of adjustments and oversight. The president cannot establish new Category II fees but has limited authority to establish or adjust Category III fees within a range established by the chancellor. Category II fees are those that support overall student academic success and the provision of student services, such as IRA and student health services fees, and many were established by and are subject to sections of the EC. Category III fees are generally course-based fees specific to materials or services that support the basic foundation of an academic course offering. The remaining categories address other non-mandatory facility usage or administrative services, as well as fees collected for self-support programs such as extended education, parking and housing. The audit specifically focused on Category II and III fees.

The CSU fee policy requires campuses to form a CFAC composed of student, faculty, staff, and administrative representatives to provide advice to the president regarding proposed changes to student fees. The policy also describes methods by which fee revisions can be vetted, specifically a student referendum or an alternative consultation method, and further mandates certain processes that must occur for either method. The CFAC is a critical participant in the review and analysis of proposed fee changes, but the president retains authority to revise fees regardless of the advice provided by the CFAC or the results of the vetting process.

The fee schedule at SDSU, consisting of the main campus and IV, includes seven Category II fees, namely the student body association fee, student body center fee, health facility fee, health and wellness fee, IRA fee, library service fee, and student success fee. Additionally, there are numerous Category III fees, or campus-based mandatory fees, that cover specific, fixed costs and the ongoing expenses of maintaining and operating student programs, services and facilities. All students pay tuition and campus mandatory fees whether they attend full-time, part-time, online, or from abroad. SDSU established a CFAC for oversight, as well as several committees specific to Category II fees, to provide greater assurance that fees were being used in accordance with their purposes.

SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from October 12, 2021, through November 19, 2021. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in

place and operative. The audit focused primarily on procedures in effect from July 1, 2019, to November 19, 2021.

Specifically, we reviewed and tested:

- Policies and procedures for establishing the mandatory fees, including, when applicable, compliance with all requirements for fee revisions or increases.
- Policies and procedures for the monitoring, collection, and allocation of Category II and III fees.
- Policies and procedures in place to ensure that expenditures from the fee funds are in accordance with the purpose of Category II and III fees.

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 were designed to provide a review of key operational, financial, and administrative controls and included testing of a limited number of fee expenditures from the Category II and III fee funds.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance, Trustee policy, Office of the Chancellor directives, and campus and auxiliary procedures, as well as sound administrative practices and consideration of the potential impact of significant risks. 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*
- EO 1093, *Student Success Fee (SSF); San Diego State University*
- EC §89230, *Instructionally Related Activities*
- EC §89300-89304, *Student Body Organizations*
- EC §89700-89712, *Fees, Rents and Charges*
- EC §8 89720 – 89726, *Revenues*
- Code of California Regulations (CCR), Title 5, §41800.2, *Instructionally Related Activities Fee*
- *CSU Legal Accounting and Reporting Manual*
- *Allocation of Mandatory Student Association Fees: Viewpoint Neutrality Policy Requirement* (August 6, 2020)
- CSU memorandum, *Viewpoint Neutrality Policy Requirement Guidance* (August 7, 2020)
- *SDSU Procedures to Establish a New or Revise an Existing Student Fee*
- *SDSU Student Success Fee Academic Related Programs (SSF ARP) Policy and Procedures*

- *SDSU Imperial Valley Campus Phased Fee Alignment Proposal*

AUDIT TEAM

Senior Audit Manager: Ann Hough
Senior Auditor: Marcos Chagollan