CONTINUING EDUCATION

CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO

Audit Report 14-58
November 19, 2014

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ABBREVIATIONS

APP  Academic Program Planning
CE  Continuing Education
CEL College of Extended Learning
CERF Continuing Education Revenue Fund
CFO Chief Financial Officer
CO Chancellor’s Office
CSA California State Auditor
CSU California State University
EC Education Code
EE Extended Education
EO Executive Order
GC Government Code
ICSUAM Integrated California State University Administrative Manual
MOU Memorandum of Understanding
OAAS Office of Audit and Advisory Services
OU Open University
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, San Bernardino campus from August 11, 2014, through September 18, 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 September 18, 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]

The campus could not provide proof that it had properly notified the chancellor’s office when changes affecting degree programs offered in self-supported mode were implemented. In addition, the campus did not have a fully executed agreement with a vendor providing online non-credit courses. Also, the campus did not comply with conditions for enrollment of non-matriculated students in state-supported courses.

FISCAL ADMINISTRATION [10]

The campus did not document the nexus between expenditures made from campus revenue-share trust accounts and the specific continuing education self-supported program functions that benefitted from the expenditures. Also, the agreement governing Open University revenue sharing between the College of Extended Learning (CEL) and the provost’s office was not current. In addition, the campus did not fully comply with California State University policies when establishing fees for self-supported degree programs. Further, the campus did not adequately document and clearly articulate in the cost allocation plan and memorandum of understanding with CEL the benefit of offsets and exchanges in value to the university’s overall educational mission.
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 September 18, 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

DEGREE PROGRAMS IN SELF-SUPPORTED MODE

The campus could not provide proof that it had properly notified the chancellor’s office (CO) when changes affecting degree programs offered in self-supported mode were implemented.

We reviewed five degree programs offered through the College of Extended Learning (CEL) and noted that:

- The campus did not notify the CO in a timely manner when two existing state-supported degree programs were first offered in self-supported mode.

- The campus did not notify the CO when offering a new option to an existing degree major.

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 of Academic Affairs (at the CO) shall 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 should 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 should 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.

The dean of CEL stated that the CO was not notified in a timely manner due to administrative oversight.

Improper notification of changes that affect degrees offered in self-supported mode increases the risk that curricula will not meet California State University (CSU) and accreditation academic standards and exposes the campus and the system to academic reputation risk.
Recommendation 1

We recommend that the campus obtain and maintain evidence of proper notifications to the CO when changes to degree programs offered in self-supported mode are implemented.

Campus Response

We concur. The provost will provide a formal directive to the associate vice president for academic programs and the dean, CEL, advising them to notify the CO when changes to degree programs offered in self-supported mode are implemented, and to maintain evidence of such notification. The anticipated completion date is January 31, 2015.

VENDOR CONTRACT

The campus did not have a fully executed agreement with a vendor providing online non-credit courses.

Government Codes (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 CEL stated that the agreement was not renewed in a timely manner because of delays related to the change in the CEL administration.

Expired contracts and agreements expose the campus to potential liability issues and increase the risk that third party providers will not fulfill their obligations.

Recommendation 2

We recommend that the campus fully execute the agreement with the vendor providing online non-credit courses.

Campus Response

We concur. The agreement with the vendor providing online non-credit courses will be executed as evidence of implementation of the audit recommendation. To further control this process, the dean, CEL, will write a directive to CEL directors notifying them that they must ensure that agreements are current. The anticipated completion date is February 28, 2015.
ENROLLMENT OF NON-MATRICULATED STUDENTS IN STATE-SUPPORTED COURSES

The campus did not comply with conditions for enrollment of non-matriculated students in state-supported courses.

We reviewed the ratio of matriculated to non-matriculated students in courses over academic years 2011/12, 2012/13 and 2013/14, and we found 91 courses for which the percentage of non-matriculated students was greater than 50 percent. We selected 20 of these for further review, and we found:

- Five supervisory courses where enrollment was comprised of one non-matriculated student.
- Eight new courses developed to facilitate matriculation where 89 to 100 percent of the students were Open University (OU) students. The number of enrolled OU students ranged from ten to 40.
- Six grant-funded courses that were offered via state-funded, rather than self-supported, sections, although the enrollment was composed almost exclusively of non-matriculated students who enrolled via the OU option. The number of enrolled OU students ranged from one to five.

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, states that enrollment or potential enrollment of non-matriculated students in state-supported courses shall not be the basis for the addition of a course that would otherwise be canceled because of low enrollment of regularly matriculated students.

The dean of CEL stated that the faculty’s goal was to assist the students and that faculty does not always differentiate between matriculated and non-matriculated students when developing supervisory courses. She further stated that EO 805 does not state that the class must be cancelled if only non-matriculated students are registered for it. In addition, she stated that the campus misinterpreted EO 805 regarding the grant-funded and new programs.

Lack of compliance with conditions allowing non-matriculated students into state-supported courses exposes the campus to questions regarding whether state funding is being used properly.

Recommendation 3

We recommend that the campus comply with conditions for enrollment of non-matriculated students in state-supported courses.

Campus Response

We concur. CEL will develop written guidelines for deans and department chairs further explaining the requirements of EO 805 with regard to the enrollment of non-matriculated students in state-supported classes. Additionally, the dean, CEL, plans to develop a monitoring mechanism that will require staff to review all classes that have open-university students annually, and based on that
review, we will ensure that the campus complies with conditions for enrollment of non-matriculated students in state-supported classes. The anticipated completion date is April 30, 2015.

FISCAL ADMINISTRATION

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 made from various academic revenue-share trust accounts, and we found three for which the campus could not provide documentation to support the benefit to self-supported programs:

- $8,825.76 for classroom projectors for the College of Business and Public Administration
- $2,517.48 for Department of Nursing t-shirts
- $2,814 for a computer for the College of Natural Sciences

EC §89704 requires that revenues received from CE operations be deposited into the Continuing Education Reserve Fund and that proceeds 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.

The dean of CEL stated that all transactions were intended to be only for the support and development of self-supported instructional programs, but some were not documented as such because document-processing procedures did not yet include language justifying how the purchase benefitted self-supported programs.

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 education code requirements.

Recommendation 4

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 benefit from the expenditures.

Campus Response

We concur. Our action plan is to require that requisitions have language saying that the purchase will benefit the specific continuing education self-supported program. Additionally, we will send a memo
to deans and department chairs notifying them of our requirements for requisitions, and that they will need to state the benefits to CE self-supported programs. Lastly, we will implement a CEL internal monitoring mechanism for the CE self-supported programs to ensure that there is a nexus between expenditures made from campus revenue share trust accounts and the specific CE self-supported program functions that benefit from the expenditures. The anticipated completion date is April 30, 2015.

REVENUE-SHARING AGREEMENT

The agreement governing OU revenue sharing between CEL and the provost’s office was not current.

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 CEL stated that CEL overlooked the timing of the revenue-sharing agreement that was due to be renewed in June 2014. She further stated that a new agreement was signed on September 19, 2014.

Expired revenue sharing agreements expose the campus to misunderstandings regarding the rights of each party and increase the risk that CE revenues will not be used properly.

Recommendation 5

We recommend that the campus ensure that revenue-sharing agreements remain current.

Campus Response

We concur. The revenue sharing agreement between CEL and the provost’s office has been finalized. Additionally, a procedure to update the dean’s calendar, and thereby notify the dean of agreements coming due, will be implemented. The anticipated completion date is February 28, 2015.

FEE ESTABLISHMENT

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

Specifically, we noted that:

- The campus could not demonstrate that the chief financial officer (CFO) developed a statement of revenues and expenditures for consideration by the president prior to the establishment or adjustment of the program fees.
There was no evidence that the campus fee advisory committee was informed of the fees.

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 CFO 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 dean of CEL stated that a statement of revenues and expenditures for consideration by the president was not developed prior to the fee adjustments referenced because of a misunderstanding of the requirements of EO 1054. The dean further stated that the fee advisory committee was not informed of the referenced fee adjustments because it was the campus’ understanding that as long as the fees fell within the previously approved fee range, they would not need a separate approval.

Lack of 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 6**

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

**Campus Response**

We concur. The fees for self-supported degree programs have been approved by the president as of November 5, 2014. The fee approval process followed a new campus policy on fee approval and used a form developed by the campus accounting office to comply with EO 1054. Additionally, the dean, CEL, has convened with CEL staff and provided training on the topic of establishing fees for self-supported degree programs and has documented the training. The formal online posting of the updated policy on the campus fee approval process will be done in January 2015, and therefore the anticipated completion date for this objective is January 31, 2015.

**COST ALLOCATION PLAN**

The campus did not adequately document and clearly articulate in the cost allocation plan and memorandum of understanding (MOU) with CEL the benefit of offsets and exchanges in value to the university’s overall educational mission.

We noted that the campus cost allocation plan allowed for consideration of an exchange for value in lieu of chargebacks when computing cost allocation between campus departments and entities. However, the actual computations and subsequent offsets and charges to CEL for 2013 were not consistent with documentation provided in the plan. Specifically:
There was a significant difference between the CEL’s calculated value of services provided to the campus ($1.4 million) as offsets to the general fund costs and the actual cost of unreimbursed general fund services provided to CEL ($185,232).

The final calculation in the MOU with CEL included only charges for the services areas for which CEL was being charged, without reflecting the services provided by areas where charges were waived in lieu of an exchange of value, and why those areas were selected for the offset.

Integrated California State University Administrative Manual (ICSUAM) §3552.01 states that if a cost allocation/reimbursement plan incorporates exchanges of value in reimbursement calculations, they must be well documented and clearly articulate the benefit to the overall educational mission.

EO 1000, Delegation of Fiscal Authority and Responsibility, dated July 1, 2007, states that the president shall ensure that costs incurred by the CSU Operating Fund for services, products, and facilities provided to other CSU funds and to auxiliary organizations are properly and consistently recovered with cash and/or a documented exchange of value. Allowable direct costs incurred by the CSU Operating Fund shall be allocated and recovered based on actual costs incurred. Allowable and allocable indirect costs shall be allocated and recovered according to a cost allocation plan that utilizes a documented and consistent methodology including identification of indirect costs and a basis for allocation. The campus CFO, or designee, shall annually approve and implement the cost allocation plan.

The dean of CEL stated that the campus cost allocation plan and the MOU between CEL and the campus did not document the details of how the campus determined which services would be offset by CEL’s contributions because the campus was unaware of the ICSUAM requirement to document this information.

Incomplete documentation to support cost allocation methodology exposes the campus to scrutiny regarding its assurance that general fund costs are recovered.

**Recommendation 7**

We recommend that the campus document and clearly articulate in the cost allocation plan and MOUs with CEL the benefit of offsets and exchanges in value to the university’s overall educational mission.

**Campus Response**

We concur. After completion of the audit fieldwork, the campus finalized and issued its 2014/15 cost allocation plan (Executive Order 1000 Allocation of Costs to Auxiliary and Enterprise Funds). The cost allocation plan articulates the methodologies utilized in allocating and recovering costs. Our action plan will be to identify and present the relevant portions of the plan that show both the state services provided to CEL and the exchanges in value provided to the campus (as accepted by the CFO) that benefit the university’s overall educational mission. The anticipated completion date is January 31, 2015.
## APPENDIX A: PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Tomás Morales</td>
<td>President</td>
</tr>
<tr>
<td>Dayna Brown</td>
<td>Confidential Administrative Support, Office of the Vice President</td>
</tr>
<tr>
<td></td>
<td>for Administration and Finance</td>
</tr>
<tr>
<td>Anabel Escamilla</td>
<td>Senior Budget Analyst, Budget Office</td>
</tr>
<tr>
<td>Douglas Freer</td>
<td>Vice President, Administration and Finance</td>
</tr>
<tr>
<td>Larry Gaines</td>
<td>Chair, Criminal Justice Department</td>
</tr>
<tr>
<td>Deborah Grijalva</td>
<td>Business Graduate Coordinator</td>
</tr>
<tr>
<td>Vipin Gupta</td>
<td>Associate Dean, College of Business and Public Administration</td>
</tr>
<tr>
<td>Tatiana Karmanova</td>
<td>Dean, College of Extended Learning (CEL)</td>
</tr>
<tr>
<td>Miya Lewis</td>
<td>Financial Services Financial Analyst, CEL</td>
</tr>
<tr>
<td>Laurie Smith</td>
<td>Director, School of Social Work</td>
</tr>
<tr>
<td>Deirdre Thomas</td>
<td>Director, Professional and Continuing Education, CEL</td>
</tr>
<tr>
<td>Mike Zachary</td>
<td>Internal Auditor</td>
</tr>
</tbody>
</table>
MEMORANDUM

DATE: December 15, 2014

TO: Larry Mandel
University Auditor
The California State University

FROM: Douglas Freer, Vice President
for Administration and Finance

SUBJECT: Campus Response to Audit Recommendations
CSUSB Continuing Education Audit
Incomplete Draft - Audit Report No. 14-58

Enclosed is the campus’ formal response to audit recommendations 1 through 7 in the recent audit of CSUSB Continuing Education.

Please contact me with any questions you may have. Thank you.

c: Tomás Morales
Andy Bodman
Monir Ahmed
Tatiana Karmanova
Michael Zachary

Enclosure
CONTINUING EDUCATION

CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO

Audit Report 14-58

BUSINESS MODEL AND CURRICULUM

DEGREE PROGRAMS IN SELF-SUPPORTED MODE

Recommendation 1

We recommend that the campus obtain and maintain evidence of proper notifications to the CO when changes to degree programs offered in self-supported mode are implemented.

Campus Response

We concur. The provost will provide a formal directive to the associate vice president for Academic Programs and the Dean, CEL, advising them to notify the CO when changes to degree programs offered in self-supported mode are implemented, and to maintain evidence of such notification. The anticipated completion date is January 31, 2015.

VENDOR CONTRACT

Recommendation 2

We recommend that the campus fully execute the agreement with the vendor providing online non-credit courses.

Campus Response

We concur. The agreement with the vendor providing online non-credit courses will be executed as evidence of implementation of the audit recommendation. To further control this process, the Dean, CEL, will write a directive to CEL Directors notifying them that they must ensure that agreements are current. The anticipated completion date is February 28, 2015.

ENROLLMENT OF NON-MATRICULATED STUDENTS IN STATE-SUPPORTED COURSES

Recommendation 3

We recommend that the campus comply with conditions for enrollment of non-matriculated students in state-supported courses.
Campus Response

We concur. CEL will develop written guidelines for Deans and Department Chairs further explaining the requirements of EO 805 with regard to the enrollment of non-matriculated students in state-supported classes. Additionally, the Dean, CEL, plans to develop a monitoring mechanism that will require staff to review all classes that have open-university students annually, and based on that review we will ensure that the campus complies with conditions for enrollment of non-matriculated students in state-supported classes. The anticipated completion date is April 30, 2015.

FISCAL ADMINISTRATION

CAMPUSS Revenue SHARE Trust Accounts

Recommendation 4

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 benefit from the expenditures.

Campus Response

We concur. Our action plan is to require that requisitions have language saying that the purchase will benefit the specific continuing education self-supported program. Additionally, we will send a memo to deans and department chairs notifying them of our requirements for requisitions, and that they will need to state the benefits to continuing education self-supported programs. Lastly, we will implement a CEL internal monitoring mechanism for the continuing education self-supported programs to ensure that there is a nexus between expenditures made from campus revenue share trust accounts and the specific CE self-supported program functions that benefit from the expenditures. The anticipated completion date is April 30, 2015.

Revenue-Sharing Agreement

Recommendation 5

We recommend that the campus ensure that revenue-sharing agreements remain current.

Campus Response

We concur. The revenue sharing agreement between CEL and the provost’s office has been finalized. Additionally, a procedure to update the dean’s calendar, and thereby notify the dean of agreements coming due, will be implemented. The anticipated completion date is February 28, 2015.

FEE ESTABLISHMENT

Recommendation 6

We recommend that the campus comply with CSU policies when establishing fees for self-supported degree programs.
Campus Response

We concur. The fees for self-supported degree programs have been approved by the president as of November 5, 2014. The fee approval process followed a new campus policy on fee approval and used a form developed by the campus accounting office to comply with EO 1054. Additionally, the dean, CEL, has convened with CEL staff and provided training on the topic of establishing fees for self-supported degree programs and has documented the training. The formal online posting of the updated policy on the campus fee approval process will be done in January 2015, and therefore the anticipated completion date for this objective is January 31, 2015.

COST ALLOCATION PLAN

Recommendation 7

We recommend that the campus document and clearly articulate in the cost allocation plan and MOUs with CEL the benefit of offsets and exchanges in value to the university’s overall educational mission.

Campus Response

We concur. After completion of the audit fieldwork the campus finalized and issued its 2014/15 cost allocation plan (Executive Order 1000 Allocation of Costs to Auxiliary & Enterprise Funds). The cost allocation plan articulates the methodologies utilized in allocating and recovering costs. Our action plan will be to identify and present the relevant portions of the plan that show both the state services provided to CEL and the exchanges in value provided to the campus (as accepted by the CFO) that benefit the university’s overall educational mission. The anticipated completion date is January 31, 2015.
January 16, 2015

MEMORANDUM

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

FROM: Timothy P. White  
      Chancellor

SUBJECT: Draft Final Report 14-58 on Continuing Education, California State University, San Bernardino

In response to your memorandum of January 16, 2015, I accept the response as submitted with the draft final report on Continuing Education, California State University, San Bernardino.

TPW/amd