



# AUDIT AND ADVISORY SERVICES

## Student Fees Audit Project No. 16-670

November 18, 2016

Prepared by:

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Dorothy Lipari  
Auditor-in-Charge

Reviewed by:

Approved by:

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Jaime Jue  
Associate Director

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Wanda Lynn Riley  
Chief Audit Executive



AUDIT AND ADVISORY SERVICES  
Tel: (510) 642-8292

611 UNIVERSITY HALL #1170  
BERKELEY, CALIFORNIA 94720-1170

November 18, 2016

Harry Le Grande  
Vice Chancellor  
Student Affairs

Vice Chancellor Le Grande:

We have completed our audit of student fees as per our annual service plan in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

Our observations with management action plans are presented in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to the staff of Student Affairs, the Registrar's Office, Billing and Payment Services, the Controller's Office, the Campus Budget Office, and the various student fee committees' members and staff for their cooperative efforts throughout the audit process. Please do not hesitate to call on Audit and Advisory Services if we can be of further assistance in this or other matters.

Respectfully reported,

Wanda Lynn Riley  
Chief Audit Executive

cc: Interim Executive Vice Chancellor and Provost Carol Christ  
Vice Chancellor Scott Bidy  
Associate Vice Chancellor and Chief Financial Officer Rosemarie Rae  
Assistant Vice Chancellor and Director of Admissions Amy Jarich  
Executive Director Claudia Covello  
University Registrar Walter Wong  
Director Joyce Sturm  
Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca  
Associate Chancellor Khira Giriscavage  
Assistant Vice Chancellor and Controller Delphine Regalia

**University of California, Berkeley**  
**Audit and Advisory Services**  
**Student Fees**

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# OVERVIEW

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## Executive Summary

The purpose of our audit was to assess management's internal controls and practices for administering student fees in accordance with applicable campus and systemwide policies and guidelines. We reviewed the governance structure for each fee type, including the Chancellor's Administrative Committee on Student Services Fees (CACSSF), the Student Fee Referenda Committee (SFRC), and the Course Materials and Services Fee Committee (CMSFC). The audit scope covered the student services, campus-based (referenda), course materials and services, and miscellaneous fees.

Student fees are an integral part of the total cost of education at UC Berkeley and are an important element of the campus's revenue structure. Based on the results of our review, we identified opportunities to improve internal controls associated with the administration of student fees.

The governance structure providing oversight of student fees is complex and consists of several committees, each with its own charge, operating structure, and practices as well as a distinct set of fees for which it is responsible. The existing governance structure does not provide for oversight and review of all student fees by a single coordinating source before fees are presented to the Chancellor for approval. Also, the existing referenda committee structure, whereby there is usually a unique committee for each referendum, may not provide the overall perspective needed to coordinate and administer referenda within topic areas that share broad common interests. This structure may also unintentionally create inefficiency and possible redundancy in the administration of referenda fees. In addition, a periodic review of campus-based fees is not periodically performed or required to validate the consistency of current use with the purpose stated in the original referendum. Furthermore, the CACSSF may wish to consider enhancing its effectiveness consistent with the committee's charge by strengthening multi-year strategic planning for student fees and by periodically reviewing campus allocations to student services.

Miscellaneous fees and some referenda fees are in practice perpetual in nature and do not have fixed termination dates. In these instances, there is a moderate risk that the original purpose of the fee may no longer be needed or that the amount of the fee is no longer reasonable. Referenda committees and recipient units may have an interest in continuing the fee under these circumstances. It may be beneficial for the SFRC or the CACSSF to periodically and selectively review the ongoing need for individual fees and advise the Chancellor if elimination or reduction is warranted.

Departments may assess additional miscellaneous fees and course materials and services fees directly on students without proper approval of the change. The Campus Budget Office, the CACSSF and/or the CMSFC may wish to consider sending annual notification to departments of their approved fees and seek confirmation that the list is accurate and complete.

## Source and Purpose of the Audit

The purpose of the audit was to assess management's internal controls, processes, and practices for administering student fees in accordance with applicable campus and systemwide policies and guidelines.

## Scope of the Audit

The audit scope covered the University of California, Berkeley student fees, consisting of student services, campus-based (referenda), course materials and services, and miscellaneous fees. We reviewed the governance structure for each fee type, including the Chancellor's Administrative Committee on Student Services Fees (CACSSF), the Student Fee Referenda Committee (SFRC), and the Course Materials and Services Fee Committee (CMSFC). One or more members of each committee, including committee staff support, were interviewed.

Campus and University of California policies and guidance related to student fees were considered. The audit scope included the promulgation, monitoring, and reporting of student fees. Limited testing of additions, changes, and terminations of fees was performed. The audit reviewed the practices of various areas and/or departments participating in the student fee process, including the Registrar's Office, Student Affairs, Billing and Payment Services, the Budget Office, and the Controller's Office.

## Background Information

Student fees apply to all types of UC Berkeley students, including resident and non-resident students, semester and summer session students, and online students. Some student fees are assessed to all students, while other student fees are assessed only to those students who elect to receive specific services or who are assessed certain administrative fines or penalties.

The following are the primary categories of student fees at UC Berkeley:

- *Student Services Fee.* This fee is set annually by the UC Regents and is \$510 per student per semester for fiscal year 2016. Broad guidelines are provided for the utilization of fee revenue. At the Berkeley campus, fee revenue is allocated among an annual discretionary portion, which is wholly administered by the CACSSF, a short-term portion to address shorter-term needs, and a long-term portion allocated to specific departments.
- *Campus-based Fees.* These fees are referenda based, and are initiated either by departments or by students. Currently, there are fifteen campus-based fees. The oldest campus-based fee is the Associated Students of the University of California (ASUC) fee which was established in 1900, while one of the newest campus-based fees is the Wellness Initiative Fee, which was recently ratified by students. Six of the campus-based fees are perpetual, while the others have a fixed termination date. For fiscal year 2016, campus-based fees were \$525.25 per student.
- *Course Materials Fees.* These fees include materials fees based on a student's elective enrollment in a class or entry to specific facilities (generally computer labs, etc.). There are approximately 100 distinct course materials and services fees ranging from a few dollars to \$200, depending on the class. Fees for field trips can total several thousand dollars.

- *Miscellaneous Fees.* These are primarily administrative and other fees, including parking permits, recreational sports fees, fines and penalties, etc. There are approximately 160 distinct miscellaneous fees that can range from a few cents per page for printing to several hundred dollars per year for parking permits.

All student fees must be approved by the Chancellor. The administration of student fees was enhanced in 2006 with the creation of the CACSSF. This committee, advises the Chancellor on student fees, and recommends student fees, but does not formally approve student fees. The Campus Budget Office oversees the distribution of student fees to departments and programs.

Two additional committees operate independently of the CACSSF:

- The CMSFC reviews and submits all course materials and services fees directly to the Chancellor for approval.
- The SFRC, which is a sub-committee of the CACSSF, provides information and advice to campus departments, students, and student groups on the referenda process. Referenda are initiated either by campus departments or by students or student groups. Student groups normally include the Committee on Student Fees, the Graduate Assembly, and the ASUC. Referenda, once ratified by student election, are approved directly by the Chancellor.

These committees are composed of students, faculty, and administrative staff. Student committee members may serve on one or more of the student fee committees noted above.

The Committee on Student Fees is a student-run committee that prepares the student referenda packets and also recommends miscellaneous fees. These fees are proposed to the CACSSF for consideration and further recommendation to the Chancellor for approval. A few miscellaneous fees are reviewed each year by the Committee on Student Fees.

### Summary Conclusion

Student fees are an integral part of the total cost of education at UC Berkeley and are an important element of the campus revenue structure. Based on the results of our review, we identified opportunities to improve internal controls associated with the administration of student fees.

The governance structure providing oversight of student fees is complex and consists of several committees, each with its own charge, operating structure, and practices as well as a distinct set of fees for which it is responsible. The existing governance structure does not provide for oversight and review of all student fees by a single coordinating source before fees are presented to the Chancellor for approval. Also the existing referenda committee structure, whereby there is usually a unique committee for each referendum, may not provide the overall perspective needed to coordinate and administer referenda within topic areas that share broad common interests. This structure may also unintentionally create inefficiency and possible redundancy in the administration of referenda fees. In addition, a periodic review of campus-based fees is not periodically performed or required to validate the consistency of current use with the purpose stated in the original referendum. Furthermore, the CACSSF may wish to consider enhancing its effectiveness consistent with the committee's charge by strengthening multi-year strategic planning for student fees and by periodically reviewing campus allocations to student services.

Miscellaneous fees and some referenda fees are in practice perpetual in nature and do not have fixed termination dates (sunset dates). In these instances, there is a moderate risk that the original purpose of the fee may no longer be needed or that the amount of the fee is no longer reasonable. Referenda committees and recipient units may have an interest in continuing the fee even under these circumstances. It may be beneficial for the SFRC or the CACSSF to periodically and selectively review the ongoing need for individual fees and advise the Chancellor if elimination or reduction is warranted.

There is risk that departments may assess additional miscellaneous fees and course materials and services fees directly on students without proper approval of the change. The Campus Budget Office, the CACSSF and/or the CMSFC may wish to consider sending annual notification to departments of their approved fees and seek confirmation that the list is accurate and complete.

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## SUMMARY OF OBSERVATIONS & MANAGEMENT RESPONSE AND ACTION PLAN

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### Student Fees Governance

#### Observation

The governance structure providing oversight of student fees is complex and consists of several committees, each with its own charge, operating structure, and practices as well as a distinct set of fees for which it is responsible. The primary student fee committees include the Chancellor's Administrative Committee on Student Services Fees (CACSSF), the Course Materials and Services Fee Committee (CMSFC), and the Student Fee Referenda Committee (SFRC). Currently, there is not a single coordinating governing organization that provides oversight of all types of student fees. With the creation of the CACSSF, the campus is making progress by providing a committee that, in addition to administering the systemwide student services fee, collects information on the implementation and use of other student fees for annual presentation and approval to the Chancellor. There is an opportunity to align the development of fees with the campus value of providing access to higher education by holistically considering fees and their impact.

#### *The CACSSF*

The CACSSF does not currently provide active oversight and guidance to other student fee committees. There is an opportunity to further define the reporting relationship between the CACSSF, the CMSFC, and the SFRC by expanding the role of the CACSSF to provide oversight and guidance to them. By assuring the accountability of these committees, these activities would likely provide greater transparency and assurance in annual reporting to the Chancellor from the CACSSF with respect to these fee categories.

#### *Oversight Committees for Referenda Fees*

The existing governance structure for campus-based referenda fees consists of a separate oversight committee for each approved referenda (currently 15), regardless of the amount or purpose of the fee. There may be overlap in the membership of the committees and the Campus Budget Office provides some administrative support. The current structure may not provide the overall perspective needed to coordinate and administer referenda within topic areas that share broad common interests. There are several referenda associated with student health and wellness, and several others that involve student centers or student-focused activities. Redefining the committee structure to provide topic area committees that govern all referenda within their topic area (e.g., student health, student services, student athletics, student government, etc.) would likely improve the perspective of and governance by the committees. This could also reduce the number of individual committees, thereby reducing administrative redundancy. In the future, all new referenda would be governed by the topic area committee to which it is aligned. Existing referenda committees could be assigned to the appropriate topic area committee for coordination with other committees in the topic area.



### *Use of Collected Fees for Intended Purposes*

Student fees are generally designed and intended for specific purposes related to student life. There is some risk that the collected fees may be used for purposes other than intended; the risk varies with the type of fee.

For campus-based fees (student-initiated or department-initiated referendum fees), some fees date back several decades and, depending on the language of the individual referendum, either its referenda oversight committee or recipient unit may have some flexibility in determining the annual use of the collected fees. A periodic review of these fees to validate the consistency of current use with the purpose outlined in the original referendum is not routinely performed or required (the student-run Committee on Student Fees may review on a limited basis). For larger referenda fees, it may be worthwhile to periodically validate the consistency of current use with the purpose outlined in the original referendum. Should the needs of the campus change from when the referendum fee was initially passed, there may be an opportunity to eliminate or reduce the fee as allowed in campus guidelines.

Course materials and services fees are reviewed by the CMSFC and considered by the Office of the Executive Vice Chancellor and Provost before being recommended to the Chancellor for approval. The fee is assessed by the unit providing the good or service at the point it is requested or delivered. For the student services fee, the Vice Chancellor of Student Affairs, along with the Campus Budget Office, prepare an annual report on the use of amounts collected, providing transparency to the campus.

### *Charge of the CACSSF*

We understand that the CACSSF's role in advising the Chancellor and senior administration on student services funding and fee issues continues to positively evolve. We observed that the CACSSF fulfills many of its stated charges listed on their website. However, we noted limited progress in the following areas of its charge. Focus on these areas would likely be helpful to serving its long-term advisory role.

- “Undertake a multi-year planning process that strategically considers fee referenda, course materials and services fees, miscellaneous student fees and campus allocations . . . [and]
- Periodically (e.g., every three to five years) review campus allocations to student services and make recommendations to the Chancellor on any changes to student services allocations....”

### **Management Response and Action Plan (Vice Chancellor Le Grande)**

We agree there are challenges with the governance of student fees. We briefly labeled audit findings with the Chancellor's Advisory Committee on Student Services and Fees (CACSSF) at the May meeting and will explore with the committee during 2016-17 how the campus might simplify governance structures for providing oversight of student fees. With regards to the charge of the CACSSF, we continue to believe it would be valuable to engage in strategic, multiyear planning and will explore how that might be enacted during 2016-17.

Target Completion Date: June 30, 2017

## **Student Fees – Perpetual Assessment**

### **Observation**

Miscellaneous fees and some referenda fees are in practice perpetual in nature and do not have fixed termination dates (sunset dates).

For referenda fees, because some referenda are passed without specifying an end date to the fee, there is moderate risk that the original purpose of the fee may no longer be needed or that the amount of the fee may no longer be reasonable. Referenda committees and recipient units may have an interest in continuing the fee even under these circumstances.

Under campus policy, the Chancellor has the authority to eliminate or reduce a referendum fee when

- “a program or service supported by the fee either is not undertaken or has been reduced or eliminated, or
- A lower fee has been demonstrated to be sufficient to sustain the initial purpose of assessing the fee.”

It may be beneficial for the SFRC or the CACSSF to periodically and selectively review the ongoing need for individual fees and advise the Chancellor if elimination or reduction is warranted.

### **Management Response and Action Plan** (Vice Chancellor Le Grande)

We agree with the observation that miscellaneous student fees (MSF) and some campus-based fees do not have fixed termination dates. MSF will be addressed in the response to observation 3. We will work with Student Fee Referendum Committee Co-Chairs this summer to have the committee to strongly recommend that all new campus-based fees have sunset dates. By October 2016, we will develop a mechanism for periodic review of campus-based fees that do not have an end date.

Target Completion Date: March 31, 2017

## **Course Materials and Services Fees and Miscellaneous Fees**

### **Observation**

We found that there is some risk that departments may assess additional miscellaneous fees and course materials and services fees directly on students without proper approval of the charge. Currently, these fees are posted on the Campus Budget Office website.

Ensuring that the Campus Budget Office maintains a complete and up-to-date list of approved fees will provide students with an accurate source to validate any fees they may be asked to pay. Students may also be provided with contact information for the CACSSF committee to report fees they believe are unapproved or inappropriate. In addition, the Campus Budget Office, the CACSSF and/or the CMSFC could send annual notification to departments of their approved fees and seek confirmation that the list is accurate and complete.

**Management Response and Action Plan** (Associate Vice Chancellor and Chief Financial Officer Rae)

To help mitigate the risk identified in this finding related to the assessment of miscellaneous fees and course materials and services fees, the Campus Budget Office will develop an annual process to ensure that the lists of approved fees published on its website are up-to-date and that campus departments are contacted on an annual basis and requested to confirm that the approved fees on the published list are current and accurate.

In addition, the Campus Budget Office will add some language to the fee website explaining to students that the listed fees represent the latest approved rates, and that if they are being charged fees other than those on the published list, they should contact the Campus Budget Office.

Target Completion Date: March 31, 2017