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January 31, 2019

Dr. Leslie E. Wong, President
San Francisco State University
1600 Holloway Avenue
San Francisco, CA 94132

Dear Dr. Wong:

Subject: Audit Report 18-40, Student Organizations, San Francisco State University

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

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STUDENT ORGANIZATIONS

San Francisco State University

Audit Report 18-40
December 18, 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 November 9, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, the campus had an established framework for the administration of student organizations. However, the audit revealed that attention is required in some key areas related to student organization oversight, funds administration, and compliance with student organization on-campus event requirements. In addition, campus policies and procedures for student organizations did not always include all systemwide requirements, student organization constitutions did not always include all requirements in the campus *Constitution Guideline*, and the campus had not established a procedure to identify and authorize off-campus student organization bank accounts.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. CAMPUS OVERSIGHT

OBSERVATION

Campus oversight of student conduct investigators and biennial self-assessments of student organization activities and programs needed improvement.

We found that the campus had not issued an annual memo, generated by the associate dean of students and approved by the vice president of student affairs and enrollment management, designating investigators for student conduct matters, as required by the campus *Student Organization/Club Conduct Procedures*. Additionally, there was no evidence that investigators had attended the annual training to ensure that they were familiar with the campus *Student Organization/Club Conduct Procedures*, as well as with other relevant university, local, state, and federal laws.

We also found that the student activities and events (SA&E) office had not conducted biennial self-assessments of student organization activities and programs, as required by Executive Order (EO) 1068, *Student Activities*.

Appropriate designation of student conduct investigators and proper training ensure that student conduct matters are investigated according to campus requirements. Biennial self-assessments provide greater assurance that student organization activities and programs will comply with campus and systemwide requirements and reduces the risk and potential liability to the campus.

RECOMMENDATION

We recommend that the campus:

- a. Issue an annual memo designating investigators for student organization conduct matters, and require investigators to attend an annual training to ensure that they are familiar with the campus *Student Organization/Club Conduct Procedures*, as well as other relevant university, local, state, and federal laws.
- b. Conduct a self-assessment of student organization activities and develop and implement procedures to perform these assessments biennially.

MANAGEMENT RESPONSE

We concur.

- a. The campus will issue an annual memo designating investigators for student organization conduct matters and require investigators to attend annual training to ensure they are familiar with the campus *Student Organization/Club Conduct Procedures*, as well as other relevant university, local, state, and federal laws. We will do this no later than June 18, 2019.

- b. SA&E will develop and complete an assessment of student organization activities based on the Council for the Advancement of Standards in Higher Education standards and EO 1068. SA&E will also implement procedures to perform this assessment biennially. The assessment and the procedures will be developed by June 18, 2019.

2. STUDENT ORGANIZATION FUNDS ADMINISTRATION

OBSERVATION

Management of student organizations funds needed improvement.

Student organizations can request funds from Associated Students of San Francisco State University (AS) to support on-campus events. We reviewed 15 student organizations that received AS funds and found that three were not officially recognized at the time the AS finance committee approved the funding.

Additionally, student organizations deposit funds into agency accounts administered by the University Corporation, San Francisco State (UCorp). These funds can include, but are not limited to, fees collected from membership dues, donations, and ticket and merchandise sales. They are typically used for custom merchandise, scholarships, and events.

We reviewed 11 student organization deposits and 25 expenditures, and we found that:

- In eight instances, deposits were not timely submitted by the student organizations. Per UCorp policy, deposits should be made within 24 hours of receipt. The untimely deposits were submitted between 17 days and more than 365 days after receipt.
- In five instances, deposits were not verified by authorized signers based on the UCorp account application and agreement forms.
- In one instance, a student organization deposited funds for an unallowed event, according to the UCorp *Student Organization Banking Guide*.
- In one instance, supporting documents were not provided by the student organization because the deposit was submitted more than a year after the revenue was collected.
- In one instance, a student organization self-reimbursed incurred costs and deposited the net amount instead of depositing the total revenue and requesting reimbursement.
- In two instances, vendor agreements to support expenditures were not provided by student organizations. Additionally, one of the two expenditures had been due for more than a year and had not yet been paid.

Appropriate management of student organization funds helps to ensure compliance with campus and auxiliary requirements, minimizes the risk of misappropriation, and helps to ensure that funds are properly deposited, expended, and supported.

RECOMMENDATION

We recommend that the campus, in conjunction with UCorp and AS:

- a. Establish and document a process to enhance communication between AS and SA&E to verify that student organizations are officially recognized before AS funding is approved.
- b. Establish and document a process for SA&E to inform UCorp of anticipated deposits from student organization events so that UCorp can follow up with student organizations regarding timely deposits.
- c. Provide training to student organization officers and key personnel regarding deposit and expenditure requirements, including timely deposits, verification by authorized signers, unallowable events, and vendor agreements.

MANAGEMENT RESPONSE

We concur.

- a. SA&E and AS will create documentation of the process to enhance communication between SA&E and AS to verify that student organizations are officially recognized before AS funding is approved by June 18, 2019.
- b. SA&E will establish and document a process for SA&E to inform UCorp of anticipated deposits from student organization events so that UCorp can follow up with student organizations regarding timely deposits by June 18, 2019.
- c. SA&E will work with UCorp to train student organization officers, key personnel, and advisors regarding deposits and expenditure requirements, including timely deposits, verification by authorized signers, unallowable events, and vendor agreements by June 18, 2019.

3. STUDENT ORGANIZATION EVENTS

OBSERVATION

Student organizations did not always comply with campus requirements for hosting on-campus events.

We reviewed 22 student organization on-campus events, and we found that:

- Student organization officers executed contracts with vendors and performers without the proper delegation of authority from the campus.
- Student organizations did not always meet campus requirements before hosting events. For example, student organizations did not always obtain official recognition and pre-approval from the SA&E, attend the required training, contact the disability program resource center

to ensure accessibility for all attendees, and ensure that promotional materials included an accessibility statement before events.

- Student organizations did not always complete the appropriate documents or obtain proper insurance before events. For example, the vendor-holds-harmless agreements and food-item distribution permits were not always completed, and insurance was not always timely filed and did not always cover event dates.
- Student organizations did not always report funds raised to SA&E after events.

Compliance with campus requirements provides greater assurance that events will be properly approved, well planned, and controlled, and reduces the university's financial and legal exposure.

RECOMMENDATION

We recommend that the campus:

- a. Evaluate the legality and appropriateness of student organization officers executing vendor and performer contracts.
- b. Develop and document processes to verify that student organizations are officially recognized on the event date; events are pre-approved; all applicable training, agreements, permits, insurance, and accessibility requirements are met before events; and funds raised are reported to SA&E after events.

MANAGEMENT RESPONSE

We concur.

- a. SA&E will seek advisement from General Counsel on this matter by June 18, 2019.
- b. SA&E will develop and document processes to verify that student organizations are officially recognized on the event date; events are pre-approved; all applicable training, agreements, permits, insurance, and accessibility requirements are met before events; and funds raised are reported to SAE after events. We will document this process by June 18, 2019.

4. POLICIES AND PROCEDURES

OBSERVATION

Campus and UCorp policies and procedures for the administration of student organizations needed improvement.

We found that:

- The campus and UCorp did not have defined policies and procedures detailing the appropriate process for deactivating unrecognized student organization accounts.
- The campus *Student Organization Registration* policy was not fully compliant with EO 1068, *Student Activities*, as it did not state that a maximum of 20 percent of the members of a student organization may be individuals who are not California State University (CSU) students.

Complete policies and procedures help to ensure that student organizations have a clear understanding of the campus and systemwide requirements and expectations.

RECOMMENDATION

We recommend that the campus, in conjunction with UCorp:

- a. Develop and document policies and procedures for the deactivation of unrecognized student organization accounts.
- b. Update the campus *Student Organization Registration* policy to comply with EO 1068, *Student Activities*.

MANAGEMENT RESPONSE

We concur.

- a. SA&E will work with UCorp to develop and document policies and procedures for the deactivation of unrecognized student organization accounts by June 18, 2019.
- b. SA&E will update the campus *Student Organization Registration* policy to comply with EO 1068 by June 1, 2019.

5. CASHIERING

OBSERVATION

The SA&E office was not authorized as an official cashiering location by the campus chief financial officer (CFO), and cash-handling employees in the SA&E had not received cashiering training.

We also found that the content of the advisor orientation did not include cash-handling policies and procedures or sufficient guidelines related to cash-handling requirements.

Appropriate authorization of cash-handling locations and training help to ensure that employees are cognizant of related policies and procedures and decrease campus exposure to loss or misappropriation of funds.

RECOMMENDATION

We recommend that the campus:

- a. Determine whether the SA&E should be authorized as an official cashiering location, and if so, provide cashiering training to SA&E cash-handling personnel.
- b. Update the content of the advisory orientation to include cash-handling policies and procedures or sufficient guidelines related to cash-handling requirements.

MANAGEMENT RESPONSE

We concur.

- a. SA&E will not be an official cashiering location. The vendor program that supports student organizations will be automated via an online process by June 18, 2019.
- b. Student organization advisors will update the content of the advisory orientation and provide updated training and policies and procedures for cash handling through monthly advisor workshops, updated advisor manuals, and online advisor resources by June 18, 2019.

6. CONSTITUTIONS

OBSERVATION

Student organization constitutions did not always include all requirements outlined in the campus *Constitution Guideline*.

We reviewed the constitutions for 20 student organizations and found that 17 of them did not include all requirements in the campus *Constitution Guideline*. Specifically, they did not include statements of non-discrimination and open membership, membership criteria, and qualifications and requirements for the selection of officers.

Student organization constitutions that include all required elements help to ensure that student organizations understand campus requirements and promote consistent recognition standards.

RECOMMENDATION

We recommend that the campus implement and document a process to ensure that student organization constitutions include all elements required by the campus *Constitution Guideline*.

MANAGEMENT RESPONSE

We concur; starting February 1, 2019, all student organizations that register or re-register will be provided with the CSU template for creating a constitution. We will also implement and

document a process to ensure that templates are provided to the student organizations. We will provide evidence of this by June 18, 2019.

7. OFF-CAMPUS BANK ACCOUNTS

OBSERVATION

The campus had not established a procedure to identify and authorize off-campus student organization bank accounts by the campus CFO or designee, as required by Integrated California State University Administrative Manual (ICSUAM) §3141.01, *Administration of Student Organization Funds*.

An adequate process for approval of student organization off-campus bank accounts provides assurance that there will be proper oversight of student organization funds in compliance with systemwide and campus policies.

RECOMMENDATION

We recommend that the campus, in conjunction with UCorp, develop a documented procedure for identifying all off-campus student organization bank accounts and subsequently obtaining authorization from the campus CFO or designee for all off-campus student organization bank accounts.

MANAGEMENT RESPONSE

We concur. By June 18, 2019, SA&E will develop a documented process for identifying all off-campus student organization bank accounts and subsequently obtaining authorization from the campus CFO or designee for all off-campus student organization bank accounts.

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 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 San Francisco State University (SFSU), there are more than 200 recognized student organizations representing diverse categories, including, but not limited to, academic/departmental, cultural, spiritual, political, pre-professional, special interest, performing arts, social justice, and fraternity and sorority life. General oversight of student organizations, including fraternities and sororities, is provided by the office of the dean of students in student affairs and enrollment management. The dean of students is responsible for oversight of student organization recognition, providing policies and guidelines, coordinating the faculty advisor program, and conducting program evaluations. The SA&E coordinators are responsible for evaluating and recognizing student organizations and organize the training and orientation of student officers and advisors. UCorp serves as the custodian of student organization funds and ensures that student organization financial activities comply with UCorp policies. Additionally, AS provides funding opportunities for on-campus student organization events.

SCOPE

We visited the SFSU campus from October 15, 2018, through November 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 SFSU campus. The audit focused on procedures in effect from July 1, 2016, through November 9, 2018.

Specifically, we reviewed and tested:

- Organizational roles and responsibilities for oversight of student organizations and activities.
- Processes to formally recognize student organizations, including fraternities and sororities.
- Processes to ensure that faculty advisors and student leadership meet minimum qualifications and receive appropriate orientation and training.
- Processes to ensure compliance with requirements regarding alcohol usage and substance-abuse prevention and awareness programs.
- Administration and oversight of student organizations and events occurring on campus.
- Processes to ensure compliance with the CO and campus student travel policies.
- Measures to ensure the security of systems utilized to administer student organizations and activities.
- Processes to ensure compliance with the administration of AS funds for student organization events and activities.
- Measures to ensure the proper fiscal administration of student organization funds.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology was designed to provide a review of key operational, financial, and administrative controls, which included detailed testing on a limited number of student organizations to ensure that each met the campus recognition standards and that the organizations' activities were conducted and managed in accordance with campus and systemwide policies.

CRITERIA

Our 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:

- 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*
- EO 1051, *Use of Approved Waiver of Liability*
- EO 1068, *Student Activities*

- EO 1095, *Systemwide Sex Discrimination, Sexual Harassment, Sexual Misconduct, Dating and Domestic Violence, and Stalking Policy*
- ICSUAM §3141.01, *Administration of Student Organization Funds*
- ICSUAM §8060, *Access Control*
- BOT Resolution, Educational Policy 07-01-03, *Alcohol Policies and Prevention Programs*
- 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*
- CSU Auxiliary Organization Compliance Guide
- CSU Auxiliary Organization Sound Business Practices Guidelines
- SFSU *Constitution Guideline*
- SFSU *Faculty and Staff Advisors of Recognized Student Organizations*
- SFSU *Fundraising for Student Organizations*
- SFSU *Greek Life and Colonization Policies*
- SFSU *Student Organization Conduct Procedures*
- SFSU *Student Organizations Conduct and Policies*
- SFSU *Student Organization Registration*
- SFSU *Time Place and Manner Policy*
- SFSU SA&E *Hazing Policy*
- SFSU SA&E *Event Policies*
- SFSU SA&E *Food and Beverages Policy*
- *AS Funding Handbook*
- *AS Event Services Handbook*
- *UCorp Student Organizations Banking Guide*
- *UCorp Banking Exemption Policy*

AUDIT TEAM

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