



Internal Audit Report

STUDENT FEES USAGE

Report No. SC-11-07

March 2010



March 18, 2011

FELICIA MCGINTY
Vice Chancellor – Student Affairs

Re: Internal Audit Report No. SC-11-07 – Student Fees Usage

Dear Felicia:

Internal Audit & Advisory Services (IAS) has completed a review of the overall effectiveness and assessed controls assuring that fee assessments are accurate, correctly recorded, and used in accordance with their intended purpose.

In general, the University Student Services Fee and the campus-based fees reviewed were used according to their intended purpose. Student Affairs and Planning & Budget were implementing new restrictions recently voted on by the Regents and were working closely with the Student Fee Advisory Committee (SFAC). The SFAC, primarily composed of students, was actively involved in its advisory capacity to the administration and in monitoring fee usage on behalf of their fellow students.

Four issues requiring management corrective action were identified, including the setting of Summer Student Fees, transfers of expenses charged to student fees bypassing official campus guidelines, extending the campus election timeline to allow for a more thorough review of referendum language, and improvements over entertainment and travel expense approvals for some units.

All campus organizations involved in this review were responsive in acknowledging and working through observations identified. Agreement was reached on all of the report's recommendations. Normal followup activity will be performed to verify completion of the agreements.

We would like to express our appreciation to Student Affairs, Planning and Budget, and Undergraduate Education for their cooperation and assistance throughout this engagement.

Sincerely,

A handwritten signature in blue ink that reads "Barry Long".

Barry Long, Director
Internal Audit & Advisory Services

Attachment

Felicia McGinty
March 18, 2011
Page Two

Distribution:

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Vice Chancellor Delaney
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UCSC Audit Committee:

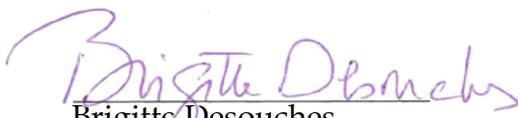
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STUDENT FEES USAGE

Report No. SC-11-07

March 2011

Approved:


Brigitte Desouches
Senior Auditor

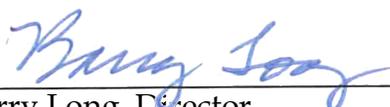

Barry Long, Director
Internal Audit & Advisory Services

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY 2

II. INTRODUCTION

 A. Purpose 3

 B. Background 3

 C. Scope 5

 D. Observations of Noteworthy Practices 5

III. ISSUES REQUIRING MANAGEMENT CORRECTIVE ACTION

 A. Summer Session Campus-Based Fees 5

 B. Use of Transfers of Expenses 7

 C. Involvement in Referendum Language Writing 9

 D. Entertainment and Travel Expenses Approval 10

APPENDICIES

 Appendix A 12

 Appendix B 17

I. EXECUTIVE SUMMARY

Internal Audit & Advisory Services (IAS) has completed its review of campus student fees usage to assess the adequacy of internal controls assuring fee assessments were accurate, correctly recorded, and used in accordance with their intended purpose.

The UC Student Fee Policy, recently revised by the Regents, regulates the University Student Services Fee usage and in every UC campus students vote on their own campus-based fees, the use of which is ruled by the particular terms of the referendum.

In general, the University Student Services Fee and the campus-based fees were used according to their intended purpose. Student Affairs and Planning & Budget were implementing new restrictions recently voted on by the Regents and were working closely with the Student Fee Advisory Committee (SFAC). The SFAC, primarily composed of students, was actively involved in its advisory capacity to the administration and in monitoring fee usage on behalf of their fellow students. The UCSC SFAC is considered by many as a highly effective committee within the UC system.

The following issues requiring management corrective action were identified during the review:

- A. *A formal process for the setting of Summer Student Fees had not been established.*
- B. *Some transfers of expenses charged to student fees at the end of the fiscal year bypassed official campus guidelines, thus losing the audit trail and transparency of expenses charged on student fees.*
- C. *The campus election time line did not provide sufficient time for Planning & Budget to perform a careful review of referendum language and its future financial ramifications.*
- D. *Entertainment and travel expenses approval controls could be improved in some units visited.*

Observations and related management corrective actions are described in greater detail in Section III of this report. A summary of the results from our review of the student fees usage is described in Appendix A. Appendix B contains a more detailed description of the SFAC engagement.

II. INTRODUCTION

A. Purpose

The purpose of this audit was to assess controls assuring that student fee assessments were accurate, correctly recorded, and used in accordance with their intended purpose.

B. Background

Every quarter, four types of compulsory student fees are charged to undergraduate and graduate students: Educational Fee, Non-Resident Tuition Fee, University Student Service Fee, and Campus-based student fees.

- Educational Fees support costs related to instruction, enrollment administration and libraries costs as well as some other parts of the university's operating budget.
- Non-Resident Tuition Fee applies only to out-of-state or foreign students.
- University Student Services Fee (former Registration Fee), the intent of which is to provide a supportive and enriching learning environment to students distinct from the core instructional program
- Campus-based student fees that support specific programs or services for students and are mostly voted on by student ballots.

During the fiscal year 2009-2010, close to \$44 Million were collected in Student Services Fee and Campus-based fees, including the subject-to-waver Health Insurance Program fees. The revenue from these fees was distributed as shown below:

all dollars in millions

Fee Distribution	Total Collected	Distributed to Student Affairs	Distributed to other campus units
Student Services Fee	\$14.6	\$13.4	\$1.2
Campus-based fees (w/o Health Ins.)	\$17.4	\$11.6	\$5.8
Undergraduate Health Insurance fees	\$8.1	\$8.1	
Graduate Health Insurance fees	\$3.6	\$3.6	
Total	\$43.7	\$36.7	\$7
Distribution Percentage		84%	16%

The revenue from the Student Services Fee and the 35 Campus-based fees is used to support and enrich student life on campus in a variety of ways. These fund a

multitude of student programs and organizations of a governmental, cultural and student empowerment nature. These also fund student learning support and outreach, tutoring and internship programs sponsored by academic divisions, building and maintenance of student facilities, and a number of campus services for students such as campus transportation and sports activities, and additional student based activities.

Distinct processes govern the setting of these fees and their distribution:

- The Student Services Fee is a system-wide mandatory charge, subject to annual changes requiring UC Regental approval.
- Campus-based fees are voted on by students in their own campus and must be further approved by the Chancellor and the UC President. Allowed only in very limited circumstances, a campus-based fee, such as the Seismic Fee, may be generated by Chancellor action.

Student Affairs and Planning & Budget are the most involved in the student fees process and work closely together. Student Affairs houses the majority of the student programs funded by these fees and administers 84% of their revenue. Planning & Budget orchestrates the distribution of the fee revenue on campus.

An important component of the student fees governance is the SFAC. This committee, primarily composed of students, provides the students view to the Chancellor when the Student Services Fee is reviewed. Besides from providing recommendations on setting and distribution of student fees, the SFAC also conducts analyses of the relevancy of student programs currently funded and the need for funding new programs. In addition, it has an audit role for the usage of all campus-based student fees. Refer to *Appendix B* for additional information on the SFAC role, the results of their review and their FY11 agenda.

In May 2010, the Regents approved revision to the "*University of California Student Fee Policy*", Policy 3101. This revised policy has increased strictness in the Student Services Fee usage, expanded the articulation of the role of students in setting the fee level and set standards for the content of student fee websites and mandatory transparency of reported fee usage.

The students have three major concerns regarding compulsory fees. These are the recognition that the revenue from these fees is "student money", the transparency of fee usage, and their inclusion in student fees decision making processes.

C. Scope

With the divisions of Student Affairs, Planning & Budget and Undergraduate Education, we reviewed varied processes, such as the setting of Summer Session fees, campus allocation of the fees, fee termination, and referenda language. We conducted detailed testing across academic and administrative divisions for specific expenditures of travel and entertainment charged on both Student Services Fee and campus-based fees. We reviewed the ledger of expenses of selected programs and units funded by student fees, with special attention to the congruence of the expenses with the fee regulations, the year-end transfers, and the balances carried forward to the next year over a span of several years. Our review focused on the fiscal year 2009-2010. We did not review Educational Fees support costs related to instruction, enrollment administration and libraries or the Non-Resident Tuition Fee, which applies only to out-of-state or foreign students.

D. Observations of Noteworthy Practices

During the course of our assessment, we also made the following observations of note worthy activities having a positive impact on the campus student fee process:

- Student Affairs and Planning & Budget were fully engaged in ensuring compliance to the newly updated Regents Policy. The Student Affairs Vice Chancellor asked the SFAC to conduct a review of fee usage in units receiving revenue from campus-based fees. The review was completed during Spring 2010. This initiative was ground breaking in that a review of units' management of fees had never been done at the campus.
- The Student Affairs website allows for public viewing by fees of past years fee usage, therefore providing the transparency requested by the Regents.
- Campus SFAC is an active committee, engaged in the fulfillment of its responsibilities.
- Planning & Budget keeps track of campus-based fees termination dates, a role that has never been officially assigned to a particular division on campus.

III. ISSUES REQUIRING MANAGEMENT CORRECTIVE ACTION

A. Summer Session Campus-Based Fees

A formal process for the setting of Summer Student Fees had not been established.

A formal Summer Session Fees process needs to be developed in order to efficiently coordinate campus participation in the timely setting of summer fees.

Comments:

Since the start of the State supported summer session in 2006, the summer campus fee has been based on a formula including a combination of campus-based fees. However, this process is still new and not yet formalized. Campus divisions and students involved in the summer session process agree that this formula needs to be revisited to ensure updated compliance with UC policies, closer consideration of referenda language, and examination of the correlation between a campus-based fee included in the formula with an actual summer service provided to the students.

The 2000 University of California "Fee Policies Related to Expanded Summer Instruction" states:

"It is anticipated that each campus will examine the programs and services that are funded from campus-based fees to determine those that are essential to the operations of summer session or are in high demand during the summer. Each campus should determine whether services not now provided are needed during the summer and whether additional fee revenue from the campus-based fees is needed to support those services. If additional services or programs are necessary, the campus should calculate an appropriate prorated fee level to be charged during the summer term. Depending on the original Regental actions for these fees, campuses may need to seek approval from The Regents to charge prorated campus-based fees."

The Vice Provost of Undergraduate Education Division/Dean of Summer Session has overall responsibility over the process of setting the summer session fees. In addition to the Undergraduate Education Division/Summer Session, this process calls for the participation of the SFAC, SA and P&B. These four entities had already identified the need for such a process and were engaged in its formulation before the audit was initiated. The formal process will include the following: determination of which campus based fees should be included in the summer term, which units should receive the revenue from these fees based on the related services offered to the summer students, choice of a fees calculation formula leading to the summer fees for the year, Chancellor's approval and the posting of the fees. Such a complex process requires careful collaboration and study with each of the participating groups.

This 2010-2011 year presents the opportunity to establish a larger formal process by which the Summer Session campus-based fees can be determined. This process should include, in addition to the calculation process of the fees, a description of the specific roles played by Undergraduate Division/Summer Session, Student Affairs, Planning & Budget and the Student Fee Advisory Committee, the timing of their participation and the process steps leading to the adoption of the following year student summer fees. In addition, the process should include:

- A SFAC recommendation for the fees that should be charged based on the committee's analysis of student needs and summer services rendered,
- The convening of the three divisions: Undergraduate Education/Summer Session, Planning & Budget and Student Affairs to decide on the summer campus based fees formula after taking into full consideration the SFAC recommendations,
- The Chancellor's signed approval of the next Summer Session Fee, and
- The posting of this charge on the Summer Session website.

This formal process should also include the decision-making process for fee revenue distribution, for which the SFAC also provides a recommendation.

Agreement:

The Dean of Summer Session will ensure the completion of a formal Summer Session Fees process describing a yearly time line to be followed every year, clarifying the roles and participation timing for Undergraduate Education/Summer Session, Student Affairs, Student Fees Advisory Committee, Planning & Budget and any other parties involved in the setting of the fees, and process steps leading to the calculation of the fees and the distribution of its revenue by 12/16/2011.

B. Use of Transfers of Expenses

Some transfers of expenses charged to student fees at the end of the fiscal year bypassed official campus guidelines, thus losing the audit trail and transparency for expenses charged on student fees.

Units should give great care and attention to year-end transfers on student fee expenses, minimize their use and preserve complete audit trail when processing.

Comments:

A sample of 26 transactions in seven units from three divisions was selected for detailed testing. The following observations were identified:

- The expenses were to and from varied student fee funds and sometimes unrestricted gifts.
- The legitimacy of the funds had generally been reviewed based on interviews with staff, but not always addressed in the transfer documentation.
- Year-end transfers were generally used to offset balance deficits. These transfers seemed to be transfers of funds disguised in transfers of expenses.
- Most often, transfers did not relate to specific expenses nor were they traceable to a transaction of origin, thus risking loss of audit trail.

- Account codes such as 001260 (Services-miscellaneous) and 001280/006500 (Expense sharing) were not used as per their original intent for specific circumstances, but used as a mechanism for processing collections of varied and unspecified expenses.
- Staff persons entering the transfer were also online approvers, however clear procedures on authorization and on-line approval limits were not always present.
- The journal back-up documentation could not always be found.

Our main concern regarding these transfers, besides their departure from campus guidelines, was their impact on the tracking of expenses charged on student fee funded accounts. Using transfer of expenses in this manner has the effect of losing the audit trail and the ability of the campus to demonstrate transparency of student fee usage.

As we carefully examined each case and interacted with the staff to understand the reasons behind this departure from campus procedure, we were able to make the following distinctions:

Case 1: We found units for whom transferring expenses at the end of the year rather than directly charging the correct FOAPAL was justified due to the nature and the complexity of their business. As per these units, this practice enabled them to better keep track of expenses before transfer. We also found them to be confident in their ability to provide details on the transferred expenses if needed. The audit trail seemed reasonably maintained.

Case 2: For other units, we found that the number of transfers could in fact be reduced with improvement of the fund owner financial management skills. In these units, the practice of systematically charging all expenses to one holding account during the year when expenses could have been distributed to different FOAPALs, was prevalent. At the end of the year, funds were transferred to whichever accounts were in deficit in amounts that were needed to balance. In some of these units, we found an effort to train the fund owners and bring a culture of financial accountability to fund management.

As we spoke with the budget analysts of the selected units, we believe that transfers are made after consultation and approval of the fund owners: however the staff was not clear on both authorization levels and FIS Banner on-line approval limits. As a good business practice, documentation over these transactions should be maintained within the units.

For the very small units who are not very familiar with the use of transfers, training could be organized and given by a seasoned budget analyst from the division itself.

Agreements:

1. Student Affairs will establish a student fee related transfers of expense procedure throughout the division, requesting:
 - a. Transfer authorization above a determined limit be given by fund owner and documented with the back-up documentation.
 - b. The review of legitimacy of funds used in the transfers confirmed and documented.
 - c. Transfer of expense authorization and on-line approval levels documented.

Items a., b., and c. will be completed by 9/1/2011.

2. Student Affairs will study with their units who process transfers of expenses related to student fees, the legitimacy of their need for year-end transfers, reduce the number of transfers whenever possible in establishing a structure of accountability for sound financial management, and ensure that in all cases the granularity of expenses can be available by 9/1/2011.

C. Involvement in Referendum Language Writing

The campus election process did not provide sufficient time for Planning & Budget to perform a careful review of referendum language and its future financial ramifications.

Planning & Budget should be involved earlier in the campus elections timeline and be part of the planning and referendum writing process.

Comments:

It is important that student fee referendum language be carefully formulated. A proper balance is needed between specificity and openness. A lack of specificity could open the door for inexact compliance with the original intent of the fee. Alternately, wording formulated too strictly could provide too much containment to campus and students and trigger the need for a new ballot.

If the referendum planning process lacks sufficient time for Planning & Budget to conduct an adequate review, referendum language may not be able to be properly analyzed for possible future changes and their impact. Should this occur, the fee may need to be adjusted sometime during its duration. A new vote to modify referendum language is a time consuming and difficult process as multiple attempts might be required if the minimum voting pools are not reached. This is especially critical when the fee is designed to pay for a capital building as the wording needs to be such that it allows for the fee to provide adequate funding for the cost of the project.

A campus election time line, posted on the Student Affairs website, shows the sequence of the campus election process deadlines. It states: "*From January 15 to February 12, Student Affairs work with Planning & Budget, Office of the President, etc. to finalize referendum language*".

This time line does not seem to allocate sufficient time to conduct a thorough review before the referendum language is sent to UCOP. In addition, Planning & Budget needs to be involved earlier in the process and be part of the writing effort. Student Affairs has indicated support for earlier involvement from Planning & Budget.

Agreement:

The Student Affairs Associate Vice Chancellor, Campus Life & Dean of Students and the Planning & Budget Assistant Vice Chancellor should/will decide of the procedure by which Planning & Budget will extend its involvement to the referendum writing phase of the election process. If needed, the Dean of Students should/will have the Campus Election Timeline amended to reflect the new arrangement by 9/1/2011.

D. Entertainment and Travel Expenses Approval

Entertainment and travel expense approval controls could be improved in some units visited.

Approval limits for travel and entertainment expenses charged on student fees should be reviewed, documented, and communicated to staff responsible for processing and authorizing entertainment policy.

Comments:

Entertainment expenses charged by Student Organization Advising and Resources (SOAR)

Entertainment expenses charged by SOAR on the Campus Sustainability Program Fee were reviewed. While the expenses tested seemed to be congruent with the stated and intended purpose of the fee, the assignment of staff levels of authorization and approval lacked clarity.

In addition, the extension of SOAR's oversight to Student Media, Cultural Arts & Diversity and the Graduate Commons amplified the need for such clarity. The SOAR Director, aware of this need, had already initiated the production of a documented list of authorization and approval limits for travel and entertainment expenses.

Event expense charged to one of the campus-based fees

In reviewing the Community & Resource Empowerment (CARE) campus based fee, we identified a cost of \$7,000 for a performance attended by students.

Campus policy only requires senior officer approval for amounts exceeding \$50,000; therefore, the \$7,000 expense was appropriately approved with the unit director's signature only. However, this particular case shows that a unit director could approve a \$7,000 expense that represented the third of their annual budget without knowledge of senior officers. An internal Student Affairs policy requesting senior officer approval for expenses charged on student fees above a certain amount would strengthen the control of fee usage and needs to be considered.

Agreements:

1. The SOAR Director will ensure that the SOAR staff limits for authorization and approval of travel and entertainment expenses will be completed and documented by 3/31/2011.
2. Student Affairs will consider an internal divisional policy requesting senior officer approval for expenses above certain amounts charged on student fees funds. This will completed by 9/1/2011.

APPENDIX A - Summary of Results

Work Performed	Results
Monitoring of Student Fees Usage	
<p>Reviewed the means by which expenses charged on the University Student Services Fee and the campus-based fees are monitored on campus.</p>	<p>Although the review did not reveal important misuse of student fees, we noted the absence of overall campus monitoring to regularly ensure that student fee revenue is properly used.</p> <p>Campus units are entrusted to use the funding received according to its intention, but except for sporadic SFAC reviews and audits, there is no formal monitoring of student fees usage.</p>
Summer Session Fees (refer to Finding A)	
<p>Meetings were conducted with senior officers from the divisions of Undergraduate Education - Student Affairs, Planning and Budget, and the SFAC Chair.</p>	<p>Summer Term is only recently in place at UCSC. The Dean of Summer Session is responsible for the process of setting the summer session fees.</p> <p>This process also involves Student Affairs, P&B and SFAC.</p>
	<p>A formal process for setting the Summer Session fees and their distribution is lacking. The Dean of Summer Session agreed to lead the effort resulting in the creation of a formal process. (refer to finding A)</p>
Fee Allocation Process	
<p>Reviewed the Campus-based fee distribution revenue with Student Business Services and P&B for the 2009 Fall, Winter and Spring Terms.</p>	<p>Fees are entered into Banner, and downloaded in AIS for payment by students. Participation of three units: Student Business Services, Registrar's Office and P&B, provides cross review for errors and adequate controls.</p>
<p>Reviewed the Summer term Campus-based fees revenue distribution with P&B.</p>	<p>Collected by the Summer Session unit, fees are entered in Banner as a bulk of money.</p> <p>P&B proceeds with allocation following the distribution previously decided during the Summer Session formal process.</p> <p>No second review for possible error, however risk for material error mitigated by P&B own budget review during the course of the year.</p>
<p>Reviewed the Student Services Fee distribution with SA and P&B.</p>	<p>Student Services Fee already set in permanent budget. Only fee increases need to follow a specific process.</p>

Work Performed	Results
<p>Reviewed the process for distributing Student Services Fee revenue increases with P&B, SA and SFAC.</p>	<p>Increases in revenue can come from two sources: increase in fee and increase in enrollment.</p> <p>If increased, the process is in place including P&B, EVC, SA & SFAC for the distribution of increases to campus units.</p>
<p>Referendum Language Writing Process (Refer to Finding C)</p>	
<p>Reviewed the referendum language and the process with P&B and SA</p>	<p>P&B wants to be involved in writing referendum language to provide precision and provision for future changes. Especially for fees supporting capital projects.</p> <p>Audit made recommendation to P&B and SA to agree on increased P&B involvement in the writing process. (Refer to Finding C)</p>
<p>Campus-based Fee Termination</p>	
<p>Reviewed the process of fee termination with P&B & SA</p>	<p>Under campus policy, the Chancellor has authority to establish campus regulations procedures for eliminating campus-based student fees.</p> <p>As per SA, a process is already in place: termination of fee by student ballot, therefore there is no need for new procedures. P&B would have favored termination of fees by letter from the Chancellor. No issue at this point.</p>
<p>Travel Expenses - all fees</p>	
<p>Detailed travel transactions reports for FY10 were obtained for the following funds:</p> <ol style="list-style-type: none"> 1) Fees supporting student organizations - transactions were reviewed. Nine of them selected for detail testing. 2) UCLA travel journals for all student compulsory fee funds <p>Transactions were reviewed against the specific intention of each fee involved.</p> <p>Auditor interacted with staff when questions on validity of expenses.</p>	<p>Adequate explanations of expense were documented in Banner.</p> <p>A question regarding the validity of a fund use was satisfactorily answered.</p> <p>The usage of student fees seems adequately reflecting the initial intention of the fee captured in the referenda texts.</p>

Work Performed	Results
Entertainment Expenses - all fees (Refer to Finding C)	
<p>A detailed student programming expense transactions report was obtained for FY10 for all compulsory student fee funds. Transactions were classified by funds and reviewed against the specific intention of each fee involved.</p> <p>Twenty (20) were selected for detailed testing charged to 5 different campus based fees.</p> <p>Interacted with staff on questions on validity of expenses.</p>	<p>Questions were answered satisfactorily by the different staff persons. Overall the student fees seemed adequately used and in accordance with referenda description.</p> <p>SOAR authorization and approval limits for entertainment expenses need to be updated and documented. SOAR Director, already engaged in this direction, will ensure that her unit will be updated and documented for entertainment and travel expenses. (Refer to Finding C)</p>
	<p>A student programming entertainment expense was found charged on the OPERS Fitness Facility Fee.</p> <p>Although we found other student programming expenses justified when charged for meetings where students were part of the governing body, this particular expense was for a holiday party for students and staff. This might represents a stretch from appropriate use of a facility fee intended to fund operation and maintenance of the facility. Student Affairs is aware of this and is addressing the issue.</p>
<p>Detailed entertainment transactions (other than student programming) report was obtained for FY10 for all compulsory student fee funds. Transactions were classified by funds and reviewed against the specific intention of each fee involved.</p> <p>Five (5) transactions were selected for detailed testing charged to 3 different campus based fees. Auditor interacted with staff when questions on validity of expenses.</p>	<p>Questions were answered satisfactorily by the different staff persons. Overall the student fees seemed adequately used and in accordance with referenda description.</p> <p>Same issue was found for SOAR transactions regarding authorization and approval limits. (Refer to Finding C)</p> <p>Another entertainment expense for the Wellness Center anniversary celebration was charged to the OPERS Fitness Facility Fee. Student Affairs is aware of this and is addressing the issue.</p>
ACE Program - Student Services Fee	
<p>The ACE Program is sponsored by PBSci and funded with Student Services Fee. We reviewed the ledger of expenses, the payroll documentation for FY10 and spoke to the Program Director.</p>	<p>We found the Student Services Fee revenue used for this tutoring program in accordance to the fee intention to fund programs that are "complementary to, but not part of, the core instructional program". We found no issue with particular expenses or payroll expenses.</p>

Work Performed	Results
Writing Program - Student Services Fee (No Issue)	
<p>The Writing Program is sponsored by Humanities and funded with Student Services Fee. We reviewed the ledger of expenses, the payroll documentation for validity of fee usage and spoke with Humanities Financial Manager.</p>	<p>We found the Student Services Fee revenue used for this tutoring program in accordance to the fee intention to fund programs that are "complementary to, but not part of, the core instructional program". The only expenses charged to the fee are tutors payroll expenses. No issue was found.</p>
Transportation Fee - Campus-based fee	
<p>The Transportation Fee is a campus-based fee voted on by students with specific intention of use. We reviewed the referendum language, last year SFAC review documentation and the detailed ledger of expenses for FY10 for potential misuse of fees. Of three (3) types of transactions 16 were selected for detailed testing. We spoke with TAPS Financial Manager for questions of validity of expenses.</p>	<p>The use of the Transportation Fee seems to be adequately managed by TAPS. The several questions we had on the validity of certain expenses were satisfactorily answered. No issues were found.</p> <p>SFAC Spring 2010 review had not shown concern.</p>
Theater Arts Fee - Campus-based fee	
<p>The Theater Arts Fee is a campus-based fee voted on by students with a specific intention of use. We reviewed the referendum language, last year SFAC review documentation and the detailed ledger of expenses for FY10 for potential misuse of fees.</p> <p>Eight (8) transactions were selected for detailed testing. We spoke with Theater Production Manager for questions of validity of expenses.</p>	<p>SFAC Spring 2010 review had not shown concern. All transactions tested were appropriately charged on Measure #11 fee (Theater Arts).</p>
Large Carry Forwards - Student Services Fee	
<p>From the University Student Services Fee Summary, indentified from the one provided on the SA website, we selected the three units (2 in SA, 1 in IT) with by far the largest balances carried forward from FY10 to FY11, to review the validity of holding these funds in view of the intent of this fee to benefit students.</p>	<p>After analyses of the past 6 years of these units carry forwards, and interactions with P&B and/or unit directors, we found reasonable assurance that the large amount of 20000 funds held by the three units was the result of planning for future expenses, and therefore the holding was done with intention of ensuring continuous services to students. No issues were found at this time.</p>

Work Performed	Results
Year-End Transfers - All fees (Refer to Finding B)	
<p>A detailed transfer of expenses report was pulled for all compulsory student fee funds for FY10. Journals were first reviewed for any unusual aspect, and then 26 year-end transfers from 7 units were selected for closer examination.</p> <p>The concern behind this testing was the need for campus to be able track its student fees usage, to ensure transparency and the validity of all expenses charged on these fees.</p>	<p>Year-end transfers were often used to balance accounts, thus losing the original intent of transfers as established on campus: granularity of expenses was lost, account codes were misused, authorization and approval lacking a formal procedure.</p> <p>Some transfers were caused by the practice to charge all expenses in one account rather than directly to the appropriate account. Other transfers seem to stem from a thought out plan to increase management of expenses during the year. For the later, audit trail was better kept. We recommended the examination of transfers practice particularly to SA Division in each of their units. (Refer to Finding B)</p>
Student Health Insurance	
<p>Two questions came up regarding: 1) the correct application of the referendum language for the student health insurance program, and 2) the funding of the CruzCare program offered to students who waived campus health insurance.</p>	<p>Both questions were fully and satisfactorily answered by SHS Executive Director: 1) UCOP policy making mandatory Undergraduate (2001) & Graduate (2010) student health insurance supersedes any local campus referendum language, and 2) the CruzCare Program pays for itself and is not subsidized by the health insurance fee.</p>

APPENDIX B – Student Fee Advisory Committee

The Student Fee Advisory Committee (SFAC) is constituted primarily of students (13 of the 17) and also includes staff and faculty representation.

Over the years, the UCSC campus has always been the model in the UC system for advisory committee effectiveness for the way their SFAC was interacting with the administration, had the power to review the Student Services fees and to recommend funding. The advisory role of the committee extends itself to the Summer Session fees and their distribution. They also review the usage of all student fees, including campus-based fees.

Last year, prompted by the Student Affairs Vice Chancellor, the SFAC conducted a review of all units using campus-based fees, except for Measure #7. The committee developed multiple questions for the units to answer, the purpose of which was to assess whether or not the money was being used efficiently and according to measure language.

The students interacted with each unit, reviewing three years of their campus-based fee budgets, their plan of expenses for the current year and the relatedness of the expenses to the initial intended uses of the fees as expressed in the referenda language. The validity of the large carry-forwards of funds from one year to the next was also questioned.

A report captured the SFAC work and conclusions; in general the campus-based fees seemed appropriately used and some recommendations were made, the follow-up of which is part of this year SFAC agenda.

The SFAC review provided useful information to the auditor and showed the extent of the committee commitment to tracking the way student fee funds are being expended.

The SFAC has a full agenda for 2010-2011 that includes:

- Follow-up on last year campus-based usage review.
- Review of Measure #7 fee usage (whose revenue is entirely distributed to Student Affairs).
- Summer Session fees: recommendation for the distribution of the 2010 fees.
- Summer Session fees: recommendation for the fee charge formula for the 2011 fees and the future distribution of the 2011 fees.
- Creation of a ballot review procedure – the SFAC wants to review the referendum language before it is placed on the ballot in adding a “*SFAC Comment*”.

In addition, given the new increase in Student Services Fee recently voted by the Regents, the SFAC will again need to be involved in analysis and recommendations for directing the funds generated by the increase to services they see needed by the students.
