CONTINUING EDUCATION

SAN FRANCISCO STATE UNIVERSITY

Audit Report 14-61
March 6, 2015

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THE CALIFORNIA STATE UNIVERSITY
# CONTENTS

Executive Summary .......................................................................................................................... 1

Introduction ...................................................................................................................................... 3
  Background .................................................................................................................................... 3
  Purpose .......................................................................................................................................... 6
  Scope and Methodology ............................................................................................................... 7

## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

General Environment ..................................................................................................................... 8

Business Model and Curriculum .................................................................................................. 8
  Degree Programs in Self-Supported Mode .................................................................................. 8
  Certificate Programs in Self-Supported Mode ........................................................................... 10

Fiscal Administration .................................................................................................................... 11
  Campus Revenue Share Trust Accounts ................................................................................. 11
  Campus Partnership Agreements ............................................................................................. 13
  Fee Administration .................................................................................................................... 13
APPENDICES

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

ABBREVIATIONS

CBA  Collective Bargaining Agreement
CE   Continuing Education
CELIA College of Extended Learning and International Affairs
CERF Continuing Education Revenue Fund
CFA  California Faculty Association
CFO  Chief Financial Officer
CO   Office of the Chancellor
CRAC Curriculum and Review Committee
CSA  California State Auditor
CSU  California State University
EC   Education Code
EO   Executive Order
GC   Government Code
ICSUAM Integrated California State University Administrative Manual
MOU  Memorandum of Understanding
OAAS Office of Audit and Advisory Services
SFSU San Francisco State 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 San Francisco State University campus from October 27, 2014, through December 5, 2015, 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 December 5, 2015, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of concern include: general environment, business model and curriculum, faculty and hiring, 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.

GENERAL ENVIRONMENT [8]

The College of Extended Learning and International Affairs (CEILIA) had not implemented an operations manual that included policies and procedures addressing the development of contracts or partnership agreements.

BUSINESS MODEL AND CURRICULUM [8]

The campus did not always comply with requirements for the creation of new self-supported degree programs. Specifically, the campus could not always provide evidence that it had notified the chancellor’s office when degrees were first offered in self-supported mode, nor could it provide proof that one of its degree programs had obtained proper campus approval. Additionally, administration of certificate programs needed improvement. For example, CEILIA could not provide evidence that one certificate program received proper campus approval and did not have a properly executed memorandum of understanding with a third-party partner providing curriculum for two certificate programs.

FISCAL ADMINISTRATION [11]

The campus did not document the nexus between expenditures made from campus revenue-share trust accounts and the specific self-supported program functions that benefitted from the expenditures. Also, CEILIA did not properly document rationale for the revenue-sharing rates and the overhead-recovery rate it utilized in its partnership agreements with academic colleges and departments. In addition, the campus
did not fully document compliance with California State University policies when establishing fees for self-supported degree programs.
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 (EELTF).

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 December 5, 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

GENERAL ENVIRONMENT

The College of Extended Learning and International Affairs (CELIA) had not implemented an operations manual that included policies and procedures addressing the development of contracts or partnership agreements.

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. Further, 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.

State Administrative Manual §20050 states that the nonexistence of policy and procedural or operational manuals is a danger signal of a vulnerable control system.

The director of business development and chief financial officer (CFO) stated that a draft operations manual had been developed at the end of 2013, but it had not yet finalized and implemented.

Outdated or incomplete policies and procedures increases the risk of non-compliance with California State University (CSU) and governmental regulations and inappropriate use of funds and other assets.

Recommendation 1

We recommend that the campus implement an operations manual that includes policies and procedures addressing the development of contracts and partnership agreements in CELIA.

Campus Response

We concur. We implemented the operations manual as of March 5, 2015, including procedures for contracts and agreements.

BUSINESS MODEL AND CURRICULUM

DEGREE PROGRAMS IN SELF-SUPPORTED MODE

The campus did not always comply with requirements for the creation of new self-supported degree programs.

We noted that the campus could not provide evidence that:

- It had notified the chancellor’s office (CO) when degrees were first offered in self-supported mode for six of the seven degrees we reviewed.
Its master’s degree and credential in education had obtained proper campus approval.

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.

Academic Program Planning 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.

EO 602, Delegation of Authority – Authority to Approve Options, Concentrations, Special Emphases, and Minor in Designated Academic Subject Categories, dated July 15, 1993, states that prior to actual implementation of any option, concentration, special emphasis or minor approved under this delegation, the senior vice chancellor for academic affairs shall receive written notification, giving the exact title of the proposed option, concentration, special emphasis, or minor, together with a list of courses constituting the proposed option, concentration, special emphasis, or minor.

The campus’ academic senate policy Requirements for Baccalaureate Degrees, Majors, Concentrations, Minors, and Certificates, dated April 12, 2011, states that new major or concentration programs are subject to review and approval by the provost’s office, the curriculum and review committee (CRAC), the academic senate, and the president. It further states that significant, detailed information is required for review and approval of a proposed new major program.

San Francisco State University (SFSU) Faculty Guidelines for Preparing Proposals for CRAC, dated September 13, 2010, states that academic program requirements for degrees, minors, or certificates may be revised upon approval of the provost or the provost’s designee. In addition, it states that in most instances, the request must be acted upon through the academic senate review process (CRAC and then the full senate) before the provost will grant approval.

The provost and vice president of academic affairs stated her belief that the CO was notified when previously approved state-supported degree or credential programs were first offered in self-support mode; the dean of CELIA, however, was not able to locate the required documentation. The provost and vice president of academic affairs also indicated that the master’s degree and credential in education program were approved through the proper campus protocol, but specific documentation of the approval could not be located.

Non-compliance with the academic program approval processes increases the risk that curricula will not meet CSU and accreditation academic standards and exposes the campus and the system to academic reputation risk.
Recommendation 2

We recommend that the campus:

a. Maintain evidence of notification to the CO when degrees are first offered in self-supported mode.

b. Maintain evidence of campus approvals of degree programs.

Campus Response

We concur.

a. CELIA will develop a process and maintain evidence to ensure that the CO is notified when degrees are first offered in self-support mode.

b. CELIA will implement procedures and maintain documentation of all academic curriculum approvals for new programs and revisions.

Expected completion date: August 30, 2015

CERTIFICATE PROGRAMS IN SELF-SUPPORTED MODE

Administration of certificate programs needed improvement.

We reviewed seven certificate programs, and we found that:

- CELIA could not provide evidence that one certificate program received proper campus approval.
- CELIA did not have a properly executed memorandum of understanding (MOU) with a third-party partner providing curriculum for two of the certificate programs.

SFSU Academic Senate Policy Requirements for Baccalaureate Degrees, Majors, Concentrations, Minors, and Certificates, dated April 12, 2011, states that new certificate programs are subject to review and approval by the provost’s office, the CRAC, the academic senate, and the president.

Integrated California State University Administrative Manual (ICSUAM) §5233.00, dated April 20, 2004, states that contracts should be formed to insure the fair and reasonable allocation of risk and to assure satisfactory performance by the contractor. It also states that the requirements for successful contract performance should be clearly defined within the contract documents.

The dean of CELIA stated his belief that the college obtained proper approval for its certificate programs, but the documentation could not be located due to staff turnover and management oversight.
Non-compliance with the campus approval process for certificate programs increases the risk that certificate will not meet CSU and campus standards and exposes the campus and the system to academic reputation risk, and incomplete partner agreements increase the risk of non-compliance with agreed-upon terms.

**Recommendation 3**

We recommend that the campus:

a. Maintain evidence of proper campus approval for all certificate programs.

b. Properly execute MOUs with third-party partners.

**Campus Response**

We concur.

a. CELIA will develop a process to maintain evidence of proper channels of campus approvals for all certificate programs.

   Expected completion date: August 30, 2015

b. The operations manual was updated on March 5, 2015, to reflect our processes regarding MOUs.

**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 continuing education (CE) self-supported program functions that benefitted from the expenditures.

We reviewed 20 transactions totaling $102,565 made from various Continuing Education Revenue Funds (CERF) and academic partnerships funds, and we found 11 transactions totaling $27,033 for which the campus could not provide documentation to support the nexus to self-supported programs:

<table>
<thead>
<tr>
<th>College of Liberal and Creative Arts</th>
<th>College of Health and Social Sciences</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,310 for a trip to Kenya to administer a grant project</td>
<td>$2,315 for a flat-edge dual-surface table</td>
</tr>
<tr>
<td>$1,373 for a five-day trip to Los Angeles for research and development</td>
<td>$1,058 for attendance at a spring conference</td>
</tr>
<tr>
<td>$812 for student assistant wages</td>
<td>$1,121 for a Microsoft Surface Pro laptop with cover</td>
</tr>
<tr>
<td></td>
<td>$1,165 for statistical analysis software</td>
</tr>
</tbody>
</table>
- $10,374 for a Sharp 80-inch touchscreen monitor
- $1,800 for eEye Digital Security

College of Science and Engineering
- $3,932 for replacement parts to be used in chemistry labs
College of Business
- $773 for consumer behavioral research equipment

Education Code (EC) §89704 requires that revenues received from CE operations be deposited into CERF, 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.

*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 dean of CELIA stated his belief that self-supported program students are incorporated into nearly every area on the campus due to Open University and self-supported summer sessions, and therefore, although the different colleges have not documented specific ties to CE, self-supported program students still benefit from these transactions.

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 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. The campus will implement procedures to 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: August 30, 2015
**CAMPUS PARTNERSHIP AGREEMENTS**

CEILA did not properly document rationale for the revenue-sharing rates and the overhead-recovery rate it utilized in its partnership agreements with academic colleges and departments.

ICSUAM §3552.01 states that allowable and allocable indirect costs shall be recovered according to a cost allocation/reimbursement plan that utilizes a documented methodology for identification of indirect costs and a basis for allocation. It further states that detailed documentation that demonstrates the factors that were taken into consideration in determining cost recovery are to be included as part of the plan. In addition, it states that the allocation of indirect costs is to be based on a process that is consistent with the principles of this policy, practicable, and fact-based relative to the activity and the related costs.

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 director of business development and CFO stated his belief that due to management oversight, CEILA did not revisit the rates that were utilized in the past. Additionally, he stated that due to staff turnover, the campus could not locate any formal documentation containing the basis and rationale for these rates.

Lack of documentation about revenue sharing and recovery procedures could result in misunderstandings between academic departments and CEILA and could result in CEILA not being fully compensated for costs incurred in administering self-supported programs.

**Recommendation 5**

We recommend that the campus properly document rationale for the revenue-sharing rates and the overhead-recovery rate used in partnership agreements with academic colleges and departments.

**Campus Response**

We concur. CEILA will create a process to properly document the rationale for revenue-sharing rates and the overhead recovery rate.

Expected completion date: August 30, 2015

**FEE ADMINISTRATION**

The campus did not fully document compliance with CSU policies when establishing fees for self-supported degree programs.
We found that CELIA could not provide evidence that:

- The campus president had approved special session or self-supported fees.
- The campus CFO had developed a statement of revenues and expenditures that included a minimum of one year of actual costs and two years of projected revenue and expenditures for the fee-revenue-supported activity to be considered by the president prior to establishing or adjusting any fee.
- The president had notified the fee advisory committee of his decision to approve 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 director of business development and CFO stated that due to staff turnover and management oversight, CELIA staff were unaware of all the requirements under EO 1054 prior to 2013. He further stated that a change in fee establishment processes initiated in March 2013 has resulted in compliance since that date.

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 6**

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

**Campus Response**

We concur. CELIA will develop and implement procedures for the president’s approval of special session and self-supported fees and notification to the Student Fee Advisory Committee when implementing new fees. CELIA will develop and implement the required backup compliance statement of revenue and expenses by the campus CFO to be considered by the president prior to establishing or adjusting any fee.

Expected completion date: August 30, 2015
### APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td>Leslie E. Wong</td>
<td>President</td>
</tr>
<tr>
<td>Edwin Billiot</td>
<td>Director of Business Development and Chief Financial Officer, College of Extended Learning and International Affairs (CELIA)</td>
</tr>
<tr>
<td>Ron Cortez</td>
<td>Vice President and Chief Financial Officer, Administration and Finance</td>
</tr>
<tr>
<td>Elaine Feng</td>
<td>Administrative Analyst/Specialist, CELIA</td>
</tr>
<tr>
<td>Jose Galvan</td>
<td>Dean, CELIA</td>
</tr>
<tr>
<td>Angela Jones</td>
<td>Associate Dean, CELIA</td>
</tr>
<tr>
<td>Michael Martin</td>
<td>Interim Associate Vice President, Human Resources, Safety and Risk</td>
</tr>
<tr>
<td>Ryan Renato Mendoza</td>
<td>Internal Auditor</td>
</tr>
<tr>
<td>Claudia Nadalin</td>
<td>University Bursar</td>
</tr>
<tr>
<td>Gary Norton</td>
<td>Interim Director of Audit and Advisory Services</td>
</tr>
<tr>
<td>Jay Orendorff</td>
<td>Director, Administration and Finance</td>
</tr>
<tr>
<td>Sue Rosser</td>
<td>Provost and Vice President, Academic Affairs</td>
</tr>
<tr>
<td>Gloria Tseung</td>
<td>Associate Controller, Government Reporting</td>
</tr>
<tr>
<td>Corazon Wong</td>
<td>Director, Student Finance Operations/Business System</td>
</tr>
</tbody>
</table>
May 11, 2015

Larry Mandel
Vice Chancellor and Chief Audit Officer
The California State University
401 Golden Shore
Long Beach, California 90802-4275

Dear Larry:

We have reviewed the recommendations for Audit Report #14-61, Continuing Education, from your office, and are providing the revised responses to recommendations electronically as requested.

Questions regarding the responses should be directed to me at (415) 338-2521 or to Gary Norton, Interim Director, Audit and Advisory Services at (415) 405-4185.

Sincerely,

Ron S. Cortez
Vice President & CFO
Administration & Finance

RC/GN/id

Attachment

cc: Sue Rosser, Provide and Vice President of Academic Affairs
Jose Galvan, Associate Vice President/Dean, College of Extended Learning
Angela Jones, Associate Dean, College of Extended Learning and International Affairs
Maureen Pasag, Associate Vice President, Fiscal Affairs
Edwin Billiot, Director of Business Development & CFO, College of Extended Learning
Gary Norton, Interim Director, Audit and Advisory Services
Ryan Renato Mendoza, Internal Auditor, Audit & Advisory Services
GENERAL ENVIRONMENT

Recommendation 1

We recommend that the campus implement an operations manual that includes policies and procedures addressing the development of contracts and partnership agreements in CELIA.

Campus Response

We concur. We implemented the operations manual as of March 5, 2015, including procedures for contracts and agreements.

BUSINESS MODEL AND CURRICULUM

DEGREE PROGRAMS IN SELF-SUPPORTED MODE

Recommendation 2

We recommend that the campus:

a. Maintain evidence of notification to the CO when degrees are first offered in self-supported mode.

b. Maintain evidence of campus approvals of degree programs.

Campus Response

a. We concur. CELIA will develop a process and maintain evidence to ensure that the CO is notified when degrees are first offered in self-support mode.

b. We concur. CELIA will implement procedures and maintain documentation of all academic curriculum approvals for new programs and revisions.

Expected completion date: August 30, 2015
CERTIFICATE PROGRAMS IN SELF-SUPPORTED MODE

Recommendation 3

We recommend that the campus:

a. Maintain evidence of proper campus approval for all certificate programs.
b. Properly execute MOUs with third-party partners.

Campus Response

a. We concur. CELIA will develop a process to maintain evidence of proper channels of campus approvals for all certificate programs.

Expected completion date: August 30, 2015

b. We concur. The operations manual was updated on March 5, 2015, to reflect our processes regarding MOUs.

FISCAL ADMINISTRATION

CAMPUS 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. The campus will implement procedures to 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: August 30, 2015

CAMPUS PARTNERSHIP AGREEMENTS

Recommendation 5

We recommend that the campus properly document rationale for the revenue-sharing rates and the overhead-recovery rate used in partnership agreements with academic colleges and departments.

Campus Response

We concur. CELIA will create a process to properly document the rationale for revenue-sharing rates and the overhead recovery rate.
Expected completion date: August 30, 2015

FEE ADMINISTRATION

Recommendation 6

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

Campus Response

We concur. CELIA will develop and implement procedures for president’s approval of special session and self-supported fees and notification to the Student Fee Advisory Committee when implementing new fees. CELIA will develop and implement the required backup compliance statement of revenue and expenses by campus CFO to be considered by the president prior to establishing or adjusting any fee.

Expected completion date: August 30, 2015
May 20, 2015

MEMORANDUM

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

FROM: Timothy P. White
Chancellor

SUBJECT: Draft Final Report 14-61 on Continuing Education,
San Francisco State University

In response to your memorandum of May 20, 2015, I accept the response
as submitted with the draft final report on Continuing Education, San Francisco
State University.

TPW/amd