

FEE AUDIT: STUDENT SUCCESS FEE
California Polytechnic State University, San Luis Obispo
Audit Report 25-02
July 17, 2025

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of campus operational, administrative, and financial controls over the calculation, collection, allocation, and use of the mandatory Student Success Fees (SSF) to ensure compliance with relevant California State University (CSU) and Cal Poly State University (Cal Poly) policies and procedures.

SCOPE

Audit and Consulting Services (ACS) reviewed the following:

- Processes of the SSF Allocation Advisory Committee (SSFAAC) including committee appointment and committee budget allocation process for FY 2022-2023 and FY 2023-2024
- 74 samples of expense transactions from PeopleSoft (Cal Poly's system of accounting record) that were charged to SSF funds from the respective fiscal years to assess compliance with SSF and Cal Poly spending restrictions
- Review of external reporting of SSF usage to the campus community and the Chancellor's Office

Note: The SSF base rate has not increased since 2012. As such, the review of fee approvals was not included as part of this report. However, we note that the fee is subjected to the increase of the HEPI (Higher Education Price Index).

CONCLUSION

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for SSF fees, taken as a whole, provided reasonable assurance that risks were being managed, and objectives were met for the generation and overall fee allocation to the campus. However, the review did identify opportunities to improve campus processes for enforcing compliance with SSF expenditures and transparency for required external reporting.

ACS notes that the campus is generally in compliance with Executive Order 89712 (Student Success Fees) which requires the campus to have a uniform, transparent, online accountability

in the decision-making process for, and a detailed accounting of, the allocation of SSFs. The responsibility to carry out the Executive Order requires a combination of the SSF Allocation Advisory Committee (SSFAAC), the Budget Department, and the divisions that receive the funding.

The SSFAAC serves in an advisory capacity to the University President. The committee’s purpose is to gather input from students and Cal Poly’s leadership about SSF-related priorities and needs in their respective areas to provide funding recommendations to the President. Divisions that receive funding from SSF are responsible for utilizing the funds in accordance with the fee purpose and provide external reporting on the impact that the funding had on their division on an annual basis.

The purpose of the SSF is to increase access to classes and labs, help fund initiatives to increase graduation rates, help fund targeted and intentional efforts that will improve the graduation and retention rates of all our students, and to help fund interdisciplinary Learn By Doing experiences. However, it was noted that this funding source operates differently from others, as it does not have centralized governance to monitor spending and ensure that external reporting is complete and accurate. Whether management determines that centralized governance will be implemented or not, ACS noted that there is little guidance documented in policies and procedures related to the SSF. If centralized governance is not implemented, documented guidance in the procedures noted in the report should, at a minimum, be created and communicated on a regular basis.

ACS determined that all areas noted below have an opportunity to increase the transparency and accountability related to SSF management to ensure that the funds are used efficiently and follow the respective executive orders and campus guidelines.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. DECENTRALIZATION

OBSERVATION

The following items detail the findings related to the decentralized nature of the SSF funding process:

- There is no centralized function to review or monitor expenditure compliance with specific SSF fund purpose or expense restrictions. The SSFAAC relies solely on the review and approval of the divisions and colleges to ensure that expenses are appropriate

- There is no centralized guidance for how SSF should be expended that can be referenced by the campus

RECOMMENDATION

ACS recommends the campus strengthen compliance and consistency in SSF fund use by creating expenditure guidelines for fund users and approvers to help enhance the fiscal oversight of the SSF expense review process. This may include, but not limited to developing centralized reference documents or training to ensure all divisions and colleges are aware of the expectations of fiscal responsibility and compliance of SSF funds.

MANAGEMENT RESPONSE

We concur. The budget office and the SSFAAC committee will create budget and expenditure guidelines for fund users and approvers to help enhance fiscal oversight and compliance of the SSF process. The information will be posted on the SSF website and available for all divisions and colleges to access.

Anticipated Implementation Date: January 30, 2026

2. BUDGET VERSUS ACTUAL EXPENSES

OBSERVATION

ACS completed a data analytics procedure to assess the expenditure versus the allocation of funding per department (assessed through PeopleSoft department ID). Out of 115 department assessed, the following was noted:

FY 2022-2023

- Expenditures exceeded allocated funding amounts (45)
- Expenditures charged to DeptIDs with no funding allocation (5)
- Funding available within DeptIDs, however, there were no expenditures (7) or expenditures were less than 10% of the funding available (2)
- No issues noted (56)

FY 2023-2024

- Expenditures exceeded allocated funding amounts (39)
- Expenditures charged to DeptIDs with no funding allocation (6)

- Funding available within DeptIDs, however, there were no expenditures (7) or expenditures were less than 10% of the funding available (1)
- No issues noted (62)

For the audit period, ACS noted a total of \$34M (or 94%) in payroll related expenses charged to SSF funding and \$2.1M (6%) in other expenses charged to the fund.

ACS notes that colleges and divisions may centrally manage SSF funding while incurring expenditures at the individual department level. As a result, departmental funds may reflect expenditures that exceed their allocated revenue, creating apparent overspending at the department level. Holding revenue centrally while departments incur the cost may result in inconsistencies in financial reporting and transparency for SSF funding.

RECOMMENDATION

ACS recommends the campus strengthen compliance and consistency in SSF fund use by creating budget and expenditure guidelines for fund users and approvers to help enhance the fiscal oversight of the SSF process. This may include, but not limited, to developing centralized reference documents or trainings to ensure all divisions and colleges are aware of the expectations of fiscal responsibility and compliance of SSF funds.

MANAGEMENT RESPONSE

We concur. The budget office and the SSFAAC committee will create budget and expenditure guidelines for fund users and approvers to help enhance fiscal oversight and compliance of the SSF process. The information will be posted on the SSF website and available for all divisions and colleges to access.

Anticipated Implementation Date: January 30, 2026

3. EXPENDITURE GUIDANCE

OBSERVATION

ACS identified expenditures funded by student fees that lacked documented justification demonstrating a direct benefit to enrolled students:

- Travel to conferences for staff professional development (1)* and to be a presenter at a conference (1)

- Entertainment/ Hospitality transactions that did not meet the general purpose of the student fee funding (3)
 - Staff retreat and team building event at San Luis Improv*
 - Annual End of Year Celebration at Ventana grill for staff (event in excess of \$4,000)
 - Purchase of Globetrotters Basketball tickets for a local youth basketball team
- Cellular data plans for recruiters

*ACS noted that the following samples utilized student fee funding originally allocated for employee positions within the department’s budget. However, since the departments could not fill the positions, the excess funding or “salary-savings” was used for travel and hospitality. ACS noted that budget approval is not required by the budget office to utilize funds that were “saved” from vacant or unfilled positions.

RECOMMENDATION

ACS recommends the campus strengthen compliance and consistency in SSF fund use by creating formal budget and expenditure guidelines for fund users and approvers to help enhance the fiscal oversight of the SSF process. This may include, but not limited to developing centralized reference documents or training to ensure all divisions and colleges are aware of the expectations of fiscal responsibility and compliance of SSF funds. Clear guidance and documentation standards should be developed to ensure that the impact of professional development activities and other expenditures that may not involve matriculated students can demonstrate a clear alignment with the intended purpose of student fee funding.

Further, ACS recommends that the campus provide additional guidance for “salary savings” instances. There should be specific guidance and training to ensure that the campus has controls in place to ensure compliance with the funding sources and campus policies.

MANAGEMENT RESPONSE

We concur. The budget office and the SSFAAC committee will create budget and expenditure guidelines for fund users and approvers to help enhance fiscal oversight and compliance of the SSF process. This will include guidance on documentation standards for professional development activities and other activities that may not include matriculated students. The information will be posted on the SSF website and available for all divisions and colleges to access.

Anticipated Implementation Date: January 30, 2026

4. GENERAL EXPENDITURE COMPLIANCE AND PROCUREMENT OBSERVATIONS

OBSERVATION

Per review of the 42 expenses using SSF funds through procurement cards (ProCard), ACS noted the following issues:

- Transaction lacked a clearly documented business justification (9)
- Hospitality transaction lacked a Hospitality Justification Form (10)
- Hospitality Justification Form did not include list of attendees (2)
- Reconciliation was not completed and/or approved timely (4)
- Supporting documentation was not provided within submitted ProCard reconciliation (3)
 - One of the three instances noted 15 out of 25 transactions did not have receipts or evidence of payment attached. The total unsupported amount was \$6,667.63 out of \$12,864.50. ACS reached out to the card holder and was able to obtain the supporting documents as part of the audit
- Missing Gift Card Request Form (2)
- Shipped purchased items to personal residence instead of campus with no documented justification (1)
- Classified transactions incorrectly within the ProCard reconciliation report (1)

Per review of 30 expenses using SSF funds through other procurement methods (Concur, CSUBuy, or Direct Payment), ACS noted the following issues:

- Transaction lacked a clearly documented business justification (6)
- Hospitality transaction lacked a Hospitality Justification Form (2)
- List of attendees for hospitality event was not provided with the Hospitality Justification Form (2)
- Large transactions with split funding from multiple sources did not include documentation to explain how the charge would be divided between the different departments that would rationalize the amount covered by the SSF (1)
- Event was greater than the \$2,500 threshold for a Purchase Order and paid for via multiple Pro-Card transactions (1)
- Supporting documentation (i.e., Invoice) was not properly retained (1)
- Travel transaction (dinner) at a system-wide event was classified as “supplies and expense” (1)
- Travel for a director level position did not obtain the appropriate levels of approval for a travel expense. The expense was approved by an administrative assistant level positions that was delegated by a vice president (1)

RECOMMENDATION

Procurement Services should continue to review procurement card reconciliations to ensure these are completed according to policy and have enough detail for each transaction to validate the business purpose. Further, such monitoring should ensure that reconciliations are submitted fully and timely going forward. ACS notes that Strategic Business Services is currently addressing similar findings regarding procurement card transactions as part of the Cal Poly Opportunity Fee (CPOF) audit.

ACS recommends that all individuals who utilize SSF funding and approvers be reminded of appropriate procurement processes, expenditure guidelines and fund restrictions pertaining to SSF funding. Further, training for staff and administrators responsible for SSF oversight should be provided to improve understanding of compliance requirements and the importance of documentation.

Management should consider creating guidance for divisions using SSF funds on how to properly split costs to ensure that what is covered by SSF is representative of the expense's purpose and is aligned with SSF requirements. Furthermore, this guidance should require proper documentation to be retained on how the split funding is decided.

MANAGEMENT RESPONSE

Management response per the CPOF audit: We concur. Payment Services Management will review procurement card reconciliations to ensure these are completed according to policy and have enough detail for each transaction to validate the business purpose. Further, such monitoring will ensure that reconciliations are submitted fully and timely going forward.

Anticipated date of completion: September 30, 2025

5. EXTERNAL REPORTING – CAL POLY**OBSERVATION**

On an annual basis, groups that receive SSF funding are required to submit “Student Impact Reports” that outline how the funding allocation was used for the year. These reports are posted externally on the SSF website to provide transparency on the usage of the funds. Per review of the SSF external reporting, ACS noted the following issues:

- The external reporting presented in the impact reports lack consistency across divisions, with varying levels of detail and formats used

- ACS noted that the allocation amount per the impact reports agreed to the funding allocation within PeopleSoft for the Office of University Diversity & Inclusion (OUDI), Strategic Enrollment Management, Information Technology Services (ITS), and Research and Graduate Education (R-EDGE). However, ACS could not agree the expenditure amounts as these divisions either did not include the actual expenditures in their reporting or the expenditure amount presented did not agree to the PeopleSoft data
- Three Student Affairs initiatives, such as “Dean of Students: Off-Campus Housing Program,” were funded for specific purposes but allocated to general DeptIDs (e.g., “Dean of Students”) in the GL. This reduces financial transparency and creates a heavy reliance on departments to manually ensure proper use of funds and spending
- ACS identified eight Student Affairs DeptIDs in PeopleSoft with funding allocations or expenditures during the audit period that were not reflected in the SSF impact reports for either reporting cycle
- ACS was not able to agree the funding allocation listed on the impact report for Academic Affairs to the PeopleSoft data for either FY 2022-2023 or FY 2023-2024. Further, the impact reports provided by the division does not include the actual expenses incurred

RECOMMENDATION

ACS recommends that the SSFAAC create a uniform and transparent template for the posted impact report which should include, but not limited to:

- Allocated funding amounts (funding allocations, roll-forward amounts, and one-time funding) should agree to all the reporting posted of the SSF website and be consistent with what has been posted within PeopleSoft
- Actual expenses (recommend developing a consistent method for each group to obtain the actual expenses for reporting)
- Number of students served
- Number of positions
- Allocation Purpose

For initiatives that are included as part of a general DeptID, management should consider requiring unique DeptIDs for ease of financial tracking or require that the divisions ensure that internal tracking mechanisms can be provided upon request for those initiatives,

MANAGEMENT RESPONSE

We concur. The SSFAAC will create a uniform and transparent summary template for posted impact reports to include the items above for implementation with fiscal year 25-26 reporting.

Anticipated Implementation Date: January 30, 2026

6. EXTERNAL REPORTING – CHANCELLOR’S OFFICE**OBSERVATION**

On an annual basis, the campus is required to provide external reporting to the Chancellor’s Office (CO). This reporting requires that the campus self-identify SSF activities based on a set of defined expense categories provided by the CO. Categories for the expenditures include classifications such as “increased courses,” “student success and retention,” and “student support activities.” This information is ultimately posted on the system-wide student fee website.

ACS obtained the data submission from the campus to the CO and noted that the expenditure allocation was allocated by departments (i.e., Student Affairs, College of Engineering) and not by expense categories (i.e., hospitality, payroll, or supplies). As such, the categorization of the expenditures for reporting may not be complete and accurate as the allocation used is too broad to reflect the actual activities of the campus.

Example 1: ACS noted that “Student Support Activities” had a zero-dollar balance for the actual expenses reported to the CO. However, per the definitions provided by the CO, “Student Athlete Success Services” such as the program for tutoring student athletes, would be considered an expenditure that meets that classification. Since the program is affiliated with Academic Affairs department, it is defaulted to the Academic Affairs allocations of “Increased Courses” or “Student Academic Programs”.

Example 2: ACS noted that “Student Engagement” also had a zero balance of expenditures reported the CO. The activities provided as examples for this expense category by the CO includes “student engagement” or “graduation initiatives” which were cited as a business purpose for many of the expense samples reviewed as part of this audit.

RECOMMENDATION

ACS recommends updating the current allocation procedure to help improve the completeness and accuracy of the information being transmitted to the CO for external reporting. This includes but not limiting it to adding a step for assessing the expenditure allocation to use the actual expenditure codes and not rely solely on the department level allocation.

MANAGEMENT RESPONSE

Management understands and is comfortable with the current risk associated with the campus' method of reporting and will consider looking at it in the future to develop better defined reporting guidelines.