

CONTINUING EDUCATION
SAN DIEGO STATE UNIVERSITY

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Members, Committee on Audit

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ABBREVIATIONS

ALI	American Language Institute
CE	Continuing Education
CERF	Continuing Education Revenue Fund
CES	College of Extended Studies
CEU	Continuing Education Unit
CSU	California State University
EE	Extended Education
EO	Executive Order
MOU	Memorandum of Understanding
SAM	State Administrative Manual
SDSU	San Diego State University
SUAM	State University Administrative Manual

INTRODUCTION

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of Continuing Education programs and to determine the adequacy of controls over Continuing Education Revenue Fund (CERF) operations.

Within the overall audit objective, specific goals included determining whether:

- ▶ the campus maintains a clear distinction between campus owned and auxiliary owned programs and has written agreements with auxiliary organizations for the administration and management of Continuing Education programs;
- ▶ technology delivered distance education controls are similar to those maintained over traditionally delivered education;
- ▶ budgeting procedures include all course costs and revenues to identify potential course losses in advance and ensure that course selection and management are in accordance with CSU policies and state regulations;
- ▶ the CSU additional employment policy regarding the faculty selection process is complied with, faculty payments are made in accordance with CSU directives, and written agreements stipulate set fees when independent contractors are used as instructors;
- ▶ enrollment procedures and maintenance of student records adequately meet accounting, academic and informational needs;
- ▶ cash receipts, refunds, dishonored checks and other debts are adequately controlled and properly accounted for;
- ▶ cash disbursements are adequately controlled and made solely for the support and development of self-supporting CSU programs;
- ▶ the general fund is reimbursed for all supplies, services and overhead expenses related to extended education programs; and
- ▶ continuing education activity is accurately reported and the CERF contingency reserve balance is maintained in compliance with CSU directives.

SCOPE AND METHODOLOGY

This review emphasized but was not limited to compliance with state laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters and directives.

The analyses and recommendations outlined by the CSU Task Force Report on Continuing Education, dated December 16, 1996, was used to evaluate the documentation of business activities between the campus and such non-state auxiliary organizations as the foundation.

A key issue for this review involves compliance with California Education Code § 89704, State University Continuing Education Revenue Fund (CERF), which states in part "...revenues received by the Trustees of the California State University from extension programs, special sessions, and other self-supporting instructional programs, including but not limited to, fees and charges required by the trustees, shall be transmitted to the Treasurer and shall be deposited by that officer in the State Treasury to the credit of the State University Continuing Education Revenue Fund".

June 1997 to date was the primary period of review.

Our focus involved a wide variety of issues dealing with CERF operations as a self-supporting entity. Specifically, we reviewed and tested:

- ▶ use of the foundation for the administration and management of Continuing Education programs;
- ▶ budgeting procedures, fee authorization, and the selection and management of courses including technology delivered distance education;
- ▶ management of faculty workload and payments to faculty and other instructors;
- ▶ enrollment procedures and maintenance of student records;
- ▶ procedures for controlling and processing cash receipts, refunds, dishonored checks, and other debts;
- ▶ procedures for controlling and processing cash disbursements, reimbursements to the general fund and revenues shared with academic departments; and
- ▶ reporting of continuing education activity and the maintenance of the CERF contingency reserve.

BACKGROUND

In response to the systemwide risk assessment conducted during 1996, which included input from officers representing the chancellor's office and each CSU campus, this review of Continuing Education was directed by the Board of Trustees at its January 1998 meeting. Continuing Education was previously audited in 1984.

In March 1996, the Bureau of State Audits issued a report of the Continuing Education program at one of our CSU campuses. This report raised a number of issues that have systemwide policy implications. The primary audit findings addressed operational relationships between the campus and its foundation and various non-compliance issues with CSU policy. A CSU task force was subsequently established in May 1996 to review the audit findings and policies and statutes impacting the Continuing Education program. In February 1997, the Senior Vice Chancellor, Business and Finance, issued the "CSU Task Force Report on Continuing Education" to all campus presidents.

In addition, the CSU Commission on the Extended University hired a consultant to clarify the implications of the March 1996 State Bureau of Audit report on continuing education. In September 1997, the consultant issued a report titled "Managing Continuing Education Fiscal Accounts" to the members of the commission. The consultant report was subsequently distributed to the various CSU EE/CE Deans and Directors by the State University Dean of Extended Education.

Some CSU campuses refer to the Continuing Education program as Extended Education or other similar titles. Throughout this report, we will refer to the program as continuing education. At San Diego State University, the College of Extended Studies (CES) manages the Continuing Education program.

OPINION

We visited San Diego State University from July 27, 1998, through September 1, 1998, and audited the procedures in effect at that time.

We found that, with the exception of the items noted in the Executive Summary and in the details of the report, compliance with state, CSU and campus policies and procedures was satisfactory.

The objective of this report is to identify and mitigate issues that affect the administration of Continuing Education programs and CERF operations. If such issues are not corrected, the effectiveness of policies and procedures may be negatively impacted.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION [6]

Program sponsorship was not properly identified in College of Extended Studies (CES) catalogs and program brochures for various SDSU Foundation programs. Accurately identifying program sponsorship prevents misunderstandings concerning program responsibility.

REVENUE DISTRIBUTION AND RETAINED EARNINGS

GENERAL FUND REIMBURSEMENT [6]

General fund reimbursements to academic departments from concurrent enrollment revenue were not properly documented. Proper documentation of revenue sharing rates reduces the risk of misunderstandings concerning concurrent enrollment revenue allocations.

REVENUE SHARING [7]

Revenue sharing rates for special session programs were not properly documented. The proper documentation of these rates ensures that academic departments are fully compensated for costs incurred in support of special session programs.

FACULTY/INSTRUCTOR SELECTION AND SALARIES

ADDITIONAL EMPLOYMENT [8]

Campus procedures for monitoring compliance with the CSU additional employment policy were inadequate. Adequately monitoring faculty workload helps ensure compliance with the CSU additional employment policy.

FACULTY PAYMENTS [9]

Procedures involving approval of additional compensation for faculty teaching oversized winter session courses and documentation of enrollment averaging for summer and winter courses were inadequate.

Internal controls over faculty payments are strengthened when appropriate written approval and documentation support modifications to CSU salary schedules.

COURSE SELECTION AND MANAGEMENT

CONTINUING EDUCATION UNITS [10]

The College of Extended Studies (CES) awarded continuing education units (CEU's) for programs that were not operated through the continuing education revenue fund (CERF). Operating programs that award CEU's through the CERF ensures that the programs are properly managed.

REVENUE PROJECTIONS [11]

The College of Extended Studies (CES) did not have formalized procedures for either accepting or canceling courses for which losses are projected. Documenting the benefits of offering a course at a financial loss helps to ensure that the overall program remains self-supporting.

FEE SETTING, COLLECTION AND RECONCILIATION [12]

The College of Extended Studies (CES) refund policy for non-credit certificate and extension programs was inadequate. Establishing a refund policy in compliance with Title 5 requirements reduces the risk of improper refunds.

ENROLLMENT AND STUDENT RECORDS [12]

CES catalogs did not consistently include either a non-discrimination statement or information regarding the disabled student service office. Including the required statements in all catalogs ensures compliance with federal regulations and provides disabled students with information regarding required assistance.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION

Program sponsorship was not properly identified in College of Extended Studies (CES) catalogs and program brochures for various SDSU Foundation programs.

Sponsorship of non-credit courses and programs was defined to be that of the foundation in the memorandum of understanding (MOU) executed between SDSU and the SDSU Foundation effective July 1, 1997. However, corresponding advertisements in CES catalogs and program brochures were unclear. These programs included the American Language Institute (ALI); various non-credit extension, certificate and professional development programs; and two retired adults programs.

The CSU Task Force Report on Continuing Education recommends that sponsorship of a given program be clearly defined. Pursuant to Title 5, an auxiliary may administer workshops, conferences, institutes, and instructionally related programs.

The vice president for business and financial affairs stated that the catalog and brochures are marketing tools not necessarily indications of sponsorship.

Failure to accurately identify program sponsorship can result in misunderstandings of program responsibility.

Recommendation 1

We recommend that the campus print future program brochures to identify the programs as sponsored by the foundation in cooperation with CES.

Campus Response

Effective January 1, 1999, an ownership statement, stating that the "Foundation programs are managed by the SDSU College of Extended Studies," will be included in all CES catalogs.

REVENUE DISTRIBUTION AND RETAINED EARNINGS

GENERAL FUND REIMBURSEMENT

General fund reimbursements to academic departments from concurrent enrollment revenue were not properly documented.

The College of Extended Studies (CES) allocates an agreed upon amount to the general fund for campus support services and 40% of concurrent enrollment revenue to participating academic

departments. However, there was no documentation to support the allocation method being used for the academic departments.

Executive Order No. 298, *Regulations Governing Extension Student Enrollment in Regular Session Offerings*, states that the allocation of concurrent enrollment revenue shall be determined by the campus president following consultation with appropriate faculty representatives.

The CES assistant dean stated that this allocation rate has been used for a long time and he has never seen any campus president approved supporting documentation.

Not formalizing concurrent enrollment reimbursement procedures could result in misunderstandings between academic departments and CES.

Recommendation 2

We recommend that the campus obtain a formal written agreement from the campus president to support the rate of concurrent enrollment revenue allocation to academic departments.

Campus Response

Effective July 1, 1999, or earlier, a formal written agreement from the president will be placed on file with the campus Business Office.

REVENUE SHARING

Revenue sharing rates for special session programs were not properly documented.

The College of Extended Studies (CES) shares special session revenue with participating academic departments via budget allocations, funds for student assistants, payment of specific expenses and purchases of small equipment. However, there were no formalized written agreements between the service providers and CES containing the basis and rationale for the revenue sharing.

CSU policy does not address revenue sharing to academic departments for costs incurred in support of special session programs other than summer session.

CSU directive BA 83-30, *Policy on Chargeable Services to Self-Supporting Operations*, dated December 28, 1983, states that funds provided from the general fund may be used to provide support for continuing education if there is a recovery of the cost of such support. In the absence of a specific CSU policy, recovery for the cost of support shall include the incremental costs of providing the support. Consensus should be reached between service provider and recipient as to the service levels and method of calculation. Support provided shall be in accordance with appropriate written agreements that include the basis and rationale for the valuation. The agreements should be on file in the campus business office and available for audit.

The CES assistant dean stated he was not aware of the CSU directive but needed the flexibility to react to the varying needs between academic departments.

Not documenting academic department revenue sharing procedures could result in academic departments not being fully compensated for costs incurred in support of CES programs and misunderstandings between academic departments and CES.

Recommendation 3

We recommend that the campus:

- a. establish formalized procedures for determining special session revenue sharing rates;
- b. prepare appropriate written documentation containing the basis and rationale for the valuation; and
- c. maintain the written documentation on file in the campus business office.

Campus Response

Effective July 1, 1999, or earlier, documents demonstrating the criteria used for determining special session revenue sharing rates will be on file with the Business Office.

FACULTY/INSTRUCTOR SELECTION AND SALARIES

ADDITIONAL EMPLOYMENT

Campus procedures for monitoring compliance with the CSU additional employment policy were inadequate.

A judgmental review of five SDSU faculty who taught courses for the College of Extended Studies (CES) during the 1997-1998 academic year disclosed that faculty members' annual workload exceeded the CSU additional employment policy. The excess workload for these four faculty members was primarily due to additional employment through CES.

CSU directive HR 97-07, *Revised Additional Employment Policy*, dated September 22, 1997, limits additional employment to 25% of a full-time position calculated as a percentage of full-time workload or full-time timebase. The policy applies to the assignment of additional employment to CSU employees in any regular CSU program or auxiliary organization. Each campus is responsible for determining the extent of an employee's CSU workload prior to appointment to any position.

The Collective Bargaining Agreement between the CSU Board of Trustees and the California Faculty Association, for October 4, 1995 through June 30, 1998, Article 36.1 states that additional

employment shall refer to any employment compensated by CSU, funded by general or non-general funds including CSU auxiliaries, that is in addition to the primary or normal employment of a faculty unit employee. The total additional employment of a faculty unit employee shall not exceed a total of 25% overage.

The associate vice president for financial management and the associate vice president for academic affairs acknowledged that monitoring procedures were not in place but should be. The SDSU Foundation associate general manager stated that the foundation receives a tape containing payroll data and monitors compliance for any faculty paid through the foundation.

Not adequately monitoring faculty workload increases the risk of non-compliance with the CSU additional employment policy.

Recommendation 4

We recommend that the campus develop procedures to monitor faculty workload to ensure compliance with the CSU additional employment policy.

Campus Response

Effective July 1, 1999, or earlier, the university will have a policy in place to ensure compliance with the CSU additional employment policy.

FACULTY PAYMENTS

Procedures involving campus approval of additional compensation for faculty teaching oversized winter session courses and documentation of enrollment averaging for summer and winter courses were inadequate.

The College of Extended Studies (CES) provides additional compensation to faculty who teach oversized summer and winter session classes. However, the president had not approved the additional compensation for winter sessions. Additional compensation for summer session classes was approved by the former president during 1985.

When calculating faculty pay, CES also averages class enrollments within a department to maximize payments. However, there was no documentation to support the enrollment averaging process and subsequent faculty compensation.

Article 21.7 of the Collective Bargaining Agreement between the CSU Board of Trustees and the California Faculty Association, for October 4, 1995 through June 30, 1998, states that the salary of a faculty unit employee appointed for summer and special sessions shall be determined by the President at a rate equal to or above that shown on the faculty salary schedule.

SAM §20003 requires a system of record keeping procedures adequate to provide effective accounting control.

The CES assistant dean agreed that campus president approval should have been obtained for the additional winter session faculty pay and stated that he has already prepared a request to the president for his approval. The vice president for business and financial affairs stated that an audit trail should be in place.

Internal controls over faculty pay are compromised when appropriate written approval and documentation do not support modifications to CSU salary schedules.

Recommendation 5

We recommend that the campus:

- a. establish approved procedures related to additional compensation for faculty who teach oversized CES winter session courses, and
- b. develop procedures to document the enrollment averaging process.

Campus Response

Effective July 1, 1999, or earlier, documents demonstrating the criteria used in additional compensation for faculty who teach oversized special session courses will be on file with the campus Business Office. Beginning with Winter Session 1999, procedures will be developed to document the method for determining faculty pay.

COURSE SELECTION AND MANAGEMENT

CONTINUING EDUCATION UNITS

The College of Extended Studies (CES) awarded continuing education units (CEU's) for programs that were not operated through the continuing education revenue fund (CERF).

The Professional Development Programs catalog states that CEU's may be awarded for professional development programs. However, such programs are operated through the SDSU Foundation. We noted two such programs that were awarded CEU's during the 1997-98 academic year.

Executive Order No. 255, *Provisions Governing Implementation of the Continuing Education Unit Within the CSU and Colleges*, states that non-credit continuing education programs and activities for which CEU's are to be awarded shall be operated in accordance with the policies and procedures governing the CERF. Revenues derived from such programs and activities shall be deposited in the

CERF in accordance with existing procedures for revenues derived from self-supporting instructional programs.

The CSU Task Force Report on Continuing Education states that auxiliaries should not be engaging in “credit” courses due to the lack of Title 5 authority to offer credit instruction and due to accreditation issues.

The CES assistant dean stated that he was not aware of their violation of CSU policy until he began preparing for this audit.

Not operating courses that award CEU’s through the CERF could result in accreditation issues.

Recommendation 6

We recommend that the campus ensure that all professional development programs involving the award of CEU’s are operated through the CERF.

Campus Response

Effective January 1, 1999, all CEU’s will be operated through the CERF.

REVENUE PROJECTIONS

The College of Extended Studies (CES) did not have formalized procedures for either accepting or canceling courses for which losses are projected.

The CSU Task Force Report on Continuing Education recommended that, if a specific course is not self-supporting, the benefits of offering a course at a financial loss should be documented.

Education Code §89708 requires special sessions and other instructional programs to be self-supporting.

The CES assistant dean stated that the program directors discussed the projected losses with him, but he did not believe that documentation was needed because the program directors are responsible for the overall financial condition of their program area.

Not documenting the benefits of offering courses at a financial loss may have an impact on whether a program is self-supporting.

Recommendation 7

We recommend that the campus properly document the process for evaluating program financial success including the criteria used to determine whether to offer courses at a financial loss.

Campus Response

Effective July 1, 1999, or earlier, the documents demonstrating the criteria used in the process for evaluating a program as a success, including the criteria used to determine whether to offer courses at a financial loss, will be on file with the campus Business Office.

FEE SETTING, COLLECTION AND RECONCILIATION

The College of Extended Studies (CES) refund policy for non-credit certificate and extension programs was inadequate.

Prior to September 1, 1998, non-credit certificate and extension programs were operated through the SDSU Foundation and had their own refund policy. However, the refund policy was not changed to reflect Title 5 requirements when the programs were transferred to the continuing education revenue fund (CERF).

Title 5 §41802 provides specific refund formulas for special session and extension course tuition fees.

The CES assistant dean stated that changing the refund policy for non-credit certificate and extension programs was overlooked when the programs were transferred to the CERF and immediately issued a memo to appropriate CES personnel directing that the refund policy be changed effective Winter Session 1999.

Non-compliance with Title 5 refund requirements could result in improper refunds.

Recommendation 8

We recommend that the campus revise the refund policy for non-credit certificate and extension programs to agree with those programs that are now operating under campus policies and procedures.

Campus Response

Effective January 1, 1999, or earlier, the refund policy for non-credit certificate and extension programs will be revised.

ENROLLMENT AND STUDENT RECORDS

CES catalogs did not consistently include either a non-discrimination statement or information regarding the disabled students services office.

A non-discrimination statement was not included in the Winter 1998 catalog, and information regarding the disabled students services office had not been included in extension program catalogs since Spring 1997.

CSU directive EE 81-25/SA 81-46, *Disabled Persons Enrolled in Summer Session, Special Session, and Extension Programs*, dated August 6, 1981, states that all general extension program bulletins should contain a non-discrimination statement as required by federal regulations. All applications and registration forms should contain contact information for the disabled student services office.

Because registration forms are part of the program catalog, information regarding services for disabled students is included within the extension program catalog rather than on the registration forms.

The CES assistant dean stated that the required disclosures were inadvertently left out of the catalogs and immediately issued a memo to the CES director of marketing and public relations regarding the disabled students services information.

Failure to include the disclosures increases the risk of non-compliance with federal regulations and hinders disabled students in obtaining required assistance.

Recommendation 9

We recommend that the campus ensure that a non-discrimination statement and information regarding the disabled students services office are included in all CES catalogs.

Campus Response

Effective January 1, 1999, a non-discrimination statement and information regarding the disabled student services office will be included in all CES catalogs.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Stephen Weber	President
Harriet Adametz	Coordinator, Special Sessions, CES
Sue Blair	Director, Personnel Services
Cherie Bloodworth	Registrar, CES
Steve Bloom	Associate General Manager, SDSU Foundation
Larry Cobb	Assistant Dean, CES
Ellene Gibbs	Director, Business Information Management
Dan Gilbreath	University Controller
Lori Glover	Director, Credit/Non-Credit Certificates, CES
Paula Kelly	Interim Dean, CES
Loretta Leavitt	Manager, Accounting Services
Diana Mazzone	Senior Cashier, CES
Jeanette Nevandro	Operation Supervisor, Cashiers, CES
Ken Perry	Associate Vice President, Financial Management
Kimberlee Reilly	Systems Coordinator, Student Financial Services
Sally Roush	Vice President, Business and Financial Affairs
Ethan Singer	Associate Vice President, Academic Affairs
Barb Strumsky	Coordinator, Administrative Services, CES
Jan Wahl	Director, Credit/Non-Credit Extension, CES