

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

May 17, 2022

Dr. Jane Close Conoley, President  
California State University, Long Beach  
1250 Bellflower Boulevard  
Long Beach, CA 90840

Dear Dr. Conoley:

**Subject: Audit Report 21-34, Student Fees, California State University, Long Beach**

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  
Adam Day, Chair, Committee on Audit

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# **STUDENT FEES**

**California State University,  
Long Beach**

Audit Report 21-34  
May 17, 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 March 4, 2022, 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 the process for review and approval of expenditures needed improvement, as disbursements were not always in conformance with the allowed spending purpose of the fee; disbursements did not always contain approval by an individual with delegation of authority; and documentation was not consistently maintained. We further found that the campus did not provide an annual student fee report to the Student Fee Advisory Committee as required.

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

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. EXPENDITURES

#### OBSERVATION

The process for review and approval of expenditures needed improvement.

We reviewed 30 health facilities fee disbursements, and we found that:

- Six disbursements were not in conformance with the allowed spending purpose of the fee. These disbursements included a payment for employee insurance benefits for \$5,324 and five expenditures for kitchen supplies (i.e., disposable cups, bowls, plates, and utensil packets) for \$1,527.64.
- One disbursement of \$88 was requested and approved by the same individual in Student Health Services. Per campus processes, the facilities management work order system routes the work order to the department administrative services manager (ASM) for approval when an estimate is needed. However, the estimate does not need to be submitted for every chargeback, and therefore, this process allows the requester to also approve the work order when an estimate is not needed.
- One disbursement of \$326.80 did not contain approval by an individual with delegation of authority. Evidence of delegation of authority for the approver of the disbursement was not provided.

In addition, we reviewed 30 Associate Students Inc. (ASI) fee disbursements, and we found that:

- Three disbursements did not contain approval by an individual with delegation of authority. Delegation of authority was completed after the disbursement was approved.
- ASI did not maintain the delegation of authority form for an individual who approved three of the 30 disbursements. Without documentation, we were unable to confirm whether disbursements were approved by an individual with delegation of authority.

We also reviewed 30 student excellence fee disbursements, and we found that:

- Three disbursements did not contain approval by an individual with delegation of authority. Delegation of authority was completed after the disbursement was approved.
- For one transaction, the campus did not process a credit memo of \$3,831.19 included in the vendor invoice dated July 2021. The campus processed the credit memo during the audit fieldwork.

Further, we reviewed 30 Instructionally Related Activities (IRA) fee disbursements, and we found that one disbursement of \$2,625.97, which the department identified as a cost-share amount on the state-side funds, was incorrectly charged to IRA fee revenues. The campus

processed a journal entry to transfer the expenditure to the proper fund during audit fieldwork.

Adequate processing and proper approval of expenditures improves accountability and decreases the risk of noncompliance with California State University (CSU) and campus policies and the potential for incurring unallowable costs or misuse of funds.

**RECOMMENDATION**

We recommend that the campus, in conjunction with ASI:

- a. Evaluate current processes for review of expenditures and implement improvements to ensure that only allowable expenditures are disbursed.
- b. Review the delegation of authority for each responsible department and retain current delegation of authority forms.
- c. Evaluate and update the chargeback process for facilities management service requests to ensure that appropriate approval is obtained even if an estimate is not required.

**MANAGEMENT RESPONSE**

We concur. The campus will evaluate current processes for review of expenditures and implement improvements to ensure that only allowable expenditures are disbursed. The campus will also review the delegation of authority for each responsible department and retain current delegation of authority forms. Finally, the campus will evaluate and update the chargeback process for facilities management service requests to ensure that appropriate approval is obtained even if an estimate is not required.

Estimated completion: November 5, 2022

**2. MANDATORY REPORTING**

**OBSERVATION**

The campus did not provide an annual student fee report to the Student Fee Advisory Committee (SFAC).

We found that the campus did not provide a report of all fees in Categories II, III, IV and V to the SFAC on an annual basis, as required by Executive Order (EO) 1102, *California State University Student Fee Policy*. As stated in EO 1102, the campus president shall provide to the fee advisory committee a report of all fees in Categories II, III, IV and V. New fees, fee increases, total revenue, and unexpended fund balances should be included.

Annual student fee reports provide greater accountability and transparency and decreases the risk of noncompliance with systemwide requirements.

**RECOMMENDATION**

We recommend that the campus implement a documented process to ensure that an annual report is provided to the SFAC for all fees in Categories II, III, IV and V, including new fees, fee increases, total revenue, and unexpended fund balances.

**MANAGEMENT RESPONSE**

We concur. The campus will implement a documented process to ensure that an annual report is provided to the SFAC for all fees in Categories II, III, IV and V, including new fees, fee increases, total revenue, and unexpended fund balances.

Estimated completion: November 5, 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 and delegated to the campus president for purposes of adjustments and oversight. Campus presidents cannot establish new Category II fees but have 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, and many were established by and are subject to sections of the education code. 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 Campus Fee Advisory Committee (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 the authority to revise fees regardless of the advice provided by the CFAC or the results of the vetting process.

The fee schedule at California State University, Long Beach (CSULB) includes seven Category II fees, namely the student body association fee, student body center fee, health facility fee, health services fee, IRA fee, student success fee, and campus service card 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. CSULB established an SFAC 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 January 18, 2022, through March 4, 2022. 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 on procedures in effect from July 1, 2019, to March 4, 2022.

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 was 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 1055, *Student Excellence Fund/Mandatory Materials, Services and Facilities Fee; California State University, Long Beach*
- EC §89230, *Instructionally Related Activities*
- EC §89300-89304, *Student Body Organizations*
- EC §89700-89712, *Fees, Rents and Charges*
- EC §89720-89726, *Revenues*
- Code of California Regulations, Title 5, Part 41800.2, *Instructionally Related Activities Fee*
- *CSULB Legal Accounting and Reporting Manual*
- *CSULB ASI Policy on Signature Authorization*
- *CSULB ASI Student Organization Grants*

## AUDIT TEAM

Audit Manager: Christina Chen  
Senior Auditor: Laura Vazquez