CONTINUING EDUCATION

CALIFORNIA STATE UNIVERSITY, NORTHRIDGE

Audit Report 14-57
December 3, 2014

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ABBREVIATIONS

APP  Academic Program Planning
CE   Continuing Education
CERF Continuing Education Revenue Fund
CFO  Chief Financial Officer
CO   Chancellor’s Office
CSA  California State Auditor
CSU  California State University
EC   Education Code
EO   Executive Order
ExL  Tseng College of Extended Learning
GC   Government Code
MOU  Memorandum of Understanding
OAAS Office of Audit and Advisory Services
P-Card Procurement Card
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of Audit and Advisory Services (OAAS) during the last quarter of 2013, the Board of Trustees, at its January 2014 meeting, directed that Continuing Education (CE) be reviewed. The OAAS had previously reviewed CE in 2005.

We visited the California State University, Northridge campus from July 21, 2014, through August 22, 2014, and audited the procedures in effect at that time.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls for CE activities as of August 22, 2014, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of concern include: business model and curriculum and fiscal administration.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

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.

BUSINESS MODEL AND CURRICULUM [7]

Compliance with requirements for the creation of new self-supported degree programs needed improvement. Specifically, the campus did not maintain evidence that it had notified the chancellor’s office when two existing state-supported degree programs were first offered in self-supported mode and when a new option was offered to an existing degree major. In addition, an option offered as part of a self-supported master’s degree was incorrectly listed as a separate degree on the Tseng College of Extended Learning website and in the California State University (CSU) degrees database.

FISCAL ADMINISTRATION [8]

Administration of CE trust accounts needed improvement. For example, none of the state trust account application forms specified that CE funds were specifically restricted to the support and development of self-supported instructional programs. In addition, the campus did not document the nexus between expenditures made from campus revenue-share trust accounts and the specific CE self-supported program functions that benefitted from the expenditures. Also, the campus did not fully document compliance with CSU policies when establishing fees for self-supported degree programs. Further, the campus could not demonstrate that the rates listed in the standardized revenue sharing model were considered for revision within two years of the previous update, in 2010.
INTRODUCTION

BACKGROUND

In 1971, the Continuing Education Reserve Fund (CERF) Act required each CSU campus to create extended education units to meet the emerging needs of a changing populace featuring academic flexibility and supplementary delivery methods. Extended education is entirely self-supported and reports to Academic Affairs.

*Access to Excellence*, the California State University (CSU) strategic system-level plan adopted by the Board of Trustees in 2008, lists the CSU’s responsibility to meet post-baccalaureate needs, including those of working professionals, as one of its eight key commitments. Continuing education (CE) is identified in the plan as one way to expand capacity in underserved academic areas and promote better models for the training and retraining of working adults.

CE (also referred to as extended education) is defined as a means whereby the instructional courses and programs of the CSU can be provided on a self-supported basis at times and in locations not supported by the CSU Operating Fund. Continuing education in the CSU had its origins in the gold rush boom town atmosphere of San Francisco in the 1850s. As a result of complaints about the low quality of teaching in San Francisco’s elementary schools, a normal school was established in San Francisco in 1857, later to evolve into a State Teachers College and eventually become one of the first state colleges in California. Classes were held Monday evenings so as not to interfere with daytime teaching assignments. In 1932, Fresno State College established the system’s first extension program.

Since those early efforts at in-service instruction for schoolteachers, CE now provides an increasingly broad spectrum of services to a large number of professionals who seek retraining or advanced training to improve their job skills or obtain academic credit earned outside of the regular university model. CE offerings include specialized instruction designed to meet the needs of a certain region or a specific target population, as well as academic course offerings to supplement the campus academic program requirements. Examples of CE include interim sessions between college-year terms; course and degree program offerings scheduled at military bases, employment locations, organizations, correctional facilities, and other distant locations; and instructional programs for a specific client group requiring special services or scheduling accommodations.

At the request of the Joint Legislative Audit Committee, the California State Auditor (CSA) conducted an audit of CE in the CSU system in 2012/13 and issued the final report in December 2013. The CSA reviewed the chancellor’s office (CO) and three campuses (San Jose, Sacramento, and Long Beach) and concluded that the system needed improvement in four areas: the supplanting of state-supported courses with self-supported courses; compliance with system policies for fee establishment; expenditure controls; and curricula and faculty hiring requirements.

In response to an audit recommendation by the CSA, the CO issued Executive Order (EO) 1099, *Extended Education: Self-Supporting Instructional Courses and Programs*, on June 9, 2014, which superseded four previous EOs related to CE. Although the CSA audit recommended that the CSU, in conjunction with the 2014 state legislature during its 2014 legislative session, clarify the definition of “supplant,” the new EO does not address this, because the EO needed to be revised before a definition of supplanting was approved by the 2014 legislature. However, EO 1099 does state that self-supported
special sessions shall not supplant regular course offerings available on a non-self-supported basis during the regular academic year, and that the CSU shall not require state-supported matriculated students to enroll in self-supported courses in order to fulfill the graduation requirements of a state-supported degree program. Also, EO 1099 confirms the name change of CE funds from CERF to Extended Education Local Trust Fund.

Due to the timing of EO 1099, the audit scope will cover activities and transactions that occurred prior to the new policy, and therefore were subject to the superseded EOs. The relevant EOs that pertain to CE are noted below, along with other remaining criteria.

EO 341, *Use of Surpluses in the Continuing Education Revenue Fund*, dated March 31, 1981, outlines the expectations that CERF surpluses, at both the system and the campus levels, shall be used exclusively for the support and development of self-supported continuing education.

EO 795, *Procedures Governing Self-Supporting Programs Outside the State of California, Conducted Through the Continuing Education Revenue Fund or Local Trust Accounts*, dated November 12, 2001, defines out-of-state and out-of-country self-supported instructional programs, specifies the procedures for depositing funds into CERF, and establishes that these programs are subject to the same policies applicable to in-state governing self-supported instructional programs.

EO 805, *Policy Governing the Enrollment of Non-Matriculated Students in CSU State-Supported Courses and in CSU Self-Support Special Sessions Courses*, dated February 14, 2002, establishes the conditions under which non-matriculated students may enroll in CSU state-supported courses or in self-supported special sessions. It includes provisions to ensure that the potential enrollment of non-matriculated students does not impact the availability of seats for matriculating students or the class size in a state-supported course; nor that it be used as a basis for determining the number of available course sections. The EO also states that the CE revenues generated from the fees from non-matriculated students be allocated in a manner that fairly reimburses the general fund for any costs associated with the students’ inclusion in the class.

EO 806, *Certificates and Certificate Programs*, dated February 14, 2002, defines the requirements for offering CE certificate programs and allows the campus, at its discretion, to allow academic credit for certain programs. It further encourages campuses to establish policies and procedures for certificate programs.

EO 1047, *Special Sessions*, dated May 10, 2010, addresses the procedures to be followed by each campus of the CSU in offering special sessions courses and programs including during summer sessions and winter intersession.

Education Code (EC) §89704 requires that revenues received from CE operations may be deposited into CERF, and that proceeds are to be used for the support and development of self-supported instructional programs of the CSU. It also allows for the revenues to be pledged for the acquisition, construction, and improvement of facilities for CE programs, special sessions, and other instructional programs pursuant to the State University Revenue Bond Act of 1947. EC §89721 allows the option to place CE revenues in local trust accounts as an alternative to CERF.
EC §89708 requires that tuition fees charged for CE special sessions shall be adequate, in the long run, to meet the cost of maintaining the programs, and further states that self-supported special sessions shall not supplant regular course offerings available on a non-self-supported basis during the regular academic year.

The CSU provides advisory oversight to CE via various commissions and task forces. The Commission on the Extended University, confirmed by EO 811 in 2002, has served as the advisory group to the chancellor on issues and opportunities facing CE at each campus. The commission is chaired by a campus president; membership includes, but is not limited to, faculty nominated by the academic senate, vice presidents for academic affairs, campus deans for CE, and one other campus president. At the chancellor’s office, the Extended Education department in Academic Affairs, under the state university dean, provides leadership and advisement to CO executives, the Commission on the Extended University, campus presidents and senior management, and other internal and external groups in furthering the mission of the CSU through self-supported activities. It also provides guidance to campuses regarding applicable CO policies and state and federal laws.

In 2005, the OAAS conducted an audit of CE at six campuses and issued a systemwide report. The report noted issues related to large reserve accumulations without commensurate spend-down plans or policies on negative balances; inadequate or non-existent cost allocation plans; the investment opportunities of using local trust funds rather than the state treasury CERF fund; the use of campus names and logos on auxiliary-owned CE educational program marketing materials; and cash control and revenue reconciliation exceptions.
PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to CE and to determine the adequacy of controls that 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:

- Administration of CE is well-defined and includes clear lines of organizational authority and responsibility and documented delegations of authority.
- Policies and procedures relating to CE are current and comprehensive and are effectively communicated to appropriate stakeholders.
- Auxiliary organization involvement in CE operations and programs is in accordance with CSU policy and directives.
- CE course offerings are selected and administered in accordance with CSU policies and state regulations, and state-supported degrees and courses are not supplanting those offered on the state side.
- CE program faculty and instructor selection processes ensure compliance with CSU policies and collective bargaining agreements.
- Budgets are established based on enrollment and revenue projections, and fiscal-year-end balances are subject to carry-forward expenditure plan requirements, when applicable.
- Revenues from CE programs and activities are appropriately and exclusively expended for the support and development of self-supported instructional programs.
- Fees for CE courses and programs are established in accordance with CSU policy.
- CE student enrollment systems are adequately secured from unauthorized access.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Audit Agenda Item 4 of the January 28 and 29, 2014, meeting of the Committee on Audit stated that Continuing Education (CE) includes review of the processes for administration of CE and extended learning operations as self-supported entities; budgeting procedures, fee authorizations, and selection and management of courses; faculty workloads and payments to faculty and other instructors; enrollment procedures and maintenance of student records; and reporting of CE activity and maintenance of CERF contingency reserves.

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 whether fiscal, operational, and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with federal and state regulations and guidance, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from January 1, 2012, through August 22, 2014.

We focused primarily on the internal administrative, compliance, and operational controls over CE activities. Specifically, we reviewed and tested:

- Compliance with policies designed to prevent the supplanting of state-supported degrees and courses with self-supported counterparts.
- Budgeting processes, including revenue projection methodologies and proper identification and reporting of fund balances at fiscal year-end.
- CE expenditures to ensure they are in accordance with requirements that revenues and funding are used for the support and development of self-supported instructional programs.
- Partnership agreements and cost allocation plans that support transfers and expenditures from CERF.
- Faculty and instructor pay.
- Fee establishment processes for CE courses and programs.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

BUSINESS MODEL AND CURRICULUM

Compliance with requirements for the creation of new self-supported degree programs needed improvement.

We noted that:

- The campus did not maintain evidence that it had notified the chancellor’s office (CO) when two existing state-supported degree programs were first offered in self-supported mode and when a new option was offered to an existing degree major.

- An option offered as part of a self-supported master’s degree was incorrectly listed as a separate degree on the Tseng College of Extended Learning (ExL) website and in the California State University (CSU) degrees database.

Executive Order (EO) 802, Special Sessions, dated January 31, 2002, states that the CO should be notified when previously approved, state-supported degree or credential programs are first offered in self-supported mode.

EO 602, Delegation of Authority – Authority to Approve Options, Concentrations, Special Emphases, and Minors in Designated Subject Categories, dated July 15, 1993, states that the senior vice chancellor for Academic Affairs at the CO should receive written notification, with specific information, prior to any campus implementing a new option under the delegation.

Academic Program Planning (APP) policy Offering Previously Approved State-Support Programs in Self-Support Mode, dated December 12, 2007 states that the CO shall be notified when previously approved, state-supported degree or credential programs are first offered in self-supported mode through special sessions.

APP policy Adding Options, Concentrations, Special Emphases and Minors, dated February 20, 2007, states that before any option, concentration or emphasis can be implemented, the campus must submit to the APP information regarding the program, including campus approval documents, the exact title of the proposed change, and a list of the curricular requirements.

Government Code (GC) §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. It further states that administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The dean of ExL stated her belief that the college had made all proper notifications, although they could not locate documentation specific to the criteria in question. The associate dean of ExL stated
that the program title for the new option was shortened on an index page on the Tseng College web page, as well as a degree database on the CSU website, because of a clerical error; however, prospective students were able to see the correct information about the option and related degree by clicking through to the detailed page that described the degree.

Lack of compliance with system policies regarding the creation and listing of self-supported degree programs exposes the campus and the system to academic program risk.

**Recommendation 1**

We recommend that the campus:

a. Maintain evidence that proper notifications have been provided to the CO when changes to degree programs offered in self-supported mode are implemented.

b. Correctly list self-supported degree program descriptions on the ExL website and in the CSU degrees database.

**Campus Response**

We concur.

a. EO 1099, issued in June 2014, now requires approval (instead of just notification) when existing state-funded programs are offered in self-supported mode for the first time. The campus has implemented the required approval process in keeping with EO 1099 and will provide timely notification to the CO of any new options added to degree programs offered in self-support to comply with the requirements of EO 1071. The campus will ensure that documentation of all EO 1099 approvals and EO 1071 notifications are maintained by implementing written procedures addressing file retention for such approvals and notifications.

b. The error on the index list was corrected during the course of the audit. The campus has informed staff that only full degree program titles should be listed on the ExL website and in the CSU degrees database that is populated by campus personnel. The campus will implement a written procedure to ensure that the CSU degree database is properly completed.

Expected completion date: March 31, 2015

**FISCAL ADMINISTRATION**

**TRUST ACCOUNT ADMINISTRATION**

Administration of continuing education (CE) trust accounts needed improvement.

We reviewed 20 expenditures and five transfers related to CE activities and found that:
None of the state trust account application forms corresponding to the selected expenditures specified that CE funds were specifically restricted to the support and development of self-supported instructional programs.

One state trust account application form had been updated with the expenditure category of “construction projects” after the associate vice president of financial services had approved the trust document, but prior to a construction-related expenditure.

For four expenditures initiated in revenue-share accounts, there was no corresponding approved “expenditure category” on the applicable state trust account application form.

In addition, we found that:

- One transfer was based on an expired Memorandum of Understanding (MOU).
- One expenditure in a revenue share account was not authorized by an individual on the trust account for the fund.
- For four expenditures, the campus did not maintain evidence that procurement card (P-card) transaction approvals were made by individuals listed on the trust account document.

State Administrative Manual §19440.1 states that each trust account established shall be supported by documentation as to the type of trust, donor, or source of trust monies, purpose of the trust, time constraints, persons authorized to withdraw or expend funds, specimen signatures, reporting requirements, instructions for closing the account, disposition of any unexpended balance, and restrictions on use.

Integrated California State University Administrative Manual §3140.01, Draft General Accounting, revised July 1, 2013, states that the following information must be included on a local trust agreement: type of trust, purpose of trust, source of trust money, allowed types of expenditures, and/or restriction on the use of money for administrative and overhead costs.

The 2013/14 CSU Legal Manual states that the following information must be included on a local trust agreement: type of trust, purpose of trust, source of trust money, allowed types of expenditures and/or restrictions.

Education Code (EC) §89704 requires that revenues received from CE operations be used for the support and development of self-supported instructional programs of the CSU.

The California State Legal Manual, Chapter 6, Extended Education, states that extended education funds are specifically restricted for the support and development of extended education instructional programs.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is
modified, as appropriate, for changes in conditions. It further states that administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The associate vice president for financial services stated her belief that the detailed inclusion of expenditure categories was sufficient to reflect the limitations of spending. She further stated that the four items that were expended in categories that were not listed on the revenue-share trust account application were still within the acceptable categories for the trust account in question. Also, she stated that the inclusion of the construction category on the trust document in question was made only after consultation with her office. Further, she stated that the transfer based on an unsigned MOU and the expenditure not authorized by an individual on the trust account application form were due to oversight and that approval of P-card transactions is documented on the bank’s system; however, the details for those transactions were no longer available on the bank’s system at the time of the audit.

Lack of adequate administration of trust agreements increases the risk of improper and unauthorized expenditures.

**Recommendation 2**

We recommend that the campus:

a. Revise the state trust account application forms related to CE funds to state that the funds are specifically restricted to the support and development of self-supported instructional programs.

b. Review the state trust account application forms to ensure that all proper expenditure categories are listed prior to approval by campus management.

c. Require expenditures to be properly approved and based on signed MOUs.

d. Maintain evidence that shows that P-card transaction approvals were made by individuals listed on the state trust account application form.

**Campus Response**

We concur.

a. The “Expenditure Categories” section of the state trust account application forms related to CE funds will include the statement, “Funds are specifically restricted to the support and development of self-supported instructional programs.”

b. The campus will review the state trust account application forms to ensure that all proper expenditure categories are listed prior to approval by campus management.

c. The campus will re-emphasize training during the annual MOU submittal process, requiring expenditures to be properly approved and based on signed MOUs.
d. The campus will maintain evidence of appropriate approval of P-card transactions by requesting data files from US Bank on a quarterly basis.

The recommendations will be implemented prior to January 31, 2015. Training as indicated above will be ongoing.

**CAMPUS REVENUE SHARE TRUST ACCOUNTS**

The campus did not document the nexus between expenditures made from campus revenue-share trust accounts and the specific CE self-supported program functions that benefitted from the expenditures.

We reviewed 20 transactions totaling $580,000 made from various academic revenue-share trust accounts, and we found eight totaling $253,312 for which the campus could not provide documentation to show the benefit to self-supported programs:

**College of Science and Mathematics**
- $139,222 toward a geology lab renovation
- $2,252 for moving equipment (lifts) to move a biology lab
- $25,246 for a new 12-passenger van for field trips in the geology department
- $31,564 for office space renovation in the physics and astronomy departments

**College of Business and Economics**
- $5,200 for architectural drawings for a new student career services office

**College of Social and Behavioral Sciences**
- $29,658 for costs to convert a conference room into classroom space
- $13,537 for furniture and wallpaper for the office of a campus center

**College of Humanities**
- $6,630 for special lecturers in state-funded courses

EC §89704 requires that revenues received from CE operations be deposited into the Continuing Education Revenue Fund (CERF), and that proceeds are to be used for the support and development of self-supported instructional programs of the CSU.

The California State Legal Manual, Chapter 6, *Extended Education*, states that extended education funds are specifically restricted for the support and development of extended education instructional programs.

*CERF Program Reinvestment Allocation Guideline*, dated July 1, 2010, states that program reinvestment is funding for the development of new or the enhancement of existing self-supported programs.

The associate vice president of academic resources and planning stated that ExL students are incorporated into nearly every area on the campus due to the robust open university and self-
supported summer sessions, making it difficult to allocate the percentage of self-supported versus state-supported for every expenditure.

Incomplete documentation to support the proper usage of CE funds increases the risk of inappropriate expenditures and jeopardizes the viability of campus self-supported instructional programs in accordance with EC requirements.

**Recommendation 3**

We recommend that the campus document the nexus between expenditures made from campus revenue-share trust accounts and the specific CE self-supported program functions that benefitted from the expenditures.

**Campus Response**

We concur. The campus will document the nexus between expenditures made from campus revenue-share trust accounts and the specific CE self-supported program functions that benefited from the expenditures.

Expected completion date: March 31, 2015

**FEE ESTABLISHMENT**

The campus did not fully document compliance with CSU policies when establishing fees for self-supported degree programs.

We found that the campus established fees for self-supported degree programs via MOUs with the partner academic colleges that included detailed financial plans that justified the fee required to maintain the program. These MOUs were established at the commencement of each cohort, or student group in each term, in each program. Specifically, we noted that:

- The campus could not demonstrate that the chief financial officer (CFO) had developed a statement of revenues and expenditures for consideration by the president prior to the establishment or adjustment of the program fees in the MOUs.
- The MOUs establishing new or adjusted fees did not show the approval of the president or a designee.
- There was no evidence showing that the campus fee advisory committee was informed of the fees.
- Although summer and intersession fees showed evidence of president approval, the campus could not provide evidence that the above-referenced financial analysis was prepared by the CFO and submitted to the president for consideration.
EO 1054, *The California State University Fee Policy*, dated January 14, 2011, states that the campus president is delegated authority for the establishment, oversight and adjustment of category IV and V fees. It further states that a statement of revenues and expenditures, including a minimum of one year of actual costs and two years of projected revenue and expenditures for the fee revenue supported activity, shall be developed by the campus chief financial officer and considered by the president prior to establishing or adjusting any fee. Furthermore, it states that the president will make a determination on Category IV and V fees after consideration of the revenue and expenditure plans associated with the fees, and will then notify the fee advisory committee of his or her decision.

The executive director of ExL stated that the CFO and the president had routinely received extensive financial information in various formats that clearly reflected the manner in which the college conducted business and set fee rates to ensure program viability. She further stated that although the CFO may not have prepared the financial analyses directly, he and his team were informed both verbally and in writing of the business methods of the college. She also stated her belief that the contracting and procurement delegation of authority provided to the AVP for financial services, a signer on the MOUs, should be considered sufficient as authority to approve the new or revised fees because the fees were included in an agreement she was able to authorize.

Inadequate compliance with system policies regarding the vetting and approval of student fees exposes the campus to claims of inappropriate disclosure and unjustified fee elevation.

**Recommendation 4**

We recommend that the campus document compliance with CSU policies when establishing fees for self-supported degree programs.

**Campus Response**

We concur. The campus will develop a process to ensure complete record-keeping of the request for presidential approval of the fee range for special session programs, as well as summer self-supported and Open University, when establishing fees for self-supported programs.

Expected completion date: March 31, 2015

**REVENUE SHARE MODELS**

The campus could not demonstrate that the rates listed in the standardized revenue sharing model were considered for revision within two years of the previous update, in 2010.

The campus *Specialized Program Revenue Sharing Model*, dated July 1, 2008, and updated on July 1, 2010, states that rates for academic leads, Tseng College operating costs, overhead, and contingencies will be revisited every two years.

The executive director of ExL and the associate vice president for academic resources and planning stated that in 2012/13 they revisited the rates and noted that because there were no significant changes in expenses and revenues (e.g. no salary increases, no increase in staff hiring, no major fee increases)
the rates were kept same with the concurrence of the provost and that documentation of the revisiting was not maintained due to oversight. The executive director of ExL and the associate vice president for academic resources and planning also stated that had there been a change, it would have gone to the Provost’s Council for further discussion.

Outdated policies expose the campus to confusion regarding applicable standards.

**Recommendation 5**

We recommend that the campus document that the rates listed in the standardized revenue sharing model were considered for revision within two years of the most recent update.

**Campus Response**

We concur. The campus will refine the revenue sharing model review process to document whenever the revenue share rates are revisited, including when the decision is made not to change the rates.

Expected completion date: March 31, 2015
## APPENDIX A:
PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Dianne F. Harrison</td>
<td>President</td>
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<tr>
<td>Bernardo Attias</td>
<td>Department Chair, Communication Studies</td>
</tr>
<tr>
<td>Magda Azouz</td>
<td>Financial Analyst, Tseng College of Extended Learning</td>
</tr>
<tr>
<td>John Binkley</td>
<td>Associate Dean, Tseng College of Extended Learning</td>
</tr>
<tr>
<td>Marie Brooks</td>
<td>Associate Director of Budget and Finance Management, Tseng College of Extended Learning</td>
</tr>
<tr>
<td>Colin Donahue</td>
<td>Vice President for Administration and Finance/Chief Financial Officer</td>
</tr>
<tr>
<td>Sharon Eichten</td>
<td>Associate Vice President, Budget Planning and Management</td>
</tr>
<tr>
<td>Cathleen Fager</td>
<td>Manager of Academic Resource, College of Business and Economics</td>
</tr>
<tr>
<td>Joyce Feucht-Haviar</td>
<td>Dean, Tseng College of Extended Learning</td>
</tr>
<tr>
<td>Jessica Isomoto</td>
<td>Program Coordinator, University Access Programs</td>
</tr>
<tr>
<td>Howard Lutwak</td>
<td>Director of Internal Audit</td>
</tr>
<tr>
<td>Gloria Rocklin</td>
<td>Administrative Analyst, Graduate Studies</td>
</tr>
<tr>
<td>Maggie Shiffrar</td>
<td>Assistant Vice President, Graduate Studies</td>
</tr>
<tr>
<td>Diane Stephens</td>
<td>Associate Vice President, Academic Resources and Planning</td>
</tr>
<tr>
<td>John Veatch</td>
<td>Finance and Trust Accounting Manager</td>
</tr>
<tr>
<td>Deborah Wallace</td>
<td>Associate Vice President, Financial Services</td>
</tr>
<tr>
<td>Edith Winterhalter</td>
<td>Director of Academic Budget Management</td>
</tr>
<tr>
<td>Lih Wu</td>
<td>Executive Director, Tseng College of Extended Learning</td>
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January 20, 2015

Mr. Larry Mandel, Vice Chancellor and Chief Audit Officer
Office of Audit and Advisory Services
The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802

Subject: Revision of Campus Response to Recommendations of Audit Report Number 14-57, Continuing Education at California State University, Northridge

Dear Larry:

Enclosed please find the California State University, Northridge (CSUN) response to the recommendations of the audit, as requested in your email on December 9, 2014. This is a revised version of the response submitted on January 8, 2015.

We have read the report including the observations and recommendations, and agree with them. By separate correspondence, the applicable documents evidencing completion of our implementation process and corrective action for each recommendation will be provided.

Should there be questions regarding the contents of the response, they may be addressed to Howard Lutwak, CSUN Internal Audit Director at (818) 677-2333.

We appreciate the recommendations to improve CSUN’s systems of internal control.

Sincerely,

Colin Donahue
Vice President Administration and Finance and CFO

Enclosures

cc: Dr. Dianne F. Harrison, President
    Howard Lutwak, Director, Internal Audit
CONTINUING EDUCATION
CALIFORNIA STATE UNIVERSITY,
NORTH RIDGE

Audit Report 14-57

BUSINESS MODEL AND CURRICULUM

Recommendation 1

We recommend that the campus:

a. Maintain evidence that proper notifications have been provided to the CO when changes to degree programs offered in self-supported mode are implemented.

b. Correctly list self-supported degree program descriptions on the ExL website and in the CSU degrees database.

Campus Response

We concur.

a. Executive Order 1099, issued in June 2014, now requires approval (instead of just notification) when existing state-funded programs are offered in self-support mode for the first time. The campus has implemented the required approval process in keeping with EO 1099 and will provide timely notification to the CO of any new options added to degree programs offered in self-support to comply with the requirements of EO 1071. The campus will ensure that documentation of all EO 1099 approvals and EO 1071 notifications are maintained by implementing written procedures addressing file retention for such approvals and notifications.

b. The error on the index list was corrected during the course of the audit. The campus has informed staff that only full degree program titles should be listed on the ExL website and in the CSU degrees database that is populated by campus personnel. The campus will implement a written procedure to ensure that the CSU degree database will be properly completed.

Expected completion date: March 31, 2015

FISCAL ADMINISTRATION

TRUST ACCOUNT ADMINISTRATION

Recommendation 2

We recommend that the campus:
a. Revise the state trust account application forms related to CE funds to state that the funds are specifically restricted to the support and development of self-supported instructional programs.

b. Review the state trust account application forms to ensure that all proper expenditure categories are listed prior to approval by campus management.

c. Require expenditures to be properly approved and based on signed MOUs.

d. Maintain evidence that shows that P-card transaction approvals were made by individuals listed on the state trust account application form.

Campus Response

We concur.

a. The “Expenditure Categories” section of the state trust account application forms related to CE funds will include a statement, “funds are specifically restricted to the support and development of self-support instructional programs.”

b. The campus will review the state trust account application forms to ensure that all proper expenditure categories are listed prior to approval by campus management.

c. The campus will re-emphasize training during the annual MOU submittal process requiring expenditures to be properly approved and based on signed MOUs.

d. The campus will maintain evidence of appropriate approval of P-card transactions by requesting data files from US Bank on a quarterly basis.

The recommendations will be implemented prior to January 31, 2015. Training as indicated above will be ongoing.

CAMPUS REVENUE SHARE TRUST ACCOUNTS

Recommendation 3

We recommend that the campus document the nexus between expenditures made from campus revenue-share trust accounts and the specific CE self-supported program functions that benefitted from the expenditures.

Campus Response

We concur. The campus will document the nexus between expenditures made from campus revenue-share trust accounts and the specific CE self-support program functions that benefitted from the expenditures.

Expected completion date: March 31, 2015
FEE ESTABLISHMENT

Recommendation 4

We recommend that the campus document compliance with CSU policies when establishing fees for self-supported degree programs.

Campus Response

We concur. The campus will develop a process to ensure complete record keeping of the request for presidential approval of the fee range for special session programs as well as summer self-support and Open University when establishing fees for self-support programs.

Expected completion date: March 31, 2015

REVENUE SHARE MODELS

Recommendation 5

We recommend that the campus document that the rates listed in the standardized revenue sharing model were considered for revision within two years of the most recent update.

Campus Response

We concur. The campus will refine the revenue sharing model review process to document whenever the revenue share rates are revisited including when the decision is made not to change the rates.

Expected completion date: March 31, 2015
February 3, 2015

MEMORANDUM

TO: Mr. Larry Mandel  
Vice Chancellor and Chief Audit Officer

FROM: Timothy P. White  
Chancellor

SUBJECT: Draft Final Report 14-57 on Continuing Education,  
California State University, Northridge

In response to your memorandum of February 3, 2015, I accept the response  
as submitted with the draft final report on Continuing Education, California State  
University, Northridge.

TPW/amd