

**CONTINUING EDUCATION**

**SYSTEMWIDE**

**Report Number 05-13**

**May 19, 2006**

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## ABBREVIATIONS

AB	Assembly Bill
AD	Accounting Department, Chancellor's Office
BA	Business Affairs
CABO	Chief Administrators/Business Officers
CE	Continuing Education
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CFO	Chief Financial Officer
CO	Chancellor's Office
CSU	California State University
EO	Executive Order
FIRMS	Financial Information Record Management System
FTES	Full-Time Equivalent Students
FY	Fiscal Year
GC	Government Code
IC	Indirect Cost
LAIF	Local Agency Investment Fund
MOU	Memorandum of Understanding
NOAT	Notice of Accounting Transaction
RCE	Center for Regional and Continuing Education
RFIN	Resolution of the Committee on Finance
SAM	State Administrative Manual
SMIF	Surplus Money Investment Fund
SUAM	State University Administrative Manual
SWIFT	Systemwide Investment Fund Trust
UCES	University College and Extension Services
UEE	University Extended Education

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## **EXECUTIVE SUMMARY**

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2002, the Board of Trustees, at its January 2005 meeting, directed that *Continuing Education* be reviewed. Continuing Education was last audited in 1998 and 1999.

We visited seven campuses from March 21, 2005, through December 2, 2005, and audited the procedures in effect at that time. Campus specific findings and recommendations have been discussed and reported individually.

In our opinion, significant aspects of the continuing education program were operating programmatically in accordance with systemwide policies and procedural requirements. However, from a systemwide financial management perspective, improvements were needed in the justification and/or reduction of reserves; development of specific policies and procedures for handling negative continuing education accounts; matching of indirect cost allocations with amounts incurred by the campuses in the provision of services; and the creation of separation between the campuses and non-credit continuing education programs owned by auxiliary organizations. Further, controls over continuing education cash collections and revenue reconciliations needed to be strengthened.

The following summary provides 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 ADMINISTRATION [7]**

The California State University (CSU) had accumulated large continuing education reserves without commensurate improvements in spend-down plans or policy alternatives for campuses with deficits. A possible contributing factor to the reserve accumulation was cost allocation plans that were either non-existent, untimely, inadequately supported, lacking formal approval, and/or not monitored. Additionally, four CSU campuses retained substantial continuing education funds in the continuing education revenue fund, thereby eliminating investment options and higher rates of return available through CSU investments with Met West.

### **BUSINESS MODEL/CURRICULUM [13]**

Promotional materials for certain self-support continuing education programs offered by auxiliary organizations inappropriately associated the programs with the campus at four of the seven campuses visited.

### **FINANCIAL MANAGEMENT [15]**

Cash control weaknesses were found at continuing education cashiering areas at five of the seven campuses visited. In addition, continuing education revenue reconciliations were incomplete or inadequately reviewed at most campuses.

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## INTRODUCTION

### **BACKGROUND**

The State University Administrative Manual §3103 describes continuing education, in part, as follows:

The California State University (CSU) has been involved in continuing education since 1932, when Fresno State College established the system's first extension program. Originally comprising only in-service instruction for school teachers, continuing education now provides an increasingly broad spectrum of services to a large number of persons who seek advanced training to help them increase their occupational competency or otherwise enrich their lives.

Continuing education encompasses such activities as extension, summer session, non-credit instructional activities, grants for community services and development, foreign study, concurrent enrollment, and external degree programs. The continuing education program includes credit and non-credit courses offered off campus as well as on campus. These courses may be part of a structured external degree program, may count toward a conventional degree, may be part of a certificate/credential program, may be oriented to specific occupations, or may be offered in response to other special interests.

Continuing education revenues accrue from student fees paid for regular courses, workshops, conferences, short courses, independent study, contract courses, and external degree programs. Additional income is available from interest on surplus funds.

All campus net operating revenues accrue to campus reserves and are continuously available, without regard to fiscal year (FY), for future campus program expenses.

Continuing education also encompasses special sessions, which are described in Executive Order (EO) 802, *Special Sessions*, dated January 31, 2002, as a means whereby CSU instructional programs can be provided to matriculated students on a self-support basis at times and locations not supported by General Fund appropriations. Examples of special sessions include interim sessions between college year terms; programs of a continuing nature offered at military bases, correctional facilities, and other distant or isolated locations; and instructional programs for a specific client group.

On a systemwide basis, continuing education is administered by a state university dean for extended education who reports through an associate vice chancellor for academic affairs to the CSU executive vice chancellor and chief academic officer. Each campus typically has a continuing education dean or other person with a similar title generally reporting through academic affairs. The terms "continuing education" and "extended education" are considered synonymous.

At the campuses, auxiliary organizations might also be involved with continuing education and offer self-supporting instructional programs subject to the limitations in EO 919, *Policy Governing Non-General Fund Receipts*, dated October 15, 2004, which states, in part, that the courses are non-credit and the

auxiliary cannot use the CSU name or representation in any manner other than where the CSU is part of the auxiliary's title.

Analytic Studies in the chancellor's office publishes a statistical report relevant to continuing education entitled, "CSU College Year Enrollment for Matriculants in Self-Support Special Sessions." Per EO 802, a matriculated student is a student who has, through normal procedures, been formally admitted to and enrolled at a CSU campus to pursue an authorized degree, credential, or certificate. An excerpt from two tables in the statistical report indicates that FY 2003/04 special session enrollments of full-time equivalent students (FTES) were as follows:

<b>Campus</b>	<b>FTES State-Support Matriculants</b>	<b>FTES Self-Support Matriculants</b>
Bakersfield	127.2	144.0
Channel Islands		
Chico	101.1	
Dominguez Hills	398.4	
East Bay	86.1	249.4
Fresno	312.2	12.8
Fullerton	348.9	36.8
Humboldt	16.0	
Long Beach	392.5	247.7
Los Angeles	34.8	
Maritime Academy		
Monterey Bay	105.2	
Northridge	955.4	58.0
Pomona	17.0	3.7
Sacramento	296.7	181.8
San Bernardino		2.1
San Diego	60.0	242.3
San Francisco	91.6	33.1
San José	183.7	513.9
San Luis Obispo	27.6	
San Marcos	14.4	
Sonoma	332.4	115.4
Stanislaus	7.7	
Total	3,908.9	1,841.0

In late 1998, the 1998 Higher Education Omnibus Act (Assembly Bill - AB 2812) was enacted. AB 2812 permitted continuing education revenues to be deposited in trust accounts instead of the continuing education revenue fund (CERF) and amended Education Code §89704 and §89721. This action provided the CSU with additional flexibility and the advantage/capability to invest continuing education funds through trust in ways that would provide a higher rate of return. The CSU Investment Policy is described in the Resolution of the Committee on Finance (RFIN) 01-97-03. The basic difference is that funds in the CERF are part of the State Treasury, which only provides investment options in the Surplus Money Investment Fund and Local Agency Investment Fund. Trust funds have been invested mainly in the Met West program, which has three account options – short-term, medium-term, and long-term.

### **PURPOSE**

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of *Continuing Education* and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

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

- ▶ Accountability for the continuing education function has been clearly defined and documented; and agreements/contracts, policies, and procedures are current, comprehensive, and aligned with relevant federal and state laws and regulations.
- ▶ Auxiliary organizations are involved in continuing education without offering academic course credits or identifying the CSU as the program provider.
- ▶ Continuing education fees are established in accordance with CSU directives, an appropriate strategy exists for development and management of CERF reserves, and controls over transfers to/from the CERF are adequate.
- ▶ Continuing education programs and courses are selected and delivered in accordance with CSU policies and state regulations, and degrees offered do not supplant state-supported degrees.
- ▶ Continuing education special sessions meet requisite CSU conditions, characteristics, and recordkeeping requirements; and out-of-state/country programs are managed in accordance with CSU policies.
- ▶ Continuing education program faculty selection processes ensure compliance with the CSU additional employment policy, and faculty compensation complies with CSU salary schedules, and collective bargaining provisions.
- ▶ Continuing education enrollment procedures, change of program, and maintenance of student records are adequate; and enrollment reporting is accurate and reliable for special sessions.

- ▶ Continuing education systems are secure, and use of social security numbers for student identification in continuing education is limited in accordance with systemwide policy.
- ▶ Non-matriculated, continuing education students have been allowed to enroll in state-supported courses only after meeting stipulated conditions.
- ▶ Programs/courses that award continuing education units (CEUs) comply with national standards and systemwide requirements.
- ▶ Internal control over continuing education cash receipts is adequate, accountability for program fees is established at the earliest possible time to prevent misappropriation of funds, and all collections are deposited intact or otherwise safeguarded in a timely manner.
- ▶ Continuing education revenues are reconciled to enrollments, and procedures exist to appropriately manage continuing education receivables and collect bad checks and other debts owed.
- ▶ Continuing education refund procedures ensure that all refunds are approved, accurately processed, and in compliance with campus policy.
- ▶ Established procedures ensure that continuing education expenditures are made only for the support and development of self-supporting instructional programs of the CSU.

## **SCOPE AND METHODOLOGY**

The proposed scope of the audit, as presented in Attachment B, Agenda Item 2 of the January 25-26, 2005, meeting of the Committee on Audit, stated that *Continuing Education* includes special sessions, extension programs, and other self-supporting instructional programs and operation of the CERF and related trust accounts. Potential impacts include loss of budgetary control, inappropriate subsidies, inaccurate reporting, and increased exposure to enforcement.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. Industrywide standards such as those by the Western Association of Schools and Colleges (*Good Practices for Electronically Offered Degree and Certificate Programs*) and the International Association for Continuing Education and Training (*Criteria and Guidelines for Quality Continuing Education and Training Programs: The CEU and Other Measurement Units*) were also considered. The audit review period was FY 2003/04 to date.

We focused primarily upon the internal administrative, compliance, and operational controls over continuing education management. Specifically, we reviewed and tested:

- ▶ Continuing education policies and procedures.
- ▶ Continuing education staffing and organization plans.
- ▶ The processes for planning, approving, and supervising continuing education activities.
- ▶ Continuing education programming decisions and selection of program offerings.
- ▶ Continuing education faculty-related matters.
- ▶ Continuing education enrollment, awarding of credit, and student recordkeeping.
- ▶ Management of continuing education funds and reserves.

During the course of the audit, we visited seven campuses: Chico, Fullerton, Long Beach, Los Angeles, Maritime Academy, Pomona, and San Marcos. We interviewed personnel and audited procedures in effect at that time.

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## OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

### CONTINUING EDUCATION ADMINISTRATION

#### RESERVE ACCUMULATION

The California State University (CSU) had accumulated large continuing education reserves without commensurate improvements in spend-down plans or policy alternatives for campuses with deficits.

In the last five fiscal years (fiscal year (FY) 2000/01 to FY 2004/05), continuing education reserves had risen from \$49.7 million to \$68.9 million – an increase of 38.63%; reserves had changed from 32% of revenue to 42%.

<b>FY Ending 6/30/xx</b>	<b>Reserves</b>	<b>Revenues</b>
2001	\$49,685,164	\$156,906,786
2002	\$59,197,499	\$162,192,485
2003	\$55,152,628	\$145,721,656
2004	\$56,875,876	\$130,021,930
2005	\$68,853,587	\$163,803,988

For a breakdown by campus, see Appendix B.

#### Spend-Down Planning

While the level of reserves at two of the seven campuses visited (Maritime Academy and Pomona) did not warrant a spend-down plan, both the specificity of the need for reserves and the quality of spend-down plans were less than adequate at three of the five other campuses. We frequently found large reserve line items without supporting calculations. For example, one common reason cited for the accumulation of reserves was a need for dedicated continuing education space. However, there was very little specificity when we pressed for details such as how much and what kind of space, where it might be located, how it would be acquired (i.e., purchase or renovate existing property, new construction, etc.), how much it would cost per square foot based on industry indexes, and when the space would be acquired.

At a meeting of the Commission on Extended Education on February 27, 2003, the chancellor cautioned against imprudent build-up of continuing education reserves. During the period mentioned above, when continuing education reserves were increasing, the CSU experienced decreased General Fund appropriations and was seeking executive branch and legislative support for the higher education compact with the governor.

The most recent edition of the *CSU Extended Education Policies and Operations Manual* eliminated the prior standard for reserve accumulation contained in Coded memorandum Business Affairs (BA) 91-13 (a maximum contingency reserve of \$150,000 or 15% of the prior year program revenue subject to modification for major projects) and did not provide another alternative.

Whenever reserves accumulate to significant levels, there is an increased risk of the funds becoming an attractive target for budget reduction, particularly in lean periods. This practice is not without precedence at the CSU. In FY 1994/95, the legislative analyst recommended that \$5 million in continuing education funds be used for instructional equipment replacement because such equipment is used, in part, by continuing education students. A somewhat analogous example in FY 1992/93 required the use of lottery endowment funds.

### **Negative Account Balances**

Policies and procedures have not been developed to address continuing education deficits and options available if borrowing is not a viable alternative.

Commingling continuing education with other trust fund accounts can conceal long-term results and create opportunities for balancing accounts through unusual means not immediately obvious. While it was possible for a campus to recover from negative years, there was one campus that had been operating with negative accounts since FY 2001/02.

State University Administrative Manual (SUAM) §3710.01 states that each trust project must maintain a positive cash and fund balance, but it does not cover what to do if this does not happen.

Education Code §89760 states that the Trustees may transfer money from one special fund to another special fund or to the General Fund (but not from it) in order to meet the commitments of the CSU if the transferred monies are returned to the special fund of origin in time to fulfill the purposes of the special fund. However, there is nothing further to provide specifics on:

- ▶ How the transfers should be documented or recorded.
- ▶ How to proceed if there were negative fund balances and for one reason or another, special fund loans were not an option or would not be enough to cover the amount needed to bring the fund balance positive.

Lack of policy specificity concerning actions to be taken when continuing education trust fund accounts are negative causes confusion and can result in improper transactions.

### **Recommendation 1**

We recommend that the chancellor's office:

- a. Establish reasonable thresholds and acceptable purposes for accumulation and use of continuing education reserves.

- b. Take action to ensure that continuing education reserves are reduced to and maintained at appropriate levels.
- c. Develop and communicate to the campuses specific policies and procedures describing the options available and the actions necessary to address negative account balances and deficits in continuing education revenue funds/trust accounts.

### Management Response

We concur.

The chancellor's office Business and Finance Division, in coordination with chief administrators/business officers (CABO), will develop and publish appropriate systemwide standards for the accumulation of continuing education program reserves, including procedures to correct deficit accounts.

Anticipated Completion Date: December 15, 2006

### COST ALLOCATIONS

Cost allocation plans were either non-existent, untimely, inadequately supported, lacking formal approval, and/or not monitored.

We found that:

- ▶ A formal systemwide evaluation and update regarding Executive Order (EO) 753 implementation had not been performed since it was originally issued, and the EO did not specifically address several important considerations (as noted below).
- ▶ EO 753 had been inconsistently implemented as summarized in the following table:

**EO 753 Cost Allocation Plans and  
Continuing Education (CE) Program Reimbursements**

Campus	EO 753					Estimated Indirect Costs (IC)	FY 2004/05 CE Revenues in FIRMS	IC as % of CE Revenues
	A	B	C	D	E			
Chico	N	N	N	N	N	\$0	\$2,325,267	None
Fullerton	N	N	N	N	N	\$0	\$15,523,377	None
Long Beach	Y	Y	Y	Y	Y	\$3,190,200	\$18,326,024	17.4%
Los Angeles	N	N	N	N	N	\$881,500	\$4,149,844	21.2%
Maritime Academy	N	N	N	N	N	\$50,001	\$628,810	8.0%
Pomona	N	N	N	N	N	\$262,574	\$2,644,375	9.9%
San Marcos	N	N	N	N	N	\$179,261	\$2,704,168	6.6%

A	Did the campus prepare a written cost allocation plan on an annual basis that included all services received by CE?
B	Was the cost allocation plan prepared on a timely basis – preferably prior to, but not later than the end of the period covered?
C	Were the indirect cost allocations adequately supported by documentation that could be independently verified?
D	Did the chief financial officer approve the indirect cost allocation plan and was this approval documented in writing?
E	Was the campus able to demonstrate that plan assumptions, estimates, and projections had been monitored during the course of the year with adjustments made based on actual experiences?
Y = Yes N = No	

For maximum effectiveness, a planning document such as the one envisioned by EO 753 should be constructed in advance using assumptions, estimates, and projections as to what is expected to transpire in the coming year and should be completed and signed close to the beginning of the period covered. In order to keep the plan accurate, current, and as relevant as possible, it should incorporate the most recent information available. For the FY 2004/05 planning cycle, the most recent information would have been for FY 2003/04, and the plan would have been approved close to the beginning of July 2004. However, the current EO lacks deadlines and/or specific timing requirements for plan completion. Additionally, EO 753 does not specifically address monitoring throughout the year and adjusting the plan if the actual costs and experiences deviate from the plan even though it mentions the need for consistent reporting of costs incurred.

Education Code §89704(a) creates the continuing education revenue fund (CERF) and §89704(b) appropriates all CERF revenues, without regard to fiscal years, to the Trustees for the support and development of self-supporting instructional programs of the CSU.

EO 753, *Allocation of Costs to Auxiliary Enterprises*, dated July 28, 2000, states that auxiliary enterprises (such as continuing education) shall be charged the allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the university funded from the General Fund. Further, cost allocations shall be determined in accordance with a written cost allocation plan approved annually by the campus chief fiscal officer. The plan is supposed to be reasonable and provide consistent estimation, accumulation, and reporting of related costs.

In April 2003, the CSU Financial Officers Association issued a document entitled *Guidelines for General Fund Cost Allocation Plans*. This document added certain principles such as “all significant incremental costs should be included in the cost allocation plan” and steps such as “the cost allocation plan should quantify the costs being allocated and document the basis of the allocation and

any exchange of value recognized.” A reasonable cost allocation plan example is presented in Appendix C.

SUAM §3710.12 states that if funds are expended in the General Fund on behalf of a trust fund or project, the trust fund or project shall reimburse the General Fund in a timely fashion.

Government Code (GC) §13401 states that effective systems of internal accounting and administrative control are necessary to assure that state assets and funds are adequately safeguarded, produce reliable financial information, and are necessarily dynamic and must be continuously evaluated and improved, where necessary.

Lack of good cost allocation plans and processes and inconsistent implementation of EO 753 increases the risk that the General Fund is not fully reimbursed on a timely basis for support provided to auxiliary enterprises such as continuing education.

### **Recommendation 2**

We recommend that the chancellor’s office:

- a. Obtain copies of all campus EO 753 plans, analyze them for compliance with EO requirements, identify best practices and alternatives, and summarize the results for systemwide distribution.
- b. Establish a process to periodically evaluate the acceptability and appropriateness of indirect costs allocated to continuing education programs.

### **Management Response**

We concur.

The chancellor’s office Business and Finance Division will establish a systemwide “clearing house” for indirect cost allocation planning and policy development. After consultation with CABO, reporting processes will be implemented to collect and analyze annual campus indirect cost plans at the chancellor’s office.

Anticipated Completion Date: November 1, 2006

### **CERF VS. TRUST**

Four CSU campuses retained substantial continuing education funds in the CERF and had forgone the opportunity to invest funds at higher rates of return through CSU investments with Met West.

In late 1998, the 1998 Higher Education Omnibus Act (Assembly Bill - AB 2812) was enacted. AB 2812 permitted continuing education revenues to be deposited in trust accounts instead of the CERF and amended Education Code §89704 and §89721. This action provided the CSU with additional flexibility and the advantage/capability to invest continuing education funds through trust

in ways that would provide a higher rate of return. The basic difference is that funds in the CERF are part of the State Treasury, which only provides investment options in the Surplus Money Investment Fund (SMIF) and Local Agency Investment Fund (LAIF). Trust funds have been invested mainly in the Met West program, which has three account options – short-term, medium-term, and long-term. When the AB 2812 authority was obtained, the CSU elected to make the deposit of funds to either the CERF or trust accounts optional based on whatever the individual campuses decided to do.

The interest income from investment of continuing education funds through the State Treasurer is distributed to the campuses quarterly through the chancellor's office Accounting department (AD) via coded memorandums called Notice of Accounting Transaction (NOAT). Based on the more recent AD-NOAT distributions, it is clear that the preponderance of CSU campuses exercised the AB 2812 authority to deposit continuing education funds in trust accounts. The four campuses with substantial CERF funds in SMIF investments were Chico, Fullerton, Los Angeles, and Sonoma.

If these campuses had invested some continuing education reserves in a Met West medium-term account over the last five years, they would have earned a 6.21% rate of return versus 3.15%. Campuses may only use Met West when continuing education reserves are maintained in trust accounts. The most recent *Annual Investment Report for the CSU* as presented in Agenda Item 3 of the September 2005 meeting of the Board of Trustees' Committee on Finance included a chart intended to illustrate how the Met West accounts have provided better long-term benefit to participants relative to the LAIF and other industry performance measurements as follows:

	<u>FY</u> <u>2004/05</u>	<u>Trailing</u> <u>Three Years<sup>1</sup></u>	<u>Trailing</u> <u>Five Years<sup>1</sup></u>	<u>Since</u> <u>Inception<sup>1</sup></u>
<b>Short-Term Account</b>	<b>1.17%</b>	<b>1.86%</b>	<b>3.23%</b>	<b>4.19%</b>
LAIF	2.25%	2.00%	3.15%	4.10%
<b>Medium-Term Account</b>	<b>3.20%</b>	<b>3.90%</b>	<b>6.21%</b>	<b>6.08%</b>
Merrill Lynch Index	3.25%	4.58%	6.89%	6.59%

<sup>1</sup>Annualized.

<sup>2</sup>The Medium Term index from inception of the program through November 2004 was the Merrill Lynch 5-7 year Treasury index. On November 30, 2004, the investment committee changed the index from the Merrill Lynch 5-7 year Treasury index to the Merrill Lynch 1-5 year Treasury and Agency index. The Merrill Lynch 5-7 year Treasury index to the Merrill Lynch 1-5 year Treasury and Agency index are unmanaged indices consisting of cumulative daily returns of US Treasuries with maturities between 5 and 7 years, and 1-5 years, respectively.

Three of the four campuses (Chico, Fullerton, and Los Angeles) that retained significant continuing education funds in the CERF were visited in this audit. All three of these campuses were adamant in their position that market variables did not warrant deposit to trust accounts or diversification of funds between investment alternatives.

Absence of a thorough analysis of investments increases the risk that the CSU will not maximize investment returns and reduces the amount of funds available for continuing education programs.

### **Recommendation 3**

We recommend that the chancellor's office:

- a. Review the existing accounting options for continuing education and determine whether it is advisable to discontinue the use of CERF.
- b. Analyze the investment of continuing education funds to ensure current practices have maximized the rate of return.

### **Management Response**

We concur.

The CSU is currently in the formative stages of establishing a centralized cash management program where all campus-based fee revenue will be deposited into the Systemwide Investment Fund Trust (SWIFT). These funds will be managed and invested through the chancellor's office to maximize returns to all campus programs. The transition to SWIFT, when fully implemented, will eliminate the use of state fund 0573, as well as other CSU special revenue funds.

Anticipated Completion Date: December 15, 2006

## **BUSINESS MODEL/CURRICULUM**

Promotional materials for certain self-support continuing education programs offered by auxiliary organizations inappropriately associated the programs with the campus at four of the seven campuses visited.

We found that there were certain non-credit programs administered through continuing education, but owned by one of the campus auxiliary organizations. At four of the seven campuses visited, these programs included:

- ▶ Chico – American Language and Culture Institute and the Osher Lifelong Learning Institute/Prime-Timers
- ▶ Fullerton – American Language Program
- ▶ Pomona – Various certificate and specialist programs
- ▶ San Marcos – American Language and Culture Institute

These programs were advertised through different means including brochures, mailers, and websites. The promotional materials presented them in a way that suggested ownership by the campus. In some combination, the materials:

- ▶ Prominently displayed the logo, name, pictures, and seal of the campus.
- ▶ Linked the programs to the campus Internet domains.
- ▶ Identified benefits that included use of campus facilities (e.g., library and health center).
- ▶ Promised enrollees identification cards that were the same as those provided to regularly enrolled students.
- ▶ Promoted the use of on-campus housing.

EO 794, *Financial Management of Extended Education*, dated November 12, 2001, states, in part, that auxiliary organizations can also offer self-supporting instructional programs. The courses are non-credit and cannot use the CSU name or representation in any manner. This same prohibition was relaxed somewhat in EO 919, *Policy Governing Non-General Fund Receipts*, dated October 15, 2004, which allows use of the CSU name only when it is part of the auxiliary's title.

Certain campus management expressed concerns about removing the campus name from these programs because the programs were, in part, designed with the intent of promoting the campus and attracting/enrolling international students, including some who might not be eligible for regular university admission because of language skills.

Misleading presentation of auxiliary organization continuing education programs causes confusion and potentially increases campus liability.

#### **Recommendation 4**

We recommend that the chancellor's office clarify the intent of EO 794/919 and identify specific instances where exceptions might be warranted.

#### **Management Response**

We concur.

Existing policy has created some campus-based misunderstandings on academic ownership issues. CSU Academic Affairs and Business and Finance will analyze current policy documents, including EO 794 and EO 919, and will issue appropriate modifications.

Anticipated Completion Date: December 15, 2006

## FINANCIAL MANAGEMENT

### CASHIERING

Cash control weaknesses were found at continuing education cashiering areas at five of the seven campuses visited.

Our review disclosed multiple campus locations where continuing education cashiering activities might occur. Several different types of control weaknesses in cashiering were observed at one or more locations at the five campuses as follows:

**Continuing Education Cashiering Weaknesses**

Condition	Chico	Los Angeles	Maritime Academy	Pomona	San Marcos
Lack of segregation of duties		√	√	√	
Failure to control access to the safe			√	√	√
Failure to regularly provide restrictive endorsements on checks				√	
Failure to provide oversight by central office	√		√		
Failure to control ticket stock			√		

GC §13403 states that the elements of a satisfactory system of internal accounting and administrative control include, but are not limited to, a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

State agency cashiering operations must also meet the requirements of the California State Administrative Manual (SAM).

SAM §8080 and §8080.1 require an adequate separation of duties so that no one person processes cash receipts and refunds, and state, in part, no one person shall perform more than one of the following types of duties: receiving and depositing remittances, and inputting receipts information.

SAM §8032.1 requires that receipts be adequately safeguarded until deposited. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism providing comparable safekeeping.

SAM §8025 states that, as a deterrent to burglary, safes will be securely anchored to the building and, where practical, to the building's foundation.

SAM §8024 requires the retention of a record listing the names of individuals with knowledge of a department's safe combination and the date the combination was last changed.

SAM §8034.1 requires checks and other negotiable instruments to be endorsed on the day they are received.

Campus management cited various reasons for these issues including limited resources, lack of formal processes, continuing education not being considered a satellite cashiering location, and geographic distribution of operating units.

Inadequate controls over cash receipts increase campus exposure to loss from inappropriate acts.

### **Recommendation 5**

We recommend that the chancellor's office remind the campuses of the cashiering requirements applicable to continuing education.

### **Management Response**

We concur.

Cashiering and security for student fees are extremely important functions. The chancellor's office will provide campus continuing education leadership with an up-to-date cashiering policy.

Anticipated Completion Date: September 20, 2006.

## **REVENUE RECONCILIATIONS**

Continuing education revenue reconciliations were incomplete or inadequately reviewed at most campuses visited.

The common breakdown of continuing education revenues was credit and non-credit course programming. Each of these two types generally had a slightly different process of reconciling revenues to enrollments and the reconciliations were the responsibility of continuing education units (CEUs) instead of campus accounting/business offices. Typically, the campuses visited did a better job of reconciling credit versus non-credit enrollments/revenues. However, even where some reconciliation activity occurred, there was generally inadequate documentation that the reconciliations were reviewed as evidenced in the following table:

**Continuing Education Revenue Reconciliations**

<b>Campus</b>	<b>Credit Revenues Reconciled</b>	<b>Non-Credit Revenues Reconciled</b>	<b>Reconciliations Adequately Reviewed</b>
Chico	Y	Y	N
Fullerton	Y	Y	Y
Long Beach	N	Y	N
Los Angeles	Y	N	N
Maritime Academy	Y	N	N
Pomona	N	N	N
San Marcos	Y	N	N
Y = Yes N = No			

SAM §7920 states that two types of reconciliations are made: (1) reconciliation of agency accounts with records other than those prepared by the agency; and (2) reconciliation of two or more accounts or other records kept by an agency. In addition, each agency is responsible to complete any reconciliation necessary to safeguard assets and ensure reliable financial data.

SAM §7908 requires all reconciliations to show the name of the preparer and reviewer along with the date prepared and reviewed.

Campus management asserted a number of reasons for the reconciliation problems including a lack of direction on what was required and conversion of accounting systems to PeopleSoft.

Failure to prepare reconciliations compromises accountability and increases the risk that errors and irregularities will not be detected.

**Recommendation 6**

We recommend that the chancellor's office remind the campuses of reconciliation requirements and the importance to the control environment of a timely and thorough supervisory review of reconciliation results.

**Management Response**

We concur.

Reconciliation of all General Fund and enterprise accounts is essential to good campus management. The chancellor's office will send a letter to the campus business offices and CEUs stressing the importance of enterprise fund reconciliations.

Anticipated Completion Date: December 15, 2006.

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## APPENDIX A: PERSONNEL CONTACTED

### Office of the Chancellor

Gary W. Reichard	Executive Vice Chancellor and Chief Academic Officer
George Ashkar	Senior Director, Financial Services and Controller
Jim Blackburn	Associate Director, Enrollment Management Services
Sean Boylan	Director, Financial Management Services
Marsha Hirano-Nakanishi	Assistant Vice Chancellor, Academic Research and Resources
Dennis Hordyk	Assistant Vice Chancellor, Financial Services
Sedong John	Associate Director, Systemwide Financial Standards and Reporting
Allison Jones	Assistant Vice Chancellor, Student Academic Support
Ed McAleer	State University Dean, Extended Education
Colleen Nickles	Senior Director, Financing and Treasury
Sherry Pickering	General Accounting Manager
Steve Raskovich	University Counsel
Angie Renaud	Special Project Accountant
Rodney Rideau	Budget Director
Mary Robinson	Associate Director for Financial Aid, Student Academic Support
Jolayne Service	Dean, Academic Program Planning
Richard West	Executive Vice Chancellor and Chief Financial Officer (CFO)

### Systemwide (Campuses Not Visited)

David DeMauro	Vice President – California State University, San Bernardino
Mark Erickson	Assistant to the Dean, College of Extended Learning and Manager, Fiscal and Business Services – California State University, San Bernardino
Missy Klep	Manager, Internal and External Reporting – California State University, Channel Islands
William Nance	Vice Provost, Academic Planning and Budgets – San José State University
George Pardon	Vice President, Administration and Finance – California State University, Dominguez Hills

### California State University, Chico

Paul J. Zingg	President
Tom Alden	Computer Analyst/Programmer, Center for Regional and Continuing Education (RCE)
Debra Barger	Dean, RCE
Carol Blessum	Manager, Mail Services
Jan Burnham	Director, Student Financial Services
Susan Cottrell	Director, Budget Analysis and Research
Dave Foreman	Financial Analyst, Budget
Dennis Graham	Vice President for Business and Finance
Bob Hannigan	Vice Provost of Enrollment Management
Stephanie Henderson	Administrative Analyst/Specialist, RCE
Richard Jackson	Executive Director, The CSU, Chico Research Foundation
Bill Jones	Interim Associate Vice President for Financial Services
Michelle Korte	Director, Financial Reporting and Property

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APPENDIX A: PERSONNEL CONTACTED

Scott McNall	Provost and Vice President for Academic Affairs
Doreen Mendes	Accounting Technician, Accounting Operations
Mary Oling-Otto	Director of Special Projects and Student Judicial Affairs
Joe Picard	Marketing Director, RCE
Patti Salomon	Financial Reporting Analyst
Janna Sterling	Administrative Assistant, RCE
Doug Wilson	Systems Support Technical Analyst, Human Resources

California State University, Fullerton

Milton A. Gordon	President
Antonietta (Toni) Bartter	Student Support Services Manager, University Extended Education (UEE)
John Beisner	Director, University Risk Management
Shou-Yinn (Pearl) Cheng	Director, Finance and Administration (CSUF Foundation)
Carol Creighton	Director of External Programs and Central Program Support, UEE
Linda Godding	Director of Budget and Finance, UEE
Naomi Goodwin	Assistant Vice President, Administration and Finance
Diana Guthrie	Accounting Assistant – Accounts Payable, UEE
Willie Hagan	Vice President, Administration and Finance/CFO
Elias Hajjar	Associate Director of Information Technology, UEE
Jannel Hope	Financial Analyst, UEE
Brian Jenkins	Associate Vice President, Finance
Melody Johnston	Associate Dean, UEE
Annette Jones	Accounting Assistant for Payroll, UEE
Susan Kachner	Director of Administrative Computing
Lisa Kopecky	Director, Academic Affairs Budget
Mark Lopez	Executive Assistant, Financial Management
Maria Mezhinsky	Data Coordinator, Admissions and Records
Sherri Newcomb	Chief of Budget Planning and Strategy
Harry Norman	Dean, UEE
Cecilia Patz	Director of Accounting Services and Financial Reporting
Lisa Penunuri	Operating Systems Analyst, Administration and Finance
Glen Shiery	Lead Network Analyst, Administration and Finance
Albert Sim	Supervisor, Student Accounts Receivable
Ephraim Smith	Vice President, Academic Affairs
Alex Tzoumas	Director of Internal Audit (At time of review)
Dolores Vura	Assistant Vice President, Institutional Research and Analytical Studies
Karen Wall	Interim Assistant Vice President, Budget Operations
May Wong	Director, Payroll and Payables

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APPENDIX A: PERSONNEL CONTACTED

California State University, Long Beach

F. King Alexander	President
Robert C. Maxson	President (At time of review)
Janna Bersi	Associate Executive Director and CFO, CSU, Long Beach Foundation
Kelly Cox	Assistant to the Administrative Services Manager, University College and Extension Services (UCES)
Marilyn Crego	Dean, UCES
Marina Freeman	Program Manager, UCES
William Griffith	Vice President, Administration and Finance
Zoraya Gudelman	Registration Coordinator, UCES
Sheri Hale	Scheduling Coordinator, UCES (At time of review)
Marianne Hata	Assistant Vice President, Academic Resources
Donna Hilpert	Contracts Supervisor
Tanya Ho	Senior Internal Auditor
Charles Hughes	Director of Procurement
Ina Hutchison	Purchasing/Accounts Payable Coordinator, UCES
Christa Johnson	Division Fiscal Officer, Financial Management
Mike Jones	CFO, UCES
Mary Jones-Harley	Assistant to the Director of Programs, UCES
Mat Kaplan	Senior Director of Advanced Technology and Development, UCES
Joseph Latter	Associate Vice President, Financial Management
Robyn Mack	Associate Vice President, University Services and Chief of Staff
Joel Maculam	Financial Systems Analyst
Kay Mascaro	Financial Analyst, UCES
Shawn McCown	University Controller
Jackie Mitchell	Assistant Registration Coordinator, UCES
Rellen Owen	Administrative Services Manager, UCES (At time of review)
Alisa Rocha	Finance Assistant, UCES
Maryann Rozanski	Director, Safety and Risk Management and Campus Information Security Officer
Carolyn Shadle	Associate Dean, UCES
Heather Smith	Executive Assistant to the Dean, UCES
Mark Smith	Program Manager, UCES
Aysu Spruill	Director, Internal Auditing Services
Sheila Thomas	Director of Programs, UCES
Craig Walker	Digital Systems Specialist, UCES
Penni Wells	Director – Staff Development and Training, UCES

California State University, Los Angeles

James M. Rosser	President
Mustafah Dhada	Dean of Extended Education
Steven Garcia	Vice President and CFO, Administration and Finance
Alice Gutierrez	Coordinator, Professional Development
Robert Hoffman	Manager, Data Center Operations
Yuet Lee	Associate Vice President, Administration and Finance

---

APPENDIX A: PERSONNEL CONTACTED

Herman Lujan	Provost and Vice President for Academic Affairs
Janet Mori	Division Secretary, Extended Education
Michael Perry	Senior Internal Auditor
Bryon Wada	Registration Supervisor
Adrienne Yamagishi	Fiscal/Administrator Operations Specialist
Steven Yim	University Internal Auditor

California Maritime Academy

William B. Eisenhardt	President
Michael Bittner	Dean of Sponsored Projects and Extended Learning, Continuing Education (CE)
Donna Carreon	Human Resources Analyst
Vineeta Dhillon	Purchasing Manager
Gale Gomez	Cashier
Stephen Kreta	Dean of Academics
Gay Kvilhaug	Accountant
Steve Mastro	Budget Officer
Mark Nickerson	Vice President of Administration and Finance
Rich Power	Network Specialist
Diane Rawicz	Director, California Maritime Academy Services
Cheri Sims	Payroll Technician
Ken Toet	Controller
Shelrey Woodson	Administrative Assistant/Course Coordinator, CE
Donald Zingale	Vice President of Academic Affairs

California State Polytechnic University, Pomona

J. Michael Ortiz	President
Linda Ableman	Director of Kellogg House Pomona
Ed Barnes	Associate Vice President for Executive Affairs
Randall Burger	Director of Cal Poly English Language Institute
Dawn Burns	Accountant
Dora Chapman	Assistant Registrar
Robert Charles	ExtendTech Training Program Manager
Theresa Ensley	Study Abroad Coordinator, International Center
Patricia Farris	Vice President of Administrative Affairs and CFO
Julie Holland	Executive Director of Business Services
Darwin Labordo	Associate Vice President for Finance and Administrative Services (At time of review)
Tariq Marji	General Financial Manager, Cal Poly Pomona Foundation
David Prenovost	CFO, Cal Poly Pomona Foundation
G. Paul Storey	Executive Director of Cal Poly Pomona Foundation
Joice Xiong	Budget Analyst, International Center

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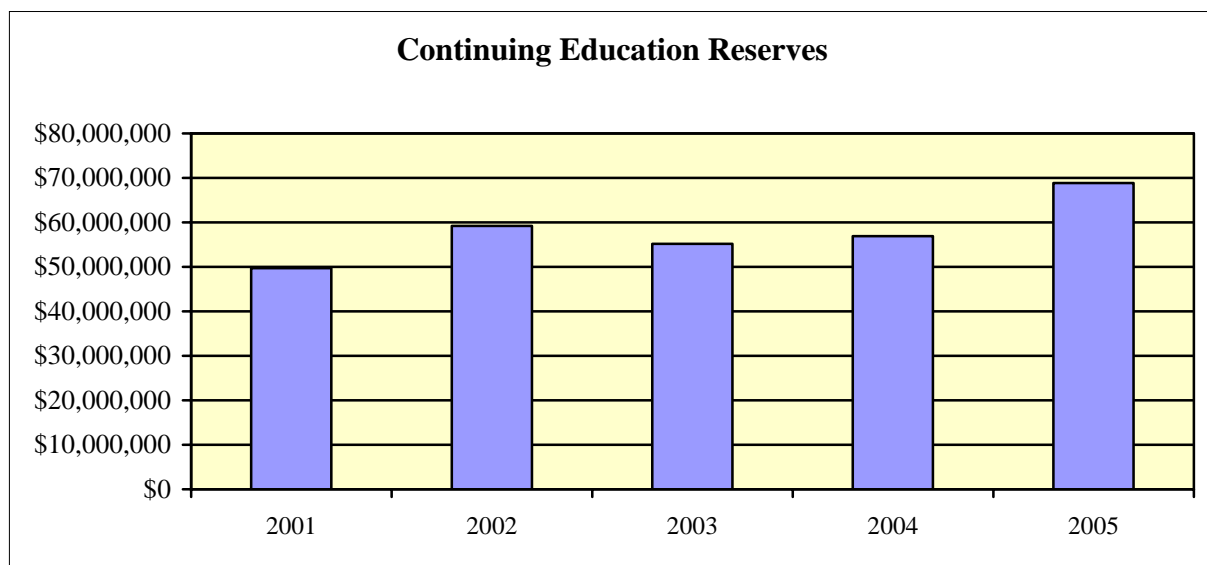
APPENDIX A: PERSONNEL CONTACTED

California State University, San Marcos

Karen S. Haynes	President
Beverlee Anderson	Masters of Business Administration Director, College of Business Administration
Michael Bell	Administrative Analyst, Academic Resources
Shirley Brady	Interim Associate Vice President, Finance and Business Services
Keith Butler	Director of College Operations, College of Business Administration
MarthaAnn Haney	Director, Registration and Records
Linda Hawk	Interim Associate Vice President, Resource Management
Tricia Henlon	Manager, Financial and Administrative Operations, Extended Studies
Neal Hoss	Vice President, Finance and Administrative Services
Jan Jackson	Dean, Extended Studies
M.G. (Peggy) Kelly	Interim Associate Dean, College of Education
Teresa Macklin	Director of Academic Technology Services
Alma McFarland	Interim Accounts Receivable Lead, Student Financial Services
Tracey Richardson	Academic Scheduling and Space Coordinator, Curriculum and Scheduling Office
Alejandra Sanchez	Registration Coordinator, Non-Credit Programs, Extended Studies
Susan Wallace	Interim Controller, Finance and Business Services
Daniel Zorn	Director, Common Management System Finance

## APPENDIX B: CONTINUING EDUCATION RESERVES

<b>Campus</b>	<b>6/30/01</b>	<b>6/30/02</b>	<b>6/30/03</b>	<b>6/30/04</b>	<b>6/30/05</b>
Bakersfield	\$838,208	\$535,684	\$731,461	\$658,494	\$441,088
Channel Islands	\$29,464	\$0	\$116,220	\$214,008	\$355,656
Chico	\$2,985,893	\$3,365,098	\$4,410,676	\$4,765,280	\$5,265,042
Dominguez Hills	\$5,830,850	\$5,738,659	\$5,531,682	\$4,482,917	\$3,805,976
East Bay	(\$1,145,832)	(\$1,752,743)	(\$623,980)	\$465,443	\$1,017,061
Fresno	(\$8,024,946)	\$3,754,624	\$4,027,441	\$5,677,342	\$7,455,169
Fullerton	\$4,941,021	\$3,321,595	\$3,254,392	\$4,449,347	\$6,514,503
Humboldt	\$1,987,793	\$2,257,335	\$2,427,164	\$2,664,822	\$2,842,861
Long Beach	\$5,733,722	\$6,445,122	\$7,104,846	\$6,456,320	\$7,073,309
Los Angeles	\$2,317,034	\$2,015,516	\$2,177,334	\$2,423,411	\$2,127,763
Maritime Academy	\$122,084	\$110,596	\$55,854	(\$103,021)	\$221,706
Monterey Bay	\$150,034	\$162,205	\$769,426	\$412,435	\$378,229
Northridge	\$2,338,048	\$1,621,904	\$1,579,735	\$1,792,574	\$2,057,577
Pomona	\$364,906	\$221,441	\$160,687	\$199,625	\$425,536
Sacramento	\$5,433,989	\$3,103,959	\$4,208,728	\$4,091,604	\$4,897,195
San Bernardino	\$52,388	(\$763,147)	(\$1,629,363)	(\$1,710,964)	(\$1,285,476)
San Diego	\$11,154,034	\$11,901,289	\$5,499,581	\$5,542,401	\$5,669,511
San Francisco	\$2,945,758	\$1,880,057	\$2,479,805	\$2,248,763	\$2,236,756
San José	\$5,876,219	\$10,110,409	\$9,736,773	\$8,441,762	\$12,354,593
San Luis Obispo	\$353,793	\$256,949	\$149,469	\$89,546	\$142,255
San Marcos	\$1,218,156	\$1,712,624	\$1,219,265	\$1,351,974	\$1,490,524
Sonoma	\$1,226,887	\$1,545,659	\$1,531,474	\$2,158,283	\$1,560,325
Stanislaus	\$1,121,165	\$1,068,556	\$637,019	\$485,349	\$1,118,646
Systemwide CO	\$1,834,496	\$584,108	(\$403,059)	(\$381,838)	\$687,782
<b>Total</b>	<b>\$49,685,164</b>	<b>\$59,197,499</b>	<b>\$55,152,630</b>	<b>\$56,875,877</b>	<b>\$68,853,587</b>



## APPENDIX C: COST ALLOCATION PLAN EXAMPLE

### COST ALLOCATION PLAN TO AUXILIARY ENTERPRISES\* FY 2005/06

**AUXILIARY/ENTERPRISE ORGANIZATION:** Continuing/Extended Education

<u>PROJECTED COSTS INCURRED BY THE GENERAL FUND ON BEHALF OF AUXILIARY</u>		<u>REIMBURSEMENTS TO GENERAL FUND BY AUXILIARY ENTERPRISE/FUND</u>		<u>METHOD OF RECOVER Y</u>
<u>Outline of Services</u>	<u>Annual Cost</u>	<u>Outline of General Fund Recovery</u>	<u>Amount</u>	
Academic Affairs	\$2,433,200	Revenue Split Special Sessions	\$1,064,600	(A)
Budget and Human Resources	\$5,300	Open University	\$822,400	(A)
Bursar's Office	\$18,700	4.8% of Revenue per MOU	\$677,000	(A)
Business Systems	\$9,300	Services	\$417,700	(B)
Controller's Office	\$79,700	Concurrent Enrollment	\$252,900	(A)
Employee Relations	\$800	Open University-Summer	\$125,600	(A)
Payroll Services	\$7,600	GS700	\$93,200	(A)
Personnel Services	\$11,300	Winter Session	\$65,900	(A)
Physical Planning and Facilities Mgmt.	\$530,900 \$92,100			
Purchasing and Support Services	\$1,300			
Safety and Risk Management				
Total Projected Costs and Recovery	<u>\$3,190,200</u>		<u>\$3,519,300</u>	

\*General Fund costs reported are those costs that are not billed directly or charged back to the auxiliary.

#### Method of Recovery

- (A) Reimbursements to General Fund will be calculated in accordance with the Memorandum of Understanding (MOU) dated April 1999. Funds are transferred to General Fund and/or to university accounts.
- (B) Reimbursements via Service-In-Kind.

#### Footnote

Projected indirect costs and recoveries are based on the actual information available for FY 2003/04. Indirect costs will be reviewed annually and revised as needed to reflect the material changes that may affect the cost allocation plan for future years.

**GARY W. REICHARD**

*Executive Vice Chancellor and Chief Academic Officer*  
 401 Golden Shore, 6th Floor  
 Long Beach, CA 90802-4210  
 Telephone: (562) 951-4710  
 Fax: (562) 951-4986  
 E-mail: greichard@calstate.edu

RECEIVED  
 UNIVERSITY AUDITOR

JUN 30 2006

THE CALIFORNIA STATE  
 UNIVERSITY

**MEMORANDUM**

DATED: June 30, 2006

TO: Larry Mandel  
 University Auditor

FROM: Gary W. Reichard *GWR*  
 Executive Vice Chancellor and Chief Academic Officer

SUBJECT: Management Response to Administration of the  
 Continuing Education Revenue Fund (CERF)

Attached are the management responses to the six recommendations included in Internal Audit Report Number 05-13, Administration of the Continuing Education Revenue Fund.

In forwarding these responses, I want to recognize that both the responses and implementation timetable are a joint product of the Business and Finance Division and Academic Affairs. The two divisions will work together to insure that the recommendations are addressed by constituent groups by the end of calendar 2006.

If there are questions, or lack of agreement, please contact me at once.

Enclosure (1)

c: Charles B. Reed, Chancellor  
 Richard West, Executive Vice Chancellor and Chief Financial Officer  
 Ed McAleer, State University Dean of Extended Education

**CSU Campuses**  
 Bakersfield  
 Channel Islands  
 Chico  
 Dominguez Hills  
 East Bay

Fresno  
 Fullerton  
 Humboldt  
 Long Beach  
 Los Angeles  
 Maritime Academy

Monterey Bay  
 Northridge  
 Pomona  
 Sacramento  
 San Bernardino  
 San Diego

San Francisco  
 San José  
 San Luis Obispo  
 San Marcos  
 Sonoma  
 Stanislaus

## CONTINUING EDUCATION

### SYSTEMWIDE

Report Number 05-13

May 19, 2006

## CONTINUING EDUCATION ADMINISTRATION

### RESERVE ACCUMULATION

#### Recommendation 1

We recommend that the chancellor's office:

- a. Establish reasonable thresholds and acceptable purposes for accumulation and use of continuing education reserves.
- b. Take action to ensure that continuing education reserves are reduced to and maintained at appropriate levels.
- c. Develop and communicate to the campuses specific policies and procedures describing the options available and the actions necessary to address negative account balances and deficits in continuing education revenue funds/trust accounts.

#### Management Response

We concur.

The Chancellor's Office, Business and Finance Division, in coordination with CABO, will develop and publish appropriate systemwide standards for the accumulation of continuing education program reserves, including procedures to correct deficit accounts.

Anticipated Completion Date: December 15, 2006

### COST ALLOCATIONS

#### Recommendation 2

We recommend that the chancellor's office:

- a. Obtain copies of all campus EO 753 plans, analyze them for compliance with EO requirements, identify best practices and alternatives, and summarize the results for systemwide distribution.
- b. Establish a process to periodically evaluate the acceptability and appropriateness of indirect costs allocated to continuing education programs.

**Management Response**

We concur.

The Chancellor's Office, Business and Finance Division, will establish a systemwide "clearing house" for indirect cost allocation planning and policy development. After consultation with CABO, reporting processes will be implemented to collect and analyze annual campus indirect cost plans at the Chancellor's Office.

Anticipated Completion Date: November 1, 2006

**CERF VS. TRUST****Recommendation 3**

We recommend that the chancellor's office:

- a. Review the existing accounting options for continuing education and determine whether it is advisable to discontinue the use of CERF.
- b. Analyze the investment of continuing education funds to ensure current practices have maximized the rate of return.

**Management Response**

We concur.

The CSU is currently in the formative stages of establishing a centralized cash management program where all campus-based fee revenue will be deposited into the Systemwide Investment Fund-Trust (SWIFT). These funds will be managed and invested through the Chancellor's Office to maximize returns to all campus programs. The transition to SWIFT, when fully implemented, will eliminate the use of State fund 0573, as well as other CSU special revenue funds.

Anticipated Completion Date: December 15, 2006

**BUSINESS MODEL/CURRICULUM****Recommendation 4**

We recommend that the chancellor's office clarify the intent of EO 794/919 and identify specific instances where exceptions might be warranted.

**Management Response**

We concur.

Existing policy has created some campus-based misunderstandings on academic ownership issues. CSU Academic Affairs and Business & Finance will analyze current policy documents, including EO 794 and EO 919, and will issue appropriate modifications.

Anticipated Completion Date: December 15, 2006

**FINANCIAL MANAGEMENT**

**CASHIERING**

**Recommendation 5**

We recommend that the chancellor's office remind the campuses of the cashiering requirements applicable to continuing education.

**Management Response**

We concur.

Cashiering and security for student fees are extremely important functions. The Chancellor's Office will provide campus Continuing Education leadership with up-to-date cashiering policy.

Anticipated Completion Date: September 20, 2006.

**REVENUE RECONCILIATIONS**

**Recommendation 6**

We recommend that the chancellor's office remind the campuses of reconciliation requirements and the importance to the control environment of a timely and thorough supervisory review of reconciliation results.

**Management Response**

We concur.

Reconciliation of all general fund and enterprise accounts is essential to good campus management. The Chancellor's Office will send a letter to the campus business offices and Continuing Education Units stressing the importance of enterprise fund reconciliations.

Anticipated Completion Date: December 15, 2006.



THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

August 9, 2006

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

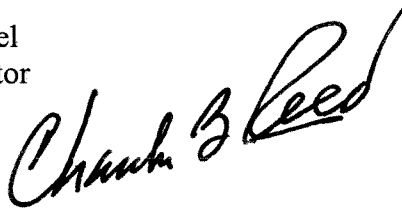
DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor


HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 05-13 on *Continuing Education*,  
Systemwide

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of August 9, 2006, I accept the response as  
submitted with the draft final report on *Continuing Education*, Systemwide.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Ed McAleer, State University Dean, Extended Education  
Dr. Gary W. Reichard, Executive Vice Chancellor and Chief Academic Officer  
Mr. Richard P. West, Executive Vice Chancellor and Chief Financial Officer

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS