

CONTINUING EDUCATION
CALIFORNIA STATE UNIVERSITY,
LOS ANGELES

Report Number 05-19
February 1, 2006

Members, Committee on Audit

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CONTENTS

Executive Summary	1
Introduction.....	2
Background	2
Purpose.....	4
Scope and Methodology	5

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Financial Management.....	7
Cash Receipts.....	7
Revenue Reconciliations.....	7

APPENDICES

APPENDIX A:	Personnel Contacted
APPENDIX B:	Campus Response
APPENDIX C:	Chancellor's Acceptance

ABBREVIATIONS

AB	Assembly Bill
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CSU	California State University
CSULA	California State University, Los Angeles
EO	Executive Order
FTES	Full-Time Equivalent Students
FY	Fiscal Year
RFIN	Resolution of the Committee on Finance
SAM	State Administrative Manual

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, Los Angeles campus from September 6, 2005, through October 7, 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 in the executive summary and in the details of the report.

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.

FINANCIAL MANAGEMENT [7]

Instructors accepted checks for course fees in class from walk-in students and the division of extended education did not have a formal reconciliation of non-credit course revenues to enrollments. The reconciliation is a repeat finding from our prior continuing education audit.

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, Los Angeles (CSULA), the division of extended education reporting to the provost and vice president for academic affairs has overall responsibility for continuing education.

CSULA auxiliary organizations were 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

FINANCIAL MANAGEMENT

CASH RECEIPTS

The division of extended education permitted instructors to accept checks for course fees in class from walk-in students. We noted that the campus took initial steps to terminate this practice prior to the completion of the audit.

State Administrative Manual (SAM) §20050 indicates that the elements of a satisfactory system of internal accounting and administrative controls, shall include, but are not limited to a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets in addition to, a plan that limits access to state assets to authorized personnel who require these assets in the performance of their assigned duties.

The dean of extended education stated that a formal process was not in place to strictly prohibit course fees from being collected by instructors in certain extended education courses.

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

Recommendation 1

We recommend that the campus ensure all course fee checks are appropriately collected.

Campus Response

As indicated in the audit report, extended education took initial steps to terminate this practice during the audit, and has since integrated the requirement into its policy manual. The policy, which requires and ensures all course fees are appropriately collected, has been disseminated and discussed with all applicable personnel.

Completion date: April 30, 2006

REVENUE RECONCILIATIONS

The division of extended education did not have a formal reconciliation of non-credit course revenues to enrollments. This is a repeat finding from our prior continuing education audit.

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.

The dean of extended education stated that the process for reconciling revenues from non-credit courses had not been formalized due to a lack of administrative coordination.

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

Recommendation 2

We recommend that the campus formalize reconciliation of revenues to enrollments for non-credit courses.

Campus Response

Extended education will formalize its process to ensure that a complete reconciliation of revenues to enrollments for non-credit courses is prepared on a regular basis.

Anticipated completion date: May 31, 2006

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
James M. Rosser	President
Mustafah Dhada	Dean of Extended Education
Steven Garcia	Vice President, Administration and Finance/Chief Financial Officer
Alice Gutierrez	Coordinator, Professional Development
Robert Hoffman	Manager, Data Center Operations
Yuet Lee	Associate Vice President, Administration and Finance
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 STATE UNIVERSITY, LOS ANGELES

OFFICE OF THE PRESIDENT

February 17, 2006

Mr. Larry Mandel, University Auditor
Office of the University Auditor
Office of the Chancellor – The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

RECEIVED
UNIVERSITY AUDITOR

FEB 17 2006

THE CALIFORNIA STATE
UNIVERSITY

Re: University's Response to Recommendations Contained in Report Number 05-19
Continuing Education - CSULA

Dear Larry:

Attached are the University's responses to the recommendations contained in Report Number 05-19, *Continuing Education*. As described herein, the campus has taken steps to address both recommendations and corrective action will be implemented by May 31, 2006.

Please contact Mr. Steven Yim, Campus Internal Auditor, at (323) 343-5102, if you wish to discuss any matter contained herein.

Sincerely,

Handwritten signature of James M. Rosser in black ink.

James M. Rosser
President

Attachment

cc: (with attachments)
Herman Lujan, Provost and Vice President for Academic Affairs
Steven N. Garcia, Campus Chief Financial Officer/Vice-President of Administration
Mustafah Dhada, Dean, Extended Education
Steven Yim, Campus Internal Auditor

CONTINUING EDUCATION

**CALIFORNIA STATE UNIVERSITY,
LOS ANGELES**

**Report Number 05-19
February 1, 2006**

FINANCIAL MANAGEMENT

CASH RECEIPTS

Recommendation 1

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Campus Response

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Completion date: April 30, 2006

REVENUE RECONCILIATIONS

Recommendation 2

We recommend that the campus formalize reconciliation of revenues to enrollments for non-credit courses.

Campus Response

Extended Education will formalize its process to ensure that a complete reconciliation of revenues to enrollments for non-credit courses is prepared on a regular basis.

Anticipated completion date: May 31, 2006


THE CALIFORNIA STATE UNIVERSITY
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

March 8, 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 05-19 on *Continuing Education*,
California State University, Los Angeles

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of March 8, 2006, I accept the response as submitted with the draft final report on *Continuing Education*, California State University, Los Angeles.

MONTEREY BAY

NORTHRIDGE

CBR/jt

POMONA

Enclosure

SACRAMENTO

SAN BERNARDINO

cc: Dr. James M. Rosser, President
Mr. Steven Yim, University Internal Auditor

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS