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November 22, 2021

Dr. Tom Jackson, Jr., President  
Humboldt State University  
1 Harpst Street  
Arcata, CA 95521

Dear Dr. Jackson:

**Subject: Advisory Report 20-115, *Student Fees*, Humboldt State University**

Per your request, we have completed our advisory review of *Student Fees* at Humboldt State University and the report is attached for your review. Our review was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* as they pertain to consulting and advisory services.

The campus is not required to formally respond to observations for advisory reviews; however, we recommend that campus management review all observations and take any necessary corrective actions to remediate and/or mitigate the risk(s) associated with the noted observations. Any observations requiring immediate attention were communicated to management during the course of the review.

I wish to express my appreciation for the cooperation extended by the campus personnel during the course of this review.

Sincerely,



Vlad Marinescu  
Vice Chancellor and Chief Audit Officer

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# Student Fees

## Advisory Services Review



**Humboldt State University**  
Advisory Services Report 20-115  
November 22, 2021

## **EXECUTIVE SUMMARY**

### **PURPOSE AND OBJECTIVES**

Humboldt State University (HSU) requested that Audit and Advisory Services review the oversight and use of certain campus-based student fees.

Based on discussions with HSU management, the objectives of this review were to evaluate campus practices for reviewing and managing existing student fees and to assess whether fees were being used in accordance with their intended purpose. Fees covered in this review included specific Category II campus-based mandatory fees such as the Materials, Services and Facilities (MSF) fee, Instructionally Related Activities (IRA) fee and Student Union fee; Category III Miscellaneous Course Fees; and Category V Extended Education fees.

### **CONCLUSION**

In general, we found that the campus had an appropriate framework and fee approval processes in place for student fee administration. However, we identified several opportunities for the campus to improve upon their fee administration processes and implement best practices to ensure there is consistent oversight and clear guidance on campus-based mandatory fees, and improve transparency and understanding of how student fees are used. Specifically, we found that oversight of student fees could be improved by expanding the responsibility of the Student Fee Advisory Committee (SFAC) to include oversight over the ways in which additional fee categories such as MSF and IRA fees are used to promote consistent and transparent usage of these fees.

Additional oversight over MSF and IRA fees would also help to address a number of issues that we noted during our review. We found that the campus did not have campuswide policies or guidance regarding the defined and allowable uses of MSF and IRA fees, how they differ, and how carryover should be addressed each year. MSF and IRA allocations had not been assessed in more than 10 years and had large carryover balances in recent years. With the campus preparing to become a polytechnic university, this may be a good time to reassess fee allocations to ensure that they meet the needs of the campus and the student body.

We also found that MSF fee revenue mostly funded various staff support positions and that some MSF expenditures we reviewed appeared to be related to basic instruction. We also identified opportunities for the IRA committee to perform a more detailed analysis of programs that receive ongoing funding from the committee and to expand funding for innovative programs.

In our review of other fees, we found that the campus may have an opportunity to eliminate miscellaneous course fees and reduce costs for some students. We also identified an opportunity to increase transparency by implementing more thorough recording and documentation of Student Union fee expenditures and extended education expenditures made by campus partners.

In our discussions with various campus personnel and review of the 2018 Task Force on Student Fees (Task Force) report, we noted that many of the recommendations in this report align with campus goals and planned changes related to student fees. A summary of opportunities to improve student fee administration can be found in the Analysis section below.

## GENERAL INFORMATION

### BACKGROUND

Executive Order (EO) 1102, *California State University Student Fee Policy*, governs tuition and fee policies for the California State University (CSU) and breaks fee types into six different categories. For this review, as requested by campus management, we focused on specific Category II, Category III, and Category V fees, as detailed below.

#### Category II – Campus-Based Mandatory Fees (required for enrollment)

Materials, Services and Facilities Fee
To support various materials, services, and facilities considered above the basic classroom level that are made available to students as part of the overall university experience and provide a greater learning experience for students.
Instructionally Related Activities Fee
To support costs of instructionally related activities as defined by state law and approved by the Trustees, including, but not limited to, intercollegiate athletics; art exhibits; and radio, television, and theater productions.
Student Union Fee
To support the financing, construction, and operations of the student union facility.

#### Category III – Miscellaneous Course Fees for State-Supported Instruction

Course Fees
Materials and services used in concert with the basic foundation of an academic course offering, including consumable materials or field trips or travel found necessary for the learning objectives of the class.

#### Category V – Self-Support Administrative Fees and Fines

Extended Education Fees
To support the delivery of self-support instructional courses and programs.

At HSU, primary oversight of student fees resides with the SFAC, an administrative committee composed of students, staff, faculty, and an administrative representative with the responsibility to advise the president regarding the establishment and adjustment of Category II and Category III fees. Additionally, the university budget office prepares an inventory report on all Category II through V fees, detailing the revenue collected for the past year and the remaining balance for each fee, which is provided to the SFAC and the Office of the Chancellor (CO). The campus also has an IRA committee responsible for advising the president regarding the allocation of IRA committee funds and a Humboldt Energy Independence Fund (HEIF) committee responsible for approving student projects for funding allocated from IRA fee revenue.

In 2018, HSU assembled a Task Force to examine mandatory student fees, determine whether they are serving the current needs of students, and make recommendations on future changes. Many of the objectives of the Task Force review were similar to those included in this advisory review. As such, we will reference the Task Force report when applicable to provide additional information.

## SCOPE

The scope of the engagement included a review of campus practices for reviewing and managing existing fees. This included determining whether certain fees were being used as intended and identifying opportunities to improve the effectiveness of the SFAC. The review focused on procedures in effect at the time of our review, with samples taken from July 1, 2018, through June 30, 2021.

We gained an understanding of practices and procedures relating to fee management and oversight through discussions with various campus personnel and a review of available documentation. Based on this understanding, we developed a review program that included a combination of analytical and detailed testing procedures.

Due to the COVID-19 pandemic, we did not visit the HSU campus. We performed our review remotely from May 3, 2021, through August 27, 2021. Specifically, we reviewed and tested:

- Governance and oversight of student fee administration.
- Student fee committee activities at other campuses to determine opportunities for general improvement at HSU.
- Processes to ensure that MSF, IRA, and course fees were processed in accordance with their intended purpose, as well as CSU and campus policies.
- Historical distribution and recording of the Student Union Fee.
- Appropriate use of extended education revenues for the support and development of self-supported instructional programs.
- Impact of Category III fees on students and the cost of obtaining an undergraduate degree.

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 advisory review may not always detect these limitations.

## CRITERIA

This advisory review was conducted in conformance with the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing* as they pertain to consulting and advisory services. This was not an audit or assurance engagement.

The Institute of Internal Auditors' defines consulting services as follows: Consulting services are advisory in nature and are generally performed at the specific request of management. The nature and scope of the consulting engagement are subject to agreement with management.

This review emphasized, but was not limited to, compliance with:

- Education Code §89230, *Instructionally Related Activities*
- Education Code §89721, *Revenues*
- EO 1102, *California State University Student Fee Policy*
- EO 1050, *Category II Fee; Materials Services and Facilities Fee; Humboldt State University*
- EO 1099, *Extended Education; Self Supporting Instructional Courses and Programs*

## **ADVISORY TEAM**

Assistant Vice Chancellor: Mike Caldera

Director: Wendee Shinsato

Advisory Manager: Jennifer Rethwisch

Senior Advisory Services Consultant: Ellie Christov

## ANALYSIS

Our analysis found several opportunities for the campus to implement best practices or process improvements in the areas of governance, fee allocation and fee usage based on our review. Recommendations are summarized at the end of each section in blue and are included for further review and follow-up as determined necessary by campus management.

### 1. GOVERNANCE

There are opportunities for the campus to expand SFAC responsibilities to provide greater oversight and transparency of student fees.

We gained an understanding of student fee oversight at HSU through the review of SFAC and IRA committee documents and discussions with campus personnel with various roles in the fee administration process. Additionally, we researched other campus student fee committees to identify good business practices that HSU may want to implement related to fee oversight processes.

The SFAC, a shared governance body composed of students, faculty, and administrators, is responsible for reviewing proposals for and making recommendations to the president regarding the establishment or adjustment of Category II and Category III fees. Each year, the budget office provides SFAC with an annual student fee report that details the amount of revenue collected and the remaining balance for all fees (Category II through V). However, SFAC has limited involvement and visibility into how fees are used once they have been established. This responsibility is instead disbursed to various committees and departments, and as such, there is no one entity on campus that reviews all fees for the purpose of assessing whether they are spent according to intent, whether there is potential overlap in program funding, and whether fees are meeting the needs of the students and the campus. For example:

- MSF fees are allocated to each college, which further allocate funds to various departments and programs to cover costs associated with supplemental instruction. Each year, a summary of how MSF fees were spent is shared with the provost and Associated Students (AS), but not with the SFAC.
- The IRA committee is responsible for reviewing department and program requests for IRA funding and making recommendations to the president on how funding should be distributed. Once approved, IRA fee revenue is allocated to departments and programs, which should spend the funds on approved uses. The AS executive director is responsible for reviewing and approving all IRA expenditures.

We also reviewed fee committee responsibilities at other campuses and noted the following practices that provide greater oversight and transparency:

- Several campuses have absorbed the IRA committee into the SFAC, or have structured the SFAC so that it has an IRA subcommittee.
- Several campuses perform a regular analysis or audit of fees, including a thorough review of expenditures for appropriateness. Typically, fees are reviewed on a cyclical basis and/or based on review of the annual fee report and questions posed by the committee.

- The SFAC at several campuses receives detailed presentations on Category IV and V fees, allowing opportunities for discussion and questions related to these fees.

**Considerations for Improvement – Governance**

We suggest that the campus consider the following opportunities for improvement:

- a. Expand the SFAC committee responsibilities to include greater oversight of student fees, especially related to MSF and IRA fees. This may include receiving and reviewing detailed reports on fee expenditures or approving programs receiving funding.
- b. Consider absorbing the IRA committee into the SFAC or making it a subcommittee of the SFAC.

## 2. ALLOCATION OF FEES

MSF and IRA fee allocations had not been assessed in more than 10 years, and they may no longer align with student and campus priorities.

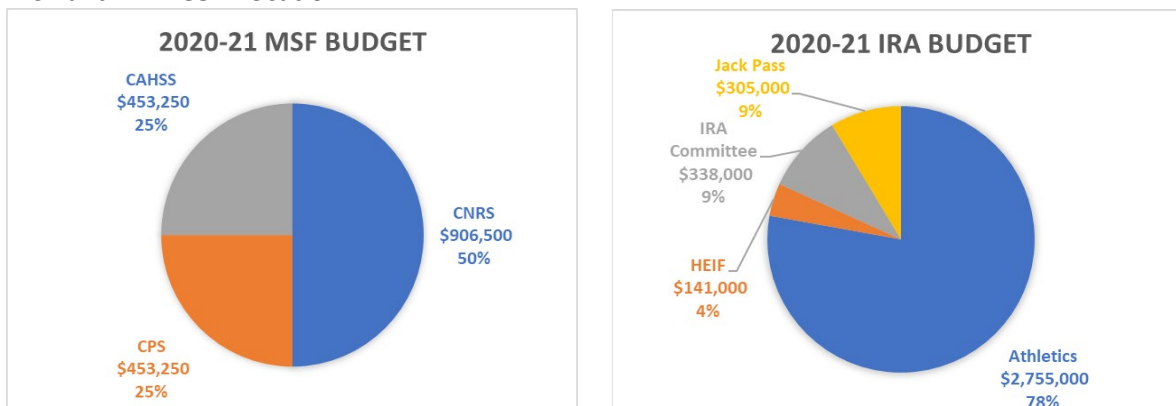
We reviewed MSF and IRA fee proposal documents and interviewed campus personnel to gain a historical perspective and understanding of how fees are allocated. Chart 1 below details the fiscal year (FY) 2020/21 MSF and IRA fee budget allocations.

As of fall 2021, students taking more than six units paid a \$174 MSF fee and a \$337 IRA fee per semester. The MSF fee revenue is allocated to each college, with the College of Natural Resources and Sciences (CNRS) receiving 50 percent and the College of Professional Services (CPS) and the College of Arts, Humanities, and Social Sciences (CAHSS) each receiving 25 percent.

IRA fee revenue is allocated to four separate programs:

- Intercollegiate athletics receives 77.9 percent to cover sports program costs.
- The HEIF receives 4 percent for student-driven projects to help reduce the environmental impact of HSU's energy use.
- The IRA Committee receives 9.5 percent to provide funding for a variety of instructionally related activities and programs.
- The Jack Pass receives 8.6 percent to fund students' use of public transportation.



**Chart 1****MSF and IRA Fee Allocation**

We learned that the allocation of MSF fee revenue has remained unchanged since the fund's inception in 2010. Additionally, the allocation of IRA fee revenue has not changed since 2011. At that time, a portion of the athletics funding was reallocated to the Jack Pass to cover expected increases in contractual costs for the program. Over time, it is likely that the needs of the students and campus have shifted, and it is possible that the allocations of MSF and IRA fees may no longer align with these needs. The need for an assessment of fee allocations is also reflected in other areas of this report, including sections related to carryover and use of fees.

The Task Force report also recommended performing student fee assessments on a regular cycle and engaging students in assessing the role of athletics in the life of the campus.

### Considerations for Improvement – Allocation of Fees

We suggest that the campus consider the following opportunities for improvement:

- Perform an assessment of the allocation of MSF and IRA fees to ensure they meet current campus and student body needs.
- Create a procedure to regularly reassess MSF and IRA fee allocations within a designated time period (e.g., every three or five years) to ensure continued alignment with campus and student priorities.

### 3. DEFINITION OF FEES

There are opportunities for the campus to better define the allowable uses of MSF and IRA fees to ensure they are used as intended and that allocations of the fees do not overlap.

Systemwide policy and state regulations broadly define the appropriate use of MSF and IRA fees, as summarized below.

Fee	Description
MSF	Per EO 1050, revenue will be used in the same manner as revenue collected for miscellaneous course fees, and additional revenue collected will be allocated for academic support priorities. Miscellaneous course fees, as defined by EO 1102, are collected for materials, services, or use of facilities used in concert with the basic complement of supplies needed for state-supported instruction and cannot be used for basic classroom or lab supplies.
IRA	Per Education Code §89203, fees will support the cost of instructionally related activities as defined by state law and approved by the Trustees, including, but not limited to, intercollegiate athletics; art exhibits; and radio, television, and theater productions.

We found that although some colleges had internal MSF funding guidelines, the campus did not have an overall policy or campuswide guidelines that outlined the appropriate uses of MSF and IRA fees. Additionally, as noted in the Task Force report, there were concerns about the challenge of distinguishing between the purpose of MSF and IRA fees. We also learned during interviews that the IRA committee would like additional guidance on how the IRA fee differs from the MSF fee to ensure that funding for programs is coming from the correct source.

In our review of IRA and MSF fee expenditures, discussed more in Sections 4 and 5, we noted instances where a program was funded by both MSF and IRA, or may have been better suited for a different funding source. For example:

- MSF fees were used to purchase equipment for Lumberjack News Workshop courses and KRFH station shows. IRA also provided funding for to the Lumberjack newspaper and KRFH.
- IRA fees were used to reimburse students for a class trip for Recreation Administration (REC) 362, which awarded students with a master diver certification after completion of the course. Based on review of the IRA proposal, the department funds the cost of the course instructor, MSF fees cover the cost of the remaining professors needed to meet the student-to-instructor ratio, and IRA fees cover a large portion of the field trip cost. Although the IRA funds were intended to reduce the cost of the trip for the students, it appears that MSF fees or course fees would be a better source of funds for a field trip related to a specific course. It should also be noted that REC 362 had an established course fee for travel.

Although it may be appropriate to use multiple sources to fund a specific program, without guidelines and a central body overseeing both IRA and MSF, it may appear to students that separate mandatory fees are paying for similar expenses.

**Considerations for Improvement – Defined Use of Fees**

We suggest that the campus consider the following opportunities for improvement:

- a. Create a campuswide policy that discusses the appropriate uses of campus-based fees, including MSF, IRA, and course fees. Guidance should include the goals of the fees, examples of allowable uses, and how the fees differ from each other.
- b. Train deans, department chairs, budget staff, and other appropriate campus personnel on the campuswide policy related to the use of campus-based fees.

**4. MATERIALS, SERVICES, AND FACILITIES FEE USAGE**

Some MSF expenditures may not meet the intent or allowable uses of the fee, or other sources may be more appropriate for funding the positions, materials and services.

When the MSF fee was implemented, the description and rationale provided by the campus stated that the purpose was to replace existing course fees, except those related to travel or field trips over \$50; support the costs of HSU's unique facilities; and fund learning opportunities "beyond the traditional classroom experience." Support for unique facilities was further defined as funding for support staff and equipment needed to maintain and operate facilities such as the marine lab, gaming pens, fish hatchery, greenhouse, and child development lab. Additionally, EO 1050 states that after covering the costs associated with eliminating course fees, additional revenue will be used for "academic support priorities."

We reviewed expenditure and summary reports to gain a better understanding of how MSF fees were used by each college. From FY 2017/18 to FY 2019/20, an average of 80 percent of MSF fee revenue was spent on salaries, wages, and benefits, and the remaining 20 percent was spent on supplies and services. We learned through discussions with campus personnel that MSF spending within the colleges was generally based on historical commitments, and most MSF fee revenues funded various support positions within each college. Table 1 shows average MSF expenditures by category and college from FY 2017/18 to FY 2019/20.

**Table 1**  
**Average MSF Fee Expenditures by College (FY 2017/18 – FY 2019/20)**

College	Salaries, Wages and Benefits	Supplies and Services	Total
CNRS	\$1,024,197 (85%)	\$184,278 (15%)	\$1,208,476
CPS	\$565,254 (96%)	\$21,288 (4%)	\$586,542
CAHSS	\$219,725 (48%)	\$243,247 (52%)	\$462,792*

\* In FY 2019/20, CAHSS spent just 34 percent of the MSF fee revenue allocated, impacting the three-year average.

### MSF-Funded Positions

We reviewed labor detail reports and identified 69 employees within 10 classifications that were funded by MSF fee revenue in FY 2020/21. Additionally, we selected a sample of 24 employees and, where available, reviewed position descriptions to determine whether the assigned duties aligned with the intent and purpose of MSF. Appendix A provides a list of positions identified and duties as defined by the CSU classification standards.

We found that several employees in MSF-funded positions were in technical jobs that supported HSU facilities such as the marine lab, greenhouse, and child development lab, all of which were specifically mentioned in the original MSF proposals. However, it appeared that some of the positions may not align with the intended purpose of MSF, or other sources may be more appropriate for funding these positions. Specifically, we found that:

- Nine of the employees worked in technical support positions that provided supplemental services to students enrolled in classes, such as lab, shop, or stockroom technician or manager positions. These support positions may meet the requirement of “academic support priorities” as stated in EO 1050; however, the campus should determine whether they consider the duties performed to be requirements of the class or “beyond traditional classroom experience.”
- 43 of the employees were students working as graduate assistants, student assistants, instructional student assistants or teaching associates. Per the college MSF annual summary reports, student employees assist with direct instructional support in class and lab settings, serve as peer mentors, assist in specialized facilities (such as the forestry stockroom, game pens, or fish hatchery), and help with student productions and performances. We were unable to obtain position descriptions for student employees; however, the CSU classification standards state that instructional student assistants and teaching associates perform duties directly related to basic classroom functions such as teaching or grading.
- Seven of the employees were classified as casual workers, but we were unable to determine the specific duties of these employees as position descriptions were not available. Additionally, the CSU classification standards do not provide specific duties for this job classification and state only that it is used for temporary employees.

Additionally, the Task Force report noted that with the rising costs of salaries and benefits, the number of other activities that can be funded by MSF revenues has decreased.

### MSF-Funded Supplies and Services

As noted above, on average, 20 percent of the MSF fee is spent on supplies and services. We selected a sample of 20 MSF expenditures and found that most appeared to align with allowable uses, as well as with the intent of the fee. However, we noted that some expenses may have aligned better with other funding sources. Specifically, we found:

- Two hospitality expenses for food, one for a commencement reception for environmental studies and geography students, and the other for a guest speaker event that was open to all students and community members.
- A purchase of a workbench for use in sculpture classes. Though this expense was connected to a specific course, a workbench could potentially be considered a basic item required for students to perform work in the class.

- A purchase of whiteboard erasers and acrylic signs for the Ethnographic Research Lab. These items do not appear to be “beyond the traditional classroom experience.”

#### **Considerations for Improvement – MSF Fee Usage**

We suggest that the campus consider the following opportunities for improvement:

- a. Perform a review of the use of MSF funds to assess their alignment with the allowable and intended uses of the fee, including a review of the positions funded through MSF revenues to determine whether they are appropriate based on the duties performed. This assessment can also assist the campus with developing fee guidelines as discussed in 3a.
- b. When developing MSF fee guidelines, specifically address the appropriateness of using MSF for hospitality expenses and replacement of classroom equipment, and explain what is considered “beyond basic instruction.”

### **5. IRA FEE USAGE**

Projects funded with the HEIF portion of the IRA fee did not always align with the original intent of the funding source. There are also opportunities for the campus to strengthen assessment of the programs reviewed by the IRA committee and to provide an avenue for funding new and innovative programs.

We reviewed summary and transaction reports detailing how the IRA fee was used within all four funds: athletics, Jack Pass, HEIF, and the IRA committee. We performed detailed testing of the HEIF and IRA committee funds, as described below, and a limited review of the Athletics and Jack Pass allocations due to the nature of their approved uses. Because the athletics portion of the IRA fee can be used to fund any cost related to sports programs, we reviewed summary reports to ensure funds stayed within athletics, and we noted no issues. Similarly, the Jack Pass portion of the IRA fee is used to pay the annual contract the campus has with the local transportation authority. We verified that the only expenditures made from the Jack Pass fund were to the appropriate vendor, and we noted no issues.

#### HEIF

We reviewed a list of projects funded through HEIF and selected a sample of transactions to determine whether expenditures aligned with the intent of the program and whether the associated projects were approved by the HEIF committee. Through this review, and discussions with HEIF committee members, we noted that over time, the type of projects funded by HEIF have evolved from what was outlined when the fee was established.

Per the 2003 IRA HEIF Fee Request Form and supporting documents, the purpose of HEIF is to meet HSU electricity needs with renewable energy by 2043 and fund projects that conserve energy and generate electricity from renewable resources. However, projects funded by HEIF have expanded to include those that have a sustainability component, but do not necessarily contribute to conservation or generation of electricity. For example:

- Since 2016, HEIF has funded the CampusWall, a virtual platform like Craigslist that allows the HSU community to list items for sale and has an annual subscription fee of \$1,200.

- Installation of water bottle refilling stations across the campus at an estimated cost of \$21,000.
- Purchase of an e-bike for \$9,000 to be used for hauling compost from department kitchens to the campus EarthTub compost.

It should be noted that per the 2020/21 HEIF annual report, the committee recommended a reworking of the HEIF mission, vision, and values statements, recommending that “energy independence” be removed from the HEIF name and mission statement. The report also states that the state of California now mandates renewable energy and it no longer seems appropriate to put this burden on a fund generated by student fee money. The committee proposed an expanded mission to include additional projects that comprehensively honor sustainability as a broader theme.

#### IRA Committee

We reviewed IRA committee approved budgets for academic years 2018/19 through 2020/21 to gain an understanding of the 38 programs funded within that time period. Overall, the programs funded by the IRA committee have remained consistent and unchanged. In our interviews, campus employees stated that these programs have an overreliance on IRA funding, which is to be expected from programs that continually receive funding. Additionally, we learned that committee participation may potentially affect which programs receive funding. The Task Force report noted concerns related to the equity of allocations and dependency on funds. We also noted that the IRA fee could be a source of revenue to fund new and innovative programs, but because certain programs rely so heavily on the funding, it might be difficult for new programs to receive funding.

Of the 38 programs approved for funding, all but two met the intended use of the fee. We found that:

- The Oh SNAP Student Food program received funding for the purchase of food for the campus food pantry. Other funding sources, such as ASI or the Basic Needs Initiative, may be better aligned with this program, which does not appear to be “instructionally related.” It should be noted that the IRA committee did not fund the OH Snap program in its 2020/21 funding cycle.
- As discussed in Section 3, field trips related to Recreation 362 are partially funded by IRA, though MSF or course fees seem to be a better fit for funding for these trips.

We also selected a sample of transactions to ensure they were spent appropriately and were connected to an approved program, and no issues were noted.

Additionally, we noted that requests for funding for the theater, film, and dance and music departments were submitted in a lump sum proposal that listed various uses for the requested funding. To have a better understanding of specific programs funded, it may be beneficial to require each program to request funding separately.

We also recognized an opportunity for the IRA committee to implement a post-activity report that details how IRA funds were used and to help determine whether the program should continue to be funded. Although the IRA committee requires programs to explain their need for funding, they do not require programs to detail how they used the previous year’s funding or explain why all funds have not been used. With many of the same programs receiving funding year after year, this assessment may be beneficial to ensuring that funding is allocated where the need is the highest.

### Considerations for Improvement – IRA Fee Usage

We suggest that the campus consider the following opportunities for improvement:

- Determine whether the purpose of the HEIF should be modified to include sustainability projects, and if so, obtain student support through appropriate processes.
- Determine how the campus could direct IRA funds toward new and innovative programs. One possibility would be designating a percentage of the revenue each year toward new programs.
- Create a review process for programs that receive funds in one application cycle to be considered for the following application cycle.
- Perform an assessment of the programs funded by the IRA committee and ensure that they align with the newly developed campuswide guidelines for use of campus-based fees.

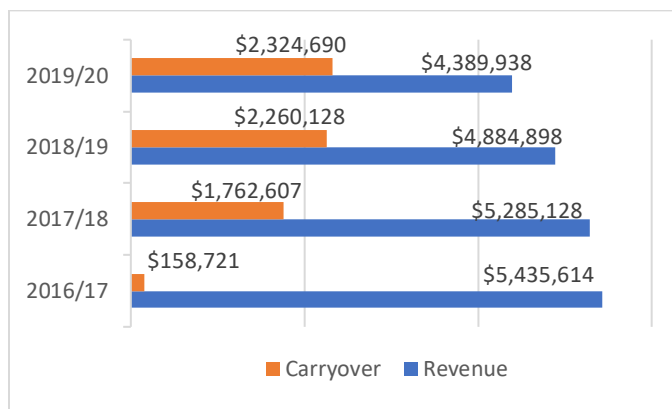
## 6. MSF AND IRA CARRYOVER

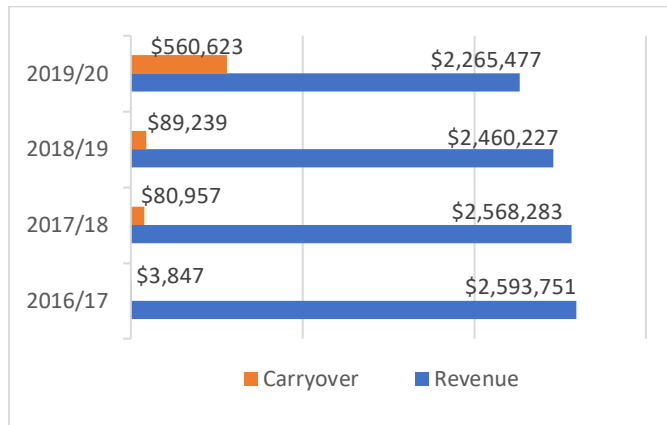
MSF and IRA fee revenue had carryover balances, further indicating the need for reassessment and guidance regarding fees.

It is the intent that student fees will be spent in the year in which they are received, ensuring that current students receive the value of fees paid. We reviewed MSF and IRA carryover balances on the student fee inventory reports for a four-year period and found that the IRA fund has had significant carryover since 2017, with \$2.3 million, or 53 percent of the annual fee revenue, in 2020. Additionally, MSF fee carryover increased to \$560,623, 25 percent of the annual fee revenue, in 2020. However, MSF carryover in prior years was much lower, and the recent carryover is likely due to COVID-19 and the reduction in course-related travel and the move to virtual learning. Charts 2 and 3 provide a breakdown of IRA and MSF revenue and carryover for the period reviewed.

**Chart 2**

**IRA Fee Revenue and Carryover (academic years 2016/17 through 2019/20)**



**Chart 3****MSF Fee Revenue and Carryover (academic years 2016/17 through 2019/20)**

To better understand how the IRA carryover was distributed between the four IRA programs, we reviewed fiscal year-end fund balances from 2018/19 to 2020/21, which are shown in Table 2. It should be noted that the total fund balances do not align with carryover amounts shown in Chart 2 as the data is reflective of fiscal years, rather than academic years. However, reviewing the fiscal year fund balance may provide insight into which IRA programs are driving the large carryover balance. Table 2 also displays the percent of the IRA fee allocated to each program to show comparison to the percent of the fund balance.

**Table 2****IRA Fund Balance (FY 2018/19 through FY 2020/21)**

Program	% of IRA Allocation	FY 2018/19		FY 2019/20		FY 2020/21	
		Fund Balance	% of Total Fund Balance	Fund Balance	% of Total Fund Balance	Fund Balance	% of Total Fund Balance
HEIF	4.0%	\$898,185	40.7%	\$586,839	25.2%	\$329,836	12.2%
Athletics	77.9%	\$312,473	14.2%	\$620,201	26.7%	\$1,335,008	49.3%
Jack Pass	8.6%	\$761,547	34.5%	\$787,401	33.9%	\$528,717	19.5%
Committee	9.5%	\$232,704	10.6%	\$330,249	14.2%	\$513,162	19.0%
<b>Totals</b>	<b>100.0%</b>	<b>\$2,204,909</b>	<b>100.0%</b>	<b>\$2,324,690</b>	<b>100.0%</b>	<b>\$2,706,723</b>	<b>100.0%</b>

We learned that the HEIF committee purposely builds up reserves to fund large projects that cannot be funded with one year's fee revenue and had been spending down the reserve in recent years. However, when the fund was established, it was discussed that mandatory fees must be spent in the year they are collected and that anticipated HEIF-funded projects should be completed with one year's funds.

The IRA committee has a reserve policy that allows reserves to address contingencies, emergencies, and budgetary impacts. The aim is to keep the balance in the IRA reserve to approximately 10 percent of the total projected budget amount available for allocation. The policy also states that no more than 30 percent of the IRA reserve shall be expended within a single year to meet the 10 percent goal. However, the academic year 2020/21 IRA committee allocation was \$338,000, of which the 10 percent reserve would be \$33,800; however, reserves have far exceeded this amount in years reviewed. Though COVID-19 may have impacted the ability to use all IRA committee funds due to reduced travel



or program activities, the carryforward balance has been much larger than the reserve policy for several years.

In our interviews, we also learned that when the Jack Pass allocation increased in 2011 from 6 percent to 8.6 percent, the cost associated with the program never matched the reallocation as intended. As such, the carryover or fund balance has grown over the years. Further, the athletics portion of the IRA fund had a large increase in carryover in FY 2020/21, again likely due to a reduction in travel and program functions. We also noted that the campus did not have a policy to address the use of mandatory fee carryover balances or appropriate reserve amounts.

#### **Considerations for Improvement – MSF and IRA Carryover**

We suggest that the campus consider the following opportunities for improvement:

- a. Develop a carryover/reserve policy for campus-based mandatory fees that explains how carryover amounts should be used and defines allowable reserve amounts.
- b. Perform an assessment of the HEIF program to determine whether it is possible to fund projects so that the revenue allocated to the program is expended within the same year. If this is not possible, the carryover of funds should be approved by students when the mission of HEIF is updated, as discussed in Section 5.
- c. Require the SFAC committee to regularly review significant carryover balances of mandatory fees to ensure they meet the newly developed reserve policy and to determine whether allocations are still appropriate.

## **7. COURSE FEES**

Course fees have been kept to a minimum since implementation of MSF, but there are opportunities for the campus to reassess or eliminate additional course fees.

Per the *CSU Student Fee Policy*, miscellaneous course fees can only be charged for the actual cost of the material, service, or use of the facility being provided. Additionally, course fees cannot be used for basic classroom or lab supplies or materials necessary for instruction. Based on the August 2020 Annual Student Fee Report, the campus had 29 Category III course fees, with 26, or 90 percent, covering the cost of field trips or other travel associated with a course. Since 2010, the campus has kept course fees to a minimum using the MSF fee to cover costs previously covered by course fees.

We reviewed the use of course fees over a five-year period (2016-2020) and determined that course fees generate, on average, \$45,433 per year. Additionally, we noted that there were 11 course fees that have not been used, or used minimally, over that same time period, and may no longer be needed. These course fees are detailed in Appendix B. With course fees covering a relatively small amount of the cost associated with student field trips, the campus may want to consider eliminating course fees altogether if an alternative funding source can be identified. The administrative burden and cost associated with assessing, collecting, and tracking course fees likely outweighs the benefit of the fees.

If the campus determines that is necessary to keep existing course fees, an assessment of course fee calculations may be necessary. We sampled four active course fees and related transactions to

determine whether they were used as intended and were appropriate based on the CSU *Student Fee Policy*. Review of expenditures appeared reasonable and aligned with the intent and purpose of the course fee. However, we found that some course fees were not fully expended within the year they were collected, making it unclear whether fees were charged for actual costs. Specifically, we found the following:

- Per the August 2019 Annual Student Fee Report, Geology 475 and Geology 110 had a carryforward balance of \$11,364 and \$545, respectively.
- The MSF fee should cover the first \$50 per student of field trip expenses; however, based on review of travel claims, it does not appear that MSF was applied to the cost of trips for Geology 475 and Geology 110. It should be noted that the travel advance for Geology 475 noted MSF as a funding source, but the actual claim did not.

#### **Considerations for Improvement – Course Fees**

We suggest that the campus consider the following opportunities for improvement:

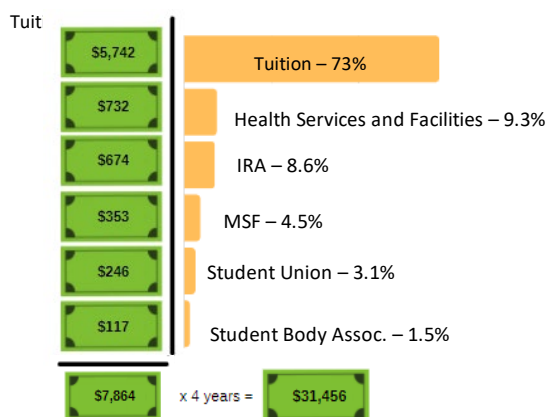
- a. Determine whether course fees should be eliminated, and if so, identify alternative funding sources to cover the costs for course-related field trips and travel.
- b. If course fees are not eliminated, perform an assessment of active course fees to ensure they are charged at actual cost and that the first \$50 per student is funded by MSF fees.

## **8. STUDENT IMPACT**

With the elimination of most course fees, the cost of obtaining an undergraduate degree does not vary greatly when comparing majors.

We looked at the potential impact or barriers that students may face as a result of campus-based fees related to obtaining an undergraduate degree. At the time of our review, tuition and mandatory fees totaled \$7,864 per year, or \$31,456 over four years for a full-time student. We reviewed campus majors to determine whether required courses with associated course fees may be impacting students' ability to obtain an undergraduate degree due to increased costs. With the implementation of the MSF fee in 2010, more than 500 course fees were eliminated, resulting in more uniform tuition and fees across majors.

We did identify two Geology majors and three Environmental Science and Management (ESM) majors that had required courses with an associated course fee, and therefore costs were increased for students enrolled in those programs. Potential additional costs for these programs ranged from \$10 to \$2,643 over a four-year period. Chart 4 below shows the breakdown of tuition and mandatory fees and compares the total cost to the total cost for majors with additional course fees.

**Chart 4****HSU Tuition and Mandatory Fee Breakdown**

\*Cost dependent on concentration of study.

**Majors with Additional Costs**

Geology  
\$32,051 - \$34,099\*



Environmental Science & Management  
\$31,466 - \$31,521\*

If the campus determines that the best action is to eliminate course fees, all undergraduate majors will pay the same amount. This does not include other costs outside of tuition, mandatory fees and course fees.

**9. STUDENT UNION**

Improved recording and documentation of how Student Union fees are used could increase transparency and provide students with a greater understanding of what the fee supports.

In January 2021, the CSU and HSU ended the agreement with the University Center (UC) to operate the student union and run various campus programs. As a result, the campus has taken over these operations and is working on restructuring the way the Student Union fee revenue and expenditures are recorded and is reassessing what the fee should be used for.

Based on review of the UC financial statements, we determined that the Student Union fee was previously allocated to Center Arts, Center Activities, and business operations. The distribution to these areas fluctuated from year to year, with Center Activities typically receiving the majority of fee revenue. This allocation of the fee appeared to be appropriate based on a review of systemwide policies and discussions with CO budget personnel, which noted that the Student Union fee should initially be used to cover debt services, maintenance, and operation of the UC building, and can fund other uses as communicated to the campus community in the Student Fee referendum.

We attempted to review expenditure transactions to determine whether Student Union fees were spent according to approved uses; however, expenditures directly related to use of the Student Union fee were not recorded in a way that would allow us to isolate them for testing or gain a full understanding of what the fees were specifically used for. As the campus restructures the way the Student Union fee is recorded, it would be beneficial to do so in a way that would allow for tracking and reporting of expenditures by program or function.

Additionally, the Task Force report noted that it was not clear how Student Union fees were used and recommended that the UC create a more detailed report on revenues, how these funds are used, and current reserve levels.

**Considerations for Improvement – Student Union Fee**

We suggest that the campus consider restructuring the recording of Student Union Fee revenue and expenditures to allow for reporting and tracking by program or function.

**10. EXTENDED EDUCATION**

Extended education fund expenditures were not properly documented to show a clear and appropriate connection between the expenditures and the support and development of self-supporting instructional programs.

We performed a limited-scope review of extended education fees, specifically focused on testing a sample of extended education expenditures for compliance with systemwide and state policy. We selected a sample of 20 transactions and found that nine campus partner expenditures were not supported with sufficient explanations to adequately connect the expense to the support and development of self-supporting instructional programs. This is a repeat finding from the 2017 Extended Education audit. Examples of expenditures that did not document the nexus to self-support programs included the following:

- Purchase of office supplies for departments within CAHSS.
- Work order to cover the cost of a lab move for a department chair.
- Hospitality expenses related to refreshments for a department commencement reception.

**Recommendation – Extended Education**

We recommend that the campus improve the process for documenting explanations for extended education expenditures so that they adequately connect the expense to the support and development of self-supporting instructional programs, and communicate this process to appropriate employees.

## APPENDIX A – POSITIONS FUNDED BY MSF

Labor details were reviewed for FY 2020/21 and the following 10 classifications and 69 employees were identified as being funded by MSF.

Classification	CSU Classifications and Qualifications	Positions by College
<b>Equipment Technicians I-III</b>	Perform a wide variety of technical equipment functions in connection with academic instructional support. Includes repairs, maintenance, installation, design.	CNRS: Boat Safety Officer (1), Marine Lab Technicians (2) CAHSS: Film Technician (1)
<b>Instructional Support Assistant/Technician</b>	Provide support services to academic instructional program(s). Includes a variety of services such as providing materials, supplies, and equipment appropriate to course content and the needs of the instructor and students. Provides lecture support in the form of set-ups of equipment, displays, and demonstrations.	CNRS: Hatchery Manager (1), Stockroom Technicians or Managers (3), Wildlife Museum Curator (1), Greenhouse Collections Manager (1), Botanical Culturist (1), Unknown (1)  CAHSS: Jewelry Lab Technician (1), Property Shop Technician (1), Electrics Technician (1)  CPS: Child Development Lab Director and Head Teacher (2)
<b>Performing Arts Technician</b>	Provide production support in the departments of theater arts, drama, cinema/film, music, and radio/television broadcasting.	CAHSS: Costume Shop Manager (1)
<b>Diving Safety Officer</b>	Performs support duties with underwater diving activities to ensure they are carried out in an effective and safe manner.	CPS: Diving Safety Officer (1)
<b>Casual Worker</b>	Performs intermittent work of a limited duration.	CPS: Unable to determine (7)
<b>Graduate Assistant</b>	Assists faculty or teaching staff with professional and technical duties. May involve supervising students in classroom, workshop, or labs; training students on use of equipment; assisting faculty with research and preparation of course materials; participating in the evaluation of students work; tutoring students; and other related work.	CPS: Unable to determine (5)
<b>Student Assistants</b>	Performs a wide range of duties in a variety of positions.	CNRS: Unable to determine (7) CAHSS: Unable to determine (4) CPS: Unable to determine (15)
<b>Instructional Student Assistant</b>	Performs teaching, grading, or tutoring in a given academic department or equivalent administrative unit.	CAHSS: Unable to determine (1) CPS: Unable to determine (3)

<b>Teaching Associate</b>	Teaches university courses and may also assist faculty or teaching staff with various professional and technical activities.	CPS: Unable to determine (8)
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## APPENDIX B – COURSE FEES FOR POTENTIAL ELIMINATION

The Annual Student Fee Report was reviewed for a five-year period (2016-2020), and the following course fees were noted as having limited activity.

Course	Fee	Date Established
Biology 433/533: Microbial Biology	\$100	June 2005
Environmental Sciences & Management 465: Rural Community Planning	\$27	Unknown
Environmental Sciences & Management 480L: Selected Topics/Lab	\$64	Unknown
Engineering 445: Extended Field Trip	\$100	March 2001
Engineering 545: Extended Field Trip	\$100	March 2001
Forestry 374: Extended Field Trip	\$10	June 2017
Geology 334: Structural Geology Field Trip	\$0-165	October 2018
Geology 499: Independent Study	\$1-122	April 1998
Geology 550: Fluvial Processes Field Trip	\$0-50	Unknown
Geology 699: Independent Study	\$1-122	April 1997
Zoology 556: Marine Mammals	\$1-25	July 1997