

CONTINUING EDUCATION
CALIFORNIA STATE UNIVERSITY,
LONG BEACH

Report Number 05-17
February 9, 2006

Members, Committee on Audit

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Herbert L. Carter, Vice Chair
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ABBREVIATIONS

AB	Assembly Bill
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CMS	Common Management Systems
CSU	California State University
CSULB	California State University, Long Beach
EO	Executive Order
FTES	Full-Time Equivalent Students
FY	Fiscal Year
RFIN	Resolution of the Committee on Finance
SAM	State Administrative Manual
UCES	University College and Extension Services

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 the California State University, Long Beach campus from August 8, 2005, through October 10, 2005, and audited the procedures in effect at that time.

In our opinion, controls within selected areas of the continuing education function were operating effectively and in compliance with existing California State University policies, with the exception of those areas identified herein.

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]

University College and Extension Services (UCES) reserves reported on campus and to the chancellor's office were not consistent, and General Fund reimbursements were held in the trust fund. In addition, UCES reimbursed the General Fund for services received at a rate higher than projected costs.

ENROLLMENT AND STUDENT RECORDS [10]

Four of twenty classes reviewed from the UCES fall 2005 catalog were established with an erroneous number of continuing education units.

FINANCIAL MANAGEMENT [11]

Monthly UCES reconciliations of credit revenue were not performed in a timely and complete manner. In addition, UCES facility leases did not contain audit clauses and pass-through charges were not systematically reviewed.

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:

Campus	FTES State-Support Matriculants	FTES Self-Support Matriculants
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.

At California State University, Long Beach (CSULB), University College and Extension Services reporting to the provost and senior vice president for academic affairs has overall responsibility for

continuing education. The CSULB Foundation is not involved in delivery of non-credit, continuing education program offerings.

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.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CONTINUING EDUCATION ADMINISTRATION

RESERVE ACCUMULATION

University College and Extension Services (UCES) reserves reported on campus and to the chancellor's office were not consistent, and General Fund reimbursements were held in the trust fund.

For example, in fiscal year (FY) 2003/04, the following differences were noted:

- ▶ \$4,751,286 – Retained earnings proposals approved by the UCES dean and the provost/senior vice president for academic affairs on September 20, 2004, including components for prepaid rent (\$1,664,570), major projects (\$80,000), program development (\$951,147), and contingencies (\$2,055,569).
- ▶ \$4,962,809 – Reserves per a five-year analysis prepared by UCES.
- ▶ \$6,456,320 – Reserves based upon data submitted by the campus to the California State University (CSU) Financial Information Records Management System.

An analysis of these differences, prepared by the campus controller, indicated reconciling factors for campus subfunds, and possible omissions for open commitments. Specifically, the controller's post closing balances in CSU fund 441 (Trust Fund Continuing Education Revenue Fund (CERF) – Extended Education) at June 30, 2004, were reported (with a UCES subfund description) as:

Subfund	Subfund Description	Amount
44101	Operating – used by UCES to administer all the revenue and expenses within its operating departments.	\$4,890,014.39
44102	Major Projects – used by UCES to administer projects funded from retained earnings that are being funded for more than one year. Retained earnings are those dollars that exceeded expenses from the previous year(s).	\$73,225.62
44103	Program Development – used by UCES to administer projects funded from retained earnings that are of short duration, usually one year or less.	\$6,722.93
44104	College Allocations – UCES uses to transfer all allocations to the colleges/departments that they have earned through the various revenue sharing agreements. While technically they are part of the CERF/trust, UCES does not specifically monitor or control them. Being able to transfer allocations from 44101 to 44104 allows UCES to expense the allocations in the year the allocation is distributed, thus giving UCES a more accurate picture of its financial performance.	\$1,484,864.15
	Total	\$6,454,827.09

Government Code §13403 states that internal accounting and administrative controls are methods through which the accuracy and reliability of accounting data are checked. Further, 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, and an effective system of internal review.

The UCES dean stated that the reserve plan was based upon numbers received from campus administration and finance.

Confusion and possible incomplete analysis of reserves contributes to misunderstandings on whether inappropriate reserves are accumulated, and whether chargebacks and reimbursements to the General Fund have been properly allocated/assessed/transferred.

Recommendation 1

We recommend that the campus:

- a. Establish consensus on the correct calculation of CERF/trust reserves with campus and systemwide constituents.
- b. Include all reserves in annual planning documents.
- c. Ensure timely transfer to the General Fund of any college allocations intended as General Fund reimbursements for services provided to UCES.

Campus Response

We concur. Campus management reviewed the various reserve calculations. Based on this review, the campus identified that the discrepancies noted were due to the different purposes of each report. UCES' internal reporting does not include the amount reserved for year-end open commitments, whereas the annual management report includes this amount, as it has not yet been expended. On the other hand, the report issued by the chancellor's office includes college allocations, which are not under UCES' direct control and thus are not included in the internal reserve reports. The reimbursements mentioned in the report are actually revenue sharing allocations. These allocations are being kept where the money was originated. Revenue sharing allocations are essential and are used by both UCES and colleges for the reinvestment and development of self-support programs. The university will monitor and review the balances (held for the colleges) with UCES and will work with UCES to reduce these. Estimated date of completion is June 30, 2006.

INDIRECT COSTS

UCES reimbursed the General Fund for services received at a rate higher than projected costs.

The last two indirect cost allocation plans for continuing education indicated a difference between the cost of services incurred by the General Fund on behalf of UCES and the reimbursements UCES made for the services received as follows:

Fiscal Year	Projected Costs Incurred by General Fund	CERF/Trust Reimbursements	Difference
2004/05	\$3,014,900	\$3,067,700	(\$52,800)
2005/06	\$3,190,200	\$3,519,300	(\$329,100)

Education Code §89704(a) creates the 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. Assembly Bill - AB 2812 extended authority to operate self-supporting instructional programs from trust accounts. An obligation is implied to ensure that funds are expended only for the purposes specified in the trust.

Executive Order (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.

The associate vice president of financial management stated that the reimbursement imbalance should self-correct in subsequent years based on recently implemented changes for advanced media production administered by UCES.

Lack of an indirect cost allocation plan that reasonably matches indirect costs and reimbursements increases the risk of UCES subsidizing the campus and spending funds for purposes not intended in the trust arrangement, while the ability to over-reimburse for services over an extended period is inconsistent with a self-support operation.

Recommendation 2

We recommend that the campus analyze the cost recovery plan to ensure planned corrections are working as intended to reduce prior period UCES overpayments for services received.

Campus Response

We concur. Campus management will analyze the cost recovery plan to ensure that the recently implemented changes for advanced media production administration correct the cost reimbursement imbalance in subsequent years. Estimated date of completion is June 30, 2006.

ENROLLMENT AND STUDENT RECORDS

Certain classes offered in the UCES fall 2005 catalog were established with an erroneous number of continuing education units (CEUs).

Our review of 20 classes offered in the UCES fall 2005 catalog disclosed four programs offering CEUs that did not equate with the standard of one CEU per ten hours participation time:

- ▶ Basic Applied Forensic Science and Crime Analysis – 6.4 CEUs for 56 hours
- ▶ Engineering and Architectural AutoCAD – 5.6 CEUs for 42 hours
- ▶ LINUX Fundamentals (section 3 only) – 3.5 CEUs for 28 hours
- ▶ Oracle 9i Database Administrator Specialist – 12.6 CEUs for 140 hours

The CEU is a uniform unit of measurement used to record participation in non-credit, academic, professional, and vocational programs. It is based on attendance at short courses and other non-credit continuing educational programs sponsored by organizations following the guidelines established by the International Association for Continuing Education and Training.

EO 255, *Provisions Governing Implementation of the Continuing Education Unit Within the CSU*, dated October 8, 1976, states that one CEU is defined as ten hours of participation in an organized continuing education experience under responsible sponsorship, capable direction, and qualified direction. Further, in computing the number of CEUs to be awarded, only the number of complete instructional hours, or the equivalent, shall be considered. (For example, a program involving 18.5 contact hours would be awarded a maximum of 1.8 CEUs.)

The UCES dean stated that the meeting hours for these four programs had undergone minor changes after the CEU values were assigned and the prior catalog copy had not been corrected to reflect the changed hours.

Awarding CEUs in violation of national and systemwide policy risks non-compliance with accreditation standards.

Recommendation 3

We recommend that the campus establish procedures to ensure compliance with CEU requirements.

Campus Response

We concur. The campus established procedures to ensure compliance with CEU requirements. Corrective action on this issue is complete.

FINANCIAL MANAGEMENT

REVENUE RECONCILIATIONS

Monthly UCES reconciliations of credit revenue for FY 2004/05 were not performed in a timely and complete manner. In addition, the one credit revenue reconciliation done at the end of FY 2004/05 lacked reconciling detail for credits.

State Administrative Manual (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 §7901 requires that all reconciliations be prepared within 30 days of the preceding month.

The assistant to the UCES administrative services manager stated that the reconciliation of credit revenues was delayed because of difficulties in getting reports from Common Management Systems (CMS) to work correctly.

Failure to prepare reconciliations in a timely and complete manner compromises accountability and increases the risk that errors and irregularities will not be detected.

Recommendation 4

We recommend that the campus strengthen procedures to ensure that UCES revenue reconciliations are prepared in a timely and complete manner.

Campus Response

We concur. The campus is revising various CMS financial reports and strengthening its procedures to ensure that UCES revenue reconciliations are prepared in a timely and complete manner. Estimated date of completion is June 30, 2006.

OCCUPANCY COSTS

UCES facility leases did not contain audit clauses and pass-through charges were not systematically reviewed.

UCES had lease agreements with the California State University, Long Beach (CSULB) Foundation for 6300 State University Drive and with FutureKids for 1000 Studebaker Road. Both of these agreements were based upon a monthly rent indexed for cost escalation plus pass-through of the landlord's building operating costs. The pass-through provisions resulted in variable costs based on the following arrangements:

CSULB Foundation

In addition to the base rent, UCES pays a proration of the amount by which the all-building operating expenses exceed the amount of all operating expenses for the base year. The portion of this calculation passed-through to UCES depends upon their percent of space occupied. For 2004, the calculation involved total building expenses of \$570,829 – an increase of \$62,903 over the base year of 2001 and a proration of 27.45% of the increase to UCES.

FutureKids

Sublessee's pro-rate share (started at 6.417% but increased to 16.12% based on UCES increasing its occupancy to 5,803 square feet of the building's 36,000 square feet) of all pass-through shall include all costs of maintaining, repairing, and operating the building including property taxes, insurance, utilities, janitorial and landscaping services, waste disposal, and maintenance of the security system.

Our review disclosed that neither of these agreements had a formal audit clause and the transactions included in the prorated amounts were not systematically reviewed.

The director of procurement stated that the lease provisions were modeled after documents available at the time the leases were executed and only certain charges that fluctuate or spike unpredictably would warrant review.

Failure to include an audit clause increases the risk that records access could be refused and, under present circumstances, pass-through charges could include erroneous components that overstate the cost of lease payments.

Recommendation 5

We recommend that the campus:

- a. Require an audit authorization clause in UCES lease agreements.
- b. Establish procedures to review variable lease costs, including challenging questionable items, and documenting that the reviews have occurred.

Campus Response

We concur. An audit authorization clause will be added to UCES lease agreements, procedures will be established to review variable lease costs, including challenging questionable items, and reviews will be documented. Estimated date of completion is June 30, 2006.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
F. King Alexander	President
Robert C. Maxson	President (At time of review)
Janna Bersi	Associate Executive Director and Chief Financial Officer, California State University, 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	Chief Financial Officer, 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, LONG BEACH

DIVISION OF ADMINISTRATION AND FINANCE

March 24, 2006

Mr. Larry Mandel
University Auditor
California State University
401 Golden Shore
Long Beach, California 90802

RECEIVED
UNIVERSITY AUDITOR

MAR 24 2006

THE CALIFORNIA STATE
UNIVERSITY

Re: Response to Continuing Education Audit # 05-17

Dear Larry:

Please find enclosed California State University, Long Beach's response to the above report. The campus is committed to addressing and resolving the issues identified in the audit report.

Please let me know if we can provide you with any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "W. H. Griffith".

William H. Griffith
Vice President for Administration and Finance

Enclosure

cc:

F. King Alexander, President
Robyn R. Mack, Associate Vice President, University Services and Chief of Staff
Aysu Spruill, Director, Internal Auditing Services

CONTINUING EDUCATION
CALIFORNIA STATE UNIVERSITY,
LONG BEACH

Report Number 05-17
February 9, 2006

CONTINUING EDUCATION ADMINISTRATION

RESERVE ACCUMULATION

Recommendation 1

We recommend that the campus:

- a. Establish consensus on the correct calculation of CERF/trust reserves with campus and systemwide constituents.
- b. Include all reserves in annual planning documents.
- c. Ensure timely transfer to the General Fund of any college allocations intended as General Fund reimbursements for services provided to UCES.

Campus Response

We concur. Campus management reviewed the various reserve calculations. Based on this review, the campus identified that the discrepancies noted were due to the different purposes of each report. UCES's internal reporting does not include the amount reserved for year-end open commitments, whereas the annual management report includes this amount, as it has not yet been expended. On the other hand, the report issued by the Chancellor's Office includes college allocations, which are not under UCES's direct control and thus are not included in the internal reserve reports. The reimbursements mentioned in the report are actually revenue sharing allocations. These allocations are being kept where the money was originated. Revenue sharing allocations are essential and are used by both UCES and colleges for the reinvestment and development of self-support programs. University will monitor and review the balances (held for the colleges) with UCES and will work with UCES to reduce these. Estimated date of completion is June 30, 2006.

INDIRECT COSTS

Recommendation 2

We recommend that the campus analyze the cost recovery plan to ensure planned corrections are working as intended to reduce prior period UCES overpayments for services received.

Campus Response

We concur. Campus management will analyze the cost recovery plan to ensure that the recently implemented changes for advanced media production administration correct the cost reimbursement imbalance in subsequent years. Estimated date of completion is June 30, 2006.

ENROLLMENT AND STUDENT RECORDS

Recommendation 3

We recommend that the campus establish procedures to ensure compliance with CEU requirements.

Campus Response

We concur. The campus established procedures to ensure compliance with CEU requirements. Corrective action on this issue is complete.

FINANCIAL MANAGEMENT

REVENUE RECONCILIATIONS

Recommendation 4

We recommend that the campus strengthen procedures to ensure that UCES revenue reconciliations are prepared in a timely and complete manner.

Campus Response

We concur. The campus is revising various CMS financial reports and strengthening its procedures to ensure that UCES revenue reconciliations are prepared in a timely and complete manner. Estimated date of completion is June 30, 2006.

OCCUPANCY COSTS

Recommendation 5

We recommend that the campus:

- a. Require an audit authorization clause in UCES lease agreements.
- b. Establish procedures to review variable lease costs, including challenging questionable items, and documenting that the reviews have occurred.

Campus Response

We concur. An audit authorization clause will be added to UCES lease agreements, procedures will be established to review variable lease costs, including challenging questionable items, and reviews will be documented. Estimated date of completion is June 30, 2006.



THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

April 21, 2006

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

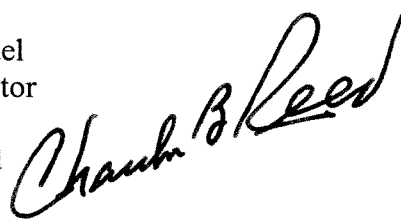
MEMORANDUM

EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor


HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 05-17 on *Continuing Education*,
California State University, Long Beach

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of April 21, 2006, I accept the response as submitted with the draft final report on *Continuing Education*, California State University, Long Beach.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. F. King Alexander, President
Mr. William H. Griffith, Vice President for Administration and Finance

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS