

**CONTINUING EDUCATION**  
**SONOMA STATE UNIVERSITY**

**Report Number 99-21**  
**December 13, 1999**

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## **ABBREVIATIONS**

CE	Continuing Education
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CSU	California State University
EE	Extended Education
MOU	Memorandum of Understanding
SAM	State Administrative Manual
SEE	School of Extended Education
SSU	Sonoma State University
SUAM	State University Administrative Manual

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## INTRODUCTION

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### PURPOSE

Our overall audit objective was to ascertain the effectiveness of policies and procedures related to the administration of Continuing Education programs, determine the adequacy of controls over Continuing Education Revenue Fund (CERF) operations, and verify whether continuing education trust accounts have been properly established.

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;
- ▶ fund integrity is maintained between continuing education, state, and auxiliary funds;
- ▶ 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
- ▶ 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, were 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 “Notwithstanding any other provision of law to the contrary, revenues from extension programs, special sessions, and other self-supporting instructional programs, including but not limited to, fees and charges required by the trustees, may be transmitted to the Treasurer and, if transmitted, shall be deposited by that officer in the State Treasury to the credit of the State University Continuing Education Revenue Fund.” Prior to January 1, 1999, the revenues were required to be transmitted to the Treasurer.

In late 1998, the 1998 Higher Education Omnibus Act (AB 2812) was enacted. AB 2812 permitted continuing education revenues to be deposited in trust accounts instead of the CERF. The legislation amended Education Code § 89704 as mentioned above and Education Code § 89721 as follows:

The California Education Code § 89721 states in part that, effective January 1, 1999, “Notwithstanding any other provision of law to the contrary, revenues received for extension programs, special sessions, and other self-supporting instructional programs shall be deposited into and maintained in local trust accounts or in trust accounts in accordance with Sections 16305 to 16305.7, inclusive, of the Government Code, or in the California State University Trust Fund.”

June 1998 to date was the primary period of review.

Our focus involved a wide variety of issues dealing with continuing education 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;
- ▶ 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.

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## 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, discussed the report at the Executive Council meeting on February 11, 1997, and indicated that the campuses would be expected to abide by the recommendations contained therein.

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 Sonoma State University, the School of Extended Education (SEE) manages the Continuing Education program.

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## OPINION

We visited the Sonoma State University campus from August 23, 1999, through September 3, 1999, 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.

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## **EXECUTIVE SUMMARY**

The purpose of this section is to provide management with an overview of conditions requiring their 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 [5]**

Campus procedures did not include a formalized review process to determine which academic department sponsored activities, such as conferences and workshops should be managed in cooperation with the School of Extended Education (SEE) and operated through the continuing education revenue fund (CERF) or state trust account. Establishing a formalized review process for academic department sponsored activities ensures that they are placed under appropriate management.

### **COURSE SELECTION AND MANAGEMENT [6]**

Continuing education units (CEU's) were awarded for programs that were operated through the Sonoma State University Academic Foundation. Operating programs that award CEU's through the CERF or state trust ensures that the programs are properly managed.

### **FEE SETTING, COLLECTION AND RECONCILIATION [7]**

The School of Extended Education (SEE) policy for program fee refunds was not in compliance with Title 5 because refund requests were not required to be in writing. Establishing a refund policy in compliance with Title 5 requirements decreases the risk of improper refunds.

### **ENROLLMENT AND STUDENT RECORDS [8]**

A non-discrimination statement was not included in extended education bulletins. Including the required statement in all bulletins ensures compliance with federal regulations.

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## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

### CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION

Campus procedures did not include a formalized review process to determine which academic department sponsored activities, such as conferences and workshops, should be managed in cooperation with the School of Extended Education (SEE) and operated through the continuing education revenue fund (CERF) or state trust account.

The campus policy on *Self-Support Instruction*, dated May 20, 1991, did not include a formalized review process to ensure that academic department sponsored activities are properly managed through the CERF or state trust account. In addition, the policy permitted monies to be administered through the Sonoma State University (SSU) Academic Foundation. During the course of the audit, the campus had completed transferring continuing education activities from the foundation to the campus.

Education Code §89704 states that, notwithstanding any other provisions of law to the contrary, revenues from CSU extension programs, special sessions, and other self-supporting instructional programs may be deposited in the CERF. Prior to January 1, 1999, such revenues were required to be deposited in the CERF.

Education Code §89721 states that, effective January 1, 1999, notwithstanding any other provision of law to the contrary, fees for extension programs, special sessions, and other self-supporting instructional programs shall be deposited into and maintained in local trust accounts or in trust accounts in accordance with §16305 to §16305.7 of the Government Code, or in the California State University Trust Fund.

Pursuant to Title 5 §42500 and §42501, an auxiliary may administer workshops, conferences, institutes, and instructionally related programs. However, any services provided by an auxiliary should be properly documented in a contract.

SAM §20003 states that one of the elements of a satisfactory system of internal accounting and administrative control shall include an effective system of internal review.

The associate vice president for administration and finance stated that the campus transitioned related CERF activities from the foundation to state trust following issuance of the CSU Task Force Report on Continuing Education in December 1996. He further stated that the process was completed without a revision to the campus policy statement.

Lack of a formalized review process for academic department sponsored conferences, workshops, and other self-supporting instructional programs increases the risk of improperly managed activities.

### **Recommendation 1**

We recommend that the campus:

- a. establish formalized written procedures to ensure that all academic department sponsored self-supporting instructional programs, including conferences and workshops, are managed in accordance with CSU directives and the Education Code; and
- b. update the campus policy on Self-Support Instruction to ensure that funds from academic department sponsored activities are properly administered.

### **Campus Response**

Sonoma State University agrees with the finding and recommendations.

As stated in Steve Wilson's November 12, 1999 correspondence to Ken Wong, SSU took direct action following the issuance of the February 3, 1997 Continuing Ed Program Audit-Task Force Report by conducting a thorough review of all Sonoma State University Academic Foundation (SSUAF) campus program projects. All SSUAF projects found to be CERF activities or closely related, were closed and transferred to the CERF fund on or before June 30, 1999 or to the SSU Trust Fund before the audit field work was completed.

By June 30, 2000, SSU policy on Self-Support Instruction, dated May 20, 1991, will be revised to formally adopt current practice.

## **COURSE SELECTION AND MANAGEMENT**

Continuing education units (CEU's) were awarded for programs that were operated through the Sonoma State University (SSU) Academic Foundation.

CEU's were offered as an option for non-credit programs at an additional fee that was deposited into the continuing education revenue fund (CERF). However, the balance of the program revenues was deposited into the SSU Academic Foundation.

Executive Order #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 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.

Education Code §89704 states that, notwithstanding any other provisions of law to the contrary, revenues from CSU extension programs, special sessions, and other self-supporting instructional programs may be deposited in the CERF. Prior to January 1, 1999, such revenues were required to be deposited in the CERF.

Education Code §89721 states that effective January 1, 1999, notwithstanding any other provision of law to the contrary, fees for extension programs, special sessions, and other self-supporting instructional programs shall be deposited into and maintained in local trust accounts or in trust accounts in accordance with §16305 to 16305.7 of the Government Code, or in the California State University Trust Fund.

While Title 5 allows an auxiliary to administer workshops, conference, institutes, and instructionally related programs, it does not provide the authority to offer credit instruction.

The dean for the school of extended education stated that the campus was not aware that the non-credit portion of revenues collected for courses offering CEU's should be deposited into CERF or state trust until he reviewed continuing education audits from other campuses. He further stated that the campus was in the process of transferring non-credit programs that award CEU's to state trust.

Not operating courses that award CEU's through the CERF or state trust results in non-compliance with CSU policy and accreditation issues.

### **Recommendation 2**

We recommend that the campus ensure that all non-credit programs involving the award of CEU's are operated through the CERF or state trust.

### **Campus Response**

Sonoma State University agrees with the finding and recommendation.

The recommended action was actually implemented during the transitioning activities associated with SSUs review of the Continuing Ed Program Audit Task Force Report.

The CEU provision will be incorporated into SSUs Self-Support Instruction policy revision as noted in recommendation 1 above.

## **FEE SETTING, COLLECTION AND RECONCILIATION**

The School of Extended Education (SEE) policy for program fee refunds was not in compliance with Title 5 because refund requests were not required to be in writing.

Title 5, §41802 requires that all refund requests be submitted in writing and signed by the person who applied for or obtained enrollment for the term for which the fee was paid.

The SEE dean stated that the program fee refund policy is an accommodation to students in order to provide better customer service.

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

### **Recommendation 3**

We recommend that the SEE revise its refund policy to comply with Title 5 requirements or obtain an exemption from the Chancellor's Office.

### **Campus Response**

Sonoma State University acknowledges the finding and has requested that the Chancellor initiate a revision to Title 5, §41802 and exempt SSU in the interim.

Please refer to SSU letter dated January 4, 2000 to Richard West, provided as attachment A.

## **ENROLLMENT AND STUDENT RECORDS**

A non-discrimination statement was not included in extended education bulletins.

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.

The business manager for the school of extended education stated that the required disclosure was inadvertently left out of the bulletins.

Failure to include the non-discrimination disclosure increases the risk of non-compliance with federal regulations.

### **Recommendation 4**

We recommend that the campus ensure that a non-discrimination statement is included in all extended education bulletins.

**Campus Response**

Sonoma State University agrees with the finding and recommendation.

The most recent SSU Extended Education bulletin includes the recommended disclosure statement.

Please refer to attachment B, Page 45 extracted from the General Information and Policies section of the Spring 2000 Extended Education catalog and the section titled "Non-Discrimination Policy".

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## **APPENDIX A: PERSONNEL CONTACTED**

<b><u>Name</u></b>	<b><u>Title</u></b>
Dr. Ruben Armiñana	President
Letitia Coate	Controller
Lawrence Furukawa-Schlereth	Vice President for Administration and Finance
Bernard Goldstein	Provost and Vice President for Academic Affairs
John Hayes	Business Manager, School of Extended Education
Mary Mansi	Assistant Controller, University Accounting
Susan Michels	Financial Assistant, School of Extended Education
Katie Pierce	Budget Officer, Academic Affairs
Paul Santini	Assistant Controller, Receipts
Richard Sutter	Director, International Services
David Walls	Dean, School of Extended Education
Steven Wilson	Associate Vice President for Administration and Finance
Beverly Yahn	Registrar, School of Extended Education